



# Minnesota Journal

## Inside This Issue

A publication of the Citizens League

The public sector marketplace. — Page 2.

Property tax rankings. — Page 6.

Violence-prevention efforts. — Page 8.

Volume 10, Number 9  
September 21, 1993

## Median tax hike on average metro homes 12%; 13% in nonmetro cities

Property tax bills for owners of average-value homes went up by over 10 percent in 1993 in well over half (56) of the 95 largest communities in the metropolitan area and in more than three-fourths (77) of the 27 largest nonmetropolitan cities. And—as they were in 1992—1993 taxes on hypothetical \$90,000 homes in these metro com-

by Lynn Reed and Dana Schroeder

munities are highest in Little Canada. Austin captures that distinction—as it did last year—among the nonmetro communities.

Those are findings of the 27th annual homestead property-tax survey, conducted jointly this year by the Citizens League and the Minnesota Taxpayers Association. The survey analyzes taxes for nonagricultural homes in the 95 cities and towns with a population of 2,500 or more in the metropolitan area and the 27 cities of 9,000 or more in nonmetropolitan Minnesota. (A

primer on calculating property taxes appears on page 4.)

A word of caution: This analysis is not intended to estimate taxes for a specific property. The survey includes only owner-occupied homes, not rental properties, businesses, or other types of property. Taxes on these properties will differ from taxes on homes; the results of the survey should not be used to gauge taxes on other properties.

### Average-value homes

An analysis of taxes on the aver-

Continued on page 6

## Ruling puts funding onus on Legislature

by Ted Kolderie

Well, back to the Legislature.

The differences among districts in their ability to raise revenue do not, the Minnesota Supreme Court has ruled, violate the state constitutional provisions about a “general and uniform” system of public schools. Since the equity litigation began (with the *Serrano* case in California in 1971), state supreme courts have

Continued on page 3

## Kids with disabilities using choice

by Jim Ysseldyke,  
Cheryl Lange, and Joe Nathan

What has been the impact of Minnesota's school choice programs on students with disabilities? With assistance from the U.S. Department of Education, a group of University of Minnesota researchers has been studying this issue. We've learned that young people with a variety of disabilities are participating in Minnesota's various school choice programs. In many cases, the results are encouraging.

Participation rates of children with disabilities vary among the programs. Overall, about 10 percent of

Continued on page 2

## Property-tax system fatally flawed; it's unfair, unaccountable and expensive

by Peter Hutchinson  
and Janet Dudrow

There are only three problems with Minnesota's property-tax system. It's unfair, it's unaccountable, and it's expensive. In a word: It's broken. In response, the state has created a system of property-tax relief, and that's broken too.

Property-tax relief isn't the only state program suffering from a crisis of quality, cost and fairness, a recent Citizens League report concluded. (See *Minnesota Journal*, Aug. 17, 1993.) But if leaders want to make headway in dealing with Minneso-

ta's fiscal troubles, the property-tax system is a good place to start.

**The system is unfair.** Minnesota's property-tax system redistributes a huge amount of money annually. Unfortunately, the usual goal of redistribution—helping the less fortunate—doesn't apply. The system favors those who are advantaged, along with those who are truly needy.

Property taxes are based on the market value of property, presumably because property value is a good clue to the owner's ability to pay. However, the state's Department of Revenue showed in a recent study of property tax regressivity that home price isn't a good proxy for ability to pay.

Home prices do tend to rise as incomes rise. But as people's incomes rise, they pay a smaller

Continued on page 5

# Building the marketplace for public sector results

Recent headlines have highlighted the Clinton administration proposals to "reinvent" the federal government through reforming procurement processes and streamlining regulation and service delivery. But it is important to remember that we need a number of steps to assure that the public gets and perceives good value for the taxes it pays.

**Doing the right things.** Perhaps the first, and often unstated, step is that government, as the expression of our common welfare, must effectively address the key tasks facing our society that otherwise would not get done. For example, are we in fact taking the appropriate steps through public sector leadership to assure a strong economic future in an increasingly competitive global economy?

When the public loses faith in the direction of government or its relevance to the problems they believe important, people may express their discontent—in anti-tax movements, for example. This is essentially the "vision thing" for a society. There are reasons—the end of the Cold War and heightened economic competition in the world—for rethinking our institutional agendas by benchmarking their performance against the tasks we must achieve and against the performance of key competitors.

**Dynamics of change.** A second approach is to recognize that we must address the underlying dynamics of why systems are moti-

## Viewpoint

by Lyle Wray

vated to improve. The current flurry of reform proposals in Washington, D.C., joins a list of similar previous efforts. The mixed results of past efforts suggest it is key to address the dynamics of change while making specific proposals for change.

Along with much of the rest of the world, we are rediscovering that market discipline is a key element to push innovation. We can use modified marketplaces through consumer vouchers—such as subsidized child care or school choice—to empower consumers and to drive service innovation. Clearly, we have a long way to go in refining our use of the marketplace—both to protect against abuses and to make effective use of this powerful tool—across the regulatory and service provision landscape of public sector activity.

**Accountability systems.** Within the past two years, the Governor and Legislature have launched several accountability initiatives: Minnesota Milestones, performance budgeting, annual performance reports, and waivers from rules and laws for local governments in exchange for outcomes contracts.

In June 1992, the Minnesota Department of Finance instructed state agencies to develop performance-based budgets, giving specific consideration to relevant parts

of the Minnesota Milestone objectives. The goal of the process was to link program and resource allocation decisions.

The state departments bill passed during the 1993 legislative session requires agencies to develop performance indicators, following guidelines developed by the Department of Finance. Final reports from each department on performance measures are due to the Legislature in September 1994. Thereafter, each department is to issue an annual performance report.

The 1993 Legislature established a Board of Government Innovation and Cooperation with authority to waive provisions in laws and rules for local governments in return for outcomes-based performance contracts between the local governments and the state. The goal is to encourage innovation and efficiency. The council, headed by the Minnesota state auditor, is currently being organized.

The following steps can help sustain the direction offered by these three initiatives and by the Minnesota Milestones process.

**Establish and disseminate a regular report card on Milestones and state agency performance.** The first report card of performance on Milestones is yet to be delivered. The State Planning Agency has

responsibility for dealing with the many data issues and for dissemination to various stakeholders—especially the general public. This is a critical step in sustaining the creation of Milestones and performance budgeting. In the future, the state will need to address the question of how to disseminate performance information on state departments.

