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Target education aid to those who need it most

by Duane Benson

Sometimes I feel like I'm diagonally parked in a parallel universe. Most recently, that feeling occurred during discussions over higher education funding. Given the state's current budget crisis and long-term trends that indicate bigger problems in the future, I think Minnesota can do more for students from low- and moderate-income backgrounds with less taxpayer money and have an outcome that in the long run benefits the entire state. This can be done by shifting a little of the money given to our public universities, colleges and two-year programs into direct financial aid for students. In other words, do a better job of targeting support for higher education to those who need it the most.

Officials from both the University of Minnesota and the Minnesota State Colleges and Universities System (MnSCU) haven't exactly embraced this idea. In fact, they warned of tuition increases and plummeting enrollment. But considering the amount of money we're talking about, I'm confused by the reaction. During the current 2002-03 biennium, the state of Minnesota will spend about $2.8 billion for higher education. Roughly 90 percent goes to the University and MnSCU. That funding subsidizes the tuition for all students—regardless of their ability to pay. The other 10 percent goes to the State Grant Program to help low- and middle-income students afford the cost—and access the benefits—of higher education.

A proposal introduced in the Legislature this year by Sen. Cal Larson (R-Fergus Falls) and Rep. Ray Cox (R-Northfield) would have changed that ratio from 90/10 to 85/15. In the process, it would have saved the state a little money while significantly increasing the amount of financial aid available to students. Specifically, the bill proposed to:

▲ Reduce state general fund allocations to the U of M and MnSCU by $80 million each for the biennium, $160 million total. *(That's 2 percent to 3 percent of their total operating revenues.)*

▲ Increase general fund allocations to the State Grant Program by $120 million. *(That's a 40 percent increase over current levels.)*

▲ Reduce the Assigned Student Responsibility (the student's share of the cost of higher education) to 41 percent, down from the current 46 percent. *(Grant increases for three out of four students receiving state aid would be enough to fully offset tuition increases of up to 27 percent.)*

This seemed like a pretty modest proposal. In 2002, the state sent about $644 million to the U of M, accounting for not quite a third of its $2 billion budget. The state sent another $602 million to MnSCU, about 46 percent of the system's $1.3 billion budget. Trimming direct state aid to each by $40 million per year represents roughly 6.5 percent of their state funding —but less than 3 percent of their total operating revenues.

Keep in mind that the University and MnSCU enroll about three-quarters of all post-secondary students in the state, according to the Higher Education Services Office (HESO). So most of the money shifted to student aid would ultimately return to the University and MnSCU in the form of tuition paid through the State Grant Program. *(See table on page 7.)*

It's about *how*, not *how much*

The significance of this change isn't in the amount of money going to the University and MnSCU, but how that money gets to those institutions and who benefits from it along the way.

Minnesota taxpayers subsidize, through their income and sales taxes, everyone who goes on to

Higher education continued on page 7

INSIDE

OnBalance Views From Around the State

The energy debate still has energy in St. Paul

Alternative energy is an economic development tool for southwestern Minnesota, argues the **Worthington Daily Globe (4/10)**. "Southwest Minnesota can benefit greatly from renewable energy projects, and with help from state leaders, we can promote local ownership. Fuel purchased by major energy companies comes mostly from outside sources, but wind energy has been called the most significant economic resource for southwest Minnesota since the railroads were built. With greater commitment by state government, we can move steadily to greater use of alternative energy sources through investment and research."

State leaders need to put push for movement away from fossil fuels, urges the **Mankato Free Press (4/9)**. "Obviously, weaning America and the industrialized world from coal and petroleum is a much larger issue. But it can be done over the next decades. Putting more resources into fuel cell research to find clean burning cars and switching to safer electric generation is an attainable goal. The technology is largely in place but government must add the pressure to entice change."

The **Mesabi Daily News (4/9)** believes Excelsior Energy's Mesaba Project is a will yield economic benefits for the region. "The future energy needs of the state and the region is open for debate, but supporters say the demand will be there and that Minnesota can become an exporter of energy. That is most certainly a good scenario worth pursuing. It would help provide economic diversity not just for the Range, but for the entire state."

Gambling our way out of the budget crisis

"With a multi-billion-dollar budget deficit, Minnesota's government truly is hurting for cash. Yet gambling is a corrosive force, tempting a certain percentage of gamers every year into the destructive cycle of compulsive gambling," argues the **Fergus Falls Daily Journal (4/25)**. "Compulsive gamblers put their families and themselves at risk by throwing away any money they have in pursuit of their vice. That means families going hungry, young people going without educations, lost friends and alienated relatives. Compulsive gamblers' creditors and the taxpayers are often left to pick up the tab. Minnesota already spends $2 million per year providing treatment for and education on compulsive gambling—a figure that would likely grow with a racino to lure even more gamblers."

