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Minnesota Journal

Inside This Issue

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Teacher salary raises bring program cuts

by John Kostouros

The latest round of teacher contract negotiations (for the years 1999-2000 and 2000-01) produced the largest compensation increases in a decade and appears to be producing widespread program cutting to pay for the raises. While the raises for individual teachers will vary considerably, on average the increased cost to districts will run about 10 percent outstate and 12 percent in the metro area over the two years.

Critics have characterized the settlements as irresponsible financial mismanagement by school boards, and a greedy money grab by teacher unions.

Defenders of the settlements say they simply reflect the imperatives of labor market conditions, including a shortage of teacher applicants in many subjects and rising wages in industry for people with college degrees.

The truth probably incorporates both positions. It's hard to argue, for instance, that a school board agreeing to pay raises far beyond its ability to pay without significant program cutting is responsible financial management. You're just not supposed to cut programs for kids to give the employees a big raise. (Other school costs like health insurance have also risen, contributing to the deficits. But salaries are more than 80 percent of the cost of running schools and teacher salaries are the bulk of that, averaging about two-thirds of the total.)

"The governor and legislative leaders have a hard time understanding how you can agree to pay more than you have coming in," Department of Children, Families and Learning (CFL) Commissioner Christine Jax told a Minnesota School Boards Association (MSBA) gathering last month.

The big deficits seem especially puzzling when contrasted with the $800 million two-year increase in state funding approved by the Legislature last year. (MSBA President Becky Montgomery of St. Paul says schools only really got half that money. The rest went for property-tax relief. But that's a whole other argument.) The Legislature could appropriate more money before it adjourns in April, but observers consider it highly unlikely during this session, which is not a budget session.

School board members defend the agreements two ways: They say the big raises were necessary to make up for years of flat wage growth and to attract and keep good teachers. And they plead that they were steamrollered by too-powerful teacher unions and by state laws that favor the unions at the bargaining table.

Board members complain that the pressures to settle for more than

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Counties eyeing electric deregulation

by Randy Johnson

Utility industry restructuring, electrical deregulation and competition are ending nearly a century of governmental control of the electrical utility industry as a regulated monopoly. Around the world and across the nation, we are moving to a free-market system where supply and demand will determine the price of power, governed for the most part by Adam Smith's invisible hand.

There has been less public discussion of the complex issues involved in Minnesota than most other states, probably because Minnesotans today pay among the lowest electric rates in the nation and there is less impetus for change. But it is inevitable that this will

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Workforce shortages differ by occupations

by Todd Graham

Workforce shortages have been discussed at length over the past few years. And with unemployment rates at a historically low ebb—1.9 percent in the Twin Cities area in 1999—shortage conditions remain an ongoing feature of the regional economy. Business community polls reveal that recruitment, retention and training are considered the most important issues facing Minnesota businesses. But the public and the media are still unclear on what parts of the job market are most impacted.

Clearly some industries have successfully publicized their needs—and successfully lobbied for targeted workforce development resources. (See "Fund three MnSCU 'Best in Class' printing centers" by Renee McGivern and Kel Johnson in the Jan. 25 issue of the *Minnesota Journal*.) The question is: Are these the industries with the greatest need?

A new study initiated by the Metro Workforce Investment Board and administered by the Minnesota Department of Economic Security

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Northstar Research Coalition: Priority for new economy

Viewpoint

by Lyle Wray

Since taking the helm at the University of Minnesota, President Mark Yudof has pursued a clear vision of key research priorities for the University, including digital science, cellular and molecular biology, multimedia and design. These fields are all at the cutting edge of academic inquiry and central areas of commercial innovation in the "new economy."

Clearly, President Yudof understands that the University's future as an institution of higher education is tightly bound with Minnesota's economic future. In the last few years, it has become even clearer that digital science and later bioengineering will fuel the economy for some time to come and that missing out on opportunities in these areas could threaten our present economic success.

In a 1998 report on the University, the Citizens League proposed a private-public partnership to support more aggressive investment in these emerging areas of research. Our proposed Northstar Research Coalition, the subject of a bill currently under consideration by the Legislature, would use startup money from the state to leverage private dollars in support of key research activities at the University.

The investment proposed through the Northstar Coalition would be a much-needed show of state support for the University's investment in emerging high-technology research areas. While the state currently does support some research at the University, most of the money does not flow to the high-tech priority areas outlined by President Yudof—the areas that are already the foundation of so much economic innovation around the world.

However, Northstar is not just another proposal to throw public money at a worthy objective. The critical feature of the Northstar Coalition is that it is based on a partnership between the state, the University, and the private sector to fund research. The federal government remains the largest source of research dollars. However, business and industry funding of research has been on the rise in recent years. State dollars delivered through the Northstar Coalition will act as "seed money" to private research funding to the University that might otherwise go elsewhere.

At the same time, this proposal is not about letting businesses take control of our University's research agenda in order to generate specific outcomes. Quite the opposite. Major corporations are already placing large amounts of money in higher education in order to promote specific commercial goals. The cover story in this month's *Atlantic Monthly* highlights a number of these projects and raises serious concerns about academic freedom and the independence of research universities entangled in such close relationships with individual companies.

In contrast, the Northstar Coalition would rely on a group of industry representatives to provide broad leadership and direction on research needs. This structure would give us a better shot at assuring that research is more responsive to emerging economic areas, but is not just being conducted under contract with some company to develop a specific product or process. This approach would fill that critical "pre-venture capital" gap in research and development—projects more advanced than the basic research funded by traditional sources like the federal government, but at stages still too early for private-sector interest.

Even though the Northstar Coalition may not bear fruit for many years into the future, there is an urgent need to move ahead now to "fill the pipeline" for future prosperity. Other states are already moving aggressively to make this investment. Last month, Wisconsin Governor Tommy Thompson proposed a $317 million dollar public-private partnership called BioStar to support Wisconsin's investment in the emerging areas of bioengineering. Georgia, Utah, Michigan, and others have similarly ambitious and well-funded ventures on the table or already underway. Unless we act, Minnesota will continue to trail other universities in supporting critical research areas. From a Minnesota perspective, when we are looking to Georgia and Utah for leadership, it means we have fallen way behind the curve.