**Create a market in the Legislature for performance information.** The state budget decision-making process responds to many variables. The key question is how performance data can have a greater weight in the process. One step might be to deliberately include in the reporting performance tracking on information likely to be of pointed concern in the legislative process, in addition to more routine information. One strategy to highlight performance information is to hold legislative hearings on performance results for a month before the budget is delivered. The goal would be to focus attention on what happened the year before as a context for the following year's budget requests.

Clearly, we have a number of tasks to undertake to assure that people get value for the taxes they pay. Strengthening the marketplace for public sector results should be a valuable supplement to the many current proposals to streamline government operations

Lyle Wray is executive director of the Citizens League.

## Skeen

Continued from page 1

upheld education-finance systems in about half the cases and overturned them in the other half.

Though-value districts will probably start lobbying now to remove restrictions the Legislature has put on their ability to raise and spend more than allowed by the basic school-aid formula by drawing on local property resources through extra levies approved by voters.

The low-value districts, which challenged the extra referendum levies in the Skeen case, will almost certainly start designing new ways for the state to offset disparities in local resources.

It's a dilemma.



...back to the Legislature.

## The Minnesota Journal

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The Minnesota Journal (ISSN 0741-9449) is a publication of the Citizens League, a nonprofit nonpartisan Twin Cities public affairs organization, 708 S. Third St., Suite 500, Minneapolis, MN 55415, John Brandl, president. Articles and commentary are drawn from a broad range of perspectives and do not necessarily reflect League positions on policy questions. The Journal is published once a month. Second class postage paid at Minneapolis, MN.

Annual subscription rate for nonmembers is \$40 for 12 issues. Orders may be placed at 612/338-0791 or by mail at the above address.

Master: Send address changes to The Minnesota Journal, 708 S. Third St., Suite 500, Minneapolis, MN 55415

Minnesota has never wanted to stop a local district from increasing (with local voter approval) its spending on education beyond what the state makes available. But districts vary in property wealth; some can "go beyond" (financially and politically) more easily than others. The low-value districts argued in Skeen that this makes the quality of a child's education depend (improperly) on local wealth. They want the state to equalize by distributing state tax revenue to bring the low-value districts up to the same level.

But if the Legislature were to equalize in full while leaving the high-value districts free always to increase their spending at the margin, it would be agreeing to sign a blank check—promising to finance a level of spending set by somebody else. This is not something the state can do these days.

What the Legislature has been doing is leaving the referendum levy opportunity in place, but making referenda harder to pass. They may now come up only at November general elections. They are good only for five years, and must be re-approved after that. They now fall on market value, which takes away the break for homeowners in districts with lots of commercial property. They will all be subject to re-approval after 1997. And they're capped; after 1994-95 they cannot go beyond 25 percent of the state's formula allowance, which will then be \$3,150.

## Choice

Continued from page 1

more involved in attending school events and contacting their children's teachers in the new school than in the old one.

● Directors of alternative schools point out that at least some of the youngsters' problems end when they attend a different school. This appears to be especially true of students who had been classified as having emotional or behavioral disorders. As one director commented:

"Once students enter an alternative school, their handicap miraculously disappears. The primary reasons are (1) new/different environment, (2) more/different options become

With the Supreme Court not disallowing the referendum levies on constitutional grounds, the high-value districts will probably ask to have these restrictions eased. That will be "the first order of business", says Duane Mattheis, until recently representative for high-value suburban districts in the Twin Cities area.

The low-value districts will not necessarily resist this, says Barbara Baker of the Association of Stable and Growing Districts. Her group, though, would want to see the rules made the same for everybody before 1997. Low-value districts have a greater interest now in the referendum, because in 1993 the Legislature—perhaps thinking the Court would find the finance-system unconstitutional—agreed to equalize referendum levies in full up to \$315 beginning in 1994-95. (That year the Legislature is also raising by 15 percent the uniform statewide property tax that all districts must pay before state aid kicks in.)

Baker's group will shortly bring out a proposal, developed by a task force over the summer, for ways "to finance a basic educational program without reference to local capacity to pay," she said.

This idea, essentially full state financing, is also on the table as a result of efforts by the Minnesota Business Partnership to develop a new division of responsibility between the state and local districts. Under the Partnership's plan the state would fully finance a basic

instructional program; local districts would pay in full for the optional extras. A task force of education groups, legislators, business interests and others set up last session is soon to start defining what's "basic."

As the Legislature constrains the revenue available, question arises more and more about how to constrain the cost side, mainly teacher salaries. The local referendum levies, though justified usually as a way to improve program, have in fact been used in recent years to pay the cost of salary settlements. Gov. Arne Carlson has been urging school boards this bargaining year to "exercise restraint." But the Minnesota Association of School Administrators said last year this is not possible: Boards feel they cannot win a strike, so they will not take a strike and have really no way to resist pressures for higher salaries.

One possibility is for the state to constrain the cost side as well. Carlson has suggested withdrawing the right to strike. Others have suggested shifting the teacher-compensation decision to a regional body or all the way to the state level. This would raise some interesting questions: If a local board makes neither the major spending decision nor the major revenue decisions, what is it needed for? Is it time, perhaps, to make something depend, in some reasonable way, on whether or not the students learn?

Ted Kolderie is contributing editor of the Minnesota Journal.

## Choice

Continued from page 1

school-age children have disabilities, whether in learning, behavioral, or physical areas. But more than a quarter (26 percent) of the high school students using Post-Secondary Options to attend Minnesota's post-secondary technical colleges have some kind of disability. These generally are students with mental retardation or learning disabilities.

And students with emotional/behavioral problems are over-represented in the "second chance" school choice programs. Alternative schools for students who have

not succeeded in traditional schools and Area Learning Centers report that at least 19 percent of their students had disabilities when they entered, the majority emotional or behavioral disorders.

It's difficult to know how many students with disabilities are using open enrollment, because the forms their parents fill out to apply for open enrollment do not require them to specify any kind of disability. Some parents have told us they are reluctant to list a special need on the application.

In any case, approximately four percent of the more than 5,900 stu-

dents participating in open enrollment in the 1990-91 school year listed some form of disability. Both the number and percentage of disability participants increased in 1991-92. In 1990-91, 52 percent of these students were rural, 35 percent suburban and 14 percent urban. Participation is distributed across income levels rather evenly and not restricted to upper- or middle-income families. The largest group of students with disabilities transferring under the program are students with learning disabilities.