The **Red Wing Republican Eagle (4/21)** thinks the casino debate should not take place in the current political environment. "...the issues should not be resolved under the pressure of legislative deadlines and a state budget which is bleeding red. Rather, policy-makers and tribal leaders should commit to a summit to explore in detail whether Minnesota wants to become the gambling capital of the Midwest."

Mixed views on mixed drinks until 2 a.m.

"Supporting a one-hour extension of alcohol service hours shouldn't pose any additional safety hazard for the public, particularly since hotel bars are likely to be among those most affected by the change," opines the **Brainerd Daily Dispatch (4/30)**. "Misuse of alcohol will continue to be a serious problem but there are sufficient drunken driving and dram shop laws on the books to apprehend offenders. It's time to permit Minnesota bars the flexibility [to] stay open as late as most of their competitors in other states."

Extending bar closing provides an economic leveler, states the **St. Cloud Times (4/27)**. "...it should also help places like St. Cloud, Duluth and Rochester. While they often compete against one another for business, at least now they will be on the same level as places such as Des Moines and the Quad Cities in Iowa, and La Crosse and Eau Claire in Wisconsin. Locally, an extra hour, which is optional for each establishment, could have a big long-term impact. It will generate more revenue under St. Cloud's food-and-beverage tax."

The **Red Wing Republican Eagle (4/18)** holds a different view. "Call us old-fashioned or out of touch, but we think most conventioneers are beyond the days of searching for party houses for their meetings. They instead put priority on facilities that have excellent meeting and room accommodations, good food and service, and other amenities. They look for cities where people can venture during their free time and participate in a variety of activities. Yes, indeed, conventioneers still imbibe a bit, and a few of them quite a lot. But that socializing is just as likely to take place in their rooms as in the bars. If they are in a lounge, the 1 a.m. closing time offers ample opportunity to relax and unwind."

Troubled by the new legislative process

The **Bemidji Pioneer (4/27)** is displeased with the legislative process used to pass both the conceal and carry law and the woman's right to know law. "...House Republicans also cheapen the process by using slick parliamentary tactics to force the Senate to play ball. They serve to trivialize the importance of the measures to Minnesota's quality of life. In the case of the gun vote, both House Minority Leader Matt Entenza, DFL-St. Paul, and Rep. Ron Abrams, R-Minnetonka, expressed dismay at the politics being played. 'Today the three-ring circus continues,' Entenza said. Perhaps another sign is needed over the State Capitol steps: 'No circuses allowed within these premises.'"

"Parliamentary procedures are being wielded right and left to prevent one house or the other from debating and amending a bill. This has to stop," chides the **Duluth News Tribune (4/25)**. "There has to be some respect for the legislative process, if only to allow the public to scrutinize bills and weigh in on them. The Minnesota Constitution (Art. IV, Sec. 17) requires that all bills coming out of the Legislature 'embrace only one subject.' That way, people have a chance to follow bills and legislators have a chance to know what's in them when they vote. All-too-clever maneuvers to sneak bills through the legislature should be rejected." **MJ**

Viewpoint

Doing the common good bigger

by Sean Kershaw

It felt like the set-up for a joke where one of the statements had to be a lie. Could all of this really happen at the same time—in Minnesota?

▲ Fifty diverse people from a dozen counties and as many states out past 1 a.m., enjoying great food, wine and fascinating conversation, dancing together to a hot jazz and house music band at Fhima's. We were in Saint Paul!?

▲ The Dean of the Humphrey Institute expressing concern that narrow interests and even narrower ideologies had endangered key relationships, and put two generations of political and policy success in jeopardy. Was I back at the *Doing the Common Good Better* study committee?

▲ A European and trans-Atlantic security expert from France in a contentious but thoughtful debate with the chairman of the "Committee for the Liberation of Iraq" about the role and intentions of France and Europe. Was I having CNN flashbacks from the war?

But it wasn't a joke. And collectively these experiences exemplify our need to keep "doing the common good better."

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Publisher—Sean Kershaw

Editor—J. Trout Lowen

Contributing Editor—Ted Kolderie

Sketches—Ray Hanson

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The riddle revealed

Saint Paul recently hosted a conference for alumni from the German Marshall Fund's Marshall Memorial Fellowship Program. The German Marshall Fund is a well run and thoughtful American foundation that promotes the exchange of ideas and cooperation between the United States and Europe. The fellowship program provides an opportunity for young policy and opinion leaders from Europe and the United States to gain an in-depth understanding of societies, institutions and peoples across the Atlantic. I was a Marshall Fellow in May/June of 2000, and there are at least 12 other alumni from Minnesota.

Echoes

It is certainly no revelation to say that European and American relations are at a low point. It might be a revelation to point out how similar the concerns and arguments are to what we heard while working on the *Doing the Common Good Better* report. Examples included:

▲ Narrow interests dominate the conversation.

▲ Fundamental public interest exists for maintaining relationships and engagement.

▲ There is a need to reform fundamental institutions to promote this engagement and involvement.

