



Minnesota Journal

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A publication of the Citizens League

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Lower direct state subsidies to colleges; target more funding to needy students

Minnesota's colleges and universities have made great strides in increasing enrollment of students of color. Still, the state has failed to help low-income and minority students to attend and graduate successfully from higher-education institutions at the same rates as higher-income and white students. The financing system is partly to blame.

The Task Force on Student Aid, convened by the 1993 Legislature to make recommendations on the state's financial aid system, should act boldly to fix the inequities in the current scheme and open real opportunity for disadvantaged stu-

by Yusef Mgeni and Janet Dudrow

dents. It can do this by heeding the advice of the Citizens League.

A recent League report, *Minnesota's Budget Problem: A Crisis of Quality, Cost and Fairness*, said the higher-education financing system needs fundamental reform.

Higher-education finance in Minnesota is regressive. The system relies primarily on state grants to public institutions to hold down tuition to about 40 percent of the cost of instruction for all students. These grants accounted for more

than 90 percent of the \$1.98 billion Minnesota spent on post-secondary education in 1992-93. Less than nine percent of the state's higher-education budget is provided directly to students in financial hardship.

In Minnesota, a person with a family income above \$50,000 is three times more likely to attend a four-year college than a person with family income under \$30,000. The "low-tuition" policy means that the bulk of the state's support for higher education goes to students who are already relatively advantaged.

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Health plan may have unintended effects

Harry Sutton has been close around the health-care industry as an actuary, as a consultant in financial planning and rates for HMOS and, in recent years, with a firm reinsuring HMOs. He has furnished information to Hillary Clinton's health-care reform task force. Contributing editor Ted Kolderie talked with Sutton about the administration's national health-care proposal.

MJ: What's most important to understand, for an ordinary person trying to make sense of the health-care crisis?

Sutton: That those who use health care are not the payers. That those who do pay are not careful about the costs. That anything free tends to be overused. That an arrangement like this creates opportunities for providers to eat the system alive with induced utilization and a blank check for lifesaving medical wonders.

MJ: What's the most important misunderstanding?

Sutton: People whose bills are largely paid—by employers or by government—have no real idea what

Changing picture of international trade prompts region to take strong local role

International trade is fast becoming a local issue.

The future prosperity of the Twin Cities area increasingly depends upon success in global competition. According to a recent white paper prepared by Metropolitan International, a new Twin Cities initiative, our major growth industries—information computers, medical instruments, measurement and control devices and others—are highly dependent on international markets. Fully 58 percent of Minneso-

by Milda K. Hedblom

ta's new manufacturing jobs between 1988 and 1990 were export-related.

At the same time, the very nature of international trade and global competition is itself undergoing profound change. One major dimension of change is the decreasing ability of national governments to direct the development of their economies. Borders and distance from markets mean less and less to

companies as a result of globalized communications and information technology. So, increasingly, companies move capital, technology and skills according to global strategies. There is a weary sense of familiarity when yet another downsizing, plant relocation or economic adjustment is announced.

Global competition and international trade is changing in a second

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A regional government role in economic growth?

With the end of the Cold War, it is becoming more clear that we are in a major international economic struggle.

Responding in part to this emerging reality, the Minneapolis Chamber of Commerce and Hennepin County, with support from the McKnight Foundation, are working toward a series of recommendations on what needs to be done to produce living wage jobs in the region. The Metropolitan Council economic strategy group has recommended that a regional economic strategy be developed, with government in a supportive, rather than interventionist, role. Similar efforts are underway in other parts of the metropolitan area.

Key to the development of a regional economic strategy is a clear understanding of the role that government might properly play in the economic growth sphere. There seems to be growing agreement that government should play a relatively limited role in economic growth. However, some important areas require substantial effort from government: infrastructure—both physical and telecommunications, work force preparation and retraining, and provision of a sustainable physical and social environment.

Against this backdrop, it is reasonable to ask: Can regional government and a regional strategy add value to what is being done now by local and state programs in economic development? If so, what forms should that activity take?

Convening key actors. Would a stronger regional government be bet-

Viewpoint

by Lyle Wray

ter able to convene business, labor and other interests, such as education and local government, to sit down and face facts and make tough choices on strategies for the long-term betterment of the region's economy? While a number of efforts are underway, a broader, sustained and empowered process might move the process along more effectively.

Assessing current activities. An important part of developing this strategy is to look at the expenditures—both direct and in foregone tax revenues—for economic development activities made by all levels of government in the region and to assess the likely impact of these expenditures. This task requires a state or regional level perspective. Other regions in the United States and competitor countries could provide useful information for this task. The regional government has the capacity to carry out such a task for the benefit of the entire region.

Gearing up major institutions. Additional programs such as tax incentives may have some potential economic growth benefits. But we're beginning to recognize that these may be far overshadowed by the benefits of gearing up the major institutions we already have for effective global competition.

We are devoting hundreds of millions of dollars a year to tax increment districts on a city-by-city basis, without an overall regional approach. We should minimize tax-

funded zero-sum games that involve one city luring businesses to another with no net gain to the region. We need to better recycle available business sites in the core cities and areas which are polluted. A regional approach to a good portion of such financing could better target these resources.

Furthermore, during 1990 we spent more than \$12 billion per year on human investment in the metropolitan region, according to the Metropolitan Council. We should make getting better value from this expenditure—from incentives for work over welfare to better use of training funds—a high priority. Most of these expenditures are made on a regionwide basis—often by the federal or state governments. Aligning our major human investment and physical investment programs with a regional economic strategy should pay major dividends.

Strengthening the work force. A stronger regional approach could do a better job of getting people prepared for and transported to jobs. We need closer, regular linkages between emerging employer needs and training institutions, more effective school-to-work transitions, better retraining interventions for dislocated workers, and ways to address the needs of groups with very high unemployment and underemployment rates. This agenda is beyond the scope of any single city government, though much of the actual work may be done at the

city or neighborhood level.

