



Citizens League

The 1991 Legislative Session: **Citizens League Positions on Key Issues**

A wide range of significant public policy issues awaited the 1991 Minnesota Legislature when it convened in January. The Citizens League has examined and published research reports on a number of those subjects in recent years. This summary reviews the League's positions on those issues.

Fundamental was a forecast budget shortfall of \$1.2 to \$2 billion for the 1991-93 biennium, if programs were renewed at the 1989-91 biennial level, coupled with continuing pressure to expand state aids and services. In this context, a variety of strategies the League has recommended over the years should prove helpful — focusing on quality, not quantity; on output (results), not input (spending); choice; competition; low-cost technology; decentralization; careful targeting. Such approaches aim at achieving both equity and economy in the public sector, at producing real improvements while holding down growth in state spending, long-term. They are contained in a number of the following issue-by-issue recommendations.

The Citizens League research process employs a wide range of specialists who contribute enormously to the factual basis of our work. However, what makes the results distinctive is the contribution of citizens — League members who distill issues through months of examination and discussion, taking the significant amount of time required to become “expert” enough to make sensible public-policy suggestions.

We hope that you will find this summary useful; we welcome a chance to discuss these issues as they move through the decision process. Full reports are available on request. For more information, contact the Citizens League, 708 South Third Street, Suite 500, Minneapolis, MN 55415 or at (612) 338-0791.

The issues are addressed in the following order:

State-Local Finance
K-12 Education
Light Rail Transit
Post-Secondary Education
Access to Health Care
Initiatives for Children
Telecommunications
Highway Finance
Fiscal Disparities

State and Local Finance

Minnesota's state/local fiscal system is exceedingly complex. Because few taxpayers understand these complexities, accountability of elected officials to their constituents is clouded. Few citizens are aware, for instance, that their property tax bills are heavily subsidized by substantial amounts of state-provided property tax relief.

It is important to fix the way the money flows in the state-local fiscal system. Many public services are paid for by one level of government with money raised by another level. Since the 1970s in Minnesota the state Legislature has increasingly borne the revenue-raising burden for local governments. Spending decisions are separated from taxing decisions.



This is troublesome because it has contributed to a cycle of increased local property taxes, appeals to the legislature for help, and legislative responses to reduce property taxes, only to be followed by additional local tax increases.

Whatever benefits this complexity offers are outweighed by its burdens. Accountability in the fiscal system must be strengthened. The question of what level of government should provide what service should be answered with an eye toward enhancing accountability, balanced with optimizing program effectiveness, low cost, and equity in service delivery and financing.

Reforms of the property tax system in recent years have been necessary but insufficient. The system of class rates for different property types carries the same risk as the former classification system: the amount of relief offered by a lower tax capacity will depend on the mix of property types within a taxing jurisdiction.

The Citizens League recommends:

- ☐ Eliminating local government aid and other state-provided local aid, while removing levy limits on local governments.
- ☐ Using an enhanced property tax refund ("circuit breaker") to channel state-provided property tax relief to people, not governments.
- ☐ Focusing the state role in service provision on outcome measures to ensure satisfactory performance, and away from the centralized micromanagement of locally provided programs.
- ☐ Having the state assume full responsibility for financing courts and public defense costs, income maintenance programs, and a base level of social services.
- ☐ Ensuring equity through a designed mix of: state-provided categorical aids, expanded use of user fees, limited and controlled use of local sales taxes, a statewide property tax, extended use of tax-base sharing, and local government restructuring.
- ☐ Overhauling the property tax system by:
 - Replacing the multiple class rates for different kinds of property, each yielding a different percentage of taxable value, with a single class, providing uniform valuation of all types of property.
 - Avoiding a major shift in tax burden from commercial-industrial to other property resulting from uniform valuation by imposing a uniform statewide tax on commercial-industrial property, in addition to the local property tax.
- ☐ Redesigning local governments' structure where necessary to attain more economical public services.

K-12 Education

The results of school choice in Minnesota are starting to show. And the indicators are overwhelmingly positive. Students who have dropped out of school are reentering. The share of students expecting to go on to post-secondary education increased dramatically. More students are *liking* school.

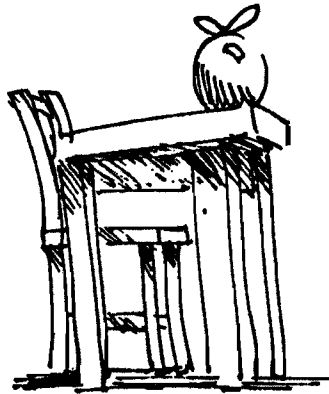
These are the findings of a joint Department of Education/Humphrey Institute study of the school choice programs, some for students who haven't succeeded in traditional schools and another for all 11th and 12th graders.