▲ There is a lack of concern for the long-term implications of our actions right now.

I think the similarities in the concerns we hear about Minnesota, and the concerns we hear about trans-Atlantic relations, matter for two reasons.

How the global good matters

It is a cliché to say that we live in a global world. It is critical that we understand how to adjust and function within this context.

The first step is to think big when defining mutual interests. Whether we're making decisions that benefit Minnesota or trans-Atlantic relations, we have to start with the premise that we do hold common ideals—certainly democracy and commonwealth in this case. These ideals are the starting point for moving beyond even serious impasse.

The next step is to begin small—or wherever we have power. If I had $10 for every young person I've known who tried to fix the death penalty, but then burned out and gave up, the League would be in a much better financial picture.

I believe that the skills of institution building, and rebuilding, are actually small and discrete. The skills we learn in our neighborhoods, schools or businesses really can apply to situations as seemingly large as the European Union, NATO, or the United Nations. The key is whether we've taken the time and risk to learn and practice these skills at a small scale.

The next generation

The German Marshall Fund conference included people from across the political spectrum, entrepreneurs and representatives from the corporate, nonprofit and government sectors. Despite their political and policy difference, each person was committed to taking the steps necessary to build strong relationships across the Atlantic.

Stay tuned, but I see evidence of this in Minnesota as well. I believe strongly that a new generation is prepared and interested in taking the reigns from those who created the "miracles" that made our state successful. I've seen it in terms of interest in joining the League, and in a renaissance of civic engagement groups.

Conclusion

In my welcoming remarks to the Marshall Fellows I quoted from the French poet and essayist Paul Valery: "The trouble with our times is that the future is not what it used to be."

This is true, both across the Atlantic and across the Mississippi. The future is certainly not what it used to be, but it will be what we make it. **MJ**

Sean Kershaw is President of the Citizens League. He can be reached at (612) 338-0791 or at skershaw@citizensleague.net.

Legislature's compression of commercial/industrial tax rates reduces revenue for tax increment financing districts

by Scott McMahon

It has been two years since the Minnesota Legislature changed the state's property tax code, but municipalities are still just beginning to feel the impact of those changes. The latest confirmation of municipal hardship comes from the Citizens League's 2003 review of tax increment financing (TIF), which shows a dramatic decrease in tax revenues for TIF districts across the state.

Although the number of TIF districts jumped statewide last year, from 1,751 in 2001 to 1,813, the net tax capacity of those districts decreased by 28.7 percent and the TIF net tax, the portion of tax revenue generated by the state's TIF districts, fell 27.3 percent. The decrease in TIF net tax capacity and TIF net tax is largely the result of property tax changes enacted by the legislature in 2001, specifically the compression of commercial/industrial tax rates—the largest percentage of property in TIF district.

TIF is a controversial development tool used by municipalities to help subsidize the redevelopment of blighted areas, the creation of low income housing or for economic development.

When a TIF district is created, the taxing authority—usually a housing and redevelopment agency, "captures" the net tax capacity that results from development within the district and uses the tax increment it generates to pay for specific approved development costs, such as acquiring land or buildings, demolishing substandard buildings, or installing utilities or roads. TIF districts exist for a limited amount of time, generally 10 to 25 years. After they expire, the tax capacity is returned to the municipality's general tax levy.

Districts generally borrow or issue bonds to pay for development, and then use the net TIF tax revenue generated by the district for repayment. However, when a districts net tax capacity falls, and its ability to generate revenue decreases, municipalities and redevelopment agencies run the risk of not having enough revenue to repay the debt. This is the situation some districts are facing in the wake of the 2001 property tax reforms.

The financial security of the TIF districts varies from city to city and district to district, and it is not clear at this point which districts might be in trouble. Some districts have generated enough tax increment to pay off the initial debt and now use the increment to fund new development projects within the districts. Another segment of districts adjust their annual development expenditures based on the yearly projected TIF revenue. The remaining districts, the ones that face the financial problems, are those that financed a project to the maximum projected potential of their revenue base and are now seeing that revenue drop.

In general in 2002, TIF districts in the seven-county metro area saw their net TIF tax fall by $70.8 million, from $267.2 million to $196.3 million. Outside the metro, TIF net tax decreased by $20.2 million, from $65.7 million in 2001 to $45.4 million last year. The number of communities in the state with TIF net tax capacity of more than $1 million decreased from 53 to 42 as a result of the tax changes. (For a list of those cities, see table 3)

Districts that are facing a shortfall have three primary options for making up some of that revenue. First, if there is extra money available in another TIF district, the funds can be transferred. Second, districts

Table 1: Tax increment financing for metro counties and 15 largest non-metro counties, taxes payable 2002

