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Financial woes decline as reason for farm sales

by Stephen Alnes

In 1987, 60 percent of sales of Minnesota farmland were attributed to "financial difficulty" and 26 percent to death or retirement of the sellers. In 1990, just 15 percent of sales were attributed to "financial difficulty" while the percent attributed to death or retirement was 49.

The turnaround numbers come from the survey of farmland values and sales conducted under the direction of Philip M. Raup, professor emeritus in the University of Minnesota Department of Agricultural and Applied Economics, and reported in the March issue of *Minnesota Agricultural Economist* in an article by Raup and research assistant Kelly Wesemann.

The figures are one—probably too simple—measure of the changing economics of Minnesota agriculture from the disastrous early 1980s to the more typical conditions of the last few years. Between 1981 and 1987, Raup and Wesemann write, "financial difficulty was the primary reason for farm land sales. Since 1987, death and retirement (sales) have steadily increased from 26 percent in 1987 to 37 percent in 1988, 44 percent in 1989 and 49 percent in 1990."

(Ten percent of sales in 1990 were to "reduce size" of the operation; 6 percent were because the seller "left farming;" 20 percent were due to death, 29 percent due to retirement and 20 percent were for "other" reasons.)

In an interview following a lecture to his last class of winter quarter, Raup retraced the economic route to the hard times of the 1980s, offered the opinion that this might not be a bad time for a young cou-

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State said doing well despite 'scare' tactics

by Wayne Cox

Every year or so a book predicting economic Armageddon hits the shelves and shoots up the bestseller lists. The predicted disasters never happen. That doesn't matter. A good scare sells.

This year, you don't have to buy the book. You can get your shock daily right on your front doorstep. Just pick up the editorial page of the *Star Tribune* or read the latest quote from Minnesota's governor. Gov. Arne Carlson and the *Star Tribune* editorial page have become the frightmeisters of Minnesota politics.

How scary is it out there? The *Star Tribune* (where most editorials dealing with Minnesota taxes and spending are said to be written by Jim Boyd, associate editorial page editor) says if we add a little income tax to the state budget brew, Minnesota faces "disaster," "overload," a "devastating...crash."

But wait. The governor thinks we've hit bottom already—the worst shape since the 1930s, he says. A once-proud state now crushed by the colossus of the east—Wisconsin.

Have the doomsday duo got you checking a move to Milwaukee? Before you go, you might want to read Minnesota's *1991 Economic Report to the Governor*. It turns out that during the 10-year period covering most of the 1980s, Minnesota increased its manufacturing jobs by 42,000, while Wisconsin's manufacturing jobs declined by 22,000. Minnesota beat Wisconsin in the other categories of job growth, not quite as dramatically, but significantly.

How did Minnesota fare against South Dakota and North Dakota—two states that follow a low-

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SCOPE's tax proposal held not based on fact

by Philip G. Klein

Minnesota, like many other states, is searching for solutions to the solid waste crisis. The capacity for acceptable disposal of solid waste is dwindling in the United States.

The Environmental Protection Agency expects nearly half of all landfills to close this year. Of the 20,000 landfills operating in 1979, more than 13,000 had closed by 1986. In 1991, that number will likely drop to 3,500 landfills.

The average American generates approximately four pounds of garbage per day, which means the country's annual amount of solid waste is approximately 180 million tons. The amount of such waste is expected to reach more than 200 million tons annually by the year 2000.

The lack of a long-term strategy to manage the disposal capacity problem in the U.S., as well as the slow development of viable

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Chance for fair, efficient fiscal system eroding

Free Estimate

by Curtis W. Johnson

In two months the Legislature will adjourn. And if the politics of the property tax issue don't change radically, the best chance for making our fiscal system efficient as well as fair will be gone for another four years.

It is nearly gone already.

The governor's proposal—at the concept stage—forced into play the ideas the leaders of both parties seem to agree upon when the microphones are put away: more accountability for raising and spending dollars at the local level; less disparity in property-tax rates across different types of property; and tying net property-tax impact to a person's ability to pay.

The administration proposed to move toward a flat homeowner's property tax of 2 percent, to make local governments rely on it and to protect people who couldn't afford its impact through expanded use of the circuit-breaker program.

Within weeks, the retreat is full and bipartisan. Why?

For starters, the administration lost the battle of anecdotal evidence. Seems that the computers in the Revenue Department wouldn't generate trustable examples of how the circuit-breaker would change the net taxes owed by different income groups.

With the governor's troops confined to the bunkers, representatives of city governments put pressure on business groups to stay on the sidelines while their anecdotal artillery rained a torrent of terrible stories, complete with charts, of potential tax increases, most of which found their way into newspapers and into radio and television news stories. Law firms were hired to take the campaign to the countryside and small towns.

Thus is likely sacrificed an unusually exquisite synthesis of liberal and conservative reform. Though no panacea, it moved in the right directions; its primary political weakness was velocity—it pushed too far too fast.

But the approach would have restored the once-closer relationship between local government officials and the voters, by tying local decisions to spend to real tax consequences. It would have made real estate taxes on business firms more comparable to those of competing states.

Most important, it would have made residential property taxes more fully a function of ability to pay. Instead of sending money to cities, the state would send help to individuals who qualify for relief from their property-tax burden.

In contrast, our present system, through its myriad aids and credits, subsidizes everybody, regardless of ability to pay. Much is often made of the disparity of property values across regions of the state. Too little is made of how much less disparity there is in incomes. The about-to-be-released "Ladd Commission report may contain hard data about income distribution and its relationship to average property values that contradicts conventional wisdom.

But no one should be surprised if June comes, and a 1991 fix is fastened onto the system, featuring a new and more clever shift of spending, probably reducing the size of the reserve fund, recapturing the Motor Vehicle Excise Tax transfer, cutting local-government aid by half or so and tinkering with tax rates. That would cover a billion-dollar gap but do nothing to change the system.

The system remains addictive, elusive and capable of converting all within its reach to codependency.

The Minnesota Journal

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Legislature deep in local-aid options

by Jody A. Hauer

Nothing is in bill form, but a number of ideas are floating around the Capitol to counter Gov. Carlson's recommendation to reduce state aid to local governments. There's no assurance any of the following notions will actually surface, much less survive, during the legislative session. Furthermore, none is a panacea; all have problems.

One is to allow cities within a region to pass a local income or sales tax to piggyback on the state-collected sales or income tax. Some would extend that idea and suggest the state should provide aid to those regions for whom such a tax is not feasible.