Removing barriers to business start-up and expansion. Beyond the much discussed issues of climate are a number of noneconomic barriers that might benefit from a regional look. Business licensing and regulatory practices are but two that should be addressed.

Monitoring progress. Many good plans stay on the shelf. A key role of regional government should be to act as an effective monitor and communicator about achievement on a regional economic strategy. The substantial data analysis capabilities of the Metropolitan Council could be pressed into service to synthesize and conveniently present key information on progress toward regional economic goals. Regular report cards to the public through the media and opinion leaders could help retain a focus on economic progress.

A regional strategy does not mean a regional agency must carry out all or most of the economic development activity. While designing organizational forms to help create an economic strategy, we should remember that the private sector is the "engine of economic progress." A permanent economic growth council, for example, could advise the regional government on economic strategies. Such a council should consist of a substantial number of individuals directly involved in business activities of different scales and types.

Lyle Wray is executive director of the Citizens League.

Continued on page 3

Editors wary of Clinton health plan cost, bureaucracy

On Balance

No lack of health-care coverage in Minnesota newsrooms.

by the president and the Board of Regents." **Duluth News-Tribune** also approved (Oct. 28) of Hasselmo's plan. "The biggest question is where the students turned away from the University of Minnesota should go... If that question is answered satisfactorily, Hasselmo's vision should improve higher education in the state."

Pioneer Press welcomed (Nov. 3) the election of Norm Coleman as mayor of St. Paul. Because projected increases in property taxes would drive middle-class families from the city, Coleman should "call for a political summit that would force current decisionmakers to get real and head off a stampede for the suburbs." **Star Tribune** called (Nov. 3) Coleman's victory "another in a series of encouraging rebounds for the capital city... Voters responded to the candidate who emphasized time and again that he would 'put St. Paul first.'" It also welcomed the election of Sharon Sayles Belton as mayor of Minneapolis, saying her victory was due to "her willingness to tell the hard truth to voters about the problems facing Minneapolis and the

even harder work that will be required to solve them."

Star Tribune also praised (Nov. 4) the selection of Peter Hutchinson and his Public Strategies Group to lead the Minneapolis schools, calling it historic. "Everyone benefits when the achievement of all children is raised in the district. That must be the new board's, and Hutchinson's, relentless focus."

St. Cloud Times said (Nov. 1) that outcome-based education should seek only to assure that students do not leave school until they have mastered the skills they will need to be productive members of society. It should not create the illusion that schools have become factories turning out an endless stream of academically indistinguishable clones." The **Mesabi Daily News** in Virginia was amazed that Minnesota Education Association officials "could be so blind to how foolish, arbitrary and plain wrong they would look in banning an anti-abortion group from having a booth at the annual MEA convention." **Mankato Free Press** called for funding all basic school operations

out of the state's general fund. "The heavy reliance of school districts on local property taxes—especially agriculture taxes—has created a system that's certain to spur more showdowns between farmland owners and small-town dwellers."

Star Tribune criticized (Oct. 28) radio stations that refused to air political commercials. Since the broadcasters cite economic reasons for their refusal, citizens should "instill a sense of civic duty in broadcasters" by hitting "them in the pocketbook... The broadcasters should consider how much greater their pain will be if... good government reformers persuade Congress to require the provision of free air time to candidates." On the other hand, **St. Cloud Times** criticized (Oct. 29) the critics, saying "It should not be the business of government (particularly state government) to mandate what advertising a broadcast station carries."

International Falls Daily Journal suggested (Nov. 1) that President Clinton first confirm that Canada's new leaders still will support NAFTA before lobbying Congress for approval. "Clinton's right in noting that the United States competes in a global market and needs to develop fair trade policies with other nations to succeed. But his urgent push for NAFTA on the heels of a change in government in Canada suggests bad timing." **Marshall Independent** commended (Nov. 2) Rep. David Minge for finally taking a stance on NAFTA "while his choice still mattered."

Public pay

Continued from page 2

cost-of-living adjustments or step increases because you got another degree or because you taught another year.

Third, we think we need to make some changes in the rules that affect bargaining, specifically the Public Employee Labor Relations Act. We have some specific changes regarding the way arbitration works and particularly with respect to a class of employees known as essential employees.

Design public-sector pay to get better taxpayer value

Edited excerpts of remarks by Bill Blazar, vice president of government affairs, Minnesota Chamber of Commerce, to the Citizens League on Oct. 19.

Let me tell you what we found when we looked at wages and benefits. Our central finding is that the compensation system is broken in at least two ways. We think it's out of sync with taxpayers' ability to pay.

We had good data from 1982 to 1990. What we found is that over

that period of time public-sector state and local compensation grew by about 10 percent, while personal income only grew by eight percent. In the long run, that's not sustainable. In six out of the eight years, the public-sector compensation grew faster than personal income.

When we looked at 17 jobs at the state level, we found that 15 of them paid more than their private-sector counterparts. The state pays the same wage throughout. There aren't adjustments for the local cost

of living, which I think is one of the problems with the system.

The second major conclusion is that, by and large, the public-sector compensation does not reward results. The strategy for compensation increases is a combination of across-the-board increases and step increases, which are basically a function of longevity. There is some effort in the public sector to tie those steps to some type of performance, but I don't think that's been achieved.

How do you get better value for taxpayers? We suggest there ought to be some link between wage increases and growth in the private economy. What we would tune the public compensation to is growth in personal income.

Second, we need to do a better job of rewarding results. We need to factor in increases for public employees' measurable results. We need to move away from things like

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I certify that the statements made by me above are correct and complete.

Signed, Lyle D. Wray, publisher.

Another view: Don't blame cities for property-tax woes

As chair of the Municipal Legislative Commission (MLC) and a Shoreview city council member, I read with interest the article by Peter Hutchinson and Janet Dudrow that criticized Minnesota's property tax system (*Minnesota Journal*, Sept. 21, 1993).

