MnSCU: fundamental changes to meet state's needs

by Judith S. Eaton

Higher education must do it.

Minnesota State Colleges and Universities (MnSCU) recognizes these fundamental challenges and we are responding with fundamental changes that will allow us to meet the state's needs in the years ahead.

Planning for change

MnSCU has embraced a strategic planning process to reshape our enterprise around several key goals.

Continued on page 3

Ag land, high TIF use lead to Scott's higher tax rates

by Gary L. Cunningham and Michael Nguyen

The Minnesota Taxpayers Association and the Citizens League have again provided a valuable service with their recently published 1996 annual property tax survey. In dealing with an issue as complicated and divisive as property taxes, the Citizens League and the Minnesota Taxpayers Association have done a good job in providing citizens and the press with "sound bites" on which to formulate judgments.

Continued on page 6

Break property tax in two: local services tax, state tax

by Ann H. Rest

The 1997 legislative session provides an unprecedented opportunity to enact comprehensive property-tax reform. First, commercial and industrial property values have rebounded, which makes it possible to reduce the share of property taxes paid by that class of property, without dramatically increasing the burden on other classes of property.

Continued on page 7
Indianapolis aims to compete regionally and internally

Editors concerned about topics, parties, endorsements

On Balance

Opinions tabulated with no early projections.

Dubois News-Telegram

Dubois News-Telegram (Oct. 14) the state’s graduation rate

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Lyle Wray is executive director of the Citizens Bringer.

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High-performing organizations know purpose, customers

Oregon Benchmarks led to reinvention of government

Editor's excerpts of remarks by Barbara Roberts, former governor of Oregon and director, Program for Senior Executives, Haas School of Business, University of California, Berkeley, to the Citizens League on Oct. 28.

I have to tell you where the real reinvention of government came in my own state. We were looking at the community colleges, the state universities, and the city and county governments. We also focused on something called the Oregon Business Council. They wanted three major priorities: to have the best educated and most competitive workforce of the year 2000 and the best in the county at that time. They had chosen to do something that they could not do—create collaborative, high-performing organizations.

We actually codified this when we made exclusive regional territories. We also got focused on outcomes. We got people to talk about the subject of choice. They also wanted to have some other public policy concerns that were caught up in the competition to be the best in the state, hence the benchmarks. We also got people to talk about the subject of control. What are some of the options to enhance the sense of consistency in what we do, or delegate or empower the deep in the organization?

The second version of the same thing, which we also did not quite realize that we are creating such a framework, governance, that there is no way to make policy changes nor to cut people loose. The only way you can do that is through the organization's incentive and disincentive that is very different from that can't happen.

We actually think of three different ways to put this together. One we call enterprise management. This is a service, part of organizations or whole organizations in a service sector, that are flexibly designed such that they will rise or fall on their ability to provide service.

The first of course, is actually to engage in empowerment. But you can't do that unless you've got good, core people. So if we're going to get danger, you need to be clear about that. What are our core expectations. High-performing organizations have turned this concept on its head. We've embraced the concept which we call reinvention of government. The assumption that people are more important than processes clearly defined a specific path for MSU. We could not fall into the trap that avails of much higher education: developing strategic goals that were too general and failed to clearly define the future.

How are we responding? MSU has received many valuable suggestions from the people of the state. It has incorporated many of these ideas into the strategic goals the Board of Trustees will consider in December. We also added a sixth strategic goal: strengthening partnerships with K-12 education. Adopting these goals—distinct from other work we do in our communities and areas—will transform our state, I hope, into a leader, to the extent that we are able to integrate and apply what we think is the core of these goals. We will be working hard to make sure that we are increasing the flexibility of our system.

We also will be working to change the basis for how students transfer. Not anymore can it be said that if a student wants to allow to transfer occurring on the transfer while we need to have the right course with a passing grade. Thus, we may be looking at various types of tests and other things demonstrate that we can well students can integrate and apply what they've learned in these courses.

MnSCU has gained an early advantage through our Electronic Library initiative which is enabling us to create a wealth of exciting classroom opportunities that electronic skills and competencies that Minnesota high school graduates need.

Next steps

The strategic plan, as I've outlined it, is not a static document. It anticipates the arrival of the next 15 years. We've immediately set to retool the accountability framework and the information technology. When we begin to define the critical area of the state's future, we will begin to play the tactics and programmatic activities that are necessary to make sure that we make that critical area.