County	Number of Districts	TIF Net Tax Capacity ($)	Total Net Tax Capacity ($)	TIF Net Tax Capacity % of NTC	Net TIF Tax ($)	TIF NTC Per District ($)	Net TIF Tax Per District ($)	# of cities w/ TIF dist.
ANOKA	79	11,586,226	164,182,305	7.06%	12,918,423	146,661	163,524	14
CARVER	18	6,737,761	47,504,401	14.18%	8,023,417	374,320	445,745	8
DAKOTA	46	12,870,480	263,703,004	4.88%	13,490,827	279,793	293,279	12
HENNEPIN	267	92,485,426	989,580,368	9.35%	122,902,517	346,387	460,309	28
RAMSEY	131	25,194,550	316,068,715	7.97%	29,764,860	192,325	227,213	14
SCOTT	29	2,557,629	55,371,005	4.62%	2,893,799	88,194	99,786	6
WASHINGTON	41	5,926,876	130,283,076	4.55%	6,390,229	144,558	155,859	15
Metro Totals	611	$157,358,948	$1,966,692,874	8.00%	$196,384,072	$257,543	$321,414	97
Non-Metro Totals	1,202	$36,277,307	$614,703,547	5.90%	$45,466,545	$30,181	$37,826	325
Statewide	1,813	$193,636,255	$2,581,396,421	7.50%	$241,850,617	$106,804	$133,398	422

All figures are for 2002. Includes only districts with captured value. A complete table of non-metro counties is available at www.citizensleague.net.

Table 2: Change in tax increment financing from tax year 2001 to tax year 2002

	2002 TIF Districts	Percent Change	2002 TIF Net Tax Capacity	Change in Net Tax Capacity	Percent Change	2002 Total Net Tax Capacity	Change in Total NTC from 2001	Percent Change	2002 TIF Net Tax	Change in Net TIF Tax	Percent Change
Metro Totals	611	0.00%	157,358,948	-63,363,868	-28.71%	1,966,692,874	-567,283,724	-22.39%	196,384,072	-70,851,611	-26.51%
Non-Metro Totals	1,202	5.44%	36,277,307	-14,936,845	-29.17%	614,703,547	-141,777,775	-18.74%	45,466,545	-20,240,377	-30.80%
STATE TOTAL	1,813	3.54%	193,636,255	-78,300,713	-28.79%	2,581,396,421	-709,061,499	-21.55%	241,850,617	-91,091,988	-27.36%

have the option of altering the tax rates within a district. Generally, the tax rate for the district is locked at the rate that was in place when the district was developed. The tax rate can be unlocked and the district can use the current tax rate instead, assuming the new tax rate is higher than the original.

Finally, some districts could change the way they contribute to the state's fiscal

TIF continued on page 6

Table 3: Metro and non-metro cities with tax increment net tax capacity over $1 million, taxes payable 2002