Another idea is to allow cities within defined regions to raise income or sales taxes, collect those revenues and redistribute them within each region. Or, the local sales-income tax authority could be given only to specific regional centers, such as Minneapolis, that stand to lose large amounts of state aid but have extraordinary service needs.

A different tack would be to create a "guaranteed" tax base. Low-wealth areas can't raise the same amount of dollars as high-wealth cities with similar tax rates. So the state would step in and guarantee that a local jurisdiction would raise X amount of dollars with a given level of taxing effort. If a community could not generate that level of dollars because of its low tax base, the state would make up the difference.

Another proposal is giving local governments authority to tax nonprofits and charitable organizations that are now tax-exempt. A few entities, like churches and universities, are constitutionally protected from taxes, but many others carry statutory exemptions that could be lifted.

Along a different line, one idea is to extend the metropolitan tax-base sharing program. The program to shift part of commercial-industrial tax base from wealthy areas to poor areas exists now only in the metropolitan area, but some persons suggest it could be used either on a statewide basis or within discrete regions throughout the state.

One more idea: The state could set a base, say the full property-tax base for this year, freeze the amount in that base, and levy a property tax against it to pay for local spending. When local government spending goes up in future years, that increase would appear as a second, separate property-tax levy against the base. The idea is that voters would be able to see easily how much property tax increased locally and who was responsible for that.

A bill to reduce state-imposed mandates on county programs has already been written. It's intended to relieve some of the counties' financial pressures.

Finally, some are still holding out hope for suggesting local governments ask for *more* aid from the state, basically ignoring the governor's recommendation.

Disaster

Sen. Douglas Johnson, chair, Senate Tax Committee, in a letter to the editor in the Duluth News-Tribune *March 6.*

Gov. Arne Carlson's blueprint for solving the state...budget problem spells nothing short of disaster for rural Minnesota...This attempt to balance the budget on the backs of low- and middle-income Minnesotans is an outrage...We must meet the budget-balancing challenge without destroying our communities through the loss of services and massive property-tax increases for those who can least afford to pay them.

Regents approve U reallocation proposal

Keeping Up

Events recorded on extremely sensitive instruments suggest there may be life in Minnesota.

The University of Minnesota Board of Regents voted 10-2 to close its campus in Waseca, drop the dental-hygiene program on the Duluth campus and shut down KUOM, the University's radio station, as part of a major restructuring and reallocation effort.

Atty. Gen. Hubert Humphrey sent a letter to Gov. Arne Carlson chiding him for his sympathetic treatment of Marvin Windows, Warroad. Humphrey wrote, "Your irresponsible remarks have sent the wrong message to Minnesota businesses."

Gov. Carlson said he would not take action to prevent construction of a garbage incinerator in Dakota County because the attorney general's office had advised him he doesn't have the authority to do so.

Inland Steel Mining Co. began taconite-mining operations at a new location just north of Gilbert. The ore deposit is expected to last between 35 and 40 years.

The death rate in Minnesota highways in 1990 was lower than in any other year on record—1.5 deaths for every 100 million miles driven. The number of deaths—568—was the third lowest on record.

The University of Minnesota received a $10.3 million grant from the National Science Foundation for five years to create the National Science and Technology Research Center for the Computation and Visualization of Geometric Structures.

Northern States Power Co. dropped its appeal of a denial by the Public Utilities Commission of a $120 million rate increase and said it will focus its efforts on a $98.2 million increase request it filed earlier this year.

Telephone customers in eight Carver and Scott County Communities will vote to decide whether to pay higher regular telephone rates in order to get toll-free connection to the Twin Cities toll-free dialing area.

The St. Paul City Council authorized issuance of $12 million in tax-exempt bonds to help Minnesota Public Radio finance purchase of radio station WLOL-FM.

Archbishop Brady High School in West St. Paul will close at the end of the academic year because of declining enrollment. **A group** in Verdi began a petition drive to close the Verdi School District because it serves only 30 students in K-6 grades and local taxes are too high. State law allows district dissolution with a petition signed by a majority of voters in that district.

Goodhue County Board rejected the two landfill sites recommended by its Landfill Siting Committee.

The Meeker County Hospital in Litchfield plans a $1.7 million expansion. **Rice Memorial** Hospital Board in Willmar received a feasibility study stating the hospital will be able to afford only half of a proposed $11 million addition.

Willmar Township voters rejected a referendum to allow Sunday liquor sales on a 21-19 vote. **St. Cloud** Township voters approved a 21.5 percent tax increase and a study of a central sewer and water system. **LeSauk** Township residents voted to explore options for installing a central water system. **Fergus Falls** Township voters authorized Sunday liquor sales on a 16-9 margin.

Brown County Board approved a countywide recycling program with curbside pickups in the developed areas and remote dropoff points for rural residents.

The Rev. Dennis Dease, rector of the Basilica of St. Mary, Minneapolis, was named president of the University of St. Thomas. **Dan Salomone,** director of Senate Counsel and Research, was named executive director of the Minnesota Taxpayers Association. **Robert O. Erickson,** former Super Valu executive and president of the Bloomington Port Authority, was named senior vice president for finance and operations at the University of Minnesota, succeeding the late Gordon Donhowe. **Lois Sinn Lindquist,** president of her own business-consulting firm, was appointed executive director of the St. Paul Downtown Council, succeeding Ronnie Brooks. **Tim Fuller,** a 20-year veteran of the department, was named St. Paul fire chief.

Merging college systems

Gerald W. Christenson, chancellor, Community College System, at Citizens League meeting March 5.

In the community colleges today, 61 percent of our students are women, 56 percent of our students attend part-time, and nearly half our students are over 25 years of age...Students today who are over 25 need a college close by. They're place-bound. They're tied to their job and their home and their family...We have now 55,000 students in our community colleges...We've had...48 percent growth in enrollment in just the last six years. No state in the country has had community-college growth like that...

(The) six community colleges in the Twin Cities are, in my opinion, the most cost-efficient colleges in America. We are educating students at about $3,600 a student. Nobody comes close...If you look statewide at the cost per...full-year -equivalent student...technical colleges are spending about $5,800...the University of Minnesota $5,100—this is lower-division only—the state universities $4,300, and the community colleges $4,100...I believe that there isn't much more that we can do in the community colleges to wring out further cost efficiencies...

Why are we at this time suggesting the old idea that we ought to consider merging the community and technical colleges? First of all, the University of Minnesota has moved under its Access to Excellence program toward higher standards, limiting enrollment, particularly at the freshman and sophomore years, more emphasis on its basic mission, which it does very well, and diverting freshmen and sophomores to the community colleges...We endorse Access to Excellence...

