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How high should state's public college tuition be?

Lower subsidy, increase aid

by Gene Waldorf

In the late seventies the Legislature introduced a program to subsidize child care with a sliding subsidy based on income. The argument was a familiar one—that child care assistance couldn't stretch to everyone, nor should it; so those who needed help would get it, and those who could afford child care could pay for it themselves.

During the 1991 session, faced with an ominous trend toward weaker state support for Minnesota's colleges and an impending budget problem, I proposed in S.F. 1240 a new formula for funding higher education. Instead of continuing to inadequately fund the current formula of subsidizing two-thirds the cost of instruction and a fraction of the recognized

cost of attendance for low-income students, I proposed turning around the tuition formula, reducing the state's direct subsidy to the public colleges and universities to one-third of the instructional cost. With the smaller direct financial obligation, the state could improve the student aid package and fund the cost of attendance at an appropriate level for those qualifying for need-based assistance.

The reaction to my proposal was immediate and negative. Student associations, faculty unions, Twin City and outstate newspapers and most of my colleagues in the Legislature rejected it out-of-hand. All they saw was the possible doubling

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Low tuition is best aid

by Terry MacTaggart

The question of who should bear the costs for higher education in Minnesota centers, to a large extent, on who should have access to higher education in the state.

A proposal introduced in the Legislature last year by Sen. Waldorf and backed by the Minnesota Private College Council would reverse the state's traditional formula for financing higher education. Post-secondary policy calls for students to pay one-third of their total instructional costs, and the state to pay two-thirds. (Current practice has students paying nearly 40 percent). The Private College Council-sponsored plan would flip-flop that ratio so that students would pay two-thirds and the state just one-third.

That proposal sometimes is referred to as the "high-tuition, high-financial aid model" because it would result in substantially higher tuition rates and would create a need for additional state financial aid funds to mitigate the increased burden on lower-income students. However, the initiative properly should be viewed as the "limited access model" because it threatens the opportunity for lower and middle-income students to take advantage of the state's higher education systems—the University of Minnesota, the State Universities, the Community Colleges and the Technical Colleges.

The proposal, which surfaced in

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School levy referenda face tough voters, new laws

Election Day '92 was harsher than the last few years for Minnesota school districts seeking voter approval to levy additional property taxes to cover operating expenses. Referenda for these "excess levies" were approved in only about half the 52 districts running elections, with 27 winning approval and 25 going down to defeat. (See Table 1, page 6.)

That contrasts with an approval

by Jody A. Hauer and Dana Schroeder

rate of 72 percent for the referenda held over the past three and one-half years. Voters approved 31 of 44 in 1991, 39 of 59 in 1990, and 98 of 131 from July 1988 through the end of 1989. Some 285 school districts had excess levies in place before this year's election.

An analysis of this year's 52 levy referenda shows the following

patterns:

- Voters were more likely to approve more modest referenda, both in terms of the levy amount sought per pupil and the total amount of the levy sought. In the five districts seeking more than \$1 million in additional revenue, only one—Mankato's—passed, while those in Owatonna, St. Francis, St.

Paul, and Prior Lake failed.

- Referenda in districts where an excess levy was currently in place were more likely to pass, while those in districts without a current levy were more likely to fail.

New laws

Minnesota's Legislature has made

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Economy

Build common economic vision for metropolitan area

A number of developments on the economic and social fronts suggest that "business as usual" will not be enough to allow us to live in peaceful communities and to meet the needs of many members of our society for jobs that pay a living wage.

Work by Patricia Ruggles and Charles F. Stone of the Urban Institute found that in the 1980s, despite the economic recovery, incomes for the bottom three-fifths of American families did not rise and income inequality increased rapidly. These findings suggest that policies focusing only on increasing aggregate growth alone will not be enough to increase the incomes of low and middle-income American families.

During the 1980s, the number of low-paid workers nationally rose by 50 percent to 14.4 million. Incomes below \$12,195 in 1990 were considered low pay—that is, less than a poverty-level income for a family of four. International competition, declining union membership, and the failure of the minimum wage to keep up with inflation accounted for the increase in low-wage jobs, according to Isaac Shapiro of the Center on Budget and Policy Priorities.

A recent report published by the Institute for Innovation in Social Policy at Fordham University indicated the nation's social health

has reached its lowest level in 21 years. Nine of the sixteen problems tracked by the Index of Social Health worsened in 1990, and six hit new lows: child abuse, teen suicide, gap between rich and poor, average weekly earnings, health insurance coverage and out of pocket health-care costs for those over 65. "Nobody's focusing on the big picture," complained Dr. Marc Miringoff, director of the Institute.

Within our metropolitan region, the poverty rate in the two core cities jumped substantially in the past decade: Minneapolis from 13.5 to 18.5 percent and St. Paul from 10.9 percent to 16.7 percent. All but 5,000 of 255,000 metro area jobs created in the 1980s were located outside of Minneapolis and St. Paul.

"What is sorely needed is an agreed-upon vision for the metropolitan area," Connie Levi, president of the Minneapolis Chamber of Commerce said recently. "We need to ask ourselves, 'How are we going to keep this region economically healthy in the future?' When we have a vision and an agreed-upon mission in place, decisions such as those related to infrastructure, education and job creation,

for example, can be made in that context."

We need to develop for both the state and the metropolitan region a strongly held common vision that provides for economic competitiveness and inclusion of communities of color and economic disadvantage. Such a vision should act as a framework for a number of difficult public decisions, including airport location, freeway and transit expansions and tough measures to address a projected \$800 million shortfall in the state budget. Absent a shared vision of where the state or region is to go and what is needed to get there, decisions may fall prey to "sharp elbows" of vocal lobbies rather than to what makes sense over the long term.

As a diverse society with many centers of power and interest, we can benefit from the struggle to produce a vision. Achieved with appropriate participation and consideration, such a vision can allow us to make decisions more rapidly.

Criteria for a vision include:

- Coherence, with careful consideration of the relationships between the parts. Significant improvement in economic competi-

tiveness requires coordinated action on the part of many sectors of our society.

- A call for sacrifice, which should be justified in terms of expected results. The burdens should be shared fairly.

- Synthesis of existing relevant work, such as Minnesota Milestones, into the foundation of the vision.

While many efforts are underway in government, the nonprofits and business that address parts of a vision for economic and social development for the region, we need to do more.