Another choice program, open enrollment, applies to all students state-wide. When asked about the effects of open enrollment, school superintendents in 1989 reported more over-all beneficial effects than harmful ones.

Among the beneficial changes associated with open enrollment are increases in class size for increased efficiency, expanded secondary curricula, and additional interdistrict efforts at cooperative programs.

Following on the heels of this initial success, Minnesota should take the next step in the strategy of school improvement: Open up opportunities for educators and others to create better schooling, particularly for students experiencing the most difficulty in conventional schools.

The state should strive to create more opportunities for quality learning options. This would increase the likelihood of academic success for children who don't learn as well in traditional



settings, as well as provide richer educational alternatives to students of all academic and social backgrounds.

Equally important, increases in school funding should be tied to improvements in educational results. The state should be unwilling to continue adding to the largest component of state general fund expenditures — elementary and secondary education — without demanding improved outcomes in return.

The Citizens League recommends:

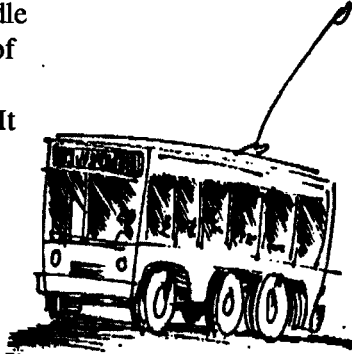
- ☐ Allowing educators and others to form “chartered” public schools that will provide schooling opportunities different from those available under the conventional structure.
- The Legislature should enable the State Board of Education to authorize qualified groups to operate public schools.
- By so doing, the state would also enhance the opportunities for equal access to quality education in those districts where desegregation is a goal. The opportunity for innovative, unique programs could attract students from outside district boundaries, in partial response to desegregation concerns. Simply balancing the racial mix of schools is desirable but no longer sufficient.
- ☐ Designing special outreach efforts to communicate with parents on their vital involvement in their children's education and on the range of school choices available.
- ☐ Expanding efforts to enhance parents' and students' ability to choose a school that best meets their needs. This includes removing the barriers imposed by the state or school districts that impede school choice.

Light Rail Transit

The Regional Transit Board (RTB) is asking the Legislature to impose a one-cent metropolitan-area sales tax to build 83 miles of light rail transit (LRT) in nine corridors emanating from the Minneapolis and St. Paul downtowns.

Construction cost would be more than \$1.6 billion in 1991 dollars, not counting interest or inflation. This fixed-rail

system would handle about 2.5 percent of the metropolitan area's daily trips. It would attract only about 20 percent more riders than an all-bus system.



The Metropolitan Council proposes initially constructing

LRT only between downtown Minneapolis and St. Paul as a "demonstration" project. This line would approach \$400 million in capital cost and carry the same number of passengers who would ride buses in this corridor if no LRT were built.

The Citizens League recommends:

- ☐ Rejecting both LRT projects and the new sales tax proposed to finance them because:
 - They demonstrate no reasonable prospects for attracting significant numbers of drivers from single-occupant cars or reducing freeway congestion, which must be the fundamental goals for transit.
 - Dedication of a general tax, such as sales, would unwisely restrict the Legislature, which could well need any additional sales-tax proceeds for other metropolitan or state-wide programs such as balancing the budget, education, or holding down property taxes.
- ☐ Repealing the provision in current law that grants the seven metropolitan counties authority to levy \$42 million a year in property taxes for LRT.
- ☐ Defining transit as riding, rather than driving alone — whether in a van, a bus, a taxi or even a car.
- ☐ Directing the RTB to concentrate not on a technology (such as LRT), but on improving service, in order to persuade drivers to ride, thus producing real reductions in congestion. Such improvements might include car- and van-pooling, reserved lanes for buses and cars with passengers (HOV lanes), improved buses and better bus service, climate-controlled stations and good park-and-ride facilities, para-transit and lower parking rates for multi-occupancy vehicles.
- ☐ Assigning to the Metropolitan Council and RTB responsibility to propose appropriate locations for HOV lanes and exclusive busways, based on service needs; telling the state Department of Transportation to use ridership criteria to determine whether any new or expanded highway capacity it proposes should be provided as regular lanes, HOV lanes or busways.
- ☐ Testing one or more small-area applications of a fixed guideway system (within either central-city downtown or between the airport and east Bloomington, for example) before approving corridor proposals.

Post-Secondary Education

Minnesota's post-secondary education systems offer a wide range of opportunities for learning in nearly every region of the state. A changing economy and heightened competition (both national and international) have raised the requirements for many jobs, so that a high-quality, efficient system of post-secondary education is more important than ever.