There is urgency also in some early economic warning signs that we need to watch, despite our currently strong economy. In job growth in new companies, Minnesota ranks 34th of 50 states. NASDAQ growth in value in Minnesota was 10 percent, versus 32 percent for the region, over the past five years. While we are sitting pretty today, these and other harbingers of the future economy are not promising. The rapid consolidation in many of the mainstay businesses in the region may well continue and growing new businesses becomes crucial for our economic success.

We cannot afford to miss the boat in digital science technology, molecular and cellular biology, multimedia and design and expect to do well as an economy in the years ahead. Nor can the University afford to miss out on these research opportunities. The Northstar Research Coalition is an important investment in Minnesota's economic future and an important investment in the University as our state's intellectual and research center.

Lyle Wray is executive director of the Citizens League.

Job training, better education needed for strong city

Edited remarks from Minneapolis: A City That Works, *2000 State of the City Address, Mayor Sharon Sayles Belton on Feb. 10.*

Keeping Minneapolis strong

We must have a qualified workforce for the 21st century. Businesses are desperate to find qualified workers and thousands of citizens are in need of education and training to get and keep good jobs.

I am deeply troubled by the continuing disparity between our booming economy and the levels of poverty continuing to grip communities of color. Our city has the highest rate of poverty for people of color amongst the 25 most populous metropolitan areas in our country and, while unemployment in Minneapolis overall is at an all-time low, unemployment in communities of color hovers between 14 and 45 percent.

We will not keep Minneapolis strong if so many citizens keep falling further and further behind. The encouraging news is that our welfare reform efforts are moving in the right direction. Recently, the federal government recognized the State of Minnesota as the top performing state for welfare reform in two categories: getting people to work and retaining them and increasing household income.

However, many people in our community remaining on welfare face serious challenges. And we are fighting against time. The five-year welfare to work clock is ticking and expires for many in 2002. Last summer approximately 2,200 individuals in Minneapolis fell into this category.

Meeting the employment needs of our hardest to employ citizens must be a community-wide priority. There is no single solution and no one organization can solve this challenge alone. Our solutions must be comprehensive.

There are three things we must do:

- Address barriers to employment, such as transportation and child-care;
- Address skill deficiencies—from how to apply for a job to basic education;
- Provide job training in growth industries in need of qualified workers.

Too many of our children are floundering and failing. Poor children, children of color, and children who speak languages other

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Editors support Learning Profile, differ on moratorium

On Balance

Editors in newsrooms around the state have done their homework —perhaps their performance packages?—on the Profiles of Learning.

St. Paul Pioneer Press said (Feb. 23) while parts of the state's Profile of Learning need change, "an indefinite moratorium, such as that passed by the state House of Representatives last week, is a profile of timidity and trepidation, not courage." It said the House should give a two-year delay to allow districts to work out the challenges the "sweeping change" brings. **Star Tribune** said (Feb. 8) the Legislature should give the commissioner of Children, Families and Learning and the state's teacher union the two-year moratorium they seek "to adjust, and adjust to, the controversial Profile of Learning..." It said legislators "should affirm their intention to stay the course with the high level of academic performance the Profile requires of all Minnesota students."

Duluth News-Tribune said (Feb. 19) rather than killing the Profile of Learning, education officials at the state and local levels should "work to improve its shortcomings. The paper recommended against making the Profiles a local option. "We need a uniform state policy, not a patchwork of dis[tricts], some with, some without, turning out students whose learning is vastly different and whose standards are widely varied." **Red Wing Republican Eagle** said (Feb. 9) lawmakers should give clear direction that the Profile of Learning needs to be refined, perhaps by phasing in the standards. It said a two-year moratorium "for all practical purposes would sound a death knell for the Profile."

St. Cloud Times said (Feb. 13) state officials "seriously should consider St. Cloud school officials' proposal to take a more gradual approach in implementing the Profile of Learning." St. Cloud intends to ask for a waiver to implement the standards during a three-year period. The class of 2002 would have to meet 15, not 24 standards; 2003 graduates, 18; 2004 graduates, 21; and 2005 graduates would climb to the goal of 24. "St. Cloud's proposal is a good starting point because it does not ultimately lower standards, it simply builds in more time to raise them." **Republican Eagle** said (Feb. 24) a two-year moratorium on the Profile "would be the first nail in the coffin for the standards and would fit perfectly in Education Minnesota's agenda." It called for more leadership from the Ventura administration.

Star Tribune said (Feb. 14) the Department of Children, Families and Learning suggested a "sensible" compromise to concerns over the question asked on the recent 10th- grade writing test. Students who want to retest may do so with a different question. Students not bothered by the question may let their original test stand. **Duluth News-Tribune** said (Feb. 9) the flap over the 10th-grade writing test is "really about Minnesota's fledgling graduation requirements... Opponents will seek any excuse to impeach the new requirements. The 10th-grade writing tests have offered just such an excuse."

Pioneer Press said (Feb. 8) that no matter why 4,000 Minnesota seniors have not passed the basic skills test (1,700 are in special education and about 430 are still learning English), "the fact remains that the ability to do at least rudimentary reading and math are imperative skills in today's world. Successfully passing the test, combined with additional high standard expectations, lends new meaning and value to springtime graduation ceremonies statewide."

Rochester Post-Bulletin said (Feb. 12) it is convinced that "a single house would not serve the long-term interests of the people of Minnesota and that the unicameral proposal should be defeated." **St. Cloud Times** said (Feb. 9) the people should have a chance to vote on the unicameral issue. It said (Feb. 25) a floor vote in the House and Senate "would force every legislator to take a public stand on the issue and better frame the debate for voters." **Worthington Daily Globe** said (Feb. 9) "it's difficult to see how a unicameral system won't hurt rural Minnesota, especially if legislative districts are drawn up to favor the metro area. Having just one representative might simplify things in St. Paul, but it cuts communication with constituents and representation in the rural areas."