The executive and legislative branches of government, for example, might coordinate their efforts at long-range thinking—such as the Minnesota Milestones and Minnesota Horizons initiatives—with work going on in the nonprofit and business sectors. The state could convene a diverse pool of actors in a forum to work toward a common agenda, to review the facts in key areas, and to forge a common vision to overcome inertia, turf guarding, and suspicion to lay the groundwork responding to the key challenges facing our metropolitan region and state.

Lyle Wray is executive director of the Citizens League.

- Parents' most frequently cited—and most important—reason for transfers is academics. This contradicts a widely cited Minnesota House Research report, which, unlike the Policy Studies report, didn't use a scientific sample and grouped parent responses in questionable ways.

- There's been a dramatic increase in aspiration levels among youngsters participating in "second chance" programs. Thirty-nine percent attending public schools under these laws say they plan to graduate and go on to some form of post-secondary education, up from 19 percent before they enrolled in the programs. Among young people using "second chance" to attend private, nonsec-

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Editors call state lottery director bonus losing idea

Marshall Independent said (Oct. 21) the \$44,500 bonus recommended for the State Lottery director "seems a bit much to give...to a man who was simply doing the job he was hired to do." Bemidji Pioneer said (Oct. 22) "the Legislature should outline provisions under which the lottery director may be rewarded for success, but that reward shouldn't include 59 percent pay hikes." Duluth News-Tribune said (Oct. 20) the wide respect enjoyed by the state's lottery "does not justify giving the director such a large bonus." St. Cloud Times said (Oct. 19) "the lottery board definitely lost its perspective." Red Wing Republican Eagle endorsed (Oct. 29) the plan to give the governor final say on the lottery executive's salary. West Central Tribune called (Oct. 21) the bonus "way out of line" and said those who think it is justified should "take some of the money they would have spent on lottery tickets and send (the director) a personal check."

Mankato Free Press said (Oct. 2) "ending the routine fiscal crises that afflict Minnesota is a necessity."

Hauer departs

Jody A. Hauer, associate editor of the Minnesota Journal since Sept. 1985 and a Citizens League research associate since late 1984, is leaving her post following this issue. She will become research director in the Research and Government Information Division of the State Auditor's Office.

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On Balance

A jackpot of opinions by Minnesota editors.

St. Paul Pioneer Press called (Oct. 13) Gov. Carlson wise for trying to focus voter attention on Minnesota's budget shortfall. Fargo Forum said (Oct. 4) it is a "myth that Minnesota can grow its way out of the deficit." St. Cloud Times said (Oct. 4) part of the problem is "Minnesota's can't-say-no Legislature" who listens "too much to the wrong people... special interests looking for new expenditures or 'more' of something." The Times prescribed (Oct. 18) one solution: "economic expansion, generating additional tax revenue and then sensible government spending."

International Falls Journal stated (Oct. 13) voters may be "ready to make the tough choices necessary to stop Minnesota from spending its way into more debt." The Journal suggested (Oct. 27) looking "at the government bureaucracy...to eliminate unnecessary or duplicative services...(and) jobs that aren't as necessary to providing good government." West Central Tribune said (Oct. 14) the "smoke and mirrors are all used up" and urged legislators to adopt budget resolutions early in the session. Hibbing Tribune said (Oct. 15) "new taxation should be kept to a minimum."

Worthington Globe said (Oct. 1) Minnesota's tax status has resulted in "businesses, both large and small, departing Minnesota for friendlier, less costly environs." Republican Eagle urged (Sept. 30) returning to "zero-based budgeting, justifying each dollar spent on each program."

International Falls Journal said (Oct. 5) a proposed amendment that guarantees state aid to cities and counties "is especially dangerous with the state facing a budget shortfall."

Rochester Post-Bulletin said (Oct. 31) term limits deserve attention only "after financing and power problems are addressed." Duluth News-Tribune said (Oct. 29) "term limits is an idea whose time has come; some legislators just don't know it yet."

Pioneer Press said (Oct. 8) continuing to provide public financing for unopposed candidates "can only erode support for public financing generally" and urged ending the practice. International Falls Journal recommended (Oct. 15) banning public finance for unopposed candidates.

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D. Free distribution by mail, carrier or other means, samples, complimentary, & other free copies	241	241
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F. Copies not distributed		
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I certify that the statements made by me above are correct and complete.
Signed, Lyle D. Wray, publisher.

School choice benefits clear; critical report lacking

President-elect Bill Clinton's words and actions show he understands much more about the value of Minnesota's school choice programs, including charter public schools, than does a recently released Carnegie Foundation report. While there are things to learn from the widely publicized Carnegie report, new studies of Minnesota's choice programs by the Washington-based Policy Study Associates, Inc., probably have more useful and more accurate information.

In 1989 Clinton became the first southern governor to successfully propose cross-district public school choice, virtually identical to Minnesota's open enrollment plan. When he asked this writer to testify in Arkansas about Minnesota's experience, Clinton acknowl-

edged that many Southerners associated school choice with racial segregation. But he argued that carefully developed public school choice plans "expand opportunity and help stimulate improvements."

This year Clinton endorsed charter public schools in the third nationally televised debate. He and his staff learned about charter schools from, among others, State Sen. Ember Reichgott and State Rep. Becky Kelso.

Clinton and a growing number of educators and scholars understand the benefits of school choice—benefits the new Policy Studies Associates reports document.

- Thousands of young people have used Minnesota's "second chance" cross-district choice laws to come back to school after having dropped out.

- Young people from low-income families and minority groups are represented in greater proportion than in the population as participants in these "second chance" programs.

- New public schools have developed in some suburban, urban, and rural districts, so that more families not only have choice, but choices.

- 62 percent of open-enrollment participants surveyed say they're learning more in their new schools.

Fergus Falls Journal said (Oct. 6) the plan to close three state hospitals "has not been out in the open enough to assure us it is the best answer." Brainerd Dispatch said (Oct. 21) cutting the hospitals will "affect hundreds of state hospital employees" in the area and urged mustering support for Brainerd's hospital. St. Cloud Times recommended (Oct. 6) that legislators think of alternative uses for the state treatment centers.

Star Tribune said (Oct. 8) squeezing the University of Minnesota's state appropriation could be "the equivalent of eating the next generation's seed corn." Duluth News-Tribune said (Oct. 28) unless the public becomes part of the discussion for changes in higher education, strategies like sending fewer people to public four-year schools "may unravel and endanger support for higher education subsidies."