The past fall, the state universities came out with their blue-ribbon commission recommendation (with the) same basic direction as the University of Minnesota... We're going to limit enrollment, raise standards and divert more freshmen and sophomores to the community colleges. We endorse the state university proposal...

I don't think a large research university or even a state university should be spending a lot of time and energy at remediation work. I believe that community colleges not only should, but we're a lot better at it. And, frankly, we're cheaper...

It further makes sense to me that community colleges should be comprehensive in nature, should be open-access institutions. I believe we should take anybody who comes to us and says, "I need an education. I want to work."...It doesn't make sense to me to have two separate systems of two-year institutions out there. The state can't afford it...

But we've done it. We've built the two separate systems...What...we need now is a rationalized system of comprehensive, two-year institutions throughout the state that are accessible, that are open, that have a passion for helping students to succeed both in the area of general education and technical education...We all need a job. And we need to tie together the liberal arts and career education...

I don't think we need two state headquarters. I think we ought to have one...I don't think we ought to have side by side in Willmar, Thief River Falls, Austin, Brainerd, two separate administrations. Not only could we provide better service to students, we would reduce costs...

There are those who say, "Well, let's start closing institutions."...I think I know enough about that process out there that there's going to be warfare if that's the policy...It seems to me to make more sense—I think it's at least achievable—to merge the administration of those two-year institutions...

LRT runs into editorial doubt, opposition

On Balance

Minnesota editorial writers expand the boundaries of right thinking.

Star Tribune said (March 17) the price for light-rail transit is too high and the benefits too low, and "it's time to pull the plug" on the idea. **Pioneer Press** said (March 6) that each new development on light-rail transit "makes the case stronger" for the Legislature to delay action while LRT and other options are reexamined.

West Central Tribune said (March 12) that increasing the property tax rate from 1 to 2 percent on the first $68,000 of a home's value, as Gov. Carlson proposed, "would be too much to handle at once."

Rochester Post-Bulletin said (March 14) reform of property-tax rates should be spread "over two or three years" and that a flat rate for all property "is not feasible. It also said (March 2) that, if state aid to cities is reduced drastically, then cities "need to have some additional revenue source" other than the property tax.

Duluth News-Tribune said (March 6) Gov. Carlson "clearly made a political mistake in proposing to have local-government aid bear so much of the burden of bringing state revenues and spending in line."

Mankato Free Press opposed (March 8) any use of the state's $550 million budget reserve to balance the budget in the coming biennium because it's possible circumstances will be even worse at a later date.

CityBusiness said (March 11) the record in the case of Marvin Windows, Warroad, suggests the vigorous efforts of the state to deal with pollution violations were warranted and that polluters don't necessarily fare any better in other states.

Hibbing Tribune agreed (March 7) with Marvin Windows that a Minnesota law holding owners of companies personally liable for pollution is "overkill." It said, "Companies should be liable, not people."

Worthington Globe said (March 7) the proposal of Education Commissioner Gene Mammenga for school consolidation is "downright frightening." It said the requirement that a district have 1,300 students would mean that only the Worthington district would survive in six southwestern Minnesota counties.

Red Wing Republican Eagle opposed (March 1) forced consolidation of school districts. It said the "marketplace" already is producing cooperation among districts.

Free Press said (March 4) half-truths were used by the University of Minnesota administration to support closing the Waseca branch and U officials "should not be rewarded for their efforts." If they don't want the campus, the Legislature should shift it to another higher-education system and send the money along with it.

New Ulm Journal said (March 5) it is "especially galling" that an endowed chair in tourism is being created at the University of Minnesota at the same time the school is jettisoning its Waseca agricultural campus. It said a strong agricultural sector would do more for the region than tourism.

Pioneer Press said (March 12) the region's fiscal-disparities law should be preserved. It is "the glue that holds the seven-county metropolitan area together" and [illegible] residents of every communit[illegible] stake in what happens within the entire region."

Star Tribune said (March 10) compulsive gambling is becoming the addiction of the 1990s, and the Legislature should appropriate $3.2 million a biennium for treatment programs.

Hibbing Tribune raised questions (March 14) about the Lakehead Oil Co. oil spill and asked why a company that "spilled over 4 million gallons of oil...over 20 years in 16 separate incidents is allowed to continue to do business without tougher inspection."

Little consolidation support

Gene Mammenga, education commissioner, spoke at a Citizens League meeting March 12 on his proposal to require by 1994 consolidation of school districts that don't have 1,300 students. Excerpts of his remarks follow:

It's astonishing how little public support I've received on this...But I am receiving a great deal of closet support—very quiet indications of their desire to have me continue on this path. And I'm an appointed official, so I will...I have not been advised by the governor to shut up...

Yesterday, the State Board (of Education) approved Humboldt-St. Vincent consolidating with Hallock. Humboldt-St. Vincent brings 33 elementary students and 31 secondary students to Hallock to make it 431 in the consolidated district. Humboldt...spent $11,381 per pupil to deliver their program. Hallock does it for $5,028. So the program was twice as good in Humboldt-St. Vincent, right? Wrong. There was hardly any program there...

I admit this is...an extreme case, and I don't know anybody who could argue that we should go on with Humboldt-St. Vincent. But we did. For years and years and years, we cheated those students out of a more comprehensive educational program...

David Monk...a professor at Cornell University...said, "We... found that as districts fall below 400 students in grades 9 through 12, pupils are more likely to be denied an opportunity to take courses commonly offered in larger secondary schools. Further, required teacher effort tends to be excessive in these districts with a concommitant reduction in teacher expertise that results from being spread thinly over a large number of courses."

That's my whole argument in two sentences: that they don't get enough program, and the program they do get is delivered by teachers who are stretched too thin...

Nobody's going to argue that you should move a kindergarten kid 50 miles...I'd like to keep the elementary school as close to the mother and father as possible, but I believe that you have to sacrifice some convenience in order to get the academic program that's necessary. And to say that that's not necessary today, to say that somehow a kid in a small rural community in Minnesota doesn't need the same program that a child in the suburbs or in a larger metropolitan area (has), that's just plain nonsense...