The strategic plan will drive every thing we think about and do as MSU. It will drive the actions that we take, the decisions we make. It will drive the evaluation of our work, the improvement of our processes. It is a force that will drive the actions that we take in such a way that we will be constantly pushing toward our fundamental assumptions.

Judith S. Eaton is chancellor of the Minnesota State Colleges and Universities (MSCU).
Scott County

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Science and Carver and Scott Counties have increased taxes more substantially than other metro-area counties.

The results of this study indicate that several factors combine to make Scott and Carver Counties' tax rates higher than other outlying metro-area counties. Scott and Carver are rural, yet suburbanizing areas and have a larger percentage of commercial/industrial tax than other metro-area counties. Due to Min¬
nesota's property tax classification system, agricultural property is taxed at lower percentages than residential and commercial/industrial property, resulting in a smaller tax base. From 1973 to 1992, Scott and Carver County had the highest proportion of agricultural property of any tax base of the five counties in the comparison group. By 1992, while agricultural properties made up between 1.5 percent and 4.5 percent of tax values in all five counties, Dakota, Anoka, and Washington Counties, Scott's total tax capacity was 10.5 percent and Carver's nine percent.

In order to determine the impact of the various property classifications on tax rates, a multiple regression analysis was performed to establish a simple correlation analysis. This analysis showed that there is a statistically significant correlation between the amount of tax capacity generated from agricultural properties and how much the county's overall tax rate will be increased. All other factors held constant, a higher percentage of the county's tax base in agricultural property will directly increase the tax rate capacity. Scott and Carver Counties have had an abnormal percentage of agricultural property and are substantially by this for this reason.

Surprisingly, and contrary to our hypothesis, Scott and Carver Counties have increased their property tax rates of commercial/industrial (C/I) tax capacity. Of the five outlying counties, Dakota County had the greatest amount of C/I capacity assessed in 1992, at 34.01 percent, followed by Scott at 33.39 percent, Carver at 29.63 percent, Anoka at 22.31 percent and Washington at 21.54 percent.

However, since the mid-1980s, Anoka, Carver, and Scott Counties have made heavy one-year tax-increase financing (TIF), resulting in a significant increase in C/I tax capacity being captured in TIF districts. (Revenue raised from property captured in TIF districts is dedicated to paying off the costs associated with that development and is not available for the general revenue needs of the city or county.)

In 1992, Scott County had 10.73 percent of its total tax capacity in TIF districts, while Carver had 14.95 percent, Anoka, 12.85 percent, Dakota, 3.77 percent, and Washington, 3.10 percent. By having a significant portion of their tax capacity in TIF district, Scott and Carver Counties have not yet benefited from the TIF tax capacity tax base. On the other hand, counties like Dakota, Anoka, and Washington Counties, Scott's total tax capacity was 10.5 percent and Carver's nine percent.

In a study published in Urban Stud¬
ies in 1992, "Population Density and the Cost of Providing Public Services" by Helen F. Ladd indicates that there is a U-shaped relationship between population density and the cost of providing services. This is consistent with our research on the out-ringing counties in the metro area. As Scott and Carver Counties continue to develop and their socioeconomic patterns similar to Washington and Dakota Counties, their property tax rates and capacity to tax will increase. This will result in a higher percentage of agricultural property and is not necessarily a good thing for the county.

In essence, the new policy is designed to take a market approach to managing Scott County's fiscal expenditures. Those who do not provide services do not realize it is a state tax. The proposal will make clear that the Legislature, and all state governments, are responsible for providing services. The various proposals to reduce county aid could not eliminate the burden of property taxes for all citizens.

Property tax

Continued from page 1

Students in other school districts will benefit from lower property tax rates, but will not be as directly affected as their neighboring districts. This will result in a decrease in property tax rates for Scott and Carver Counties.

School districts will be exempt from property tax requirements if they meet the requirements of the tax-in-tak¬
tion law. Voters in school districts can raise additional, discretionary operating revenues for their school bond through local income-tax surcharges. The tax increase would be based on the county income-tax liability of students in the school district. The state will provide revenue through its school bond tax credit. The proposal establishes uniform property tax rates for local governments.

All types of property have been reduced tax burdens. The types of property with the highest class rates under the current system—com¬
merial, industrial and public utility properties, apartments, churches, and some homesteads—will receive significant property tax reductions under the proposal. Homeowners who live in school districts that have passed referenda to levy addi¬
tional property taxes for discretionary school operations will receive property tax reductions that are substantially reduced from the elimination of those levies. Residents of those school districts, however, will be subject to the local income-tax surcharge that replaces those levies.