Republican Eagle said (Oct. 9) the plan to let employers send back to technical colleges those employees who are "defective" shows a strong commitment by the technical college system to "turn out the best possible graduates for the work force." Bemidji Pioneer said (Oct. 27) the venture providing Northwest Technical College training to Nortech Systems' employees is a model to show how to "improve Minnesota's business climate and create jobs."

Boom kids

Edited excerpts from remarks by Jim Benson, president, Dunwoody Institute, to the Citizens League on Oct. 27.

At the turn of the century we doubled our knowledge base every 50 years. Do you know what we're doubling it at today? In less than five. Most people say it's between three and four. In computers it's two.

That means while every middle school kid is going through school-boom—you double the knowledge base on them. Then they go into senior high school—boom, boom—you double it the second time on them. Then they go off to colleges and universities and you double it the third time—boom, boom, boom. We're talking exponential growth here.

Waldorf

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of tuition, and little else. They missed key parts of the proposal that would improve student aid packages which would *hold harmless* or *reduce* out-of-pocket costs for students from families with adjusted gross incomes below \$45,000 to \$50,000 per year, and add substantially to the financial support for the state's public colleges and universities through higher tuition revenue.

In fact, the only losers would be those students from families earning more than \$45,000 to \$50,000 per year. But even they would continue to receive state subsidized higher education, from the subsidy of one-third of instructional cost and improved living and miscellaneous expense allowances which would reach families well above \$50,000 in income. This is similar to the child care subsidy which pays all costs for those lowest-income recipients, but diminishes subsidies as incomes increase.

The plan works because the state's support base would be divided between the 33 percent direct subsidy to the colleges and universities, and a major improvement to the student aid formula. The effect would be to more than triple present need-based subsidies, allowing for significantly larger grants and increased eligibility. It was designed to pick up the higher tuition cost for low-income students, actually *reducing* the out-of-pocket cost they now pay. Financial aid packages would offset tuition increases up to the \$45,000 to \$50,000 family income range.

The colleges and universities would benefit, too, by keeping the larger tuition revenue, which, when added to the state subsidy, would be more than they currently

receive. The additional revenue could then be used to continue the desperately needed quality improvement programs.

We can't ignore what's been happening to the level of support we're giving our citizens who want college training. In the 1970s, state funding of higher education paid 80 percent of the cost of instruction. In the 1980s, it was 67 percent and in the 1992-93 school year, the State University System received 62 percent and the University of Minnesota 53 percent. Even the most optimistic projections admit that it will drop further in the next budget round. Nor should we expect to see that trend reversed. We won't see the 80 percent subsidies of the 1970s or the 67 percent subsidies of the 1980s again.

"Hanging on to the 'low-tuition' fantasy and ignoring the problem simply won't do."

Regent Kuderer of the University of Minnesota recently reminded us of a much more serious effect of diminished support for higher education that should cause us all to take notice and appropriate action. Kuderer noted that "since the '81-'82 school year, tuition at the University has increased 52 percent in inflation-adjusted dollars, but increases in state and federal financial aid have not compensated for the increase. In absolute dollars, students are paying \$98 million more in tuition, but are receiving a mere \$13 million in additional student aid."

Kuderer was pointing to an erosion of access for students from low-income families and—because they tend to be poorer—minority students. The cost burden of higher education has always been greater

for low-income students, even with income-based grants. But that burden has increased with recent tuition increases, and the number of students from low-income families and minorities is dropping. Nationally, since 1985, we have lost 25 percent of our students from families with incomes of under \$30,000.

We shouldn't assume that the state's colleges and universities can tighten their belts and hold down tuition increases. During the 1980s, unprecedented enrollments forced them to get by with much less per student. Last session, belt tightening and restructuring continued at all the institutions, including the closing of the Waseca campus of the University of Minnesota. Further cost cutting *will* result in poorer quality instruction.

Not only will students pay more; they will pay more for less.

Hanging on to the "low-tuition" fantasy and ignoring the problem simply won't do. Lawmakers correctly recognize that competition for state dollars means reshuffling priorities. Department of Finance figures show the share of the state budget going to higher education dropping from 15.1 percent in 1989 to 12.9 percent in 1993. This is a trend we can expect to continue with widespread voter opposition to tax increases and fiscal pressure exerted by other politically attractive issues, such as improved health care, entitlement programs, medical insurance and K-12 education.

Concern was raised that my proposal would simply relieve the state of a share of its subsidy obligation

and allow the Legislature to shift higher education funds to other programs. That is not the case. In fact, it might bring added pressure for support of higher education. With less direct subsidy to institutions and much more in student aid, the Legislature's responsibility is not diminished. Instead, the larger obligation in the form of student aid, the Legislature is less likely to undercut its support for low-income students. It is clearly a more personal obligation and more politically risky than a subsidy to an impersonal system or institution.

Finally, I think shifting money away from higher education may be equivalent to "eating our seed corn." History shows that our best economic development has been the money spent on education. Our higher education institutions have spawned many of our state's most successful businesses and our best employers. If we now begin to undercut support for our colleges and universities, we will not continue to benefit from the excellent industrial growth we have enjoyed. Today, we should demand that our college training become better, not weaker.

And as I discussed earlier, we simply can't afford to limit access to students from low-income, minority families. S.F. 1240 is one way I think we can accept the fiscal pressures of the 1990s and still maintain strong higher education opportunities. It may not be the only solution; but it is a solution. Doing nothing means abandoning the educational underpinning that has brought us economic success, fairness and has been a source of pride.

Gene Waldorf (DFL-St. Paul), is chair of the Minnesota Senate Governmental Operations Committee and a member of the Higher Education Division of the Senate Finance Committee, retires this year.

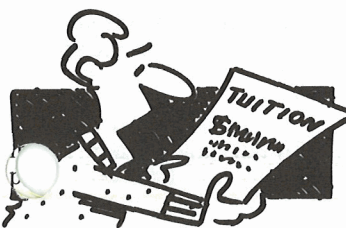
MacTaggart

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the last legislative session, would shift the burden of tuition costs to an unparalleled degree from the state to the students. In these very tight fiscal times, that notion undoubtedly will appear tempting to some. The proposal seems to promise something for everyone, with very little pain required. And indeed, it does contain some positive elements.