Mankato Free Press said (Feb. 24) the Mankato-based Center for Rural Policy and Development, created by the 1997 Legislature, is sure to make its mark on public policy debates around the state. It has produced reports documenting current and future teacher shortages in Minnesota, tackling the issue of per pupil funding formulas as they relate to rural schools and offering 18 recommendations that could shape the role of the state in telecommunications. **Free Press** suggested (Feb. 1) tying targeted farm relief to school funding reform to give the issue a better chance of being addressed. It said promoting property tax relief for farmers and everyone else "should be included in a larger effort to repair a broken school funding system." It said the solution is for the state to assume more funding responsibility for education from sources other than property taxes.

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Expand St. Paul's charter public schools

Edited remarks from The State of the City address, *St. Paul Mayor Norm Coleman, on Feb. 29.*

Investment in innovative, accountable education

The design of city government creates a separation between the authority of the city and the authority of the school board and superintendent. But that does not mean I as mayor and we as representatives of city government have no role. We have a deep responsibility to be passionate, tireless advocates for education resources and policies that create schools that meet the needs of every child.

One, we need to continue the expansion of Saint Paul's charter public schools. This has two benefits: We can create specifically targeted approaches to small student populations; and we can reduce some of the burdens on traditional schools.

We do not need to invest $70 million into massive new school buildings to meet the growing student population.

Saint Paul is committed to giving families a wide variety of educational choices and letting parents make the decision as to which education option is best for their kids. Charter public schools—partnerships with parents, teachers and the school district—make it possible to dramatically expand the number of choices.

I envision a day when Saint Paul becomes the best place for quality schools in the Twin Cities—a national Mecca for urban school success and the #1 city in America for charter public schools.

I envision a dynamic system of self-improving, autonomous and accountable public schools based on informed family choice, education entrepreneurship and healthy competition among schools. And we will measure our success in terms of educational achievement of all kids, not how much money we spend.

I believe we can, and we should, create 20 new high quality charter

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Strand: A 'best' health-care system for Minnesota

Editor's Note: At the Feb. 8 Citizens League Mind-Opener breakfast meeting, David Strand, president of Medica Health Plans, outlined what he thinks a "best" health-care system for the future would look like. The following is an edited transcript of his remarks.

First and foremost, a "best" system would put the consumer in the driver's seat of health care. Today, health plans think first and foremost about employers and about brokers. They are the people that buy health care. When you drive into a hospital parking lot, you know who the customer is. Who gets the best parking spaces? The doctors do, because the doctors put patients in the hospital. Today many physicians are still uncomfortable even thinking about the patient as a customer.

But if this health-care system is going to improve, it is going to have to put the consumer in the driver's seat. A consumer that, by the way, is armed with better information about the choices they have and also has some financial incentive to be a better consumer of care. Today's health-care industry is the only industry in the country where the purchasing decisions and the consumption decisions are separate. Today, you and I don't have to think very much about what our care costs. We've raised an entire generation that believes the price of prescription drugs is $8 per month.

Secondly, this best system would incent physicians to develop and follow demonstrated best practices. We need to have a system where the inappropriate variations in medical practice are eliminated to the maximum extent possible. Where physicians are incented to get better results for patients. That means better outcomes and a better patient experience, as efficiently as possible. That day is not yet here, but in a best system it would be.

Third, the best system would be one where we harness technology to work for us rather than against us. In particular, the Internet is a tool that will allow us to do some incredible things in our health-care system. We will see the return of the house call for the first time in 25 or 30 years. It'll happen electronically, but physicians will return to your home in the next five years. They are going to be able to interact with you and your family around the health care you need—monitoring conditions, returning test results, etc. This will be a major opportunity for us to reconnect patients and physicians. It will also allow us to connect physicians with physicians. Through telemedicine we'll be able to connect the best surgeons in the world with surgeons in small towns. This kind of innovation, this kind of technology, should enable better decision-making.

Fourth, our best system would reflect a better community consensus on how to allocate the limited dollars available to meet the growing demand for health care. This is a real problem for our community and perhaps the reason for much of the media attention and backlash against HMOs today. There is no consensus about how to spend these dollars and, moreover, there is really no consensus about who ought to be making the decisions. There is a widespread concern that somewhere somebody like me might make a bad decision for you or your family.

Underneath this is a dichotomy that we all feel. We can sit here this morning and have an intellectual discussion about how we ought to be better consumers of health care. But if we go home and there is a major illness in our family, those public policy thoughts tend to leave us. That dichotomy is also reflected in the Legislature. In one year, the Legislature passed caps on how much health plans could spend in this state, while at the same time passing major new taxes, surcharges and mandated benefits that put pressure on costs. That dichotomy, that sense of ambiguity, has got to be resolved by this community sooner or later.

Fifth, our best system would find a way to fund medical education and research. We have in this community a wonderful asset in the University of Minnesota Medical School. Yet today's medical school is threatened. Threatened by the fact that they don't have a long-term source of dedicated funding to support their research and education efforts. Why should we do this? Because research and education are the source of most of the quality innovations that we've experienced. Without a strong medical school we won't have good physicians in this community and that's the beginning of the end of our quality health-care system in Minnesota.

Sixth, a best system would ensure coverage for the uninsured. It is remarkable to see that at a time when we have the best economy we've ever known, 45 million people wake up every morning and have no way to pay for any health care they might need. We've got to find a way to bring those individuals into the health-care system and guarantee them a right to basic health-care benefits. It is also, by the way, one of those rare times when it is not only the right thing to do, but also the smart thing to do. If we begin to bring people into the insurance system, they will start to show up for the first time in the offices of primary caregivers rather than emergency rooms.

Next, our best system would truly be based on investments in prevention and health maintenance. This of course was the promise of HMOs—health maintenance organizations. Remember what that really stands for? It stands for the idea that if we invest early in prevention, we can improve health status and do it at a lower cost. But we have moved a long way away from the notion of prevention as an important concept in our health-care system. And as we think about it this time, I hope we'll think about it more broadly and begin to think about prevention and health improvement in regards to the whole person—physical health, as well as mental and spiritual well-being.

Lastly, our best system would attack many of the underlying causes of poor health in our community. We know that better health can be tied in many instances to nutrition, housing, educational status, income level and more. Our best system has got to move upstream, look at those underlying causes of poor health and go after them. For example, in this community we are waking up to the notion that health-care organizations ought to be involved in violence prevention to improve the health of the community. That concept of healing, which is the basic mission of most of our health-care organizations, should extend not just to the patients that walk into our clinics and hospitals but to the entire community.