What happens to students who transfer to a new school using one of Minnesota's school choice programs?

● Sixth-four percent of parents of students with disabilities transferring under open enrollment said the children's needs were better met at the new school and that they received more personal attention from the teacher.

● Forty-nine percent of parents of secondary students with disabilities transferring under open enrollment reported that "giving a child a fresh start" was a reason for their transfer.

● Parents of children with developmental disabilities who used one of the choice laws reported they are

Continued on page 3

# Editors take differing views on school-finance ruling

**St. Paul Pioneer Press** commented (Aug. 23) that the “last thing that should come from the recent Minnesota Supreme Court decision on state education funding is complacency. That the court upheld the current formula as an adequate *minimum* is no reason to stop working to bridge gaps between rich and poor districts.” Fargo **Forum** criticized the Court’s decision, saying it “does nothing less than advance discrimination based on wealth. (Those) who are being denied equal academic opportunities should... demand that all students be given an opportunity to receive an education that will prepare them for the 21st century.”

Similarly, **Rochester Post-Bulletin** called the decision the “Minnesota un-Miracle.” “The state cannot overcome the disadvantages of climate nor of its location far from the center of major markets. It can, however, provide superior educational opportunity and it has done so in the past. It cannot do so in the future if some school districts, because of their lower assessed values, are unable to compete with districts having higher

## On Balance

*It was back-to-school-issues time in newsrooms around the state.*

property tax values.” **St. Cloud Times** disagreed (Aug. 22) and said that the court’s decision was “a victory for those who acknowledge that individuals—not government—play a significant role in making their own opportunities.”

Marshall **Independent** rejected (Aug. 26) Governor Carlson’s proposal for a one-year pay freeze for teachers. “Our teachers, as a whole, are a committed group. Asking them to take a pay freeze doesn’t make much sense. Especially since Carlson sees them as ‘essential employees.’” **Red Wing Republican Eagle** supported (Sept. 1) Carlson’s call for a pay freeze. “As for curtailing the teachers’ right to strike, the measure is long overdue.”

**St. Cloud Times** noted (Aug. 13) concerns about the availability of a skilled labor pool, saying “The onus is on educators to help prepare future generations of employees for

the growing number of technical jobs. But it is also the responsibility of lawmakers to make sure local school districts have the freedom and the funding to create and implement needed reforms.”

**Forum** praised (Sept. 8) the Clinton Administration’s new policy on wetlands. “But even without the flood (of 1993) the value of wetlands for wildlife habitat, groundwater recharge and plant species diversity has been recognized for generations. Only in the last 20 years, however, have these attributes been seen as more important than a few more acres of wheat or another shopping center.” **Mankato Free Press** agreed (Aug. 27), saying that the Clinton plan “may need some fine tuning but it is one that should be implemented.”

**St. Cloud Times** complimented (Sept. 7) University of Minnesota President Nils Hasselmo for “devel-

opment of an exciting plan for his university—one worthy of the enthusiasm of the regents. But the university is a part of a larger system for higher education in Minnesota. What happens there is felt in St. Cloud and throughout Minnesota.” **Pioneer Press** agreed (Sept. 8) that “Hasselmo and the regents have set the University on the right course. They have earned the right to see it through.” A few weeks earlier, the **Minnesota Daily** had given Hasselmo “a month’s time to see serious changes in the way this institution is run... The president must explain in concrete, exacting detail just how he plans to shift his administration’s priorities from a defensive, reactionary mode to a proactive and preventative mode... At this point, only one thing can save Hasselmo’s job: doing it.”

**Worthington Daily Globe** said (Aug. 9) that Minneapolis Mayor Don Fraser was right in calling for limiting welfare payments to women who have children out of wedlock. “It’s about time someone in this administration listened to reason.”

# Property tax

Continued from page 1

share of their budgets for housing—and a smaller share for property taxes. People with incomes between \$5,000 and \$15,000 paid four percent of their incomes in property taxes in 1990, but those with incomes over \$105,000 paid only 1.3 percent, the department found. Property taxes are regressive with respect to income.

And at any income, people vary widely in how much they choose to spend on housing. For example, the Revenue Department found that 22 percent of all homesteads were valued at less than \$80,000 and occupied by households with incomes above \$40,000. These homeowners paid an average of 1.1 percent of their incomes in property tax. By contrast, about nine percent of homes were valued at more than \$80,000 and occupied by people with incomes below \$40,000. These homeowners paid an average of 5.6 percent of their incomes in property tax—more than five times the rate of the higher-income people living in lower-valued homes. Clearly, the difference in tax bite is related to income alone.

The state’s complex classification system, which creates dozens of property categories and assigns different “tax capacities” to them, is a primary culprit behind the inequity. In this system, home and farm property owners automatically get a tax break—before they even start filling out their tax refund forms—regardless of their incomes. Owners of commercial property and rental housing pay twice or three times the rate homeowners pay.

The classification system exacerbates the consequences of differences in tax base among communities. Cities with a greater share of commercial property are “property-rich” and can provide the same package of public services at much lower cost to homeowners than cities that have mostly homestead and farmstead property.

Minnesota tries to reduce these differences so that cities with less property wealth can provide basic services without astronomical tax rates on homeowners. The state makes general-purpose grants—really “no-particular-purpose” grants—to com-

munities that have lots of favored property (homes and farms) to compensate them for the lost tax revenues caused by the classification system. In very simple terms, this is the Homestead and Agricultural Credit Aid (HACA) program, the largest of the state’s property-tax relief programs. Since HACA is paid to tax *spenders*, not tax *payers*, the aid can be used for any city service and it benefits all residents, regardless of financial need.

Local Government Aid is another program of no-particular-purpose aid to close the gap between cities’ service needs and revenue capacity. Here, too, the aid doesn’t always go where it’s needed most. Instead, the amount of aid a city gets is determined primarily by how much it has spent in the past. A 1991 report commissioned by the Minnesota Legislative Commission on Planning and Fiscal Policy found that the distribution of LGA funds was generally unrelated to city need as determined by objective criteria. Many other studies, including one by the Department of Revenue, have reached the same conclusion. Until the Legislature took a small step in improving this state of affairs in 1993, this system of targeting LGA based on need was almost as successful as randomly mailing out checks.