However, the proposal should be examined very carefully because it has the potential to undermine that bedrock of Minnesota's success and its quality of life—namely, a well-educated work force.

The high tuition model is flawed in at least three major respects. First, it would reduce access to higher education. Second, it would hurt more people than it helps; and finally, it would amount to a double tax on the middle class.



"Sticker shock."

My concern about access relates to so-called "sticker shock" over doubled tuition rates. I worry about the message this proposal sends to students and their families, who may be very capable people, but not necessarily sophis-

ticated in the complex ways of financial aid. They will page through the college guides, looking first at what they believe to be the most affordable institutions—the public colleges and universities. But the price will be double what it is today, if this proposal becomes law. My concern is that these people will be struck by the sticker shock, close the book and drop higher education as a real option.

Our analysis bears out my second concern that the proposal hurts more people than it helps. For our students at St. Cloud State University, for example, the high tuition model would reduce the net cost of education for about 5,000 students but would raise it for about 10,000 students. In other words, 10,000 students would suffer in order that 5,000 could benefit. The case is even more compelling at Metropolitan State University in the Twin Cities, where many nontraditional students, mainly working people, are taking a course or two trying to pursue their degrees over a number of years. Under the proposal, about 7,500 part-time, place-bound students who do not receive financial aid would be burdened with higher tuition so that perhaps 1,000 students might benefit.

For a State University System student, the higher tuition at current rates would mean an increase from \$2,033 to \$4,066, not including fees or living and maintenance. And at St. Cloud State, for example, the number of students requiring state grants would increase from 3,815 to at least 4,640, assuming living and maintenance costs remained constant. The total cost of that assistance would rise

from \$4.7 million to \$9 million.

The proposal also would increase the students' debt burden dramatically. Currently, when the average State University student walks across the stage at graduation, he or she carries a diploma in one hand and a bill for \$7,000 in education debt in the other. As a result of the Private College Council initiative, that debt would go up to \$12,000, and at \$146 a month, it would take the student 10 years to retire the debt. That's a horrible way for a person to start a professional life after graduation.

Regarding the double-tax problem, the majority of Minnesotans have worked hard all their lives to generate the tax dollars that support higher education and the other important services that this state offers. There has been an implied agreement that in return for that high effort their children would be able to go to college, perhaps by getting a little extra financial help from their parents, by working, and by incurring some debt. But they would be able to afford college.

This proposal threatens to break that implied promise so that instead of being able to afford a college education, the students and parents would be faced instead with four years of high tuition and a much longer period of high debt.

We believe our State University students are above average in talent, motivation and willingness to work hard to achieve their goals. But of all the financial aid applicants in Minnesota, our students are below average on a couple of important indicators of wealth: net family assets, home equity, and

parental income. That's why many of us have deep concerns about the high tuition model. It would offer much more pain than gain for the ordinary, hard-working, middle-income people of Minnesota. And I am particularly worried that it would deter students of color from pursuing higher education at a time when we are striving to create opportunities and achieve greater cultural diversity.

The high tuition model would put the state's historic commitment to higher education at risk. It would free up a huge revenue pool by demanding more money from students, but it wouldn't earmark all of that money for education. In these times of fiscal crisis, it is likely that these resources would be siphoned from higher education and diverted elsewhere. Appropriations for education should be viewed as long-term investments in the people of Minnesota rather than a short-term expense, or the source of a quick fix for the state's budget problems. Especially because of the severe economic times, we must preserve access to higher education for our citizens.

We certainly are concerned about the ability of the poorest among us to continue to participate in post-secondary education. We need to address that problem, but we don't need to wipe out the state's historic commitment to affordable tuition for all Minnesotans in the process. Massive tuition increases would reduce access dramatically. Until a better solution comes along, affordable tuition remains the best financial aid.

Terry MacTaggart is chancellor of the Minnesota State University System.

School outcomes must meet world-class standards

Edited excerpts from remarks by Valerie Pace, state external programs manager for IBM-Rochester, to the Citizens League on Nov. 3.

In Rochester 70 percent of our product today is installed outside the U.S. It's been very difficult to convince people, not only in Rochester, but in the state of Minnesota and the U.S. as a whole, that the skills and knowledge our stu-

dents must have today coming out of K-12 or higher education has to compete with what we can hire worldwide.

In Rochester since January of 1988 we have not hired less than a two-year technical degreed person for entry-level production work. We know that in Japan you can hire at age 18 the skill set that it takes us until age 20 or 21 to pro-

duce in the U.S.

It means that benchmark, that world-class bar against which we compete, is far higher than we have demanded of ourselves and our systems to produce.

The Rochester Community College did an assessment of incoming freshmen who graduated within the last two years in southeast

Minnesota. Of the incoming freshmen, 63 percent tested into developmental, noncredit mathematics.

The question is how can we look at outcomes required for high school and calibrate them to world-class requirements that employers in our state have. In our work in quality with schools and with higher education, it's our conclusion that we've never had a system to do that.

Choice

Continued from page 2

tarian schools—such as the Urban League's Street Academy in Minneapolis—41 percent plan to graduate and continue their education, compared to six percent before they enrolled.

Both the Policy Studies Associates study and the Carnegie report recommend more information about choice options. Elaine Salinas of the Urban Coalition is urging the Legislature to act on this concern. "It's critical for people to know and understand their options if they're to be fully utilized," she says.

The Carnegie report gives unchallenged voice to several superintendents who don't like the law. For example, the report quotes a suburban superintendent who says most parents are interested primarily in "convenience."

But it doesn't explain that before open enrollment, this district required youngsters to go 14 miles to the nearest school in their district, rather than walk one or two blocks to the nearest school just across district lines. Nor does it quote parents from this district who said their children could be more involved in debate, drama, and journalism activities in the closer school, nor the parents who said they felt the closer school, with

about 800 students, offered a more personalized education than the distant school that enrolled more than 2,000.

The Carnegie report sometimes gets its facts wrong. It says the Post-Secondary Options program didn't stimulate much change in high schools. But the report says the choice program started in 1989, when the Post-Secondary Options law actually began in 1985. College Board figures show the number of Advanced Placement courses have more than doubled in this state since 1985. And Carnegie totally ignores the growth of the University of Minnesota's "College in the High Schools" program, which has in-

creased from one school participating in 1984-85 to 46 this year.