A state strategy that has long provided access is moving toward emphasizing quality and efficiency, as well. Attempting to offer nearly everything nearly everywhere is prohibitively expensive (and probably impossible) and guarantees deterioration in quality.

Focused, non-duplicating missions and a new emphasis on quality will come neither easily nor cheaply for Minnesota's systems of higher education. That process is well under way now at the University of Minnesota. Its restructuring strategy aims at strengthening graduate programs and research in selected areas, improving undergraduate education and reducing modestly the number of undergraduate students.

More recently the University of Minnesota has proposed an acceleration of its internal reallocation program, reducing the scope of its operations and transferring those resources into higher quality opportunities for undergraduate students. These initiatives predictably draw political fire; they challenge the traditional means of providing access and programs around the state.

The Minnesota State University System conducted its own review of the quality question in 1990. This blue-ribbon project, called Q-7, concluded that the state universities should significantly upgrade standards for graduating; and, just as remarkably, that only those students who observe certain preparation requirements should be admitted. These steps, once implemented, would make all the four-year public institutions somewhat more selective, leaving the two-year institutions to provide the open-admissions opportunity.

The state's separate systems of community colleges and technical colleges (formerly technical institutes) would be more effective, and economical, if managed jointly. Their missions already have many similarities. The desirability of merger is underlined as the utility of narrow skills training decreases and demand increases for citizens and employees with broad analytical, computing and communications abilities, as well. Consolidating the operation of just those two-year institutions which are located next to each other would reduce the number of separate two-year institutions from 57 to 43.



In addition, local school districts operate the technical colleges but bear no financial responsibility for them. Because proper accountability demands that the level of government managing the technical col-

leges should also finance them, they should be disengaged from the local school districts.

The Citizens League recommends:

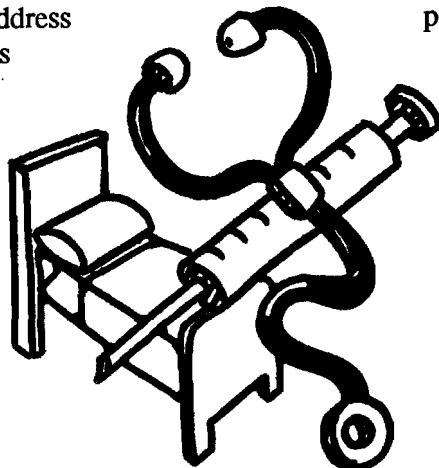
- ☐ Maintaining support for restructuring at the University of Minnesota; supporting the University's proposal to accelerate the reallocation of resources toward the improvement of undergraduate education; legislative acceptance of the University's proposal to reduce undergraduate enrollment on a system-wide basis, and continuation of the legislative agreement to maintain University funding as enrollment decreases; making sure that the University continues efforts to narrow the breadth of its offerings.
- ☐ Completing a strict mission differentiation process among all the post-secondary systems.
- ☐ Providing incentives for community colleges and technical colleges to merge. Requiring some local funding for those technical colleges that desire to remain under local management.

Access to Health Care

Health care is a necessity, yet many Minnesotans face financial obstacles to obtaining care. About eight percent of the population — 370,000 people — do not have health insurance for all or part of the year. Many of the uninsured are the working poor and their children.

The recent report of the Minnesota Health Care Access Commission has focused legislative attention on its proposals to create a state plan that would provide health insurance for all Minnesotans not now covered by private insurance. While the League has long supported expanding access to health care, we believe that any state efforts in this direction must also address other significant problems in the health care financing and delivery systems.

For example, access to health care can be limited when the state uses its regulatory power to mandate that insurance policies cover specific health services or providers. The added costs and consequences of these mandates fall hardest on small employers. By making insurance less affordable, these mandates actually impede extension of coverage to uninsured people. Nor do they help employees whose employer-provided coverage is self-insured and thus exempt from mandates, or people receiving publicly-provided health coverage.



The Citizens League recommends:

- ☐ Designing a state-sponsored health-insurance plan that would:
 - be *targeted* to low-income persons, especially children and pregnant women;
 - be *voluntary*;
 - require enrollees to *share costs* based on a sliding scale; and
 - use *effective management* techniques, such as competitive bidding by participating plans.
- ☐ Declaring a moratorium on enacting new mandated benefits. Health insurers should not be required by the state to include additional benefits while many Minnesotans don't have even a basic level of coverage. Any new expenditures initiated by the state for health care should be directed toward providing basic health care to all Minnesotans.
- ☐ Evaluating current mandated health benefits and reauthorizing only those that meet specific public policy criteria. Furthermore, the state should resolve the equity issue of whether it is in the public interest for the state to mandate a rich package of benefits for persons covered by state-regulated insurance and to provide a leaner plan for persons covered by state-subsidized plans.