And to say that a young man or woman should graduate from high school and not be able to enter the University until they take some kind of makeup classes is cheating them. Absolutely cheating them... I think the Legislature will not pass anything that I suggest this session in terms of consolidation. However, they seem predisposed to give authority to the board or the commissioner...to take a look at the building requests for addit[illegible]s or remodeling. And they kn[illegible]e-how I feel, so they're not trading in strange territory...But they've already given me a guideline because, to get (building assistance through) the Cooperating Secondary Facilities Act...you have to have 80 in a class. And to get a maximum-effort school loan...you have to have 80, so they've already given me the 80 number...

I understand there's a sacrifice that goes on from taking a school away from its community roots and moving it. But you know I'm...talking about moving it six-eight miles down the road in many cases...I wish that these schools could all exist, because I understand the value of them. There's a social cohesion...But if you don't teach the class, you don't teach the class.

And I cannot be convinced, and will not be convinced that any teacher, no matter how dedicated, no matter how qualified, will take more than three preparations a day and go out there and do the job ...I've been there...and I know [illegible] you get your favorites, and y[illegible] your favorites, and when you get to the last one, you stay a chapter or so ahead of them. And it's just stretching it too thin...

Farm

Continued from Page 1

[illegible] go into farming if their circumstances are right and said the decline of the countryside ought to be treated as a public-policy issue.

"If you're optimistic about our competitive ability in world markets, then I say the prospects for agriculture in Minnesota are rather good," Raup said. "I'm not pessimistic. If a young man came in here and said, 'Look, Phil, should I go into farming?' I would say if you have enough capital and somebody with a pocket that's deep enough to back you through four or five years, this might be a very good time to start.

"But if you're trying to lift yourself by your own shoelaces and you have no capital and you've borrowed to the hilt, I would discourage that person."

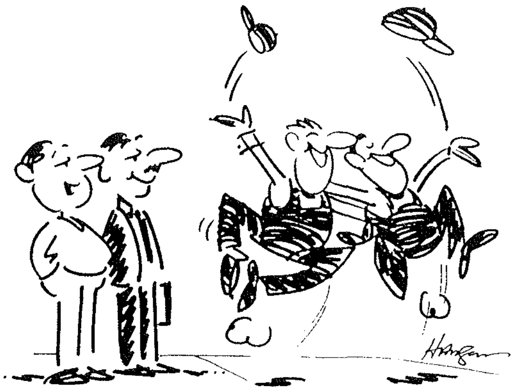
Realistically, Raup added, the "deep pocket" will most likely be "a wife who's a skilled worker of some kind and has an off-farm job so she can back the debt-repayment capacity...Lots of farmers around here are supported by a working wife. That's the base on which the bank is lending the money."

Farming, Raup said, went through an "emotional binge that was driven by fear of food shortages." *Limits to Growth,* a 1973 book, predicted the world would run out of natural resources in the first half of the 21st Century. At the same time, there was a "devastating drouth" in the Sahel. For the first time, Raup said, you could watch starving children on television while eating breakfast.

In a few months, OPEC came along and threatened to restrict the world's fuel supply or "exact tribute in the way that ancient rulers used to exact tribute from vassal states...All this was fed into a media that in the 1970s was very receptive to the threat of hunger and to the likelihood that we would run out of land," Raup said.

In addition, none of the developing nations had assembled solid population statistics until after World War II, he said. When good numbers finally were developed, they were much larger than anticipated.

"The possibility of standing room only on the planet was real enough so that several publicists made reputations out of forecasting an exhaustion of natural resources and inability to feed the world's population," Raup continued.



"They're farmers. One's selling his farm and retiring... the other one is buying it."

And that was interpreted as a one-way growth path for agriculture in the Middle West, which had the "world's biggest supply of developed agricultural land already under use and with technology that promised some further expansion," he said.

"This was immediately bid into land prices...A lot of farm capital was invested in agriculture that in retrospect was a very high risk and for rates of return that could only be justified if the land kept increasing in value. A buyer could not pay for the land out of earnings."

The bubble burst in the 1980s, Raup said. "We fought the Vietnam War without raising taxes. We could postpone the consequences for a while but not forever. The bill was presented in the late 1970s. We had inflation that was off the chart, out of our experience."

In 18 of the 32 quarters between 1973 and 1981, Raup said, the real rate of interest—the nominal rate minus inflation—on farm loans made by the Federal Land Bank of St. Paul was negative. That meant "you could make money by borrowing money, that you could pay back with a dollar that had depreciated more than the rate of interest at the end of the loan."

Neither Congress nor the Administration acted, Raup said, which put the burden of controlling inflation on Paul Volcker, then chairman of the Federal Reserve Bank. "And the only tool he had was the rate of interest." So after having "absurdly low," even negative, interest rates, "we suddenly got the highest real rates of interest we had had since the American Civil War."

Increasing interest rates destroys the capital value of anything purchased on long term, Raup said. The high-cost agricultural land pledged as collateral on farm loans lost much of its value, farm earnings couldn't pay, bank regulators put the pressure on the lenders and a wave of foreclosures and forced selling hit thousands of over-leveraged farmers, Raup said. In Minnesota, about 60 percent of peak farm-land value was wiped out, he added.

Although there has been some recovery in land values in Minnesota, he said, "We have still not reached much more than 50 percent of the peak value reached in 1981."

We don't really know how many Minnesota farmers who didn't want to leave were driven out of business in the 1980s, Raup said, because farmers are going into and out out of business all the time for a variety of reasons. But, he said, we do know that the number of farmers in Minnesota dropped 14,000 from 1980 to 1989.

"In very crude terms, we lost about 14 percent of our farmers in the 1980s. But—and this is the important point—that is right on trend with the rate of decline that had been under way for 35 or 40 years...The number of farmers that we have in 1991 is about where it would have been had you projected it on the rate of decline from 1950 to 1980."

However, when individual farmers go out of business, the land they sell very likely stays in agriculture. Raup estimated the harvested acreage in the state today is about 90 to 95 percent of what it was at its peak. And the bulk of Minnesota farm production still comes from "family farms," which Raup defines as a farm where more than 50 percent of the labor is family and more than 50 percent of the ownership of assets is held by family.

Raup said he believes migration out of agriculture will slow, "primarily because it's been relatively high for a considerable number of years, and we are not overstaffed... It's a pretty mean and lean sector now...I would expect off-farm migration to be driven in the future by demographics, that is retirement and death, rather than by financial bankruptcies."

In any event, he said, "I don't think it can go on for very much longer without impairment in the social structure...The decline (in some areas) is great enough to cause major dislocations in local county governments, school systems, churches, social institutions, and the social costs become very high...I think at some point we will see some more directed effort to slow down the rate of decline...We should reexamine our policies. Do we really want to depopulate the countryside? Have we really thought about the costs?"