I agree the property tax system in Minnesota is broken and needs a serious overhaul. And although I could agree with several of their conclusions, I must take exception to the common, but erroneous, conclusion that the property tax spenders are "mayors and city councils." To attribute the failure of the property tax system to city spending decisions is not consistent with the facts.

For some reason, the authors have the erroneous notion that cities are the spenders corrupting the system. This myth must be dispelled. The fact is that cities levy approximately 18 percent of a total property tax bill. In other words, if your property taxes were \$1,000, the portion going to the city would be \$180. And for that \$180, a homeowner and his or her family would receive police and fire protection, street construction, maintenance, sweeping and snow removal. They would also receive the use of parks and bike trails, community centers, softball diamonds, hockey rinks and tennis courts, programs such as D.A.R.E.—and the list goes on. Yet for some reason, cities have become convenient whipping posts for critics of Minnesota's property tax system.

I find it interesting that the word "city" was mentioned seven times in the article, the word "community" was mentioned three times, and

yet the words "school" or "county" were never mentioned—even though, combined, they account for almost 80 percent of the property taxes levied in 1993.

Let me point out another factual error the authors made in their analysis. They assert that the Homestead and Agricultural Credit Aid program is the largest of the state's property tax relief programs. Although HACA payments in 1993 did amount to \$612 million, schools and counties received approximately the same amount of HACA as cities. In 1993, school districts received \$192 million of HACA, counties \$177 million and cities \$189 million.

To set the record straight, the school aids program, not HACA or Local Government Aid, is the largest of the state's property tax relief programs. In school year 1994-95, \$2.9 billion will be sent to elementary and secondary school districts to reduce the property tax levy that would have been required to fund public education. But for some reason, the authors don't categorize school aids as property tax relief.

According to the latest data from the research department of the Minnesota House of Representatives, in 1991, \$4.5 billion was distributed in state-paid aids to schools, counties, cities and towns. Of this amount, cities received \$604 million (13.4 percent), counties received \$1.56 billion (34.7 percent) and elementary and secondary schools received \$2.33 billion, or 51.8 percent. Not only do counties and schools levy almost eight property tax dollars out of 10, the also receive \$8.60 of every \$10 of state aid.

It also is aggravating that the authors assert that LGA and HACA are "no-particular-purpose aids." For some reason, the Legislature has attempted to eliminate dedicated funds over the past 20 years, and most state programs are funded through the state's general fund. I contend the reason was because it created responsible fiscal decision making, since each state agency must justify the cost benefit each year. And yet the sales and income tax dollars flowing into the state treasury have not been pejoratively referred to as "no-particular-purpose taxes." Why should local government subdivisions be treated any differently? These so-called "no-particular-purpose aids" are used for one very particular purpose—to hold property taxes down.

I want to emphasize that I am not enamored with the current system. Most of the MLC suburbs receive no or very little Local Government Aid (LGA). In 1993, the LGA going to MLC cities was approximately \$2 million out of a total \$288 million. Although MLC cities comprise 13 percent of the state's population, we receive less than one percent of the state LGA distribution. The amount of HACA is also below the statewide average on a per capita basis. In 1993, our MLC cities will receive about \$21 million out of the total \$189 million distributed to cities. The average-valued house in Shoreview pays more than \$1,900 in property taxes. (To reiterate my point, the portion of this tax attributable to city spending is \$356.)

I'm sick and tired of cities being constantly dumped on as the culprits of our property tax system. We

have had our turn as the bogeyman. Let me suggest that the authors refocus their efforts and examine the local government subdivisions, i.e., schools and counties, where the vast majority of property taxes levied and the vast majority of state aids are distributed.

Ben Withhart, Shoreview

Dudrow responds: The main message of the article and the Citizens League report, *Minnesota's Budget Problem: A Crisis of Quality, Cost and Fairness*, is that the current design of Minnesota's public services does little to connect spending with results, or to ensure that resources are redistributed to those who really need them.

Mr. Withhart is quite right that cities should not be made the "whipping post" for critics of the property-tax system, and it wasn't our intention to do so. Readers will find in the report a full discussion of the crisis of quality, cost and fairness in elementary and secondary education (which we chose to examine separately from other local property-tax relief), post-secondary education and long-term care for seniors.

The state's system of property-tax relief (leaving aside education finance for the moment) is unfair and expensive. Property-tax relief—and the implied entitlement to low property taxes—is not a particular enough purpose for state dollars. General write-downs shield both local taxpayers and officials from the cost of their choices, and provide far too much aid to individuals who aren't truly needy. Minnesota should do better.

Health care

Continued from page 1

the service costs. They think that the part they pay is what it costs. Interestingly, unions do know: they see the trade-off with wage increases.

There's misunderstanding about the uninsured. The problem of the newly uninsured is what's driving the reform, politically. For the first time, a generation of salaried people is being laid off or retired early and has to pay large premiums or go without coverage, if only temporarily. Some return to work and coverage, but the economy has left many uninsured. Those permanently without coverage are mainly young people, employed in firms that do not offer coverage—often part-time or marginal workers.

MJ: How does Minnesota compare?

Sutton: We have a high proportion of people covered: only about eight percent uninsured—about half the national average. Doctors are mainly in group practice. Our hospitals are now mainly in big groups, as a result of the arrangements proposed by Paul Ellwood and Walter McClure about 1971 for HMOs, health maintenance organizations, in which the doctors control hospital utilization. Between 1975 and 1990 the use of hospitals in the Twin Cities area came down by half, from just about the highest in the country to just about the lowest.

MJ: How should a person think about the plans proposed? Every author says his or her plan will work.

Sutton: I tend to think in subsets of the industry—how they act individually and what happens on the interfaces. Patients, doctors, hospitals, employers, drug and medical-equipment manufacturers, insurers, HMOs. George Halvorson (CEO of HealthPartners) talks about "zillions of profit centers, each trying to maximize." That won't disappear with reform.