The property-tax refund program, the “circuit breaker” paid to people whose incomes are low compared to their tax bills, doesn’t stand a chance of righting this unfairness. It’s true that more refunds are paid to lower-income households, but these refunds account for only 10 percent of all credits and aid, so their impact is diluted. For taxes payable in 1990, the state reimbursed local governments \$609 million in HACA to compensate them for the lost tax capacity associated with the classification system, but provided only \$39 million in circuit breaker refunds to individuals.

In short, the property-tax system, even after relief and aid, is a generalized entitlement supporting mostly the relatively well-off, along with those who have real needs.

**The system is both unaccountable and expensive.** That was the bad news. The other bad news is that this system protects taxpayers from the consequences of their preferences, and protects local officials



*Fairness, accountability,...good heavens!... will their demands never end?*

from answering to them for their performance.

No-particular-purpose grants write down taxes for all taxpayers and make public services seem cheaper than they really are. No wonder people want more services; a \$50,000 program is a great deal when you only have to pay \$30,000. Why be frugal when money is cheap? As long as the prices people pay, in the form of their local taxes, don’t reflect the real costs of services, demand will exceed the resources we have to spend. As long as mayors and city councils are spending somebody else’s money—state income-tax payers’—they have little incentive to control costs or improve productivity.

The only “good” news in this story is that lots of middle- and upper-class homeowners are getting big breaks.

Good for them, perhaps. But if Minnesota is to maintain the high quality of its public services when resources are growing tighter, we can’t afford to waste money. Giving subsidies to people who don’t need them wastes money. Worse, it undermines one of the most important functions of government, which should be to mitigate the inequities that inevitably happen in market economies.

Hubert Humphrey reminded us that communities are judged by how they treat their vulnerable members. How will Minnesota stand in the judgment of history if it puts affluent homeowners’ demand for low property taxes before the needs of the least advantaged of its citizens?

**A new design.** The state needs a major overhaul of its property-tax system. Tinkering around the edges won’t do. The Citizens League’s report on state spending outlined five design principles for reforming Minnesota’s public services, then applied the principles to property-tax relief. Among the recommendations:

- Put more property-tax subsidies into the hands of local taxpayers, less into the hands of tax spenders.
- Let taxpayers decide how much service they want, and make local officials accountable to voters for their performance.
- Target tax relief to individuals whose tax bills are high relative to their incomes, and don’t consider low property taxes an entitlement for all.

Simply spending more on public services, including tax relief, will compound our fiscal troubles and won’t guarantee the results Minnesota needs. The system is fatally flawed. The state needs a new design for property-tax relief that will give citizens fairness and better value for their money.

*Peter Hutchinson is president of The Public Strategies Group. Janet Dudrow is a research associate of the Citizens League. Hutchinson served on the League’s committee on state spending, which produced the report Minnesota’s Budget Problem: A Crisis of Quality, Cost and Fairness. Copies of the report are available from the League at 338-0791.*

## How to figure 1993 homestead property taxes

Calculating homestead taxes takes four basic steps.

**Estimated Market Value.** First, one must know the market value of the home estimated by local assessors—their judgment of what the home would sell for in an arm’s-length sale.

The estimated market value for the average-value home in the Citizens League/Minnesota Taxpayers Association survey is the average of all homestead property in each community. For the hypothetical \$90,000 home, market value is estimated using a “sales ratio”—a number calculated by the Revenue Department to show the difference between the assessors’ valuation of property and the price for which homes are actually selling.

**Tax Capacity.** Second, one must know the home’s tax capacity, or how much of the property’s value is subject to taxation. The Legislature has determined that less of a home’s value should be taxed than of a business or apartment building, for example.

For taxes paid in 1992, one percent of the first \$72,000 of home value is taxable. For home values over \$72,000, two percent is taxable value.

As an example, the tax capacity of a home with an estimated market value of \$87,650 is determined as follows:

**Step 1:** Multiply the first \$72,000 by 1 percent = \$720.

**Step 2:** Multiply the difference between \$87,650 and \$72,000 (\$15,650) by 2 percent = \$313.

**Step 3:** Add \$720 + \$313 = \$1,033 = Tax Capacity.

**Tax Capacity Rates.** Third, one must know the tax rates, which indicate how much the local units of government have decided to tax property. The tax capacity rates, formerly known as mill rates, are the result of dividing the amount of money local units need to raise by the value of their tax base. For every \$100 of tax capacity, a 50 percent tax rate would raise \$50, a 100 percent tax rate would raise \$100, and so on.

The total of the tax rates of each taxing jurisdiction—school, city, county, and miscellaneous jurisdictions like watershed districts—is applied to the home’s tax capacity to determine the tax. In the example of a home with a tax capacity of \$1,033, assume the total tax rate for its community is 107.22 percent. Multiplying the rate against the tax capacity gives the homeowner’s tax of \$1,108. If the homeowner qualifies for any of the property-tax relief described below, the tax bill will be lowered.

**State-Paid Property Tax Relief.** Fourth, one must know how much property-tax relief, if any, one is eligible for. The state of Minnesota provides this tax relief with revenues it collects from income and sales taxes.

Homeowners might qualify for either of two tax refunds. They must apply for the refunds; the refunds are not automatically included on tax statements. One is known as the “circuit breaker.” It is available to homeowners whose property tax bills are high relative to their income. Renters are also eligible to receive a renters’ credit to relieve the tax burden they pay through

rent. The Citizens League/Minnesota Taxpayers Association survey of home taxes does not include a calculation for a circuit-breaker refund.

The second is called the special targeted property-tax refund. It is available to all homeowners, regardless of income, whose tax bills increased by more than 12 percent over 1991. The tax increase had to be at least \$80. The refund pays 75 percent of a portion of the qualifying increase up to a maximum of \$1,500. However, the refund is not available to homeowners whose tax bills increased due to rises in value brought about by physical improvements to their property.

The Citizens League/Minnesota Taxpayers Association study assumes that all homeowners applied for the targeted refund and that none of the valuation increases resulted from improvements to the property.

The state provides a variety of other forms of tax relief. A taconite homestead credit is available to homeowners on the Iron Range. The analysis included this credit for the tax estimates in Hibbing and Virginia.

Tax survey

Continued from page 1

age-value homestead in each city shows that taxes increased by a median amount of \$134 in the metro area cities, compared to \$83 in the nonmetro cities. The tax increases in the metro cities ranged from \$10 in Minnetrista to \$305 in

Afton. (Average-value home taxes decreased in three metro cities: Orono, Mendota Heights, and Wayzata.) Tax increases in the non-metro cities ranged from \$27 in Bemidji to \$129 in North Mankato.