	2002 TIF Net Tax Capacity ($)	2001 TIF Net Tax Capacity ($)	Percentage Change from 2001 TIF NTC	TIF Net Tax Capacity % of NTC	Rank of TIF NTC	Net TIF Tax ($)	# of Dist.	TIF NTC Per District ($)	Net TIF Tax Per District ($)
ANOKA COUNTY									
BLAINE	1,128,598	1,586,901	-28.88%	3.85%	37	1,311,888	7	161,228	187,413
COON RAPIDS	1,931,197	2,983,295	-35.27%	5.06%	21	2,144,704	23	83,965	93,248
FRIDLEY	2,553,259	3,274,625	-22.03%	11.41%	16	2,607,122	14	182,376	186,223
RAMSEY	1,893,100	2,764,500	-31.52%	15.50%	23	2,100,860	5	378,620	420,172
BLUE EARTH COUNTY									
MANKATO	1,080,703	1,470,966	-26.53%	6.08%	40	1,161,960	16	67,544	72,623
CARVER COUNTY									
CHANHASSEN	3,309,835	5,920,832	-44.10%	15.81%	10	4,217,557	5	661,967	843,511
CHASKA	3,006,092	4,743,474	-36.63%	22.27%	13	3,250,476	3	1,002,031	1,083,492
DAKOTA COUNTY									
APPLE VALLEY	1,408,950	1,550,719	-9.14%	4.30%	29	1,536,279	8	176,119	192,035
BURNSVILLE	3,105,259	4,344,028	-28.52%	6.11%	12	3,323,460	7	443,608	474,780
FARMINGTON	1,042,879	1,091,826	-4.48%	13.84%	42	1,247,088	14	74,491	89,078
INVER GROVE HTS	2,348,203	2,723,743	-13.79%	10.91%	18	2,378,324	5	469,641	475,665
LAKEVILLE	1,409,425	1,836,856	-23.27%	4.57%	28	1,374,464	9	156,603	152,718
MENDOTA HEIGHTS	1,367,141	2,095,145	-34.75%	9.78%	30	1,149,521	2	683,571	574,761
SOUTH ST. PAUL	1,083,759	1,519,305	-28.67%	10.55%	39	1,295,603	3	361,253	431,868
HENNEPIN COUNTY									
BLOOMINGTON	7,413,432	14,360,998	-48.38%	6.86%	3	8,148,427	10	741,343	814,843
BROOKLYN CENTER	2,407,666	3,296,624	-26.97%	13.39%	17	3,425,384	4	601,917	856,346
BROOKLYN PARK	6,634,524	9,331,322	-28.90%	15.60%	4	9,059,129	13	510,348	696,856
CHAMPLIN	1,997,883	2,706,578	-26.18%	15.69%	19	2,196,525	4	499,471	549,131
CRYSTAL	1,152,131	1,438,771	-19.92%	9.16%	36	1,501,052	6	192,022	250,175
EDINA	6,513,676	8,559,204	-23.90%	8.97%	5	7,086,660	4	1,628,419	1,771,665
GOLDEN VALLEY	2,664,380	3,418,430	-22.06%	10.23%	15	3,394,960	2	1,332,190	1,697,480
HOPKINS	1,578,808	2,227,083	-29.11%	11.64%	27	2,035,873	14	112,772	145,420
MAPLE GROVE	1,748,257	3,964,429	-55.90%	3.73%	25	2,190,181	6	291,376	365,030
MINNEAPOLIS	42,735,702	53,826,102	-20.60%	15.26%	1	62,249,396	84	508,758	741,064
MINNETONKA	3,394,120	3,688,017	-7.97%	4.79%	8	3,555,475	5	678,824	711,095
RICHFIELD	3,502,536	4,217,239	-16.95%	15.81%	7	4,673,911	17	206,032	274,936
ROBBINSDALE	1,094,694	1,394,190	-21.48%	15.58%	38	1,475,275	24	45,612	61,470
ROGERS	1,631,324	2,144,264	-23.92%	27.55%	26	1,879,486	9	181,258	208,832
ST. LOUIS PARK	3,352,152	4,549,124	-26.31%	7.89%	9	4,230,150	8	419,019	528,769
WAYZATA	1,210,829	1,733,524	-30.15%	12.32%	34	1,423,293	6	201,805	237,216
OLMSTEAD COUNTY									
ROCHESTER	2,724,607	3,398,771	-19.84%	4.77%	14	3,481,373	17	160,271	204,787
RAMSEY COUNTY									
MOUNDS VIEW	1,291,524	1,966,944	-34.34%	19.10%	31	1,616,149	5	258,305	323,230
NEW BRIGHTON	1,950,210	2,795,904	-30.25%	13.20%	20	2,321,748	23	84,792	100,946
ROSEVILLE	3,108,466	8,049,057	-61.38%	8.42%	11	3,285,783	10	310,847	328,578
SHOREVIEW	1,185,545	1,582,429	-25.08%	5.83%	35	1,166,556	6	197,591	194,426
ST. PAUL	13,291,072	18,731,528	-29.04%	9.18%	2	16,867,925	18	738,393	937,107
VADNAIS HEIGHTS	1,267,784	1,896,415	-33.15%	11.39%	33	1,301,787	18	70,432	72,322
ST. LOUIS COUNTY									
DULUTH	4,300,251	6,971,005	-38.31%	12.09%	6	5,942,043	18	238,903	330,114
SCOTT COUNTY									
SAVAGE	1,053,506	1,415,364	-25.57%	6.69%	41	1,195,742	4	263,377	298,936
STEARNS COUNTY									
ST. CLOUD	1,885,071	2,760,706	-31.72%	6.20%	24	2,192,217	19	99,214	115,380
WASHINGTON COUNTY									
OAKDALE	1,902,211	2,937,625	-35.25%	11.25%	22	1,940,422	11	172,928	176,402
STILLWATER	1,276,611	1,654,791	-22.85%	10.48%	32	1,538,666	6	212,769	256,444

A complete list of tax capacity for all counties is available at www.citizensleague.net.

disparities pool. TIF districts contribute to the pool in one of two ways; they can pay for it out of the tax increment, or, all of the taxing districts in which the TIF district is located can pay. Switching from the first method to the second will free up increment that has historically been used to pay for the fiscal disparities contribution.

TIF by the numbers

As a result of the tax changes, the 2002 TIF net tax statewide decreased 27 percent, from $332,942,605 in 2001 to $241,850,617 last year. TIF net tax is the portion of the tax revenue generated by the TIF district used to finance the development costs. This decrease in revenues can be especially problematic for existing districts that were created with a thin financial margin or for newly created districts that were expecting a larger tax increment to finance the development costs.

Total net tax capacity for the state fell as well, from *$3,290,457,920 in 2001 to $2,581,396,421 last year, a decrease of 22 percent. This has caused an even larger percentage decrease in the amount of tax capacity "captured" by the TIF districts—the TIF next tax capacity. In 2001, the TIF net tax capacity fell statewide by 28.7 percent, from $271,936,968 in 2001 to $193,636,255 last year.

The tax base captured in 2002 by TIF districts is equal to 7.5 percent of the state's total tax base of more than $2.5 billion. This is a slight increase over last year (6.4 percent).