Less state aid will go to local gov¬
emnts, but at the same time, the state will provide additional property tax relief to those with low income. The new property tax system will be simplified and expanded. A uniform threshold percentage of income will be used; maximum refunds will be increased; and the program will be restructured so that most homeowners will receive refunds. The law changing the property tax relief act will be a separate bill and passed separately and the state share of property tax refunds will be eliminated. The program will be restructured so that most homeowners will receive refunds. The law changing the property tax relief act will be a separate bill and passed separately.

In August 1995, a newsletter from the Department of Revenue, "Building a Legacy of Better Value," listed the following examples of benefits to homeowners:

- 1.2 percent of average property value for taxable properties, 1.2 percent for non-taxable properties; (this excludes local government properties, agricultural land and buildings)
- 1.2 percent county, city and town property; (this includes agricultural land and buildings); and
- The combined property tax rate will be reduced by $200 for each $1,000 of market value of main home (excluding agricultural land and buildings); and
- The first $200,000 of market value of main home will be eligible for the state homestead program.

By 2002, the proposal will fully phase in only two tax rates, tentatively set as follows, will be used to deter¬
mine tax amounts:

• 1.2 percent for commercial, industrial and public utility properties; and

• 1.2 percent for other income-produc¬
ing property, industrial or commercial properties, agricultural land and buildings) and personal use proper¬
ties (such as the house, yard, and a cultural household house, garage and one acer, and cabinets).

Exemptions from the state property tax include: (1) the income tax liability of residents of the school districts that pass the new property tax, and (2) the state income-tax liability of the state school districts that pass the new property tax. The legislation will reverse the current property tax rates for current-year local property taxes.

The proposal corrects many of the fundamental policies with the current property tax system. The current system has elements of both a local tax and a state tax. The constitution requires the state to provide certain services to towns to which its control is lacking. To many of its citizens, most of its benefits, and the widespread perception of its unfairness. In response, the Legislature links over tax to some extent, and the current property tax system is made easier to understand, fairer and more stable and property taxes on all categories of property are reduced.

Ann H. Redi (DFL-New Hope) is chair of the Minnesota House Committee on Taxes.
Excess levies, aid stable as share of school spending

In a recent Commentary, Minnesota Education Association President Judy Schaubach charged that the state isn’t adequately funding schools, since increases in the formula allowance have not kept pace with inflation over the past five years. “It is bad public policy,” she argued, “for the state to continue to force school districts into going to local tax levies in order to adequately fund their schools.”

Schaubach is only partly right. It’s true that the formula allowance per pupil has shrunk in real terms. But there has been a substantial increase in state general fund spending on several items—special education, class size reduction and technology, for example—that are not included in the formula allowance. And between 1991 and 1996, the tax revenue contributions to education spending each year have stayed at about 60 percent state and 40 percent local, according to Tom Melcher, director of finance for the Minnesota Department of Children, Families and Learning.

There has been an increase in the number of districts with referendum revenue, but since 1993 the state has equalized excess levy revenues. Excess levy and aid have not increased as a share of total education spending, Melcher said. In 1992, about seven percent of total education revenues came from local excess levies. In 1997, local excess levies, combined with the state-paid referendum equalization, still accounted for seven percent. That means the portion of education spending that came from local levies actually declined, Melcher said.

Finally, Melcher said total state and local tax revenues spent per pupil on K-12 education have grown about four percent, after accounting for inflation, between 1991 and 1997.

Are we spending enough on elementary and secondary education? Schaubach’s right: That’s a worthy question for public debate. But the other worthy question is, How do we get the most learning for the increasing amount of money we spend?—Janet Dudrow.

Market (mis)perception? Ask most any developer or real estate agent, and they will tell you that traditional suburban development is so pervasive because that is what buyers want—big houses on big lots.

Yes and no. In one survey that tested the visual preferences of homebuyers and shoppers, fewer than one in three people preferred the typical suburban subdivision over neighborhoods with neotraditional elements—a greater mix of uses and housing types, higher densities, and multiple transportation nodes. In contrast, about one out of five preferred neotraditional neighborhoods.

The remaining half of respondents showed they greatly preferred the community image created by neotraditional development, but rejected the trade-offs that density implied. The survey concluded that most buyers did not want the all-out neotraditional small town quite yet, but added that conventional suburban designs are losing favor. “A cookie cutter suburb is no longer a safe bet at all,” the survey said.—Ron Wirtz.