On a percentage basis, the tax increases in the metro cities ranged from less than one percent in Minnetrista to 21 percent in Waconia,

with a median increase of 12 percent. In the nonmetro cities the increases ranged from four percent in Owatonna to 34 percent in Virginia, with a median increase of nearly 13 percent. As a percentage of the homes' average selling price, taxes ranged from one percent to just under two percent in the metro cities and from 0.9 percent to 1.3 percent in the nonmetro cities.

Cities in the metro area with the highest taxes in 1993 on their average-value homes are (school district is listed in parentheses):

North Oaks (621) \$5,289; Wayzata(284) \$4,691; Deephaven (276) \$4,592; Orono (278) \$4,585; Shorewood (276) \$3,855.

Continued on page 7

TABLE 1: TAX ON HOME SELLING FOR \$90,000 IN 95 METROPOLITAN COMMUNITIES, 1993\*

Community (School District)	1993 Tax	Tax Rank	Percent Change in Taxes, 1992-93	Community (School District)	1993 Tax	Tax Rank	Percent Change in Taxes, 1992-93
Afton (834)	\$ 997	89	13.8 %	Maple Grove (279)	\$ 1,231	27	-1.8 %
Andover (11)	1,073	77	1.3	Maplewood (622)	1,342	5	7.4
Anoka (11)	1,169	49	6.3	Medina (278)	1,087	74	9.8
Apple Valley (196)	1,034	82	-4.1	Mendota Heights (197)	947	94	-1.8
Arden Hills (621)	1,256	22	6.9	Minneapolis (1)	1,333	7	10.1
Bayport (834)	1,302	10	13.7	Minnetonka (276)	1,243	25	9.3
Belle Plaine (716)	1,325	8	12.8	Minnetrista (277)	1,098	72	5.2
Blaine (16)	1,138	60	4.2	Mound (277)	1,134	63	2.2
Bloomington (271)	1,075	76	0.1	Mounds View (621)	1,333	6	10.7
Brooklyn Center (286)	1,287	12	12.9	New Brighton (621)	1,313	9	5.9
Brooklyn Park (279)	1,278	13	-0.3	New Hope (281)	1,228	28	6.1
Burnsville (191)	1,095	73	4.2	New Scandia Twp. (831)	1,062	79	11.6
Champlin (11)	1,186	46	1.8	Newport (833)	1,294	11	12.1
Charhassen (112)	1,209	32	4.1	North Oaks (621)	1,164	54	12.8
Chaska (112)	1,205	34	2.1	North St. Paul (622)	1,205	36	3.8
Circle Pines (12)	1,168	51	-3.3	Oak Grove Twp. (15)	1,219	30	10.0
Columbia Heights (13)	1,196	43	1.7	Oak Park Heights (834)	1,168	50	3.1
Columbus Twp. (831)	964	92	-0.2	Oakdale (622)	1,137	62	0.9
Coon Rapids (11)	1,106	70	3.2	Orono (278)	1,079	75	2.3
Corcoran (877)	1,058	80	4.0	Osseo (279)	1,362	3	13.7
Cottage Grove (833)	1,202	39	0.1	Plymouth (284)	1,142	59	5.4
Crystal (281)	1,243	24	3.8	Prior Lake (719)	1,158	55	8.2
Dayton (11)	1,203	37	7.3	Ramsey (11)	1,017	85	-2.7
Deephaven (276)	1,156	56	3.8	Richfield (280)	1,193	44	1.6
Eagan (196)	1,016	86	2.1	Robbinsdale (281)	1,259	21	7.0
East Bethel (15)	1,027	84	4.0	Rosemount (196)	1,119	65	3.0
Eden Prairie (272)	1,269	17	8.3	Roseville (623)	1,358	4	6.8
Edina (273)	1,107	69	9.2	Savage (191)	1,271	15	6.2
Excelsior (276)	1,128	64	-7.8	Shakopee (720)	1,265	18	7.2
Falcon Heights (623)	1,068	78	-11.0	Shoreview (621)	1,278	14	5.4
Farmington (192)	1,149	58	-2.0	Shorewood (276)	1,221	29	8.1
Forest Lake (831)	979	91	5.0	South St. Paul (6)	1,201	40	5.9
Forest Lake Twp. (831)	884	95	6.5	Spring Lake Park (16)	1,166	52	11.0
Fridley (14)	1,213	31	12.8	Spring Lake Twp. (719)	955	93	14.3
Golden Valley (270)	1,238	26	4.4	Stillwater (834)	1,165	53	12.5
Grant Twp. (832)	997	90	5.2	St. Anthony (282)	1,208	33	12.5
Ham Lake (11)	1,036	81	0.8	St. Louis Park (283)	1,200	41	9.7
Hastings (200)	1,119	66	15.3	St. Paul Park (833)	1,112	67	1.6
Hopkins (270)	1,264	19	5.5	St. Paul (625)	1,271	16	-2.5
Hugo (624)	1,112	68	1.0	Vadnais Heights (624)	1,205	35	-4.5
Independence (278)	1,251	23	13.2	Waconia (110)	1,363	2	16.7
Inver Grove Heights (199)	1,180	47	1.5	Wayzata (284)	1,200	42	12.9
Jordan (717)	1,173	48	-7.3	West St. Paul (197)	1,006	88	5.8
Lake Elmo (834)	1,011	87	13.4	White Bear Lake (624)	1,261	20	-1.3
Lakeville (194)	1,099	71	5.4	White Bear Lake Twp.(624)	1,137	61	-5.1
Lino Lakes (12)	1,188	45	-4.7	Woodbury (833)	1,202	38	8.9
Linwood Twp. (831)	1,031	83	12.7				
Little Canada (623)	1,382	1	0.1				
Mahtomedi (832)	1,152	57	-0.3				

\*\$90,000 selling price adjusted for differences in assessment practices among communities. See explanation of calculations on page 4.

SOURCES: Citizens League and Minnesota Taxpayers Association

Tax survey

Continued from page 6

Metro area communities with the lowest taxes in 1993 on average-value homes are:

Linwood Township (831) \$700; East Bethel(15) \$741; St. Paul Park(833) \$834; Columbia Heights (13) \$857; and Jordan (717) \$877.