Minnesota's experience helped convince President-elect Clinton that public school choice, including charter public schools, is an important part of school reform. As Chris Wilcox, one of Minnesota's first school choice participants, told Clinton and other leaders several years ago, "Choice not only gave me a chance to personalize my education, but it also gave me the confidence that I can make something of myself and control my destiny."

Joe Nathan is director of the Center for School Change at the University of Minnesota's Humphrey Institute.

Referenda

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several recent changes in the laws governing school levy referenda:

- The state is now responsible for paying part of school excess levies—rather than leaving the entire burden on local taxpayers—and the amount districts can raise is capped.
- The local tax burden for excess levies will be heavier for homeowners and farmers and lighter for businesses and apartment dwellers.
- Districts must hold levy referendum on election day in November, and the maximum levy authority is now five years.

Referendum aid

In 1991 the Legislature agreed to provide special state aid to school districts whose voters pass levy referendum and to limit the amount a district can request via referendum. Before the 1992 tax year, local taxpayers were solely responsible for paying the burden of a levy referendum.

The state guarantees districts will raise at least \$54.66 per WADM for each one percent of referendum tax rate levied. (WADM is weighted average daily membership, a weighted counting of students, with each secondary pupil counted as 1.3, each elementary student as 1.0, and each kindergarten student as 0.5.) In low-wealth districts, then, where a one percent tax rate would not raise

\$54.66, the state will pay the difference through referendum aid. The state makes this guarantee up to a maximum of \$305 per WADM. Districts will receive two-thirds of the aid in fiscal year 1994 and the full amount of the aid the following year.

TABLE 2: SOURCES OF REFERENDUM REVENUE MANKATO SCHOOL DISTRICT

	'91-'92 (3rd Year Existing Levy)	'92-'93 (Last Year Existing Levy)	'93-'94 (1st Year New Levy)	'94-'95 (2nd Year New Levy)
Referendum Property Tax Levy	\$766,604	\$661,997	\$1,912,290	\$1,650,256
State Referendum Aid	\$0	\$104,607	\$524,069	\$786,103
Total Referendum Revenue	\$766,604	\$766,604	\$2,436,359	\$2,436,359

SOURCE: Mankato School District

TABLE 1: 1992 SCHOOL REFERENDUM LEVIES*

School District	Estimated Referendum Revenue	Revenue per WADM**	Vote: Pass/ Fail	School District	Estimated Referendum Revenue	Revenue per WADM**	Vote: Pass/ Fail
Albert Lea†	\$715,875	\$150.00	Pass	Janesville-Waldorf-			
Alvarado†	23,335	239.00	Pass	Pemberton†	\$537,425	\$481.65	Pass
Appleton†	283,386	443.97	Fail	Lacrescent	469,370	275.00	Pass
Arlington	249,916	289.02	Pass	Mankato†	2,437,652	305.00	Pass
Atwater	141,000	200.00	Fail	Milroy†	142,468	605.73	Pass
Barnum	101,792	133.62	Pass	Morris	380,976	305.00	Pass
Battle Lake	161,188	297.12	Pass	Mountain Iron-Buhl†	400,000	367.04	Pass
Benson	164,000	120.12	Pass	Nashwauk-Keewatin†	82,660	100.00	Fail
Bertha-Hewitt†	146,430	225.00	Pass	New Ulm†	969,084	317.41	Pass
Braham	359,717	305.00	Fail	Ogilvie	243,939	305.00	Fail
Butterfield†	156,867	1,000.00	Pass	Oslo	137,708	915.00	Pass
Cannon Falls	544,704	320.00	Pass	Owatonna†	1,500,005	295.62	Fail
Carlton	158,323	175.00	Fail	Prinsburg	26,535	915.00	Fail
Dawson†	122,495	155.51	Pass	Prior Lake	2,502,864	585.00	Fail
Elgin-Millville	102,794	164.47	Fail	Randolph†	130,239	314.74	Pass
Fairmont†	749,992	315.05	Fail	Redwood Falls	616,623	463.00	Fail
Fosston†	400,149	490.80	Fail	Rushford-Peterson†	125,004	151.52	Fail
Fridley†	565,371	203.51	Pass	Sauk Rapids	434,425	125.00	Fail
Grey Eagle	99,003	305.00	Pass	Sleepy Eye	200,004	267.85	Fail
Hendricks†	104,833	670.62	Fail	Spring Grove†	84,998	164.82	Pass
Henning	144,508	280.00	Pass	St. Francis	1,753,049	302.73	Fail
Herman-Norcross†	120,000	415.08	Fail	St. Paul	12,194,489	300.26	Fail
Holdingford	194,205	150.00	Pass	Stewartville†	314,758	171.98	Pass
Howard Lake†	337,402	380.00	Fail	Swanville	212,715	450.00	Pass
Hutchinson	481,618	145.00	Fail	Tower-Soudan†	350,000	889.68	Fail
International Falls	405,195	189.37	Fail	Upsala	154,971	305.00	Pass
Ivanhoe	201,921	518.81	Fail				

* All referendum levies approved were for five-year periods. Actual total revenue depends on final WADM counts.
** Weighted average daily membership, that is, the number of students, with each secondary student counted as 1.3, each elementary student as 1.0 and each kindergarten student as 0.5.
† Indicates a referendum passed prior to 1992 was in place at the time of this year's referendum.

SOURCES: Individual school districts and Minnesota Department of Education

In addition, the new law limited school districts to raising no more than 30 percent of the basic general-education formula allowance (\$3,050 in 1992-93) set by the Legislature. For this year, then, the referendum limit is \$915 per WADM. Districts with previously approved excess levies may continue at the higher level but go no higher.

Table 2 shows how this referendum aid works in the Mankato school district. As the table shows, Mankato had an existing excess levy which expires this year. In 1991 local taxpayers paid the full amount of the referendum levy. In 1992 the state paid a portion of the referendum revenue. When the newly passed \$2.4 million referendum kicks in next year, local taxpayers will pay \$1.9 million and the state the rest. In 1994, when the aid is fully phased in, local taxpayers will pay about two-thirds of the \$2.4 million and the state the other third.

Russ Johnson, superintendent for both the Grey Eagle and Upsala

school districts, credits the new aid with the success of the levy referendum in both his districts. "Without the recent referendum equity legislation, it would have been very difficult to pass these levies," he said.