Keeping people in the countryside would involve improvement in medical care, education, transportation and other elements that make up the "quality of rural life," Raup said. Medical care is a "real problem," and the "focus on school consolidation has gone too far," he added.

Rural areas have largely been denied the right to levy sales or income taxes, Raup noted. "So the modern choices for financing public-sector institutions are increasingly unavailable." There should be "no embarrassment about tapping into" those state-collected taxes and returning some of the money to the communities, he said.

Raup said he is watching with special interest the federally funded Conservation Reserve Program, under which farmers have been paid to quit growing crops on some 7 percent of Minnesota farmland judged to be environmentally fragile because of the threat of erosion.

The program is historically important, Raup said, because it embodies the concept of farmers as custodians of the land and, for the first time, pays them for performing that service to society.

Taxes

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tax, low-service model? During the 10-year period ending in 1987, Minnesota's new manufacturing jobs alone were equal to all the old and new manufacturing jobs in North and South Dakota combined. Minnesota ended with nine times the manufacturing jobs of the two Dakotas together.

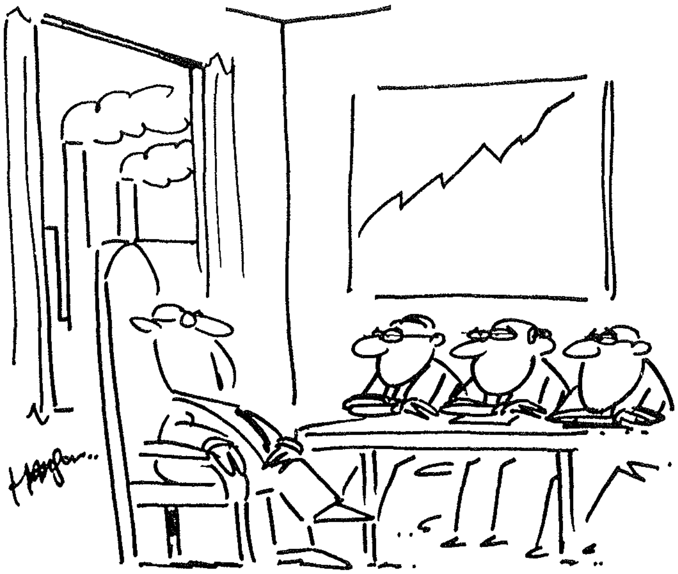
But couldn't the oblivion boys be right? Maybe next year's the year? For as long as I've been following these matters, each year a parade of CEOs have said next year it is all over for Minnesota if business taxes are not reduced. The taxes stay about the same, and each year, the state just keeps growing jobs. The only thing that slowed the jobs machine this year is the national recession.

What could untrack us? The scarebears say: higher income taxes on the rich and continuing the existing level of taxes on business. Until recently, Larry Gibson, a former marketing research director at General Mills, also held this view. He and I served on a two-year tax-study team convened by the Joint Religious Legislative Coalition.

"I started out presuming high taxes hurt state growth," he told me. "After I looked at the actual research by economists, I did a 180. The conventional business-climate wisdom just isn't borne out in practice. The extensive research is clear: High taxes don't cost you jobs. If anything, the things high taxes buy, if well spent—strong education, a good transportation system and a high-quality work force—actually do get you jobs. And you shortchange these investments at your peril."

Indeed, the quality of the work force was the asset *Fortune* magazine cited when it listed the Twin Cities four months ago as the second-best community in the United States for business.

Minnesota grows because it has reached the critical mass of what it takes to grow new jobs. Its public investments help it maintain that level. Carlson and Boyd argue for reducing that public investment and using that money instead to provide further tax breaks for the wealthy and for business. Our state's religious, labor and education leaders say no—maintain and improve our public investment. If we have to take back some of the recent tax breaks to the rich to accomplish that in tough times, do it.



"It's agreed, then, that we'll stay in Minnesota but keep on complaining?"

But if we don't throw some more tax breaks at business, won't Wisconsin steal our jobs? It doesn't work that way. The massive research conducted by David Birch of MIT shows that almost all new jobs are grown from within. Less than one-half of 1 percent of net new jobs are ones that crossed state lines. Designing your entire tax-and-budget policy around chasing that tiny one-half of 1 percent of the market is letting the tail wag the dog.

The Carlson budget proposes to spend $500 million in new tax breaks for businesses and higher-income homeowners. To get that money, Carlson is quite quite willing to shortchange the very systems that serve as cornerstones of our economic growth. Here are a few examples:

- Economists consider the presence of a strong research university an important generator for regional economic growth. The Carlson budget, however, does not support the University's plan to save dollars and reprioritize. His budget slashes the good with the bad.

- Investing in at-risk children saves dollars many-fold later. Yet Carlson is willing to expose future budgets to those cost runups by providing enough dollars for only one of each 17 needy kids not now being served to receive HeadStart early-childhood education.

- The level of state support for public schools would reach a 10-year low—falling to 59 percent as the state's share. New efforts at magnet schools, desegregation and other improvements would be scrapped. By denying funds to cover even inflation costs, Carlson would set in motion protracted board-teacher strife at the very time when real education reform involving cooperation for professionalization of teachers and site-based management should be the goal.

Is wholesale slashing required? Is Minnesota's general level of spending out of whack, as the *Star Tribune* claims?

Does Minnesota spend more than most other states? Yes. On the whole, for quite understandable reasons. Minnesotans live longer, drop out of school less, go to public colleges more and have to travel longer distances to get around their state. Hence, higher state expenditures than the norm for health care for the elderly, education and maintaining roads. These costs explain the bulk of Minnesota's above-average spending.

In addition, we also spend a little more because we like things a little nicer here and have a little higher social conscience regarding the poor than do the Mississippis of this world.

Even so, few would want to see costs out of control. Are they?

The *Star Tribune's* Boyd says yes. So does the business-funded Minnesota Taxpayers Association. Its brand new report says: "It's clear that (the state's) General Fund spending is high and rising...Since 1961, General Fund spending has grown over two and one-half times as fast as personal incomes in Minnesota.

What the MTA doesn't report, however, is that all of that increase over income occurred before 1977. Since 1977 (about the time Rudy Perpich first became governor), General Fund spending has grown at a rate actually *lower* than the increase in personal income.

What about taxes? The MTA report includes figures since 1985. Minnesota personal income increased by about 30 percent since then, while state taxes increased by only 21 percent.