Minneapolis

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than English continue to fail basic-skills tests at alarming and unacceptable rates.

Just yesterday, the *Star Tribune* reported that 40 percent of the district's American Indian seniors and 45 percent of Aftican American seniors have yet to pass the basic-skills test required for graduation. This is horrific! If these young people can't master basic reading and math skills and graduate, their path to successful adulthood is threatened.

We must find better ways to help all students achieve success. One of the best ways is to reach them when they are young.

Two years ago we began Everybody Reads, a partnership to match volunteers with students.

St. Paul

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public schools to open by the year 2002.

Two, referendum funding must follow students to the individual public school they attend. These funds must be used to support the programs and resources for these students.

Three, we need to establish a fair and comprehensive report card for all Saint Paul schools, to give parents information about how schools are performing, including test results, class sizes, attendance, discipline, graduation rates, money spent per student and comparisons with other schools and previous years.

Four, we need to create a report card on the quality of those who deliver education to our children.

Electricity

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become a major issue in this state ; as we look at breaking down and rebuilding the vertically integrated structure that currently dominates the industry. At the very least, it is likely that the basic functions will be unbundled and the same companies will no longer own and operate all levels of generation, transmission and distribution systems.

Some who oppose such a change in Minnesota say, "If it ain't broke, don't fix it." They argue that Minnesota has some of the lowest electrical rates in the nation and ending state and federal regulation of electrical utilities can only result in higher prices for Minnesotans. They say that electricity is relatively cheap in Minnesota because of the rate-setting and other authority of regulatory bodies, such as the Public Utilities Commission. They argue that if the system is deregulated and the price is flattened across the country, the price for Minnesota consumers and small businesses likely will increase.

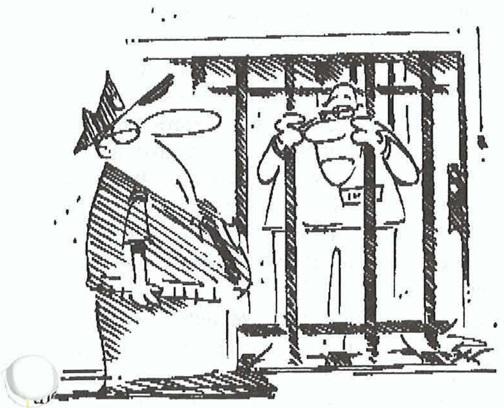
Proponents of deregulation counter that it has already taken place in countries ranging from Chile to Norway, that it is underway in over half the states and Minnesota cannot exist as a regulated island in an international and national free market.

Why are county governments concerned about this issue when it is ultimately up to state legislatures and Congress to enact the laws governing deregulation and for state and federal regulation agencies to interpret and enforce those laws? There are at least four important public policy implications for local units of government.

1. Counties as ratepayers. Hennepin County pays more than $9 million a year for electricity in our offices, hospitals, jail, libraries, courts and other buildings. A change in that price directly affects property taxpayers in Hennepin County. Although Hennepin is by far the largest local government in Minnesota, adding together the electricity bills of the other six metropolitan counties, plus the hundreds of other government jurisdictions in the metropolitan area, would probably come to a cost exceeding $40 million each year. (The bill for electricity for traffic lights on just the county roads in Hennepin County is over $700,000 per year!) Aggregate purchasing of electricity might substantially reduce the price we pay.

> *"Changing electrical rates can have a ripple effect throughout our community and could profoundly affect the lives of some of our citizens."*

2. Counties and environmental protection. Counties are subject to various legal requirements to clean our air, water and the general environment. If there are cleaner, more efficient ways to produce power, counties want to be involved in the effort. Also, counties will want to make sure that programs that encourage conservation and energy efficiency continue.



"...Sorry Bob, supper will be a little late tonight... can't get your cell door open 'til ECONOPOWER gets the juice flowing again!..."

3. Counties as customers. Counties must have absolutely reliable sources of electricity because county governments in Minnesota are responsible for jails and other secure facilities essential to public safety. Counties also deliver critical care and essential services for people in need. And, finally, the counties' traditional role as the record-keepers for births, deaths, marriages, property ownership, court records and literally millions of other important pieces of information we all need every day also requires reliability. Minnesota is a net importer of electricity. If a shortage of electricity due to increased demand elsewhere produces brownouts and reduces the reliability of electrical power, Minnesota counties and the services we provide will be seriously impaired.

4. Counties as taxing authorities. Power companies are among the largest real and personal property taxpayers in some Minnesota counties. If plants close in a deregulated system, it will have substantial impact on the property tax base in those counties—and thus on every one who pays property taxes there.

Utility restructuring in Minnesota will likely be a gradual process. Hennepin County has been working with the other six counties in the metro area, representing about 60 percent of our states' population, after all seven metropolitan counties passed resolutions indicating an interest in creating a task force to study these issues. Two commissioners from each of the seven counties were appointed to the Metropolitan Counties Energy Task Force, which began meeting in September. Restructuring and deregulation are new issues for most of us and task force members are still in the mode of raising questions, including the following:

- When and how is restructuring and deregulation of the electric industry likely to happen?
- What effects will it have on county government and our constituents?
- Does restructuring present new business opportunities?
- If we aggregate our electrical purchases with other public and private customers, can we buy electricity at a lower cost?
- Is it feasible to aggregate purchasing on behalf of individual consumers?
- If we create our own electricity (referred to as "distributed generation"), can we go off the main grid at times of high demand and negotiate a lower price because the county would be an interruptible customer?
- Who will be responsible for providing low-income consumers with assistance in a competitive market?
- What should we do if large customers with high electricity demands are able to negotiate very favorable pricing and residential and small business customers are left paying extraordinarily higher costs?

Changing electrical rates can have a ripple effect throughout our community and could profoundly affect the lives of some of our citizens. The issues are complex and studying them is a lot like peeling an onion—every time you think you are done, there seems to be one more thing to do!