Market value

The other major change made by the Legislature in 1991 affects how the excess levy tax burden is shared among local taxpayers. In the past, the excess levy taxes paid by each taxpayer were figured in the same way as all property taxes—on the basis of "net tax capacity," a weighting based both on the market value and use of each property. For each dollar of market value, net tax capacity places the highest weight on business properties, then apartment buildings, then residential homesteads, and, finally, agricultural homesteads.

Under that system each dollar of business property in a taxing jurisdiction, for example, pays higher

Continued on page 7

Referenda

Continued from page 6

property taxes than each dollar of residential homestead property.

The legislature changed that system—only for levy referendum conducted by school districts and other local governments—beginning with referenda held in 1992. Under the new system excess levies are spread strictly on the market value of property, without regard to its use. Each dollar of market value—whether a business, apartment, residential homestead, or agricultural property—now pays the same level of property tax for the excess levy.

That places a higher burden for raising referendum taxes on homeowners and farmers and a lower burden on businesses and apartment dwellers. Table 3 clearly shows this shift in burden for a hypothetical referendum.

Interestingly, St. Paul received a one-time exemption from this change for its 1992 referendum, which failed anyway.

Reaction to the change to the market value system is mixed. It places accountability back in the system, according to Bill Blazar, now vice president of government affairs for the Minnesota Chamber of Commerce, who lobbied for the change. Voters feel the true tax impact of a levy increase applied to market value; otherwise they

vote knowing other taxpayers, such as business owners, will pay the lion's share of any tax increase.

Mankato superintendent Paul Beilfuss said the local business community is pleased with the new market value system. "They've been more supportive of this referendum," he said.

"It's a fairly dramatic shift from commercial-industrial to residential," said Tom Deans, lobbyist for the Minnesota School Boards Association. "The shift to residential will encourage them to vote no at the very time when the Legislature is out of money and the foundation formula is basically frozen."

Duane Mattheis, executive director of the Association of Metropolitan School Districts, agrees with Deans. He also believes levies on market value favor nonmetropolitan school districts, because many of them have relatively little commercial-industrial property. The change to market value won't be as noticeable to homeowners there. Mattheis hopes to convince the 1993 Legislature to repeal the market value provision.

Independent of the flap over market value, the future of excess school levies in Minnesota is uncertain. Last December's *Skeen* case decision declared unconstitutional the differences in revenues based on differences in property wealth among districts—that is, districts' varying abilities to fund excess levies. While the case is currently on appeal, the rethinking it is

TABLE 3: COMPARISON OF TAX IMPACT OF HYPOTHETICAL SCHOOL DISTRICT REFERENDUM BASED ON MARKET VALUE VS. NET TAX CAPACITY

Hypothetical Conditions:	
Referendum Authority per WADM*:	\$100
WADM*:	1,000
Referendum Revenue:	\$100,000
Net Tax Capacity:	\$2,000,000
Market Value:	\$100,000,000

Property Type	Market Value	Net Tax Capacity	Gross Tax Increase When Based on Net Tax Capacity**	Gross Tax Increase When Based on Market Value**
Residential Homestead	\$25,000 75,000 100,000 150,000	\$250 780 1,280 2,280	\$8 23 39 69	\$15 45 60 90
Agricultural Homestead	120,000 680,000 715,000	1,041 9,176 9,736	31 276 293	72 409 430
Apartments (1-3 units) (4+ units)	75,000 100,000 200,000 500,000	1,875 2,500 6,800 17,000	56 75 205 511	45 60 120 301
Commercial-Industrial	50,000 100,000 500,000	1,550 3,100 22,100	47 93 665	30 60 301

* WADM is weighted average daily membership, that is, the number of students, with each secondary student counted as 1.3, each elementary student as 1.0 and each kindergarten student as 0.5.
** Does not account for possible reduction in gross tax due to the special targeted property-tax refund.

SOURCE: Education Finance and Analysis Section, Minnesota Department of Education

forcing could result in major changes in the way Minnesota schools are financed.

Jody A. Hauer is a research associate of the Citizens League and associate editor of the Minnesota Journal. Dana Schroeder is editor of the Journal.

Shifting gears

Edited excerpts from remarks by Bobbie Henry, director of technology and work force development, Minnesota Technology, Inc., to the Citizens League on Oct. 20.

Ten years ago the life of a product was between five and seven years. And now it's two years.

We can't have the same work force we have now and expect them to be able to shift gears every two years. We have to build the skills of our work force so they can be easily retrained.

At a recent meeting with manufacturers, they said 80 percent of their employees could not read blueprints, could not figure them out. Up to 60 percent could not do the basic math necessary to operate a calculator. Fifteen percent could not read or write.

If you can't do fractions you can't operate some of the sophisticated machining equipment. If you cannot do that, you cannot get a job. The firms cannot afford to retrain people because it costs too much money for them.

now need. The sorts of communities we have designed, in fact, increase the human service burden.

Development should follow the principles of the kind of communities we want—providing a place for all. The transit planner needs to ask how we will get people to and from home and work, and the human service planner needs to ask what kinds of problems the development will create and/or resolve. Without this integrated view, we will continue to plow cornfields into cul-de-sacs and industrial parks and not learn the lessons from those other cities that had no vision, and we will create communities that do not meet our future needs.

Sharon A. Johnson, Executive Director, Community Action for Suburban Hennepin.

customer service could begin by providing a voice for transit-dependent customers, and advocates, in the planning process, and by researching what suburban customers want.

In Mr. Orfield's discussion about the growing disparity between poorer inner suburbs and affluent developing suburbs, he cites the job growth on the perimeters of the metropolitan area and lack of transit. Regional transit planners and human service advocates need to be involved before local development decisions are made; development, transit and human service needs are inextricably linked.

As people age in our suburbs, or experience economic hardships, they are zoned into residential communities that do not provide easy access to the services they

Other views

I was struck by the publication of two important stories, one on transit ("Link planning for transit vehicles and right-of-way") and one on poverty in the suburbs ("Instability, poverty take hold in inner-ring suburbs,") in the Oct. 13 *Journal*. The stories appeared side-by-side, with no bridge between these important policy concerns. Too often in the public debate, poverty is seen as a problem separate from transit, zoning, and planning, as if those decisions had no impact on the problems of economic disparity.

Use an important element in transportation planning is serving those who are transit-dependent, I think the Regional Transit Board (RTB) needs to be strengthened, not eliminated. Improvement in

RTB offers flexibility through emergency cab rides

Flexibility—that is, the lack of it—is one of the main reasons people give for not riding a bus or joining a car pool. They worry about what they'll do if they have to work late or retrieve a sick child at school.