One thing Gov. Carlson isn't afraid of, however, is raising taxes on the middle class. His plan is to add approximately $500 million in new property taxes for middle-class homeowners and reuse that money to provide tax relief for commercial property and high-valued homes. In addition, he would raise about $200 million by increasing the cigaret tax by 63 percent and the tax on beer by 50 percent. He also would nick the rich a smidgeon by picking up some small changes made last year in the federal income tax.

The more-than-half-a-billion-dollar tax increase on individuals and homeowners he proposes would fall overwhelmingly on those with middle incomes or less. Meanwhile, those with the most income —the only folks who actually gained ground during the 1980s—would continue to enjoy the income-tax rate cuts they received from the state in recent years.

Despite the long list of research from economists—that stacking the tax deck in favor of business and the rich will not produce new jobs and may, in fact, deny the type of education investment that does bring us growth—the middle class is told it must hunker down and accept a new round of tax hikes and service cuts.

Dr. Carlson and his surgical staff have us on the operating table. Their liposuction machine is purring. They tell us they're only going after cellulite, but they've got that thing aimed right at our heart. Trust us, they're saying. This operation is for your own good. Now that's scary.

Wayne Cox is director of Minnesota Citizens for Tax Justice.

Waste

Continued from Page 1

...ts for recyclable materials, h... ...ft states searching for answers.

In November 1989, then-Minnesota Gov. Rudy Perpich appointed 29 members to the Select Committee on Packaging and the Environment (SCOPE) to find some answers and make recommendations regarding packaging. The committee included city and county government officials, the waste-management industry, trade unions, glass, plastic, paper and can manufacturers, retailers and environmental groups. The chemical industry was not asked to participate or serve on the SCOPE committee. Clearly, the makeup of the committee was geared toward its mission—packaging.

The committee's purpose was to recommend a strategy to promote environmentally sound packaging in Minnesota. Instead, the committee, in its attempt to find a "deep pocket" to generate revenues to fund the various programs esp...d in the final SCOPE report, w... beyond its mandate (and expertise) and proposed taxing the manufacturers of various kinds of products. *Editor's note: Excerpts from SCOPE report on Page 8.*

Some recommendations in the final report lack scientific foundation and therefore advocate flawed public policy. SCOPE's inability to stay within its charter raises concerns about the bias of the individual members and interests they represent.

Minnesota has always stood at the forefront of environmental regulation. What Minnesota needs at this time is sound public policy on packaging, and Gov. Perpich's appointments to the SCOPE committee echoed that need. But Minnesotans also expect the funding mechanisms for environmental programs to be equitable and based on sound science. The SCOPE recommendations taxing consumer products are neither.

The Minnesota Legislature in 1... passed legislation that enc...assed a number of the recommendations from an earlier panel, the Select Committee on Resources and the Environment (SCORE). At that time, the Chemical Specialties Manufacturers Association (CSMA) recommended

Table 1.

Federal Superfund Income Sources
Billions

Petroleum tax	$ 2.759
Domestic (at 8.2 cents per barrel)	(1.25)
Imported (at 11.7 cents per barrel)	(1.5)
Chemical feedstocks tax	1.365
Corporate environmental tax	2.522
Tax on imported chemical derivatives	0.057
General revenues	1.250
Interest income	0.300
Recoveries from responsible parties	0.300
Total	$ 8.553

to legislators that a waste-characterization study by undertaken to examine the components of the waste stream in order to determine precisely and scientifically what the problem constituents are.

At a minimum, CSMA requested that Minnesota analyze existing waste-characterization studies that have been conducted or commissioned by the federal EPA or state agencies. The state, however, opted not to develop characterization studies but, interestingly, the draft legislation encompassing the SCOPE report now calls for a waste-characterization study on packaging alone.

Why not include product constituents also?

The answer is simple: Characterization studies show extremely small amounts of so-called household "hazardous" waste (HHW) in landfills, but SCOPE's recommendations needed a revenue source. A tax on manufacturers of consumer products through a registration process would be "hidden" and yet raise significant amounts of money. This is poor public policy and not within the SCOPE committee's mandate, but the committee found its "deep pocket."

In essence, SCOPE members with no expertise on consumer and institutional product formulations recommended a tax with absolutely no scientific foundation and without first providing a waste-characterization study showing whether indeed these products cause a special problem in the waste stream.

Good public policy? I don't think so.

Several authoritative reports have been done that prove my point that HHW is an insignificant part of the waste stream:

1. A series of reports by SCS Engineers of Covington, Ky., characterized waste for the states of Michigan and Oregon. The consulting firm analyzed six counties in Michigan and Portland, Ore. These studies found only between 0.03 percent and 0.1 percent household hazardous waste, even though mixed streams of residential, commercial and industrial solid wastes were evaluated.

2. EPA characterized household hazardous waste from Marin County, Calif., and New Orleans and found—using a broad definition—that potential household hazardous waste constituted about 0.35 percent (New Orleans) and 0.40 percent (Marin County) of municipal solid waste.

3. SRI International performed a comprehensive review of solid waste and provided an assessment of recyclable and hazardous components. According to those studies, the average composition of solid waste from household and commercial sources consists of:

- Nearly 50 percent paper products, including newsprint and cardboard.
- Almost 33 percent of various organic wastes, such as yard clippings and food wastes.
- And the rest in inorganics, such as metals, glass, rocks, etc.

A number of conclusions can be drawn from these studies. First, the quantities of household hazardous waste in sanitary landfills is very small. Second, given that the primary component of sanitary landfills is paper or paper products, the small quantity of HHW is effectively absorbed by these solid wastes. Third, consumers do not dispose of appreciable quantities of household products. Rather, most often the products are completely used up by the consumer.

Fourth, new EPA requirements for management of sanitary landfills will ensure that these small amounts of HHW pose no environmental threat.

Prior to the dawning of the environmental movement in America in the 1970s, all kinds of extremely hazardous waste were routinely discarded in landfills by the public. It was not until the Resource Conservation and Recovery Act (RCRA) was passed in 1978 that industrial hazardous waste was regulated. Therefore, many of the problems facing old landfills are a product of past disposal practices.

Interestingly, of the 184 landfills on the federal national priority list (many publicly owned) for cleanup, 97 percent (or 178 facilities) accepted industrial wastes. (The few exceptions did not keep records.) And yet SCOPE recommended a tax on consumer and institutional products, suggesting they were the problem in landfills. Again, without any basis or facts. Hopefully, the Legislature will consider the facts.