MJ: What's essentially happening in the plan?

Sutton: A core objective is to put an end to underwriting—the traditional insurance competition (for small groups and individuals) to get good risks and reject, or charge more for, bad risks. This will raise costs: three to five percent of the cases can account for 40 percent of an employer's annual expenditures. The idea is to cover everybody at the same price.

In order to accommodate high-risk individuals in our system, we must mandate coverage for everybody—including low-risk small employers and individuals—in order to keep the average premium reasonable. Probably this is the only way to get the good risks paying for the poor risks. But we will be paying more. We just aren't going to call it "taxes."

MJ: What about offsetting savings?

Sutton: There is fat to be squeezed out. There's a lot of paperwork in the system. But there are going to be some new layers of administration. The National Health Board, which will set an overall spending target and break it down by states. The states—including both their insur-

ance departments and health departments—which will form the "alliances," or purchasing cooperatives (HPCs). The alliances, which will negotiate prices with the health plans, and adjust payments among them for differences in health status of the people they enroll. The health plans, which actually have the hospitals and doctors.

The president's plan has been modified to give most groups what they want. HPCs would be required to take all plans that apply. HMOs would be required to pay something when their members get care outside the plan's doctors. The government won't restrict what can be paid for: anything approved by the National Institutes of Health is OK, cost-effective or not. Each employee can pick his/her own plan.

It's a high-risk scenario. Companies with fewer than 5,000 employees will have no incentive to control cost: they can't affect what they pay; they're given a price.

MJ: How is spending supposed to be controlled?

Sutton: By controlling the price at which the health plan can be offered. Rate increases will be limited, and the plan will not be able to reduce benefits. So, it will have to cut the reimbursement to providers or reduce utilization, to compete. Want a scenario? Big health plans will come in with prices 20 percent lower in markets where they want a big share. In five years they'll be going broke and will be appealing for increases of 10 percent rather than three percent. Will the states



say, "No"? Price control has been known to mean price increases.

MJ: Any other effects?

Sutton: One unintended effect would be, I'm sure, that the Mayo Clinic and other large, national centers would go out of business. The budget will be set by the states. In every state the providers will say, "Buy locally. Don't send the money out of state." We will create state health-care systems.

I thought the member of the Swedish parliament who was here recently (Jerzy Einhorn, a former physician now heading the parliamentary committee on priorities in medical care, who spoke at the University of Minnesota) was very good about how hard it is to break social promises once made—even when you find the country can't keep them.

The benefit package proposed is not as rich as Sweden's, but it is basically the Fortune 500 company package—which is more than most employees have today. Minnesota has been realistic in its promises with its new state plan (MinnesotaCare).

Performance pay can work well if it's a high priority

Edited excerpts of remarks by Rod Kelsey, principal and corporate vice president, DCA Stanton Associates, to the Citizens League on Nov. 5.

As we look back over 40 years of surveying both the private and public sector, the public sector—at the lower end of the job hierarchy—did pay more historically. What was that differential? Eight, 10, 12 percent—15 percent in some cases. And that line flattened out fairly quickly. The

difference between the lowest paid and the highest paid was not as great as in the private sector.

In the private sector the bottom of the line is coming up. A lot of jobs in the lower echelon of the hierarchy are clerical support and administrative support. Office technology has turned those jobs on their ears and there aren't a lot of entry-level nonskilled or semi-skilled jobs any more. So the spread at the bottom has shrunk.

Should the state negotiate separate wage scales for different parts of the state? I think it's always a good idea to go with the local markets, but that's an issue that both the private and public sectors face. I know private sector companies that have unified pay structures.

There are just as many across-the-board increase in the private sector as in the public sector. In the public sector there are merit pay programs

out there, but they're tough to sell. No manager or supervisor is going to go out on a limb unless the people on the top are going to stand behind them.

Performance management does work, but it has to be the highest priority for an organization if it's going to work well.

Performance pay success rests on manager training

Edited excerpts of remarks by Linda Barton, commissioner, Minnesota Department of Employee Relations, to the Citizens League on Oct. 26.

When we look at public employee compensation, we need to look at what we're doing to serve the needs of the customers and link pay to customer need. Our bottom line is response of citizens, their willingness to support government organizations and institutions. It's maybe a little harder to measure, but clearly there.

We need to measure customer satisfaction. We need to get a lot better at marketing and measuring and finding out how consistent we are with the values of the public we're trying to serve.

There are some barriers to that kind of change. I think there is an underlying assumption for public employees that pay will always increase and that there will not be the same impact of hard times on public employees that there may be on private sector employees. The unions are very concerned about

linking pay to performance. We have legislative opposition to it.

There are a couple of other things that affect public employee compensation. One of them is the pay equity law. The other is geographical pay, or regional pay. We don't at all disagree with the idea that pay ought to some way be linked to the local economy in which an employee is working. We are looking for some good models now.

There will be opposition for geographical pay. The unions will be

concerned about fairness and equity issues. We need to make sure how we do it is fair to everybody involved.

Moving to a pay-for-performance system that contains our costs in reasonable ways and pays for outstanding performance is the way we really need to move. But in order to be successful at that, both the public and the private sector have to do a much better job of training our managers and supervisors to effectively and responsibly handle a system based on performance measurement.

Trade

Continued from page 1

basic respect. One of the most enduring postwar achievements in international trade was the creation of the GATT (General Agreement on Trade and Tariffs) organization, whose primary goal is to increase the economic strength of members through reduction of barriers to trade. The major international benefit of the GATT approach is that many countries and peoples share in the benefits and, therefore, acquire an interest in managing conflicts of economic interest, rather than relying upon direct trade war against a particular antagonist of the moment.