The Regional Transit Board (RTB) is trying to add flexibility to transit users' lives through its "guaranteed ride home" program. It provides a subsidized cab ride home in the event of an emergency or unforeseen schedule change.

A sponsoring employer, together with the RTB, pays for a set number of rides in a year at different reimbursement rates. At the University of Minnesota, for example, participants get a refund of 100 percent of their cab fares up to a maximum of \$25 per ride. They are allowed three reimbursed rides in a school year.

The RTB has received \$120,000 in new federal funds for projects in 1993 aimed at reducing the number of trips—especially during peak hours—people take alone in their cars. Among the projects are guaranteed ride home programs for employees at Abbott Northwestern Hospital, the Veterans Administration Hospital, and the Mall of America.

The interesting thing will be whether the program offers enough flexibility to attract new transit riders or simply adds flexibility to the lives of current ones.—*Dana Schroeder.*

Like most reports from people who don't much like school choice, the new Carnegie report (see page 2) prefers not to recognize that every state has had a choice plan for years. Most people do choose—usually as they decide where to live. This is an inequitable plan, since it depends on family resources. But it's very real.

The new plans coming in, like Minnesota's since 1985, are supplementary, making choice available to families without the means to move (or pay tuition). It's hard to take seriously a report that doesn't understand this.—*Ted Kolderie.*

Supreme Court Justice-elect Alan Page argued during his campaign that his legal practice in employment and labor law was among his best qualifications, since a large number of recent cases reviewed by the Court are workers' compen-

sation cases.

A look at trends over the last nine years shows that the number of workers' comp cases reviewed by the Supreme Court has seen some modest increase. But more dramatic is that those cases now make up a much higher proportion of cases reviewed by the Court. The Court became more selective after the Court of Appeals was established in 1983 in order to review fewer, more important cases more thoroughly.

But that selectivity does not apply to workers' comp cases, since the Court of Appeals cannot hear those cases. So any not settled by the administrative Workers' Compensation Court of Appeals go directly to the Supreme Court.

In 1983, 124 (or nine percent) of the 1359 cases reviewed by the Supreme Court were workers' comp cases. In 1991, 144 (or nearly half) the 290 cases reviewed were workers' comp cases—the highest percentage in recent years.

One has to wonder whether the state's highest court should spend half its time pondering workers' comp questions. One change under consideration is abolishing the administrative workers' comp court and allowing such cases to go to the Court of Appeals.—*D.S.*

A group of private and public organizations and corporations, with no affiliation other than a collective concern for life in their communities, is working in Dakota County on unmet needs and challenges. Called the Dakota Citizens Forum, the group's motto is "Improving Our Dakota County Community Through Collaborative Action." Some of its members are Northern States Power, Blue Cross/Blue Shield and Northwest Airlines, as well as the City of Eagan, Dakota County and a number of nonprofit organizations, including DARTS and Children's Defense Fund. It relies largely on in-kind help; it wants to be self-sufficient and doesn't collect public tax dollars for its work.

The group's focus has been on

Take Note

"There are going to be times when we can't wait for somebody. Now, you're either on the bus or off the bus."—*K. Kesey*

transportation and human service needs, and it is expanding that to diversity concerns. A recent product of its Transportation Working Group is a Dakota County Transit Directory. The directory is designed to help county residents find transportation services, information that had not before been available on a comprehensive basis.

The Transportation Working Group is also gathering data to assess the future needs of the county. It is tracking changes in population and employment to identify where the holes are in the transportation resources in the county.—*Jody A. Hauer.*

The tiny Prinsburg school district in west-central Minnesota was one of 52 districts in the state holding levy referenda on Nov. 3. (See page 1.) Prinsburg, whose referendum was defeated by a close vote (247 to 234) was seeking about \$27,000 in additional operating funds.

What distinguishes Prinsburg is that it is one of two districts in the state that operate no regular K-12 schools. (The other is Franconia in eastern Minnesota.)

Prinsburg employs two special education teachers to educate several students itself and tuitions out 26 K-12 students to nearby MAC-CRAY, made up of three paired districts—Maynard, Clara City, and Raymond. A number of child-

ren attend a private school in Prinsburg.—*D.S.*

Would people be more likely to ride transit if they could flash a "Smart Card" that allows the travel without cash? The card would automatically record the trips of riders and debit them each time they travel by transit. The Regional Transit Board is experimenting with Smart Card technology for rides on Metro Mobility, the transit system set up to serve people with disabilities.

Smart Cards could potentially be used to enable consumers to pay tolls and parking fees, all without cash.—*J.A.H.*

Dunwoody Institute President Jim Benson, speaking at a recent Citizens League breakfast, admonished that in an age of rapid technological change, we don't value technology education. As an example of how technology education can be done, he spoke of one kindergarten class that spent two one-hour sessions learning about packaging.

For the second session the children were to come prepared to pack an egg so it could survive a drop from a second-story school window. They came with assorted imaginative materials and watched with glee as a janitor threw their packages out the window.

Two-thirds of the eggs survived. "Don't tell me kids can't think," Benson said. He allowed as how that was probably enough packaging education for five year-olds. "But I guarantee you they'll never forget the lesson the rest of their lives."—*D.S.*

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Citizens League Matters

November 17, 1992

News for Citizens League Members

Welcome new members

- Sharon Ahern
- Steve Albrecht
- Emily C. Blodgett
- Jeff Blodgett
- Joan Bobst
- Karen M. Carlson
- Janet Dahlen
- Vincent DiPasquantonio
- John J. Doyle
- Roger Gasdorf
- Shannon Griffin
- Lyn M. John
- Bryan J. Leary
- William C. Linder-Scholer
- Glenn Miller
- Amy Pampusch
- Jennifer Juarez Robles
- Thomas W. Shaughnessy
- Ross Taylor
- Jim Tracy

Thank you recruiters

- Michael Ahern
- Senator Paul Vellstone
- Jan Boswinkel

Board adopts development plan and budget for 1993

Work plan includes tactics for League's new strategic directions

At its October meeting, the board of directors approved a development plan for the Citizens League. The plan emphasizes the League's commitment to increasing its reliance on individual members of the organization.