The chemical industry pays a large share of the costs of the federal Superfund program (Table 1). Minnesota also has a state Superfund that assesses fees on the chemical industry. But the entire cost of remedying the nation's past disposal practices should not be left to the chemical industry.

Under Minnesota's earlier SCORE legislation, the state placed a sales tax on garbage collection. In essence, the state taxed 100 percent of what was going into the waste stream. This was a fairer and more equitable tax than what was proposed by SCOPE.

What happened to all the moneys collected under the garbage tax? Why does the state need another environmental tax? How much of the garbage tax was used for cleanup versus adding new bureaucracy? These are the difficult questions that SCOPE did not examine but that the Legislature should. Minnesota should work to answer these questions and quit looking only for ways to find a "deep pocket."

Philip G. Klein is assistant director of legislative affairs for the Chemical Specialties Manufacturers Association, Washington. He previously managed his own governmental-affairs consulting unit in St. Paul.

Midway LRT line fails cost-effectiveness guidelines

Take Note

Inside information that, were it not for our prestige, would be regarded as inconsquential.

The Metropolitan Council registered a mild complaint recently about the soaring cost of the Midway light-rail transit (LRT) corridor (between downtown Minneapolis and St. Paul). It went largely unnoticed, and the Council itself did not mention the numbers or its concern in public discussion at the Legislature.

The Council approved a resolution expressing "concern to the Regional Transit Board that the significant cost increase...warrants review of the regional priorities established in the RTB Development and Financial Plan for Light Rail Transit."

Expressed more directly, what the Council meant is that, since one year ago, the estimated cost of building the LRT line has almost doubled, the number of forecast riders has dropped by 25 percent and the line no longer qualifies to be built under the Council and the RTB cost-effectiveness guidelines.

The RTB plan to which the Council referred, published in February 1990, adopted the Council's guideline that LRT lines should cost less than $4.60 (in 1991 dollars) "in total annual cost per total annual patron." The 1990 plan declared that the Midway line met this threshhold—at a total capital cost of $332 million, it would have 42,500 daily riders and an annual cost per total annual patron (or ride) of $1.95.

In the intervening 12 months, the estimated capital cost has ballooned to $645 million, the daily ridership estimate has shrunk to 32,400, and the annual cost per ride has jumped to $6.10. Ironically, the Midway line is the most cost-effective in the proposed nine-corridor, $2 billion-plus system, according to the RTB report. *—Pete Vanderpoel.*

One of the recent calls into the Citizens League office requesting information on tax-base sharing came from the St. Cloud Area Planning Organization. It seems that area has a problem with sewers: The City of St. Cloud has 'em, and the surrounding townships want 'em. The problem is that St. Cloud has historically been unwilling to extend the sewers unless the town agreed to annexation.

As an alternative, it was hoped that a tax-base sharing scheme would give to St. Cloud some of the towns' tax base in exchange for sewers. However, when the group ran some calculations it discovered that a tax-base sharing program similar to that in the Twin Cities would produce more tax base for the *towns*, not for St. Cloud.

The reason is fairly simple: The City of St. Cloud is far wealthier than the surrounding towns, in terms of commercial-industrial (C-I) tax base per capita, and its tax-base growth is faster. So a tax-base sharing arrangement, true to its purpose, would have provided the lower-wealth communities, the towns in this case, with additional C-I tax base.

At the end of its discussion on this matter, the group decided to explore raising the money for sewer connections the old-fashioned way: raising property taxes. *—Jody A. Hauer.*

Not many people will be surprised to see that the growth in minority populations is the biggest story in the 1990 census. But a lot of people who didn't follow Minnesota in the 1980s will be startled to see this state as one of these growth centers.

Preliminary data show Minnesota as No. 2 in percentage growth in the black population—the only noncoastal state in the top tier. Wisconsin and Minnesota are the only central U.S. states in the top five for growth in Asian populations.*—Curt Johnson.*

The Worthington Globe reported that the nursing program offered at a Worthington site by Willmar Community College was cancelled because only six students signed up for it. The college said the program needs three times that number of students to be financially feasible. A college representative went on to say that the governor's budget proposal, with its reductions at all higher-educational institutions, led indirectly to Willmar's decision.

If the governor's proposal ends up eliminating programs whose administrators admit aren't financially feasible to begin with, it is due a lot more credit than it's been given. *—J.A.H.*

Education Commissioner Gene Mammenga recalled, in his remarks to the Citizens League March 12, serving on an interim commission in 1967 that studied school consolidation and actually wrote a bill that "would be just as timely" today because almost nothing has happened in the meantime.

He joked—I think it was a joke—that the Legislature should have the right to a secret ballot on about four issues a session. If it did, he said, "we would have gotten rid of several issues 15 or 20 years ago" and school consolidation "would be one of them."*—Stephen Alnes.*

In response to expected cuts in state aid to cities, Robbinsdale and Crystal agreed to convene a joint services committee to talk about ways to merge city services. These two cities already share some equipment and services such as a common computing service and joint lake patrols, according to Crystal City Manager Jerry Dulgar. However, to save dollars the joint services committee will explore the options of sharing emergency-services dispatching, police, fire and jailing.*—J.A.H.*

Cutting waste packaging

From the final report of the Governor's Select Committee on Packaging and the Environment, December 1990.

The state should set a goal of reducing the amount of discarded packaging by 25 percent between 1991 and 1994, per capita...The state should require counties to provide collection opportunities for all packaging materials that constitute more than an insignificant amount of the waste and recycling streams...

The Legislature should authorize a (packaging-material fee) system in 1991, but set the fee scales at zero initially. If all packaging materials meet their recovery goals, the responsible agency will never need to activate any fees...A fee system would apply to packaging materials that fell significantly short of reasonable recovery targets, or are producing significant environmental consequences in the disposal stream...

In 1991 the Legislature should authorize a fee on "environmental priority materials" (products into which hazardous materials have been deliberately introduced)...The Legislature should set the fee to cover the estimated additional costs imposed by handling products with "environmental priority" materials in the waste and recycling streams...

If the state adopts a (statewide packaging plan) we recommend that the state preempt local packaging and labeling ordinances related to recycling.