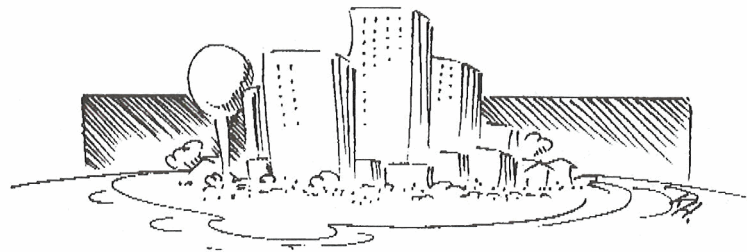
However, the current round of negotiations, known as the Uruguay round, may fail. If it fails, there is considerable fear that the general framework itself may give way to a resurgence of protectionism in international trade.

These fears are exacerbated by the emergence of other more exclusive trade groups, such as the European Community and the proposed North American Free Trade Agreement. The impulse behind these regional trade groups is to secure a preferred market position within the countries belonging to the trade group. But the reciprocal meaning of such agreements is that the borders of one's own country must be more transparent, more open to the flow of capital, people and technology across borders. Increased openness also implies that states and localities must become more responsible for their own competitive fate in a world of regional trade groupings and global competitiveness.

Twin Cities initiatives

A number of recent developments in the Twin Cities area recognize the pressing need for direct local responsibility in creating, sustaining and expanding international trade.

At the express interest of some private-sector leadership in 1988, the city of Minneapolis and Hennepin County established a combined Office of International Trade, which has been offering services since 1989. Its budget in 1993 is about \$170,000, met through a



Foreign trade: You're on your own!

combination of city/county allocation, corporate sponsors, grants, fees for services and sales of publications. The executive director, Doug Petty, sees his job "as adding value to the city/county area. For example, when we look for direct investment, we worry about building up the property-tax base, because that matters a lot to cities."

Some activities of the office are just what would be expected, others not. It conducts seminars and conferences and has published a *Minneapolis International Trade and*

opportunities. That means specialists work on Canada, Japan, the United Kingdom and, increasingly, Mexico. Minnesota's export relationship to Mexico moved from 11th to seventh place between 1990 and 1993. In looking for new trading possibilities, a mission went to Kazakhstan last year.

According to Jim Jarvis, assistant commissioner of the trade office, "The whole public sector needs to think about the world context so that schools, libraries, public safety—all these—can create an envi-

"Each city and state will increasingly be left to fashion its own international trade fate."

Ports Directory. It sponsors an electronic bulletin board with a nearly limitless database on trade contacts and information and runs a TradeReach fax service based on its analysis of federal agency marketing and sales opportunities.

The office aims especially to help meet the needs of the infrequent exporter. Petty's view is that the office should not replicate what is already being done, especially by the Minnesota Trade Office.

The Minnesota Trade Office has been on the scene for 10 years. It aims to help small and medium-sized companies in several ways: through an international library with a wide array of sources and data base access, through education and training programs (usually held twice a week), through assistance with export finance, and through international marketing and investment activities, such as trade shows, trade missions and individual counseling.

The trade office focuses especially on those parts of the world where Minnesota has a large trade relationship, but also looks for new

environment that will attract investment here and support an export-oriented economy. The key element is some common concern."

Common concern is the theme of the most recent activity in the Twin Cities region, the formation of Metropolitan International. This initiative began with an interest expressed by Minneapolis and St. Paul Mayors Fraser and Scheibel for some joint action to define an international agenda for the metropolitan region. The initiative eventually grew to include those two cities, as well as Roseville, Golden Valley, Bloomington, the Metropolitan Council, the Association of Metropolitan Municipalities, the Minneapolis/Hennepin County Office of International Trade and the Minnesota Trade Office.

Several working groups have completed white papers, which will be summarized as a single Metropolitan Council document due out later this month. The overall purpose of the white papers is to assess and analyze the current competitive position of the Twin Cities as an international center and to develop some specific objectives to enhance

that position. The intent is to identify some short-term and long-term goals for common action in the metropolitan area that will increase international competitiveness.

One short-term goal under discussion is developing some common marketing materials regionwide. A long-term goal being considered is conducting research on the question of infrastructure magnets for major large-scale business. However, the framework for continuing the work of the initiative remains undefined.

Even looking only at the public face of international trade development, it's clear there is a strong move in the direction of local responsibility. The move is caused by changes in the big picture of international trade and competitiveness: the mobility of international business, the concomitant limits on the capacity of national governments to shape economic development, the uncertainties about the durability of the GATT framework, and the consequences of forming regional trade groups with intraregion open-market commitments.

Each city may not be an island, but each city and state will increasingly be left to fashion its own international trade fate.

Milda K. Hedblom is a professor at Augsburg College, a lawyer and a communications consultant. She lectures and consults on the European Community and international trade issues. For copies of the Metropolitan Council international trade white papers summary, contact Gene Naft at 291-6334. For copies of the Minneapolis International Trade and Ports Directory, call 673-2284.

Telecommunications

Editor's note: Due to a delay in the issuance of a telecommunications report to the Public Utilities Commission, the second part of the series on telecommunications in Minnesota that began in last month's Journal will appear in the December issue.

Higher education

Continued from page 1

Low-income students find the attending college out of reach despite the tuition write-down. Need-based financial aid has often been insufficient to fill the gap between the total cost of attending college—including living expenses—and the family's resources.

The system makes tuition seem cheap, but Minnesotans pay a financial price, because it's simply more expensive for the state to provide across-the-board subsidies than to target aid to the needy.

Minnesotans also pay a price in reduced educational opportunity. Because people of color are more likely than whites to earn low incomes, this situation has a profound impact on minority participation. Minnesota students of color participate in higher education at lower rates than whites (39 percent compared to 45 percent), according to the Higher Education Coordinating Board (HECB). And state figures show the percentage of college graduates in Minnesota is still only 17.5 percent of the African-American population, 17.2 percent of Hispanics and 7.7 percent of American Indians, compared to 21.9 percent for whites.