The average TIF net tax capacity decreased between 2001 and 2002, from *$331,021 to $257,543 in the metro and from $44,925 to $37,826 in the non-metro communities.

Even with the changes in the tax law, TIF appears to continue to be a desirable development tool for some communities. Sixty-two new districts were created in 2002. However, all of the new districts are in the non-metro areas. This accounts for a growth of 3.5 percent in the number of districts statewide and a 5.5 percent increase in the non-metro total.

The number of communities in the state with TIF net tax capacity of more than $1 million decreased from 53 to 42 as a result of the tax changes. Falling off the list this year were: Andover, Anoka and Columbia Heights in Anoka County; Sauk Rapids in Benton County; New Hope in Hennepin County; Marshall in Lyon County; the Ramsey County communities of White Bear Lake and White Bear Township; Shakopee in Scott County; Waite Park in Stearns County; and the Wright County city of Buffalo.

The list of top 20 cities and towns with the greatest percentage of their tax base tied up in TIF saw some significant shifting in 2002. (See table 4) In the metro, Farmington, Hopkins, St. Anthony and St. Paul Park climbed onto the list, replacing Anoka, Newport, Oakdale and Roseville. The top 20 list of non-metro cities saw six new additions: Albany, Annandale, Benson, Gaylord, Spicer and Waite Park. Dropping off were Beaver Bay, Biwabik, Brooks, Brooten, Fosston and Jenkins. **MJ**

Scott McMahon is a Citizens League staff member. For expanded TIF coverage go to www.citizensleague.net

**The state Department of Revenue has revised these figures from 2001.*

Table 4: Top 20 metro and top 20 non-metro cities ranked by percentage of tax base tied up in TIF districts

Rank	City	County	TIF Net Tax Capacity % of NTC	Net TIF Tax $	Number of Districts	Net TIF Tax Per District $
Metro Cities						
1	LANDFALL	WASHINGTON	40.47%	34,710	1	34,710
2	ROGERS	HENNEPIN	27.55%	1,879,486	9	208,832
3	CHASKA	CARVER	22.27%	3,250,476	3	1,083,492
4	MOUNDS VIEW	RAMSEY	19.10%	1,616,149	5	323,230
5	RICHFIELD	HENNEPIN	15.81%	4,673,911	17	274,936
6	CHANHASSEN	CARVER	15.81%	4,217,557	5	843,511
7	CHAMPLIN	HENNEPIN	15.69%	2,196,525	4	549,131
8	BROOKLYN PARK	HENNEPIN	15.60%	9,059,129	13	696,856
9	ROBBINSDALE	HENNEPIN	15.58%	1,475,275	24	61,470
10	RAMSEY	ANOKA	15.50%	2,100,860	5	420,172
11	MINNEAPOLIS	HENNEPIN	15.26%	62,249,396	84	741,064
12	FARMINGTON	DAKOTA	13.84%	1,247,088	14	89,078
13	MAPLE PLAIN	HENNEPIN	13.66%	253,171	5	50,634
14	BROOKLYN CENTER	HENNEPIN	13.39%	3,425,384	4	856,346
15	NEW BRIGHTON	RAMSEY	13.20%	2,321,748	23	100,946
16	OSSEO	HENNEPIN	12.93%	312,834	8	39,104
17	WAYZATA	HENNEPIN	12.32%	1,423,293	6	237,216
18	ST. ANTHONY	HENNEPIN	12.26%	876,571	1	876,571
19	ST. PAUL PARK	WASHINGTON	12.17%	300,031	2	150,016
20	HOPKINS	HENNEPIN	11.64%	2,035,873	14	145,420
Nonmetro Cities						
1	DUNDAS	RICE	29.94%	170,708	2	85,354
2	RUSH CITY	CHISAGO	29.07%	307,474	5	61,495
3	CLAREMONT	DODGE	28.81%	61,561	2	30,781
4	CLONTARF	SWIFT	27.27%	69,421	2	34,711
5	LAKESIDE	COTTONWOOD	26.22%	155,697	1	155,697
6	ST. CLAIR	BLUE EARTH	25.98%	79,571	1	79,571
7	RENVILLE	RENVILLE	24.58%	151,198	9	16,800
8	PELICAN RAPIDS	OTTERTAIL	20.85%	198,270	5	39,654
9	MAYNARD	CHIPPEWA	20.34%	37,209	3	12,403
10	AVON	STEARNS	19.42%	147,741	2	73,871
11	MEIRE GROVE	STEARNS	18.83%	10,328	1	10,328
12	ALBANY	STEARNS	18.41%	204,201	9	22,689
13	ANNANDALE	WRIGHT	18.16%	242,496	5	48,499
14	SAUK CENTRE	STEARNS	18.01%	333,190	6	55,532
15	SAUK RAPIDS	BENTON	17.25%	1,239,804	10	123,980
16	WAITE PARK	STEARNS	17.22%	971,633	4	242,908
17	GAYLORD	SIBLEY	17.13%	153,527	10	15,353
18	SPICER	KANDIYOHI	16.89%	230,130	8	28,766
19	BENSON	SWIFT	16.79%	178,024	5	35,605
20	TORNING	SWIFT	16.59%	71,185	3	23,728

Higher education *continued from page 1*

public post-secondary education—regardless of their ability to pay. In raw numbers, the $644 million sent to the U of M translates to a subsidy of more than $10,000 for each of its 60,000 students. MnSCU, for its part, estimates the state's $602 million allocation comes out to just under $4,700 per student. We subsidize students because our state as a whole benefits from their education.