The Metropolitan Counties Energy Task Force seeks to share with our colleagues in other units of government what we learn about how best to deal with the energy and deregulation revolution. We have invited representatives of various segments of the industry to present their perspectives. We will be looking at the experience of other local governments, such as the County and City of Philadelphia, which negotiated electric-rate discounts saving nearly $4 million per year. We will be relying on the expertise of Public Technology, Inc., the not-for-profit national research and commercialization association of counties and cities in Washington, D.C., which has reviewed these issues in depth.

We invite others to join us in studying these questions for the benefit of all Minnesotans.

Randy Johnson is chair of the Hennepin County Board of Commissioners and chair of the Metropolitan Counties Energy Task Force.

Workforce

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(MDES) seeks to clear up the confusion. The Metro Workforce Investment Board is an association of the metro area's seven local Workforce Councils. These local councils oversee workforce development and employment programs offered through Minnesota Workforce Centers, which are run as state-local partnerships.

During fourth quarter 1999, MDES surveyed a representative sample of firms in the Twin Cities area. From analysis of the survey, MDES estimates there are 44,300 job vacancies open for hire in the region—about 2.8 openings for every 100 jobs.

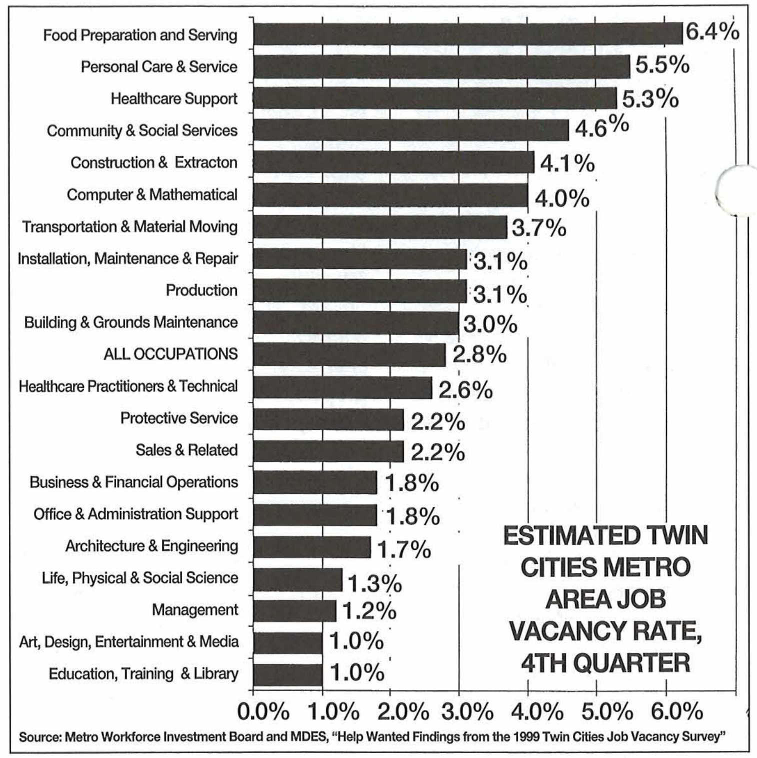
Overall, employers expect "great difficulty" filling 38 percent of openings and "some difficulty" filling 56 percent. However, researchers find that shortage conditions do not affect all parts of the market equally.

By sampling employers in all major industries, researchers were able to compare market demand across occupation groups. Community and social services and personal care positions are the most difficult and the most time-consuming to fill. High job vacancy rates (4.0 percent or higher) also affect food preparation and serving, healthcare support, construction and computer and mathematical occupations. Vacancies are most numerous (7,300 openings) in food preparation and serving occupations, though employers did not consider these positions very difficult to fill.

Service worker positions requiring low levels of education and training account for a disproportionate share of job openings. One explanation is that these positions are always open, with employers battling turnover on a continuous, rolling basis.

Only 28 percent of all openings require some level of postsecondary training or education. Among these, computer and mathematical occupations have the most openings, followed by healthcare support and healthcare practitioners and technicians. In these occupations, qualified workers are in high demand and positions are very difficult to fill.

At the same time, other parts of the market appear to be well supplied with qualified, interested workers. Low vacancy rates in science and social science, business and financial operations and office and administrative support occupations may be due to well-established workforce development pipelines. It appears that colleges and universities produce large pools of graduates prepared to enter these fields.



The Metro Workforce Investment Board and MDES will repeat the survey in second quarter 2000. In a few weeks, over 4,000 randomly selected employers in the Twin Cities area will receive questionnaires asking what types of workers are needed, how many are needed, and how difficult vacancies are to fill.

Todd Graham is a regional analyst for the Twin Cities, Minnesota Department of Economic Security Research and Planning Branch. The complete findings of the fourth quarter 1999 Twin Cities job vacancy study are available online at www.MNWFC.org/lmi/.

Schools

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districts can afford given current funding are too great to resist, and that no amount of threats or scolding from the governor or legislators is going to change that.

They say a state requirement that penalizes districts $25 per pupil unit if they do not report a settlement by January 31 favors teacher unions. "If we let that deadline pass because we don't want to be pressured into a settlement we can't afford, we get hammered in the community for losing that money," one board member said in a sentiment echoed by many others. "We get accused of mismanaging the bargaining process."

Pressure to compete for teachers with surrounding districts may be the strongest incentive to settle high. A shortage of math and science teachers is another. When asked why they don't simply pay more for science and math teachers, board members say teacher unions strongly oppose such strategies and fight for paying all teachers solely on the basis of seniority and attainment of college credits and degrees, known as the "steps and lanes" system.

"We tried to do something about this because now we don't have a way of creating incentives," says Orono board member and former state school boards president Peg Swanson in a typical comment. "We met 23 times in contract negotiations. The union stonewalled on that issue through every session. We could not get them to even discuss it."

It's also clear that most school board members do not consider taking a strike as a way to hold down settlements a viable option. A common view seems to be that a divisive strike would be counterproductive, no matter what the outcome, poisoning working relationships for years and interfering with attempts to raise student achievement.

The debate as it has played out has obscured some subtle, but important, issues of school finance. Observers would do well to ask, for instance, not just how much of a raise teachers are getting, or whether it is justified, but how those raises are being distributed.