The system doesn't encourage personal responsibility. The League study also reported that Minnesota families, in general, don't do a good job of preparing for college expenses. More than half (56 percent) do not save or invest for their children's education, the Minnesota Private College Council found in a recent study. A low rate of saving might be expected from

families whose incomes are low. But even among families with incomes over \$45,000, 47 percent did not save anything at all for their children's schooling.

This lackluster performance reflects an American culture that encourages consumption rather than investment. Public policies provide few incentives to save. To the contrary, many policies—such as taxing wage income, then taxing income from savings again—may discourage saving.

Since the primary beneficiary of post-secondary education is the student, we should encourage students and their families who do have resources to make a responsible effort to save for their education.

Better value for education spending

A top-quality post-secondary education system will be increasingly important to the state, as global forces demand better educated workers and citizens and a more productive economy. Minnesota's commitment to its colleges and universities will be put to the test.

Cost pressure is already here; real spending per student was about the same in 1992 as it was in 1984, according to data from the HECB and Department of Finance. Enrollments are projected to grow 29 percent in the next seven years, but since state revenues are not likely to grow at the same pace, we can expect budget pressure to become acute.

Minnesota must focus on getting better value for its spending. The Citizens League report outlined five "design principles" to do just that. The "design principles" sound obvious: Target public subsidies directly to people who are financially needy, for example. Make appropriations contingent upon performance. Meet more public responsibilities through nongovernmental associations in which people already have relationships of mutual obligation.

But the application of the principles to post-secondary education means making some tough policy changes. To do real reform, the report recommends that the state:

- Gradually increase the share of higher-education financing that is provided directly to students who

show financial hardship. Reduce the share of higher-education financing provided in instructional appropriations for across-the-board tuition reduction.

State tuition subsidies are appropriate. The public in general, not just individual students, benefits from higher education. However, putting the majority of aid into institutional appropriations is the most expensive way for the state to pay for higher education. It is also inequitable to provide the greatest share of public support to those who are already relatively advantaged.

As resources become tighter, the most important goal for public financing should be fair access for low- and moderate-income students. That may require some reallocation, including reductions in instructional appropriations. The state can adopt a more targeted financing system, while still providing some subsidy that encourages participation in higher education for all.

- Discontinue tuition subsidies if academic performance is unsatisfactory. Need-based financial aid is already contingent upon the student's satisfactory academic progress, but the general tuition subsidy benefits even students who neglect their studies. State aid for anyone—institution or individual—should be tied to performance. ("Unsatisfactory progress" might be defined as failing to complete an academic program even after accumulating large numbers of course credits.)

- Create incentives that encourage people to save for college. We must expect families to do a better job of saving for the cost of education when they have the means to do so. The economic incentives they face should be redesigned to reward advance preparation.

- Counteract tuition "sticker shock" by working closely with nongovernmental organizations that have relationships with low-income and minority persons. Existing networks of neighborhoods, ethnic organizations and other private associations are a highly effective system for linking disadvantaged students with the financial aid they need.

These recommendations are controversial. They are sure to be resisted by institutions and by students and

families who view low tuition as an entitlement. But if Minnesota wants its higher education system to meet the challenges that will be required in the future, citizens and lawmakers alike must choose a more fair and less costly way to pay the bill.

Yusef Mgeni is president of the Urban Coalition and served on the Citizens League's state spending committee. Janet Dudrow is a research associate of the Citizens League.

Union view

Edited excerpts of remarks by Jack Mogelson, business representative, Teamsters Union Local 320, to the Citizens League on Nov. 2.

Unionized workers nationally earn \$5.20 per hour more in total compensation than other workers. Based on a 40-hour week, this puts an extra \$800 a month in their pockets, more than \$9,000 per year. 13.7 percent of the working force nationally is unionized. In Minnesota it's 21 percent.

When you compare the averages presented by industry with the public-sector rates—why is that a flaw? What we have from industry is an averaging. What we get is a comparison of those that are nonunion, those that in many cases are hired at near minimum wage—in the \$5 or \$6 area. When you average together large groups of people that include nonunionized people and unionized people, the average is less than what you'd have in just looking at unionized people.

If you're going to make a comparison about what unionized people in the public sector get, I would contend to you that you ought to make that comparison not with those that are at the minimum wage, not with those that are maybe the very highest paid, but certainly those that reflect the same history of collective bargaining.

I don't believe separate wage areas across the state are possible. I don't believe the Legislature really wants that to happen. I don't believe it makes any sense politically, and I don't think you're going to get any support for it.



How can they stop my student subsidy after all these years?

Study shares cities' best street sweeping practices

A Metropolitan Council study now nearing completion helps the Council answer Gov. Carlson's 1991 call to assist local governments in providing services efficiently and reducing government costs. Council staff set out to identify some of the best ways local governments provide certain services. They wanted to find cheaper and more effective alternatives to current practices. For the first service, street sweeping, staff visited cities around the metropolitan area to find out how cities provided the service.

The project resulted in a list of 52 practices that keep down street sweeping costs or improve service quality. Each of the 52 best practices was something that a handful of cities used, but most had not. For example, a few cities have begun to recycle the debris collected by street sweepers. After screening the debris, a city can spread the reusable sand on icy streets. This cuts down the cost of purchasing new aggregate and reduces costs of truck hauling and landfilling.

The hope is that cities will pick up on some of the best practices of other cities to improve their street sweeping programs and/or hold down costs.—Jody A. Hauer.

The Commission on Reform and Efficiency (CORE) will be contributing more food for thought on local government spending and efficiency with the release later this month of the first part of its report on local services funding.

The report uses workload measure and city expenditure data to compare city spending on five basic city services: streets, fire, police, parks and recreation and general administration. All Minnesota cities with populations over 2,500 are included in the study.