Secretary of State Joan Grogue is reconvening her electoral reform commission on Nov. 20 to consider proposals to the 1997 legislative session. Previous recommendations by the commission passed in the Senate and in House committees, but stalled on the House floor.

The commission would have compressed the six-month time span for political parties to pick their candidates. It called for pushing March precinct caucuses ahead to April, moving the September primary back to August and holding a presidential primary with mail-in ballots on the same day as caucuses.

“In my mind the low turnouts at this year’s precinct caucuses and primary election say very clearly that something needs to be done about getting more people involved,” says Grogue. —Betty Wilson.

The share of children born out of wedlock has soared since the mid-1960s—a sixfold increase for white children, to 20 percent, a threefold increase, to 66 percent, for black children.

Business Week (Oct. 14) reports on a new study by George A. Akerloff of the University of California at Berkeley and Janet Yellen, a member of the Federal Reserve’s board of governors. The team is skeptical of the argument that rising illegitimacy is the result of too-generous welfare benefits or the notion that poorly-educated black men are viewed as bad husband material.

Their theory: The availability of the pill and the legalization of abortion weakened young women’s bargaining position when it came to sex. Akerloff and Yellen conclude that “the sexual freedom embraced by many single women left others who were opposed to contraceptives and abortions (or who were ignorant of their use) with no bargaining power in their relations with young men. And once pregnant, they could hardly use a condition that could be terminated as a condition for marriage.”

The researchers conclude that the solution is to provide single women with easier access to contraception and to force fathers to support their out-of-wedlock children.

Seems policymakers ought to at least consider a strategy of helping young women strengthen their bargaining skills—or to realize when the “bargain” isn’t worth it.—J.D.

It seems the extra Minneapolis voters drawn to the polls because of the presidential election took kindly to the school district’s request to renew its excess levy referendum which was approved by a 70 to percent margin (105,991 to 44,734).

Fourteen percent (18,013) more people voted on this year’s referendum than on the 1990 referendum—held in a nonpresidential year—which passed by a 65 to 35 percent margin (86,893 to 45,823). While the no vote was relatively stable, the yes vote increased substantially this year: the measure received 19,098 more yes votes and 1,085 fewer no votes than in 1990.

Voters in 1992, also a presidential election year, weren’t so friendly to St. Paul’s last excess levy referendum, which was defeated by a 53 to 47 percent margin (60,794 to 54,830). St. Paul is the only school district in the metropolitan area without an excess levy in effect.

The reasons for the different election outcomes in the two cities are not immediately obvious. Both have low percentages of households with children 18 and under—23 percent in Minneapolis and 29 percent in St. Paul, according to 15 Census figures. And both have rapidly increasing public school enrollments: St. Paul’s grew by 22 percent (from 35,730 to an estimated 43,767) between the fall of 1990 and this fall, while Minneapolis’s grew by 17 percent (from 41,139 to an estimated 47,960).—Dana Schroeder.

“Take Note” contributors include Minnesota Journal and Citizens League staff members and Betty Wilson, a freelance writer and former Star Tribune political writer.
CL 44th annual meeting set for November 20
David Broder and Haynes Johnson are featured speakers

Renowned broadcast and print journalists David Broder and Haynes Johnson will give the keynote address, "Lessons and Lost Opportunities: Health Care and Gridlock in America," at the 44th annual membership meeting of the Citizens League.

The meeting will be held Wednesday, November 20 from 5:30 to 7:30 p.m. at the Lutheran Brotherhood auditorium, 625 Fourth Avenue South, Minneapolis.

As two of America's best-known journalists, Broder and Johnson had unparalleled access to the major players in the ferocious battle to reform the health care system. In The System, Broder and Johnson paint an extraordinary portrait of democracy under siege. They portray a system of government and politics that is fundamentally broken.

Their book is only partially about health care. Written by two consummate Washington insiders, it's really about the inner workings of the current political system. The book has been described as "must reading" for citizens who want the system to be accountable to the people it is designed to serve.

David Broder is a national political correspondent for the Washington Post and a regular on CNN, Meet the Press and Washington Week in Review. A Pulitzer Prize winner, he is the author of the best-selling Changing of the Guard.

Haynes Johnson has reported on every president since Dwight D. Eisenhower for the Washington Star and Washington Post. He, too, won a Pulitzer Prize and is the author of Sleepwalking Through History and is a commentator on Washington Week in Review and the NewsHour with Jim Lehrer.