In the upcoming year the plan commits the League to three major steps. One is an individual contributions campaign with several components. First, individual dues will increase to \$50 a year; family memberships will increase to \$75 annually; student dues remain at \$20. The dues increase will phase in as members renew throughout the year.

To prevent pricing certain members out of a League membership, the League is offering a subsidized membership that will allow people to contribute at whatever level they can afford. The League will subsidize these memberships with

money from a special fund set up specifically for this purpose.

Another part of the individual contributions campaign is an effort to increase the extra contributions that members give beyond their dues. The effort includes upgrading members who currently give more than dues as well as adding more members to that group.

For the second step of the development plan, the League is pursuing a major grant that would match new and renewing members' contributions as well as launch the new strategic direction.

The third step in the development plan is sustaining the level of corporate contributions with particular emphasis on the top 50 contributors.

Along with this development plan the board approved the 1993 budget.

The budget is conservative, estimating a revenue increase of less than two percent over the past fiscal year and a one percent decrease in expenditures.

Although implementing the development plan is not essential to achieving the projected revenues, it is critical to the League's future because the League has no operating reserves or fund balance.

Hand in hand with the development plan, the work plan for the 1992-93 year is an attempt to implement the League's mission and strategic direction. The new direction embodies face-to-face citizens dialogue on policy issues with increased use of electronic technology to reach out to more people.

The work plan adopted by the board sets out a number of goals and actions to implement the League's program and improve its organizational structure.

Board of directors elects four new members for 1992-93 year

At its October 15 meeting, the board of directors approved the addition of four new directors to the 1992-93 board. The four new directors are: Penny Hunt, director of public affairs at Dayton Hudson; Tom McKeown, executive vice president and chief administrative officer at The Saint Paul Companies; Dale Olseth, president and chief executive officer at

Bio-metric Systems, Inc.; and James L. Reinertsen, a physician and president of Park Nicollet Medical Center.

The four new directors join six other appointed directors who will each serve one-year terms on this year's board. The other 24 directors, elected by the League membership, serve three-year terms.



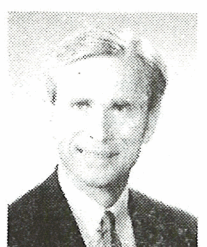
Penny Hunt



Tom McKeown



Dale Olseth



James Reinertsen

The Citizens League at 40: New communication vehicles used to conduct information business

Ed. Note: This is the seventh in a series honoring the League's 40th anniversary.

After establishing a programmatic focus with the issues of the '80s committee and selecting **Curt Johnson** as executive director, the League next turned the microscope on itself.

Under the leadership of **B. Kristine Johnson**, the Long-Range Planning Committee concluded that the League is essentially in the information business. It advocated building more capacity by reaching out to as many as are attracted to the League's mission, doing the things which changing communications technology made possible and assuming a higher level of visibility in affecting the issues agenda for the community.

The League attracted significant financial support from several foundations, notably the Bush Foundation and the McKnight Foundation, to underwrite

demonstration projects including: several video programs, evening seminars and publication of the *Public Affairs Directory*. The financial support also enabled the League to purchase data and word processing systems to improve membership services and support of the research program.

But perhaps the most important outcome of the long-range plan was the change in the League's primary communications vehicle, the *CL News*. Redesigning the *CL News* emerged as a high priority in the Operations Committee and in a subsequent subcommittee retreat where the overriding theme for the day was better and higher-quality communications.

The Operations Committee recommended replacing the *CL*

News with two publications: a journal of public affairs and a newsletter about activities and people of the League. The committee further recommended the acquisition of the *Minnesota Journal* from its founder, Steve Alnes, and to retain Alnes as editor.

The *Minnesota Journal* strategy also enabled the League to widen the network of people interested in public affairs through a League membership-marketing campaign promoting the *Journal* as the featured benefit of membership. Over 1,000 new members joined the League in successive years as a result of the direct marketing campaign, and the League reached a record high of 3,400 members in the fall of 1990.

Next month: A new direction for the 1990s.

Mind-Openers look at state's budget crisis

Series will meet in new St. Paul location

The next Mind-Openers series discusses Minnesota's projected \$837 million imbalance between spending and revenues.

Sen. Gene Merriam, DFL-Coon Rapids, and chair of the Senate Finance Committee, will start the series on Nov. 24. **John Gunyou**, commissioner of the Minnesota Department of Finance, will speak Dec. 1.

Bernard Brommer, president of the Minnesota AFL-CIO, will present a labor perspective on the budget problem Dec. 8. Finally, **Roger Hale**, president and CEO of Tennant Corp., will speak Dec. 15.

These Mind-Opener breakfasts will be held at the **University Club**, 420 Summit Avenue in St. Paul from 7:30 to 8:30 a.m. Admission is \$10 for members and \$15 for nonmembers. Call 338-0791 to reserve a place.

Legislative Director Pete Vanderpoel retires from League's staff

Members invited to retirement party to honor former League president, director and staff

After serving as legislative and communications director for the Citizens League over the last two years, Pete Vanderpoel is retiring from the staff for health reasons. Vanderpoel has been closely involved with the Citizens League since joining in 1975, serving as president in 1988-89, board director through most of the 1980s and chair of the Community Information Committee from 1984-86.



Pete Vanderpoel

Over the past two years, Vanderpoel shepherded League policies through the decision-making maze of the state Legislature. Among his most notable achievements, Vanderpoel was instrumental in convincing legislators to pass the law establishing charter schools. He was also involved with issues on tax-base sharing, transit, tax-increment financing, health care and the state/local fiscal system.

Besides his work with legislators, Vanderpoel staffed several research committees. One was a committee on large trucks and congestion. Three others produced the following statements: *Light Rail Transit: The Regional Transit Board's Proposal to the 1991 Minnesota Legislature*, *Testing Health-Care Workers for the AIDS Virus* and *Health Care Access for All Minnesotans*.

Well known for his demure and inexcitable nature, Vanderpoel was nonetheless an energetic staff member who made many invaluable contributions to the League. We thank him for providing the League with his intellect, integrity, realism and wit.

League members are invited to attend a party in Vanderpoel's honor. The reception will take place from 4:30 to 7:00 p.m. at the University Club, 420 Summit Avenue in St. Paul on Wednesday, Nov. 25, 1992, and includes a cash bar and hors d'oeuvres. R.S.V.P. (338-0791) by Mon., Nov. 23. A \$10 donation is suggested.