For the most part, however, those who go on to post-secondary education tend to come from families with higher incomes. Just 37 percent of students from families with incomes under $25,000 enroll in post-secondary education immediately after high school compared to 60 percent of students from families with incomes above $90,000, according to HESO. Family income levels, of course, vary widely from campus to campus.

So how much extra does the current higher education funding system do to help students from low- and moderate-income families? Of the 71,000 students who received state grants in 2001, three-fourths came from families with incomes below $40,000. The average grant? Less than $2,000.

Put simply, income and sales tax dollars paid by lower-income wage earners subsidize the education of students from families with higher incomes—who will go on to earn higher incomes.

What I'm suggesting is that during tight fiscal times, Minnesota can—and must—continue to support higher education. But we should do it in a way that provides more support for those who need it. Notice I'm not suggesting we eliminate support for the University and MnSCU or even make deep cuts in our overall support for higher education. ($40 million from $2.8 billion is 1.4 percent.) I'm simply suggesting that when times are tough, let's trim back the $4,700 subsidy for every student in MnSCU or the $10,000 for every student at the U and give more support to students with fewer resources.

But what about enrollment?

One of the primary arguments for the existing 90/10 allocation is that it helps to keep tuition affordable. Changing to 85/15, the argument goes, would increase tuition and reduce enrollment at a time when we need more students going on to post-secondary education, not fewer.

So far, however, tuition increases have had little impact on enrollment. Enrollment figures at both the University and MnSCU are at record highs. There is even talk of capping enrollment at some campuses.

Longer-term trends tend to be more reliable indicators. According to HESO, tuition and fees at the University and MnSCU increased 82 percent and 64 percent, respectively, during the 1990s. Yet total post-secondary enrollment grew 7 percent between 1992 and 2001, from 278,000 to 297,000. Today, 65 percent of high school graduates in Minnesota enroll immediately in post-secondary institutions. Among students of color, that figure drops significantly.

Obviously a number of factors contribute to enrollment trends—demographics being the most significant. Economic downturns also tend to drive enrollment up. Another factor may be that more careers require education beyond high school. The Minnesota Department of Economic Security estimates that by 2008, half of all careers will require some level of higher education. The investment tends to pay off. Men between the ages of 25 and 34 with a bachelor's degree earn 40 percent more than those with a high school diploma; women in the same age bracket with a bachelor's degree earn nearly twice (94 percent) what those with a high school diploma earn, according to HESO.

That brings me back to who is going on to higher education and who isn't—60 percent of high school graduates from families making more than $90,000 compared to 37 percent of students from families with incomes below $25,000. We can afford to help students at the bottom if we help those at the top end a little bit less.

Impact of S. F. 1325/H.F. 1288 on higher education funding

	Current system	Proposed
Ratio of aid to institutions/ aid to students	90/10	85/15
Number of public institution students receiving grants	46,378	56,213
Number of private institution students receiving grants	24,081	24,647
Dollar amount of grant funds flowing to public institutions	$63.4 million	$109.6 million
Dollar amount of grant funds flowing to private institutions	$67.5 million	$81.2 million

Source: Higher Education Services Office. Assumes a 27 percent increase in tuition, a 5 percent reduction in students contributions and no change in family's contribution

A private college windfall?

A popular misperception is that this shift would be a huge benefit for Minnesota's private colleges and universities. That's not the case. HESO estimates that student financial aid dollars flowing to the University and MnSCU would increase 73 percent ($46 million a year) compared to a 20 percent ($13.7 million) bump for private institutions. HESO's calculations indicate that the number of grant-eligible students attending public institutions would grow, and that students from families with incomes beneath $40,000 would see their grant amounts increase considerably.

Funding cuts for higher education will drive up tuition. Unfortunately, as this article goes to press, there appears to have been little support to significantly increase funding for financial aid. Rather than a high tuition/high aid model, Minnesota decided to go the high tuition/low aid route.