A recent study by the Legislative Auditor, *School District Finances*, found that the average starting salary for teachers is actually lower than it was 10 years ago when adjusted for inflation, dropping from $27,334 to $25,793. Meanwhile, senior teachers have seen their earnings rise substantially and administrator salaries increased an average of three percent.

The report highlights a drop in the "average teacher salary" from 1989 to 1998. While it is true that the inflation-adjusted salary of the average teacher is lower today than it was 10 years ago, that statistic is best viewed as a reflection of the dropping experience level of teachers.

Since the teacher corps is much younger today than it was 10 years ago, due to retirements and the hiring of many new teachers to accommodate increased enrollment and to lower class sizes, the average salary has dropped. However, teachers who stayed in the system during the 10 years saw their salaries increase faster than inflation.

That's because under current practice, teacher compensation is tied to seniority. (The other main variable is college credits. The more credits you earn, the more you get paid.) The Legislative Auditor noted that

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Schools

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when you factor in automatic raises for seniority and training, people who had been teaching over the past 10 years actually saw their pay rise faster than inflation. It is only starting salaries that have lost ground.

The Auditor offers the example of someone with a bachelor's degree who began teaching in 1989, earning $27,334. By 1999 that teacher would be in step 11 of a typical salary schedule and earning $33,469, a 22 percent increase, *after* adjusting for inflation. If that teacher had earned a master's degree during that time he or she would be making $41,686, a 53 percent inflation-adjusted increase.

What type of organization would cut its starting pay at a time when good recruits are hard to find? One that allows the teacher union bargaining team, which is usually made up of senior teachers, to have the most influence in deciding who gets what salaries and what raises, that's who. Which, it turns out, seems to be pretty much every school district in Minnesota.

Many board members told me that school board negotiators tend to concentrate on the total cost of the contract. Meanwhile, the union tends to dominate the discussion about how the raises are distributed across the salary scale. Can you imagine a private company leaving it up to its union bargaining committee to decide how much to pay for each position, without regard for company hiring or skill needs?

That sort of *laissez-faire* bargaining posture seems to permeate school boards. When asked this fall if school boards were using the new state money as a carrot to gain concessions that might improve productivity or school effectiveness, a state school board official who tracks contract negotiations seemed at a loss for words. They don't tend to think that way, he said. And no, he hadn't heard of any boards taking that approach.

The latest round of contract negotiations may prove most beneficial for helping to educate the public about how school finance is being done in Minnesota.

It has taught us, for instance, that most school board members do not see taking a strike as a viable bargaining position. And that teacher union negotiators can be expected to do what their members tell them to do, which is to bargain for the best compensation packages they can get and to bolster wages for senior members first, since they tend to be the most influential in union politics. If a big pay increase results in big program cutbacks, then it's up to the school board to decide what to cut and to take the public wrath that cuts always produce.

We've learned that Minnesota teacher unions are strongly committed to the current salary structure, which favors senior teachers over younger ones.

And we've learned that legislative leaders are currently at a loss about what to do about all this. Clearly the most recent strategy, which was to approve a big funding increase, then warn school boards not to spend it all on big raises, didn't work.

While proposals for big changes in school finance are scarce at the Capitol, frustration is high. Many legislators feel they've been had by the school boards and the unions, who argued to keep most of the funding increase in the general formula, rather than designate it for special programs. The consensus seems to be: They argued for more local control; we gave it to them and look what happened. They spent it all on salary increases.

The Ventura Administration says it's developing a plan to address this and other issues. But the effort remains unformed, and won't be fully developed until next summer, at the earliest.

MSBA leaders say they'll push for more money to help cover the deficits in the next legislative session, but that political resistance prevents such a push in this session.

Education Minnesota, the state teachers union, says it has a task force coming up with some ideas that it will present at its March convention.

Meanwhile, two questions that rarely get asked in Minnesota are likely to get asked more often in the next year. First, how does *how* we spend what we spend on schools contribute to the result we get in student achievement, a result most believe is insufficient? And second, how might we get better results if we spent that money *differently*?

John Kostouros, an educational consultant, spent the past six months closely observing the teacher contract negotiation process for the Center for Policy Studies' K-12 School Finance Information Project.

Teacher cooperative takes different approach

by Ted Kolderie

The decisions on compensation don't have to be as difficult as they are now in the district sector of public education. They aren't, in fact, in one intriguing area of the charter sector.

One evening last November the district officials from LeSueur-Henderson District #2397 sat down for their annual discussion with people at their charter high school, the New Country School at Henderson. It was the district superintendent, Harold Larson; the district board chair, Virginia Miller; two sitting board members and two new board members just elected.

On the "school" side of the table, in the center of the activity area in the school's new $1.2 million facility, were the chair of the board of New Country, Bryan Swenson, and teachers in the school. The school is a nonprofit corporation. The teachers are members of the EdVisions cooperative, which has a contract with the board of New Country to run its learning program.

The district was then in difficult negotiations. At New Country the decision was over. Teachers (some, not all) got an increase. And the school had a modest surplus for the year.

Puzzled, the two new district board members asked Swenson about this. He answered that his board does not decide compensation. Compensation is an internal matter for the teacher professional group.

The new board members tried to understand this. They tried to understand why teachers here would take a different attitude about compensation and why the school would end up in the black for the year without cutting program.

One teacher answered, "How could we tell the kids they were not going to have an upgrade in their software next year because we wanted to take out more in salary for ourselves?"

Two days later, the House K12 Finance Committee listened to superintendents and out-of-town experts bewail again the problems of the present compensation system. The contrast—between the outcome of the process in the districts and the outcome in New Country—could not have been sharper.

In the districts teachers are employees in a corporate model. In negotiations the interests of the teachers and the interests of the kids conflict; management and union each argues its own interest.

At Henderson the teachers are owners in a professional partnership. A single group, the teachers, has to reconcile both interests. If the cooperative held teachers' compensation too low, it would lose teachers and the school would fail. If it raised compensation too high and cut program, it would lose students and the school would fail.

So there is integrity, a sense of responsibility that is missing in the process in the district sector.

What would the legislators have thought if they had heard that teacher say: "How could we tell the kids they were not going to get a software upgrade next year because we decided to take out more in salary for ourselves?"

Ted Kolderie is contributing editor of the Minnesota Journal.