The Citizens League tackles the system

Twin Cities community leaders who spoke at last month's League Board retreats were as pessimistic as Broder and Johnson about the current political system.

Public officials and policymakers are disheartened and dispirited. Policy paralysis (particularly implementation) has set in in many areas. Citizens are disillusioned and angry about government for failing to solve problems, yet citizens also sense that many of our public problems result from dysfunctional private behavior for which government solutions are not the answer.

In the public's mind the balance between the public, private and non-profit sectors has gone off track. There is a general belief that the public sector is not a good "buy" and that it cannot really deliver. For government to function properly as a collective problem-solving mechanism, it must resell the concept of the public sector to a skeptical, if not hostile, general public.

Modern Challenges of Public Leadership

But there is hope. The League Board concluded that there is a need for cross-sectional conversations, convening and collaboration—less "preaching to choirs" and more reaching across lines of division to find

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Thanks to the following for their support of the Citizens League Annual Meeting: The Allina Foundation; Halleland, Lewis, Nilan, Sipkins & Johnson; Medtronic, Inc.; St. Jude Medical, Inc.; and United HealthCare Corporation.

Broder and Johnson will be available after the meeting to sign copies of their book, which will also be for sale at the meeting.

Cost of the meeting is $20 in advance and $25 at the door. To make reservations, or for more information, please call the League office at 338-0791.
K-12 committee hits the books on student achievement

What menu of K-12 education reforms should be on the agenda of the 1997 Legislature as it seeks to improve student achievement in the face of tight resources? Sixty-three Citizens League members, led by co-chairs Carl “Buzz” Cummins and Pam Neary, have been busily developing an answer to that important challenge.

The committee is focusing on four key issues, exploring questions such as:

- Site-based funding of education. Should the state Legislature provide per-pupil education aid directly to the school site in which the student enrolls, rather than to districts? What, as a matter of state policy, should the Legislature do to provide school sites with the authority over site budgets? What institutional arrangements are needed to enable individual schools to improve student achievement?
- Assessment. What kind of assessment system should be developed to ensure that all Minnesota students are learning? How should assessment be tied to the teaching and learning task? Should Minnesota adopt a uniform assessment system so that student achievement can be meaningfully compared across districts and schools?
- Early childhood foundations. Education researchers, including Johns Hopkins’ Robert Slavin, say that the one step that would have the biggest impact on student achievement is to ensure that all children can read and do basic arithmetic by the end of third grade.

What would have to change in order for Minnesota to ensure that all students are able to read and do third-grade arithmetic by the end of third grade? How could or should resources be targeted to ensure proper academic foundations in grades K-3? What systems of assessment would be required?

- Improving the education system’s performance with students of color. What policies should the Legislature consider, while it seeks to decentralize decisionmaking to schools, to address the achievement gap between white students and students of color? What kinds of assessment systems would be required to ensure that students of color are learning? How should such assessments be tied to accountability for teachers, schools, and districts? What steps could the legislature take to prevent learning deficits in the preschool years among students of color?

The committee will finish its report by mid-November and forward it to the Citizens League Board of Directors for consideration at the December 18 Board meeting.

Building Livable Communities enters “home” stretch

Report looking to add value to debate on regional growth

The League’s Building Livable Communities study committee is in the final stages of its deliberations, and hopes to release its final report sometime in December.

The committee is currently debating recommendations, and reviewing other sections for final modification.

The thrust of the report asks whether the region can afford to continue growing and developing as it has in the past.

The report will profile the region’s growth patterns of the last 40 years, and identify the drivers of these regional land use patterns. The report will then recommend numerous changes so the region can properly manage growth to the year 2020 and beyond.

The report will address a multitude of issues. Those receiving particular attention include:

- the concentration of poverty in the central cities;
- the influence of subsidies on land use and development;
- the effect of the property tax code on land use at the municipal level;
- the impact of inflexible zoning and land-use regulations;
- the expansion of the “real” region beyond the original seven counties;
- the proper role of the Metropolitan Council in managing regional growth.

The committee is still working on specific strategies for implementing change. It is using a half dozen principles as a broad framework for recommendations regarding the region’s future land use policies. The principles include:

- Pay for what you get.
- Redirect growth inward instead of outward to undeveloped areas of the region.
- Build communities that are inclusive rather than exclusive.
- Protect undeveloped areas.
- Empower effective regional governance.
- Enhance citizenship at the regional level.

The committee has been meeting weekly since October of 1995, and still sports a dedicated roster of about 50 committee members.