Cities in the nonmetro area with the highest 1993 taxes on their average-value homes are:

Northfield (659) \$1,170; Rochester (535) \$983; Elk River (728) \$973; North Mankato (77) \$905; and Hutchinson (423) \$892.

Nonmetro communities with the lowest 1993 taxes on their average-value homes are:

Virginia (706) \$402; Hibbing (701) \$423; Brainerd (181) \$480; Fergus Falls (544) \$512; and Bemidji (31) \$519.

These comparisons reflect both differences in home values and tax rates among communities.

\$90,000 homes

A different analysis allows a comparison of the tax bills of homes selling for the same price—\$90,000—in different communities. The \$90,000 selling price is adjusted to reflect how assessors in each community would likely value the home for taxation purposes. A danger in using such a hypothetical home is that its value might be quite different from the actual value of the majority of homes in any given city. This is especially true in the nonmetro communities, some of which have few homes selling for \$90,000.

The five highest tax metro cities in the \$90,000 home comparison are:

Little Canada (623) \$1,382; Waconia (110) \$1,363; Osseo (279) \$1,362; Roseville (623) \$1,358; and Maplewood (622) \$1,342.

The five lowest tax metro cities in the \$90,000 home comparison are:

Forest Lake Township (831) \$884; Mendota Heights (197) \$947; Spring Lake Township (719) \$955; Columbus Township (831) \$964; and Forest Lake (831) \$979.

St. Paul's ranking in the comparison dropped from second highest in 1992 to 16th in 1993. Minneapolis climbed from 14th highest in 1992 to seventh in 1993. The reason for the change in the two cities' relative rankings? St. Paul's tax rate increase from 1992 to 1993—at 1.3 percent—was among the smallest in the metro cities, while the tax rate increase for Minneapolis—at 12.8 percent—was among the highest. The increase in Minneapolis was largely due to an increase in the school district tax rate.

The five highest tax nonmetro cities in the \$90,000 home comparison are:

Austin (492) \$1,307; Cloquet (94) \$1,237; Hutchinson (423) \$1,203; Bemidji (31) \$1,199; and Willmar (347) \$1,195.

The five lowest tax nonmetro cities in the \$90,000 home comparison are:

Marshall(413) \$934; Owatonna(761) \$937; Elk River(728) \$940; Red Wing(256) \$944; and Fergus Falls(544) \$985.

Changes in property tax levels

Taxes vary from year to year for a number of reasons, including changes in the value of the property. In all but 12 of the communities in the survey, the average value of a home increased from 1991 to 1992. (All 12 cities showing a decline were in the metro area.) In the metro area cities the median increase in average-home value was 1.6 percent, compared to 3.4 percent in the nonmetro cities.

Increases in the tax rates set by local units of government also help account for increases in estimated taxes. Homeowners in all but seven metro cities and all but two non-metro cities saw increases in the cumulative tax rates in 1993. The cumulative rate is the sum of tax rates of the city, the school district, the county and other taxing jurisdictions (such as hospital or watershed districts). Tax rates increase if

taxes grow at a faster rate than property value, or if taxes remain constant and property value declines. Property taxes can increase if spending increases or if there is a loss of revenue from another source, such as state aid.

School districts typically account for the largest share of the property tax rates—an average of 50 percent of the total 1993 tax rate in the metro area cities and 45 percent in the nonmetro cities. Counties' share of the tax rate averages 28 percent in the metro cities and 32 percent nonmetro. The city share averages 17 percent metro and 22 percent nonmetro. Miscellaneous taxing jurisdictions average four percent metro and less than one percent nonmetro.

(These tax-rate share figures do not include school levy referenda passed after Nov. 1, 1992, which are based on market value, rather

than tax capacity. Only one metro district and four nonmetro districts have such market-value referenda. They are included in the other tax calculations in the survey.)

Many communities have voter-approved levies to provide additional income for their school districts. Eighty-six of the 95 metro communities are in school districts with referendum levies affecting 1993 taxes. Eighteen of the 27 non-metro communities are in districts with excess levies.

Lynn Reed is a research associate of the Minnesota Taxpayers Association (MTA) and Dana Schroeder is editor of the Minnesota Journal. The MTA did the data preparation and analysis for the property tax survey. The complete study, Minnesota Homestead Property Tax Review 1993, is available for purchase from the Citizens League at 338-0791 or the MTA at 224-7477.

TABLE 2: TAX ON HOME SELLING FOR \$90,000\* IN 27 NONMETROPOLITAN COMMUNITIES, 1993\*\*

Community (School District)	1993 Tax	Tax Rank	Percent Change in Taxes, 1992-93
Albert Lea (241)	\$ 1,133	10	11.4 %
Austin (492)	1,307	1	-10.9
Bemidji (31)	1,199	4	1.7
Brainerd (181)	1,080	15	12.8
Cloquet (94)	1,237	2	8.3
Duluth (709)	1,163	9	4.2
Elk River (728)	940	25	-1.3
Fairmont (454)	996	21	1.9
Faribault (656)	1,179	8	1.4
Fergus Falls (544)	985	23	1.4
Hibbing (701)	1,077	16	-0.2
Hutchinson (423)	1,203	3	-3.0
Mankato (77)	1,110	13	1.7
Marshall (413)	934	27	0.0
Moorhead (152)	1,124	11	9.7
New Ulm (88)	1,058	18	14.6
North Mankato (77)	1,187	6	14.4
Northfield (659)	1,099	14	1.5
Owatonna (761)	937	26	-9.8
Red Wing (256)	944	24	9.3
Rochester (535)	1,063	17	-2.3
St. Cloud (742)	1,116	12	3.7
St. Peter (508)	1,187	7	1.7
Virginia (706)	1,013	20	13.6
Willmar (347)	1,195	5	6.5
Winona (861)	988	22	-4.3
Worthington (518)	1,053	19	2.3

\*A number of nonmetropolitan communities have few homes selling for \$90,000, but the table is included for comparative purposes.

\*\*See footnote on Table 1.

# Search on for better ways to prevent violence

With concern about crime and violence at an all-time high locally, policymakers and service providers are searching for better strategies to prevent violence. The Legislature's 1993 crime bill expanded funding to \$2.45 million for violence-prevention activities in elementary and secondary schools. That will be sufficient for all schools to participate, if they meet grant requirements to combine teacher training, peer mediation and other violence-prevention curricula and activities.