Nebraska court tightens nonprofit property exemptions

Take Note

"Every man holds his property subject to the general right of the community to regulate its use to whatever degree the public welfare may require it."—T. Roosevelt

The Nebraska Supreme Court recently ruled that unless a nonprofit organization is using its property "exclusively" for educational, religious or charitable purposes, it does not qualify for exemption from property taxes *(Pittman V. Sarpu County Board of Equalization).* "Exclusivity" is determined by reviewing the primary or dominant use of the property.

Thus, affordable housing for low-income families did not qualify for an exemption, even though the complex is sponsored by the Sisters of Mercy, who provide on-site management, tutoring, computer classes and homeownership seminars for residents. In Minnesota, affordable housing communities are not exempt from property taxes; they pay homestead rates much lower than those paid by other rental housing.

Many other nonprofits are exempt and, thus, are at risk if the Nebraska court's logic spreads. Would the Guthrie board build if a Minnesota court decided that Guthrie plays are more entertaining than educational? How about all those hospital boards—what if their property-tax exemptions were based on the amount of charity care provided? Then again, maybe the courts won't have to decide. Perhaps Gov. Jesse Ventura's promised property-tax system reform next year will propose tightening exemptions. *—Marina Munoz Lyon.*

The number of adults signing up for adult ed classes has doubled since 1991. More than 90 million Americans, or 46 percent of all adults, have enrolled in some kind of class. Minneapolis has the highest percentage of residents taking classes, with 19.4 percent, followed closely by Milwaukee at 19 percent. Albany, New York, leads the lower end at 10.3 percent.*—Phil Jenni.*

It's hard for legislators to resist tampering with the quarter-century-old metropolitan fiscal disparities program. The program, which shares part of the growth in commercial-industrial tax base among metro-area communities, survived court challenges in its infancy and has fought off legislative efforts over the years to make substantive changes.

This year legislators have introduced two fiscal disparities bills, neither of which had been scheduled for a committee hearing nor had a companion Senate bill at press time. The more drastic of the two, H.F. 2770, would eliminate the program. Its chief author is Rep. Tim Wilkin (R-Eagan) and its coauthors are four other suburban Republican legislators.

Rep. Myron Orfield (DFL-Minneapolis) is author of the other bill, H.F. 3093, which would expand the fiscal disparities program's geographical reach. His proposal would add the counties of Chisago, Isanti, Sherburne and Wright to the seven metro counties now included in the program.

Margaret Amundson, committee administrator of the Property Tax Division of the House Tax Committee said it's not anticipated that either bill will get a hearing this session, which is scheduled to adjourn around April 20. "We're running really short on time and we've had no request for a hearing on either bill," she said. She pointed out, though, that the Tax Committee, unlike other committees, will hear bills right up to the end of the session.*—Dana Schroeder.*

The recent *St. Paul Pioneer Press* series reminds Minnesota to be grateful for its immigrants. People willing to pull up stakes and travel halfway around the world to find a better life are probably people worth having.

In Europe the political left is agonizing how far to change its society toward the American model, toward our combination of greater opportunity and less security. One of those involved, reflecting the apprehension in Europe about moving away from their policy of greater security and less opportunity, said an astonishing thing to a correspondent for *The Economist* recently: "We're more cautious here. We're the Americans who didn't take the boat."*—Ted Kolderie.*

A recent issue of *Public Management* magazine highlights an innovative road construction project from Clark County, Nevada (home of Las Vegas).

The project involved the resurfacing of a major north-south artery on the east side of Las Vegas. The usual routine would have involved closing down small portions of the parkway and working in half-mile segments, with significant disruptions to the community. Instead, after consulting with businesses and residents along the route, the project's managers decided to hold a two-day Pave-a-thon, complete with souvenir tee-shirts, free refreshments, a party tent staffed round-the-clock by county employees and a victory celebration, all donated by local businesses.

In addition to the free publicity for the county, the project successfully reduced an estimated 3,513 hours of delays to just 107 hours.

It was a good demonstration of effective community relations in an area of public works that is rarely without controversy.*—Dave Chadwick.*

An interesting table in the Legislative Auditor's *School District Finances* report (Feb. 2000) shows changes in enrollment in various educational alternatives between 1989 and 1999. While total enrollment in the state grew by 18 percent to 964,957, enrollment in area learning centers grew by 714 percent to 11,453; open enrollment grew by 6,743 percent to 23,951; charter school enrollment grew from 0 to 4,918; home schooling grew by 370 percent to 13,638; Postsecondary Enrollment Options grew by 20 percent to 7,100; and private school enrollment grew by seven percent to 87,764.*—D.S.*

According to statistics from the Minnesota Department of Tourism, four of the top nine tourist attractions in the state in 1998 are regional parks. The Mall of America, of course, leads the state's attractions with a staggering 43 million annual visitors. Second was the Minneapolis Chain of Lakes Regional Park with 5.5 million visitors; fifth, the Mississippi Gorge Regional Park, nearly 3 million; sixth, Minnehaha Parkway Regional Trail, 2.7 million; and ninth, Como Regional Park, Zoo and Conservatory, 2.1 million.

Other notable attractions: The Metrodome is seventh, with 2.5 million visits; the State Fair, 11th, with 1.7 million; the Science Museum was 16th, with a little over a million; Minnesota History Center, 34th, at about a half million.

Of the 54 Minnesota attractions with more than 250,000 annual visits, 23 are regional parks, which account for 25 percent of the total visits. Maybe our regional parks are the true Great Minnesota Get Together.*—P.J.*

"Take Note" contributors include Citizens League and Minnesota Journal *staff members and Marina Munoz Lyon, vice president of the Pohlad Family Foundation.*

Minnesota Journal
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Minneapolis, MN 55415

PERIODICALS
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Citizens League Matters

March 14, 2000

News for Citizens League Members

Welcome

New and returning members

Steven Anderson
Nicholas Brezonik
Steven L. Clift
David Strand

CITIZENS LEAGUE

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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 612-338-0791 for more information about membership.

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Mind-Opener series spring into high gear

Caring for the Car-less

The League's next Mind-Opener series will look at the challenges facing residents of the Twin Cities who lack their own means of transportation.