Minnesota Journal
Citizens League
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Citizens League Matters

March 26, 1991

News for Citizens League Members

Welcome new members

- Emma Anderson
- Elizabeth Balsanek
- Ben Baumgarten
- Mary Battis
- Peter Bell
- Jean Bergstrom
- Ann Berkowitz
- Edward Driscoll
- George Morrow
- Barbara Muesing
- Susan Nolting
- Victor Propes
- Todd Rapp
- Scott Thatcher
- Robert Zauner

Thank you recruiters

- Joseph Balsanek
- Bert Black
- Judge Paul Magnuson
- Barbara Thatcher

Libraries report available

Copies of the League report, *New Regional Approaches to Library Services: Long Overdue*, are available. They are free to members and cost $10 for non-members. Report summaries are also available, at no charge.

Board refers caucus report to executive committee

Directors amend report but do not complete their review

At its March 6 meeting the Board resumed, but did not complete, its discussion of the caucus project draft. The Board asked the executive committee to discuss how the report should be handled and bring the results of its discussion back to the Board.

During the discussion of the report the Board took several positions on the draft.

First, the Board agreed that the primary purpose of the caucus ought to be providing an opportunity to expand informed participation in the political process. From that comes the chance to improve the system of political party candidate endorsement and issue debate, thereby strengthening the two-party system.

Second, the Board passed a motion to approve four of the report's recommendations on caucus procedures:

- The parties should simplify and clarify the caucus by making the rules, procedures, and agenda more simple and understandable.
- The parties should make strong efforts to encourage all caucus conveners to receive training prior to serving in that role.
- The parties should make better use of the half hour waiting period at the start of the caucus.
- The parties should improve how the caucuses are publicized, and improve people's understanding of caucuses.

Third, the Board rejected the closed primary recommendation.

Fourth, the Board approved the recommendation for a state role in publicizing the caucus with the proviso that creative ways of notifying the public should be explored.

Fifth, the Board approved the recommendation to maintain the existing September primary date.

Mind Openers examine the state budget problems

The Mind Opener breakfast meetings continue a series on balancing the state budget. On Tuesday, March 26, **Sen. Gene Merriam**, DFL-Coon Rapids, and chair of the Senate Finance Committee, will give his reaction to the governor's budget.

On the following Tuesday, April 2, **Rep. Terry Dempsey**, IR-New Ulm, and Minority Leader in the House of Representatives, will present his perspective.

All Mind Opener Breakfasts are held at Central Lutheran Church, 333 East 14th Street, Minneapolis, from 7:30 to 8:30 a.m. Call 338-0791 or mail in the form below to make your reservations.

✂ -

Mind Opener Registration

Name ______________________________

Address ______________________________

Phone ______________ Cost: $6.00 members; $12.00 non-members

Breakfast to Attend:

- ❑ **Sen. Gene Merriam,** March 26
- ❑ **Rep. Terry Dempsey,** April 2

❑ Check Enclosed ________

❑ Charge my Mastercard/Visa ______________

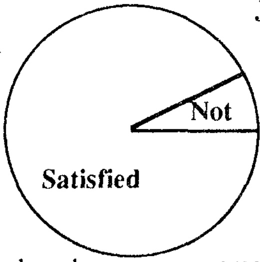
Exp. Date ____________

Signature ______________________

Mail to Citizens League, 708 South 3rd Street, Suite 500, Minneapolis, MN 55415

Library committee satisfied

Members of the League's study commitee on libraries were generally pleased with the experience. All but two of the 31 members responding to a project evaluation said they were generally satisfied or very satisfied with their work on the committee. Most members also agreed that the study was the right length — just under six months. A few members expressed concerns about the location (the Hennepin County Government Center) and parking arrangements downtown.



Among the speakers singled out for praise by the committee were library directors **Robert Rohlf** of Hennepin County, **Susan Goldberg** of Minneapolis, and **Tom Shaughnessy** of the University of Minnesota. **John Gunyou**, new state commissioner of Finance and former finance officer for Minneapolis, and **Harry Boyte** from the Humphrey Institute were also among the favorites.

Many of the committee members are themselves regular library users: all but three said that they had used a public library that month, and more than half had used a library three or more times.

Thanks to library study members

Committee met 23 times over 7 months

The following 41 Citizens League members actively participated in the work of the Libraries study committee, under the leadership of **Steve Schewe**. The League thanks these members for their dedication to the project.

Kathleen Lewis and Janet Dudrow served as acting chairs at several committee meetings.

Edythe Abrahamson, Harold Adams, Charlotte Anderson, John Bablitch, Mary Louise Bochnak, Curtis Carlson, Henry Childers, Neil Clark, Dan Combs, Keith Davidson, Janet Dudrow, Burt Dyson, Eugene Edie, Ruth Fingerson, LeEtta Flicker, Lynn Gitelis, Jean Greener, Walter Griffin, Colleen Grogan, George Hann.

Kathryn Harding, John Knutson, Diane Ladenson, Patricia Leary, Gene Letendre, Kathleen Lewis, Priscilla Martin, John Moon, Edward Oliver, Gregory Olson, Walter Pratt, Mark Pridgeon, Roger Rydberg, Sandra Sandell, Jim Scheu, Anne Schneider, Irma Sletten, Dave Stoppel, Larry Struck, Wallace Swan, Fran Winkel.

Board member selection cycle begins

It is that time of year when the process begins for selecting new Citizens League Board members. Each year the League membership elects eight new directors to the Board. **President Cummins** will name a nominating committee to recruit a slate of candidates for the Board positions.

In the next issue of the *Matters*, we will list the names of the nominating committee members as well as explain the election rules from the League bylaws.

The St. Paul Co's. provide computers

The Citizens League is the proud owner of two Macintosh SE computers and one Macintosh Plus, with the gracious help of **The St. Paul Companies, Inc.**, who sold the used computer equipment to the League.

The League wants to thank in particular **Karen Himle** for alerting the League to this opportunity, and **Bob Mathews** and **Wayne Hoeschen** for arranging the purchase.

Citizens League Calendar at a Glance: March 25 - April 5, 1991

Monday	*Tuesday*	*Wednesday*	*Thursday*	*Friday*
25	26 **Mind-Opener**, 7:30-8:30 a.m., Central Lutheran Church, Minneapolis	27 Call the League 338-0791 for a list of research reports, or copies of reports. Free to members!	28	29 **Community Information Committee**, 7:30-9:00 a.m., Tay Do Restaurant, St. Paul
1 **Happy April Fool's Day**	2 **Mind-Opener**, 7:30-9:00 a.m., Central Lutheran Church, Minneapolis	3	4 **MN Journal Committee**, 5:00 - 8:00 p.m., Thresher Square, Minneapolis	5 **Board of Directors**, noon - 2 p.m., Town & Country Club, St. Paul