Another \$640,000 was appropriated for higher education institutions during the coming biennium. The funding will expand a 1992 grant program to encourage better preparation for students in professions that work with adult and child victims of violence and abuse. A new Higher Education Center on Violence and Abuse will be a clearinghouse for resources for professional education and will catalyze research and discussion about curricula. A Higher Education Coordinating Board survey of recent professional program graduates had revealed that most felt their training left them inadequately prepared to deal with victims and perpetrators. Sen. Jane Ranum (DFL-Minneapolis) requested the study and sponsored the funding bills.

Foundations and community agencies, too, are looking for new solutions. The Minneapolis Foundation and affiliated Emma B. Howe Foundation recently reported five grants to community agencies working on violence prevention. For example, the Minneapolis Youth Diversion Program (YDP) operates a program that provides for early intervention, through the public schools, for youth who are sexually aggressive. YDP trains parents and teachers how to recognize and address the problem behavior.

The question of what makes a criminal a criminal is complex, according to Robert ten Bensel, a pediatrician at the University of Minnesota School of Public Health. Experts generally agree that the "ecology" that shapes criminal behavior includes genetic, family, community and cultural influences working together. These new program experiments may shed some "flight on how to foster a less violent ecology."—Janet Dudrow.

In the current issue of *Update*, the University of Minnesota tabloid for

## Take Note

*"Man must evolve for all human conflict a method which rejects revenge, aggression and retaliation."*  
—M.L. King

faculty, staff and alumni, President Nils Hasselmo downplays the U's poor graduation rate. "Many students have to work," he says; it is "unreasonable" for them to graduate in four years. "A low (graduation) rate seems built into the way colleges and universities operate."

Well, not exactly—except maybe at the U—according to the last figures we've seen, which cover a three-year average ending with 1991 graduates. The rate after *six* (not four) years for the 10 other Big 10 schools averages almost double the University's—62.3 percent vs. an abysmally low 34 percent at Minnesota. A Citizens League study in 1986 on the U's attempt to improve quality reported precisely the same basement-level graduation rate for the U.

In his inaugural address almost exactly four years ago, Hasselmo said the University's graduation rate (lowest in the Big 10 then, too) of "less than 30 percent after five years" was "simply not acceptable" and "one indication of the problem we face in undergraduate education." He called for "graduation within a reasonable time."

Some University officials have argued that since it is located in a large metropolitan area, it shouldn't be compared to Big 10 schools in smaller cities. But the rates at the University of California at Berkeley (San Francisco area) and USC (Los Angeles area) are at least double Minnesota's, and Georgetown (Washington, D.C.) and Stanford (San Francisco metro area) are at 92 percent.

Hasselmo suggests the U's very low rate might be due, in addition to work, to students switching majors and unavailability of courses when needed. Perhaps another reason (which U officials conceded privately in 1986) is that it continues to admit students, mostly from the Twin Cities area, who have little or no chance to succeed at the University and who shortly leave higher education or transfer to another school.—Pete Vanderpoel.

Two recent news items should give educators food for thought

before they set out to build large new high schools, whether in the Twin Cities or on a regional basis in rural areas.

First, a newly released study by the American Legislative Exchange Council found smaller schools—those with less than 300 students—are a key component of a good learning environment. It's the smaller *school* that matters, according to the report, not necessarily smaller classes. (Incidentally, the study also found no systematic link between spending and academic achievement—an interesting point in light of the Minnesota Supreme Court's recent *Skeen* case decision.)

Second, the fast-growing Rosemount-Apple Valley-Eagan school district—facing an increase of nearly 75 percent in its high school population—is considering a number of alternatives to building traditional large, comprehensive high schools. The district is exploring creating smaller (400-student), specialized secondary facilities and programs affiliated with community institutions and businesses, such as the Minnesota Zoo or West Publishing Company.

Perhaps the report and Rosemount's example will encourage other districts facing school facility needs to consider creative small-school alternatives.—Dana Schroeder.

The graying of America's population is showing up differently in dif-

ferent parts of the Twin Cities. During a recent meeting of the Citizens League's committee on housing policy and metropolitan development, some of these trends highlighted by Jeanne Massey, director of the South Hennepin Regional Planning Agency.

Edina and Richfield developed quickly during the post-World War II years. They were homogeneous communities made up of families with the young children who would become known as baby boomers. In 1960, 45 percent of Richfield's population were children, but only three percent were people over age 65. By 1990, the share of children had shrunk to 25 percent and the senior population had grown to 17 percent.

In contrast, the cities of Bloomington and Eden Prairie developed much later than their inner-ring neighbors, and their populations are dominated by grown-up baby boomers and their children. Seniors account for only three percent of the population in Eden Prairie, the same proportion as in 1970. Massey said Eden Prairie "looks like Richfield did 30 years ago, only with smaller families."

One related, though not parallel, policy concern: Poverty has different faces in these different communities. In some communities the growth in single-parent families is driving increases in poverty. In Edina, where one-fifth of the population is over age 65, the growth in poverty is attributable mostly to the growth in low-income seniors.—J.D.

Contributors this month include Minnesota Journal and Citizens League staff members and Pete Vanderpoel, former Citizens League communications director.

Minnesota Journal  
Citizens League  
Suite 500  
708 S. Third St.  
Minneapolis, MN 55415

SECOND CLASS  
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# Citizens League Matters

September 21, 1993

News for Citizens League Members

## Welcome new members

Ben Aune, Stanley Bachman, David Carter, Yvonne Chaillet, Michael Czora, Robert Elliott, Richard E. Engebretson, Fremont Fletcher, Patricia Janey, Susan L. Johnson, Richard Kelley, Karen Kingsley, Claire Thoen Levin, Mary Lillesve.

Karen Marinovich, Jeannine McCormick, Dan Newman, Karen Nowak, Carole M. O'Rourke, Mitchell Pearlstein, Sue Phillips, Linda Powell, Al Rogne, Jim Schowalter, Catherine Shreves, Leon Tetzlaff, Andre C. Tolentino, Michael Torkelson, Amy Marie Vennewitz and Ronald H. Weill.

## Thanks to recruiters

Georgia Bachman, Robert Wedl, Mike Moser and Lyle Wray.

## 1993 Member Get-A-Member Drive

Building up individual membership is a crucial part of our development strategy. During 1993, the McKnight Foundation will match the dues paid by new League members.