The vast majority of Twin Cities residents own cars, and attention is usually focused on moving them efficiently on occasionally crowded freeways. And most transportation policy debates focus on alleviating congestion by getting commuters to use transit or by building more freeways to accommodate more drivers.

However, there are some residents of our region who, due to economic or physical circumstances, are not among the car-owning majority. Congested freeways or long ramp meter waits are not their biggest concern, and controversies over carpool lanes miss their needs entirely.

Without the reliable transportation that many of us take for granted, these members of our community face very real challenges to getting around for work, education, shopping, and health care.

The next Mind Opener series will look at some of these challenges and consider strategies for meeting the needs of those without cars.

Clarence Shallbetter from the Metropolitan Council, will begin the series on March 21 by describing his research on the mismatch between jobs and transit in the Twin Cities, On March 28, **Byron Laher** and **Ken Wilcox** from United Way of Minneapolis will present their findings on the transportation needs of their clients. At our last session on April 4, **Richard Graham**, from DARTS will describe the challenges in Dakota County.

Protecting Our Parks

The final Mind-Opener series of the year will lead us into summer with a look at the state of parks and open space in the Twin Cities.

Minnesotans have a near reverence for the outdoors. There are more golf courses and boats per capita in Minnesota than any state in the country. And the metropolitan regional parks account for nearly half of all non-Mall of America visits to Minnesota tourist attractions. Preserving and protecting public parks has been a key ingredient in this region's historic reputation as a good place to live.

As we enter the 21st century, the quality of our parks will continue to be a key factor in our fast-growing region's quality of life. And, in an increasingly mobile economy, green space and clean lakes are an important factor in attracting workers and businesses to our region.

What sort of land protection challenges and opportunities can our expanding region expect in the years ahead? What should our vision be for preserving parks and open space in the Twin Cities and in growing regions outside the metropolitan area.

Speakers in the series will include **Dave Engstrom**, the Chair of the Metropolitan Parks and Open Space Commission; **Al Singer**, from the Department of Natural Resources Metro Greenways program; **Nelson French**, Friends of the Minnesota Valley; and Representative **Dennis Ozment** (R-Rosemount), Chair of the House Environment and Natural Resources Committee.

Minnesota Journal gets a new look

Beginning next month the *Minnesota Journal* is getting a face-lift! This will be the first design change in the *Journal* since 1988 and only the second change since Steve Alnes started the *Journal* in 1983. Thanks to freelance designer Bettina Dehnhard, the *Journal* will have a fresh appearance and an exciting new monthly color palette.

MIND-OPENER POLICY FORUMS

Caring for the Car-less

Tuesday, March 21
CLARENCE SHALLBETTER
Metropolitan Council

Tuesday, March 28
BYRON LAHER AND KEN WILCOX
United Way of Minneapolis

Tuesday, April 4
RICHARD GRAHAM
Executive Director, DARTS

Preserving and Protecting our Parks

Tuesday, April 18
DAVE ENGSTROM
Chair, Metropolitan Parks and Open Space Commission

Tuesday, April 25
AL SINGER
DNR Metro Greenway Program

Tuesday, May 2
NELSON FRENCH
Executive Director, Friends of the Minnesota Valley

Tuesday, May 9
REP. DENNIS OZMENT (R-Rosemount)
Chair, House Environment and Natural Resources Policy Cmte.

Both Mind-Opener series will be at the University Club of St. Paul, 420 Summit Avenue from 7:30 to 8:30 a.m. Cost for Mind-Opener meetings is $10 for League members and $15 for non-members. For more information, please call 612-338-0791. Audio tapes of Mind-Opener meetings are also available at a cost of $8.

Major funding for Mind-Opener meetings is provided by the Target Foundation on behalf of Dayton's, Mervyn's California and Target stores.

Congratulations to LaRhae Knatterud! She will be awarded the Dutch Kastenbaum Award by the Minnesota Gerontological Society for outstanding service to the field of gerontology. LaRhae was instrumental in the League's series of programs called a New Wrinkle on Aging and the subsequent study, Baby Steps to 2030, done under contract with the Minnesota Department of Human Services.

From the League archives

The League's final regular Mind-Opener series of the spring will focus on parks and open space, an issue in which the League has a long history of involvement. First surfaced in the 1930s by Theodore Wirth, superintendent of Minneapolis parks, the idea of a regional park system was waylaid by the Depression and then World War II.

The idea was renewed in the early 50s and was given a lift by the work of a Citizens League study committee, chaired by Minneapolis businessman Lloyd Hale (the father of recent League committee chair Roger Hale). But the League's 1955 Legislative proposal for a regional park district encountered heavy resistance. The bill eventually passed but the "regional" system didn't include Minneapolis and Ramsey County. Hennepin County decided to move ahead anyway and the Hennepin County Park Reserve District soon began buying up land for its park system.

Some years later the Legislature created the Metropolitan Park Reserve Board, chaired by St. Paul attorney Sam Morgan. It was declared illegal by the state Supreme Court, but Morgan's group continued to press for purchasing land for parks before the land was lost to development. Jurisdictional and administrative issues continued to trouble efforts to create a regional system. But a compromise, worked out by future Senator Dave Durenberger, finally resulted in the creation of the Metropolitan Regional Parks System in 1974.

Upcoming events

Citizens League **Networks**

Mark Yudof
Thursday, March 16
4:30 - 6:00
Humphrey Institute

John Wodele
Monday, May 22
4:30 - 6:00
Location TBA

Minnesota Meeting

Samuel Casey Carter will talk about "lessons from high-performing, high-poverty schools" on Wednesday, March 22 at noon. For more information please call 612-617-1117.

Our web favorites

In our daily work, the League staff comes across many policy web sites. Here are a couple of our favorites.

www.stateline.org - Operated by the Pew Center for the States, this site provides nonpartisan news and information on state-level public policy issues. In addition to their own special reports and articles, the site includes daily links to lead stories from local newspapers around the nation.

www.rand.org - RAND is best known for their work on national security policy. Since the Cold War ended, this California-based think tank has devoted more of their energy to domestic issues, including education, health, welfare, and technology policy. Their reports are well-researched, nonpartisan, and usually compelling.