But the debate isn't over. Demographers have been warning us for years about the impact of the aging baby boom generation. Reports from the Citizens League, John Brandl and Vin Weber, the Minnesota Business Partnership and others have projected budgetary squeezes as the ratio of working-age Minnesotans to retirees begins to drop in 2011—just three biennial budget sessions away. By 2018, we will have, for the first time in history, more retirees than public school students. These simple demographic facts are going to turn our tax-and-spending systems inside out and upside down. Unless we begin to prepare for that reality with reforms that fund people in need rather than institutions, we won't know if we're diagonally parked, parallel parked, double parked or sitting on a park bench wondering what to do next. MJ

Duane Benson is the executive director of the Minnesota Business Partnershipand chair of the Coalition of Minnesota Businesses.

TakeNote Policy Tidbits

May winds keep turbines turning as lawmakers churn for a solution to spam

Spam banned. Not Minnesota's own "Spam," the square-packed meat product made by Hormel, but the sending of unsolicited e-mail advertisements, also called spam. Commercial or bulk e-mail, the new tool for businesses to attract customers, seems to be better at frustrating recipients whose inboxes fill with unwanted e-mails. In Virginia, spam distribution is now a felony and Arizona is poised to make the distribution of "spam" a misdemeanor. The Arizona law requires vendors provide a free method for people to remove themselves from email lists, and restricts sale of email information. It also allows internet service providers to recoup damages from spam-spread viruses of $10 per message or $25,000 (whichever is less) for individuals or $10 per message or $25,000 for internet providers (whichever is greater).—*Scott McMahon.*

Federal rent vouchers for low-income families may soon be a thing of the past. President Bush has proposed replacing the Section 8 voucher program, which provides housing assistance to nearly 2 million families, with a new system of block grants operated by the states.

Under Section 8, the federal government subsidizes private landlords to provide low-cost housing for poor families and other people on fixed incomes, such as the elderly and the disabled. Local housing authorities issue vouchers to qualified renters, who pay no more than 30 percent of their income in rent. The government pays the balance.

Under the revised plan, each state would get a lump payment to use for housing vouchers and have greater administrative authority, allowing them to combine housing with other services intended to help poor families become self-sufficient. Administration officials argue it will be easier to administer the funds to the states rather than deal with the 2,500 housing agencies across the nation.—*S.M.*

States to get $437 million from Wall Street settlement. A recent settlement from conflict-of-interest charge against Wall Street analysts is expected to net the states $437 million. Most of the settlement will go to the state governments that are likely to use it to help offset budget shortfalls. The funds will be divided up among states based on population. California will be the big winner netting about $42 million.—*S.M.*

What do women (voters) want? That's the question the Minnesota Women's Political Caucus hopes to answer over the next 14 months with its $150,000 campaign, "Raising Women's Voices." The goal of the campaign is to use surveys, opinion polls and focus groups to gather Minnesota women's views on public policy, then to develop strategic messages based on those findings to connect and mobilize women to work for public policy changes, and to help elect more women to office. Work on the campaign begins in June under the leadership of former state Health Commissioner Jan Malcolm and former Hennepin County Commissioner Mary Tambornino.—*J. Trout Lowen.*

U.S. Highways deadliest in 12 years. According to a recent report by the National Highway Traffic Safety Administration the number of traffic related fatalities in the U.S. in 2002 was the highest in 12 years. An estimated 42,850 people were killed in auto accidents last year, an increase of 734 from 2001. More than half of the increase is attributed to rollover crashes involving SUVs and pickup trucks. Alcohol use and failure to wear seatbelts are the leading causes of the fatalities: 59 percent of people killed in crashes weren't wearing seatbelts, while 42 percent of traffic deaths were alcohol related.—*S. M.*

A budget crisis is not the time to abandon IT projects. That was the message offered a recent conference sponsored by Public Technology, Inc. At the conference, Philadelphia Chief Information Officer Dianah Neff commented, "Crisis motivates change. I'm going to take advantage of that opportunity for change that will be lasting and hold us in stead in good times." Philadelphia's budget crisis is forcing a 25 percent reduction in the city workforce of 25,000. New technology projects are citied as one way the city can continue offering the services the citizens want and expect.—*S.M.*

Minnesota ranks well in wind capacity per capita. According to the American Wind Energy Association, Minnesota has the third highest wind capacity per capita in the U.S. The only states that rank higher are Wyoming and Iowa; Oregon, California, Texas, Kansas and Washington round out the leaders. Internationally, Denmark, Spain and Germany have more wind capacity per capita than Minnesota.—*S.M.*

Some facts about the electorate from the recent Humphrey Policy Forum Conference on Values and Voting Patterns:

- ▲ 43 percent of voters nationwide consider themselves "born again" (Celinda Lake, Democratic pollster);
- ▲ Perceptions about a candidate's values matter more than issues or personality when voters make decisions (Matthew Dowd, Republican pollster);
- ▲ For the first time ever, more voters now self-identify as "independent" than with either major party;
- ▲ No national Democratic leader has a positive rating over 50 percent.—*Sean Kershaw.*

Take Note contributors include Minnesota Journal and Citizens League staff.

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Citizens League
708 S. Third Street, Suite 500
Minneapolis, MN 55415