The commission related what cities spend on various services to "workloads"—factors outside the control of city officials that affect the need for spending on a specific city service. For example, soil type is one factor in the streets workload. Based on a city's workload for each service, CORE computed an expected level of spending on that service for the city—a level it defined as "basic."

The commission is careful to point out that a number of factors con-

tribute to differences in local spending levels. But the report allows cities to compare their actual levels of spending for various services to the "basic" level and to spending levels in other Minnesota cities—perhaps especially to those with similar workload levels.

For example, three cities—Arden Hills, Worthington and Elk River—with very similar workloads for police services had rather different actual police spending levels. Arden Hills—which receives its police services through the Ramsey County sheriff—spends 57 percent *below* the expected "basic" level, Worthington spends 78 percent *above* the basic level and Elk River spends close to the basic level, exceeding it by only seven percent.

Part two of the CORE local services funding report, which looks at city basic spending, revenue-raising capacity and state aid, will be released in January.—Dana Schroeder.

Overheard recently in southern Florida: politically correct radio traffic reporters. "There's a slowdown on southbound I-95 at Deerfield Beach. A mechanically impaired vehicle is blocking the left lane."

Not to be outdone, one of San Francisco's trolley cars recently bore the following note on a sign announcing a public hearing: "Please refrain from wearing perfume and other scented products so those with environmental illnesses can attend."—Allan Baumgarten.

Minnesota is helping to pilot a new national DNA data network. The FBI's Combined DNA Identification System (CODIS) will help law enforcement officials link sex abuse and assault cases that occur in different jurisdictions.

Minnesota got involved with the program shortly after the Legislature approved in 1990 the taking of blood samples from convicted sex offenders. The state now has 3,000 DNA profiles in its databank, and has obtained one criminal conviction in a case where the DNA link

Take Note

"The highest and best form of efficiency is the spontaneous cooperation of a free people." —W. Wilson

was the only clue. Staffers from the state's Bureau of Criminal Apprehension are advising the FBI on computer software and other aspects of the system in preparation for going nationwide in 1994.

The DNA information may have limited usefulness in Minnesota, however. The state Supreme Court ruled in 1987 that expert conclusions about the statistical probability of two DNA samples being from the same person were inadmissible in criminal trials. The statistics were so compelling, the court said, that juries would be unable to maintain a presumption of innocence and the "reasonable doubt" standard would be compromised.

In a constitutional double-dare, the Legislature has twice passed laws that would allow juries to hear statistical evidence—most recently in the aftermath of the acquittal of Robert Guevara in a much-publicized murder trial earlier this year. The Supreme Court hasn't yet been faced with a case that would require a ruling on the constitutionality of the two laws.

According to Hennepin County prosecutor Steve Redding, virtually every other state allows testimony about statistical probabilities, and in Minnesota, DNA and serology evidence are the only types in which expert testimony about the reliability of data is excluded on nonscientific grounds.—Janet Dudrow.

DNA evidence can also be used in establishing paternity. According to

the Urban Institute, paternity is legally established for fewer than one-third of babies born to unmarried mothers. The Institute's 1990 National Survey of Paternity Establishment practices showed that most successful counties offered fathers the chance to acknowledge paternity voluntarily, then swiftly transferred those who were recalcitrant to a prosecuting attorney.

Hennepin County's two-step process involves identifying the child's father, then obtaining a legal adjudication. Nearly every case is channeled through the county attorney's office, according to Gene Jacobson, a child support supervisor. A new law that will take effect in January 1994 will streamline the process. Fathers may voluntarily sign a "recognition of parentage" that will have the same effect after 30 days as an adjudication, without requiring the state to prove paternity.

Hennepin County has tripled its staff in this area since January and now has 26 employees working full-time on paternity establishment, handling nearly 13,000 cases, about one-fourth of the current child support caseload. No figures were available about the percentage of cases in which legal paternity is established successfully.

Hennepin County spends \$15,000 each month on blood tests in these cases. Incidentally, expert testimony about the statistical probability of a DNA match is admissible in civil paternity trials.—J.D.

Contributors to "Take Note" this month include Minnesota Journal and Citizens League staff members and Jody A. Hauer of the State Auditor's Office.

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Citizens League Matters

November 16, 1993

News for Citizens League Members

Welcome new members

Mr. and Mrs. Gary Adams, James Alders, Nancy Andrews, L. Tim Badley, Lee W. Barry, III, Joanne Berg, Pam Blixt, Warren H. Bock, Marci Bryan, Leona Carlson, M. Robert Christensen, Neil Christenson, Beth Cohn, Mary Sue Comfort, Maryellen Corberl, Justin Cummins and Tobin Dayton.

Steve Gaskins, Janey Gohl, Kevin Houghton, Kevin Kajer, Rachel Kaplan, Mary Lloyd-Jones, Dave Loughran, Jeff Magnuson, Beth Malaby, Faith McGown, Mr. and Mrs. Dale Merrick, Mary Ann Nelson, Ginny Pease and Bart Putney.

Patricia B. Rowley, Laurie Ruble, Patricia Ryan, Randy Sell, Mary D. Shepherd, William Shepherd, Linda Stenstrom-Smith, George Zanmiller and Melinda Zanmiller.

Welcome back

Peter L. Benson, Thomas J. Eggum, Mike Moser, Pat O'Connor, Doug Petty, John Shaffer, Robert Teichert and Mary Watson.

Membership Update

To capture all of the McKnight Foundation matching grant, we must recruit 230 new members by December 31, 1993. You can help!! See page 2.

"Can the metro region compete?"

New Mind-Openers on meeting the global challenge

How well prepared is Minnesota for global competition? A new series of Mind-Opener meetings, beginning on Tuesday, November 16 will consider that issue.

Edson Spencer, former CEO of Honeywell, will open the series, speaking on "Headquartering the Global Company." All five meetings are at the University of St. Thomas Minneapolis campus, 1000 LaSalle at 10th Street, from 7:30 to 8:30 a.m. The series is co-sponsored by the Minneapolis/Hennepin County Office of International Trade and the University of St. Thomas.