Current members are the best recruiters. Please call us with the names of colleagues and friends that you want to introduce to the League.

October 6 at Lutheran Brotherhood auditorium

## John Rollwagen will address 41st annual meeting

Please join us on Wednesday, October 6 for the 41st annual meeting of the Citizens League. For the third consecutive year, Lutheran Brotherhood will host the meeting in its auditorium at 625 Fourth Avenue South, Minneapolis.

John Rollwagen will keynote the League's 41st Annual Meeting.

John Rollwagen will deliver the keynote address. John Rollwagen is a familiar name to active Citizens League members. He is a past president of the League and has chaired several committees including the 1988 education committee which recommended the creation of charter schools. He is also familiar in the business community. As former chairman and CEO of Cray Research, Inc. he was responsible for setting the strategic direction that resulted in Cray's rapid expansion. At the same time, he was recognized for maintaining the environment of creativity and teamwork that led to Cray being named in 1993 as one of the best 100 companies to work for in America.

In January 1993, President Clinton named Rollwagen as his nominee for Deputy Secretary

of the Department of Commerce. Rollwagen resigned from Cray and served several months in Washington as Deputy Secretary Designate. In May, he concluded that he could make a greater contribution from the private sector so he withdrew his name from nomination.

The experience left a powerful impression on Rollwagen and he is currently at work on a book about his experiences in government and business. At the League's annual meeting he will talk about his sojourn to Washington and the hostile political climate he encountered and the lessons he learned.

After Rollwagen's remarks, Kent Eklund and John Brandl will lead the audience in a discussion of some of the issues raised by

Rollwagen. Join us on October 6 for what promises to be an exciting and stimulating annual meeting. Tickets are \$15 through



October 4, or \$20 at the door. The meeting starts at 5:00 p.m. and will adjourn at 7:00 p.m. To register please call 612/338-0791 or FAX your reservation to 612/337-5919.

## Health care forum draws record turnout

More than 350 people attended the Citizens League's Health Care Forum on September 10. The program, co-sponsored by the University of St. Thomas, showcased *Minnesota Managed Care Review 1993*, the League's new report analyzing the Minnesota health care market.

Two panels of health plan, provider and employer executives offered a stimulating discussion of strategies and next steps for implementing

Minnesota's health reform initiatives. Mary Brainerd of Health Partners, Jim Ehlen of Medica and Gordon Sprenger of HealthSpan were among the presenters. Thanks to moderators Ellen Benavides and Linda Stein.

Copies of *Minnesota Managed Care Review 1993* are available from the Citizens League. Please call the League if you want to purchase a videotape of the meeting.

## Focus groups, SpeakUps! planned Housing study committee hears points and counterpoints, adds intern

The Citizens League's Committee on Housing Policy and Metropolitan Development is in full swing. The committee, chaired by **Randy Peterson**, has heard testimony from several local experts, including **Tom Fulton**, president of the Minneapolis-St. Paul Family Housing Fund, and **Timothy Thompson**, litigation director at the Minneapolis Legal Aid Society and lead counsel for the plaintiffs in *Hollman v. Cisneros*, a class-action suit over racial segregation in Minneapolis public housing. Representatives **Myron Orfield** (DFL-Minneapolis) and **Tim Pawlenty** (IR-Eagan) have outlined policy proposals.

During September, a small team of committee members will conduct informal focus group discussions with various stakeholders in the housing issue. Another team will conduct its own reading "salon," reviewing scholarly research on

housing and poverty.

Citizens League members will have the opportunity to participate in formulating recommendations later this fall. Watch the *Matters* for information about member Speak Ups! In the meantime, meeting minutes are available on Citizens League On-Line (see box).

### Stacy Bodis joins project team

Stacy Bodis, a senior at Augsburg College, is doing her senior internship at the Citizens League. Bodis, who is completing a double major in business and psychology, is interested in public policy, particularly environmental issues, and plans to pursue graduate study in public affairs. She has been a trainer and canvasser for Clear Water Action in Minneapolis and has lobbied for environmental concerns. Bodis will assist the committee on housing policy and metropolitan development

## New Mind-Opener season to begin in October--watch for details

We're not sure what season this is, but new Mind-Openers are on the horizon. The first series will probably begin in mid-October, at locations to be announced.

Here are some of the topics that we're interested in: Minnesota's ability to compete in a global marketplace, the Minnesota angle on NAFTA, public employee compensation issues,

how new technology affects our lives and raises policy issues, emerging health issues, people and agencies that make a difference in people's lives, and more. We are looking at joint sponsorship of meetings with other organizations.

Call Allan Baumgarten at 338-0791 if you'd like to offer ideas for Mind-Opener meetings.

## CITIZENS LEAGUE

### 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.*

**Buy our three new publications--  
Use our two new data sets**

#### 1993 property tax review

The League's annual survey of homestead property taxes is reported in this issue of the *Minnesota Journal*. The Minnesota Taxpayers Association and the League joined forces to produce this year's edition and *Minnesota Homestead Property Tax Review 1993*, the expanded version of the survey. Copies will be available for purchase from the League office and from the MTA.

**Public Affairs Directory of  
the metropolitan area,  
1993-94**

**Minnesota Managed Care  
Review 1993**

**Do you like your health care  
and local government finance  
data in mass quantities?**

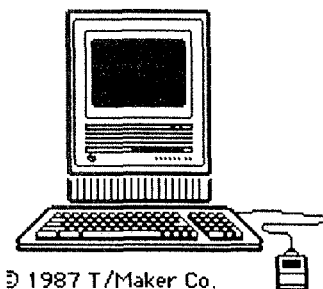
The Citizens League will sell you the data sets that we developed to produce the new property tax and managed care reports. The sets are available in popular spreadsheet formats, like Excel and Lotus 1-2-3, and can be used on your PCs or Macintosh computers.

Call Allan Baumgarten at 338-0791 for more information.

**Citizens League On-Line  
offers new housing  
conference**

Citizens League On-Line, our computer bulletin board, recently opened a conference dedicated to public discussion of the issues raised in our study of housing, poverty and metropolitan development.

To participate, select conference #8 from the Metroline menu. Read the messages that others have left and send your own comments. If you would like to become an On-Line user for the first time, call the League office for an instructional pamphlet.



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**Reserve Now!  
41st Annual Meeting  
Wednesday,  
October 6, 1993  
Lutheran  
Brotherhood  
Auditorium,  
Minneapolis**