On Wednesday, November 24, **Dr. Sergio Reyes Lujan**, President, Instituto Nacional de Ecologia de Mexico (environmental protection agency), and **Kristin Dawkins**, Senior Fellow, Institute for Agriculture and Trade Policy, will address "Free Trade: The Great Environmental Destroyer?" On Tuesday, November 30, **Richard Braun**, Chair of the Metropolitan Airports Commission, will speak on "Getting to the Global Market."

On Tuesday, December 7, **Larry Bakken**, Chair, National League of Cities International Task Force, will address "Metropolitan International: A View of Global Competitive-

ness." On Tuesday, December 14, **Wilbur Maki**, Professor of Applied and Agricultural Economics at the University of Minnesota, will speak on "How is Global Competition Reshaping the Region?" Call the League office at 612/338-0791 to register.

A new series of Mind-Opener meetings will start in mid-January. We'll return to the University Club in St. Paul for those new meetings.

Farewell reception planned for December 2

Allan Baumgarten leaves League staff

Associate Director Allan Baumgarten will leave the League this week to launch a private consulting practice. Baumgarten joined the League staff in 1988.

During that time, he directed the League's research program, staffed study committees and developed staff research projects such as the annual *Minnesota Managed Care Review*.



League members and friends will have an opportunity to wish him well at a reception on December 2, from 5:00 to 7:00 p.m., at the University Club in St. Paul. Please call the

Allan Baumgarten is leaving the League staff to begin a consulting practice.

League office by December 1 for details or to reserve your spot.

Baumgarten staffed the League's study committees on telecommunications, regional libraries and local government services. He also oversaw the League's transition to a Macintosh computer network.

In 1990, he produced the first edition of *Minnesota Managed Care Review*, now in its fourth year. The report has received wide local and national attention as a clear and objective analysis of trends and issues in a closely watched local market.

In his new career, Baumgarten will consult to a variety of organizations, including providers, insurers and drug manufacturers, on health care finance, policy and local markets.

Members respond to McKnight challenge

Extra contributions from League members have surpassed the \$50,000 challenge grant from the McKnight Foundation.

Coincidentally, it was a contribution from **Bob Erickson** which put the League over the top of the extra contribution portion. Under Erickson's leadership in the fall of 1986, the League began a campaign to increase individual contributions. That strategy has worked well and has been

Housing SpeakUps! held around the region this week

Dozens of League members have signed up to participate in SpeakUps! for our study committee on housing and metropolitan development. SpeakUps! are an important opportunity for League members to get involved in the League's research program.

SpeakUps! are scheduled for two evenings this week: November 16 and 18. Call the League for the night and location of a SpeakUp! near you.

instrumental in helping the League weather the drastic changes in the corporate contributions climate.

McKnight match membership recruitment drive continues

Last spring the McKnight Foundation awarded the League \$125,000 to help launch the League's new strategic direction and to stabilize the League's financial condition. Of that grant, \$75,000 was offered as a challenge grant--\$50,000 in extra member contributions and \$25,000 for new member dues.

While we've achieved the extra contribution match, we still must earn \$10,000 in new member dues. We've launched direct mail efforts, and Board members are calling former members. But it will take an extraordinary effort to achieve the last portion of the matching grant. **We urge all League members to recruit a new member or buy a gift membership by December 31.**

Member input sought for '94 work plan

At its October retreat the Board of Directors had a lively discussion on current environmental conditions, the League's internal strengths and weaknesses and external opportunities and threats.

Community fragmentation, disengagement from civic culture and increasing competition for time, influence and resources were all cited as threatening conditions.

On the other hand, Board members saw a real need for non-partisan leadership. Some of the League's strengths--credible, non-partisan source of ideas and established process for citizen involvement create important opportunities.

We'd be delighted to have broader member input on the draft work plan. If you are interested, please call the League office for a copy.



A community resource

For more than 40 years, the Citizens League has helped shape the unique character of this metropolitan region. Here are some examples of Citizens League resources benefiting our community.

Staff and volunteers present and meet

Last month, Executive Director Lyle Wray made a presentation on performance budgeting at the Minnesota Quality Conference. He also attended a conference on decentralization of human services in the U.S. and Scandinavia on October 8 where he made a presentation.

Wray and former President John Brandl presented the results of the state spending study to House Speaker Irv Anderson on October 12. Wray also testified on regional governance issues to the Council on Metropolitan Governance on October 20.

On October 15 and 16, Wray attended a national seminar on regional governance and related issues in Washington, D.C. Citizens League members Chuck Denny, Curt Johnson, Dottie Rietow and Steve Rothschild also participated.

Janet Dudrow presented at a workshop on program development and grantwriting for the annual conference of the Minnesota Center for Community Legal Education.

Wray chaired a health roundtable sponsored by the *StarTribune* and the Minnesota Public Health Association with 20 senior citizens at the Vietnamese Social Services Association offices.

In late October, Wray attended a national performance measurement conference and

met with the presidents of the National Civic League and the Cleveland Citizens League about national foundation support.

League publications and data sets now available

Minnesota Homestead Property Tax Review 1993. The League's 27th annual survey of homestead property taxes in the Twin Cities and out-cities.

Public Affairs Directory of the metropolitan area, 1993-94. An invaluable guide to the people and organizations that are involved with public policy in the state.

Minnesota Managed Care Review 1993. The League's fourth annual report analyzing key trends and issues in Minnesota's dynamic health care marketplace.

Do you like your health care and local government finance data in mass quantities? You can buy the data sets we developed to produce the property tax and managed care reports. Sets are available in popular spreadsheet formats, like Excel and Lotus 1-2-3, for use on your PCs or Macintosh computers. We've sold managed care data sets this year. Call the League office at 612/338-0791 to order your data set.