Initiatives for Children

Thousands of Minnesota children are maltreated every year. In 1986, more than 6,000 reports involving 8,360 children were substantiated.

Public and private programs attempt to help families raise healthy children and prevent abuse. Research has shown that funds invested in Head Start or other high quality pre-school programs yield a tremendous return.

Children who suffer abuse enter a system which sometimes fails to meet its duty of protection. One problem with that system is that it tries to achieve two sometimes contradictory goals: family preservation and serving the best interests of the child.

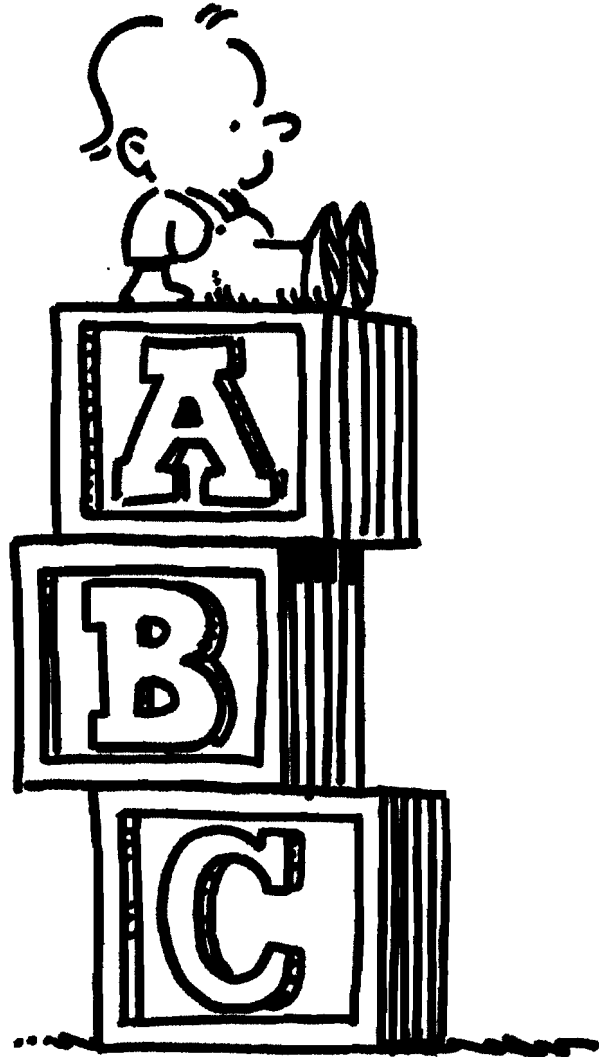
The Citizens League recommends:

- ☐ Increasing public and private support for programs that are demonstrated to be effective in *preventing* child maltreatment and helping to raise healthy children.

Specifically, efforts are needed to:

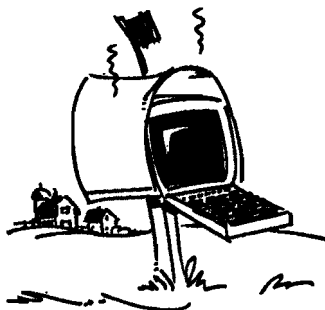
- Reduce the incidence of teenage and unintended pregnancies;
- Make adoption a more attractive alternative by providing information about it and by making available a variety of adoption options;
- Expand the availability of Head Start and other pre-school intervention programs for at-risk children;
- Provide child development and parenting education to school children and young families; and
- Provide a variety of support alternatives for mothers and children at risk of experiencing child maltreatment.

- ☐ Directing county child protection agencies to fulfill the best interests of the child in all cases. Family preservation should be secondary to meeting the best interests of the child. Furthermore, guidelines are needed to help county workers evaluate the amount of "reasonable efforts" they should expend to reunite families.



Telecommunications

Telecommunications is a promising tool to achieve a number of Minnesota goals: improved public education and health; better government services; economic growth; political awareness; efficiency and productivity; and reduced need for transportation. Telecommunications networks, in fact, promise to be the highways of the next century, and each community will need them.



Minnesota can benefit its citizens and gain advantages in interstate economic competition by assuming leadership in the deployment of advanced networks and new services. Providing statewide access will require developing facilities and networks that serve the entire state.

The Citizens League recommends:

- ☐ Adopting a state policy for completion of an advanced technology, broadband telecommunications network throughout Minnesota by 2005.
- ☐ Removing obstacles to deployment of broadband networks, including:
 - Clarifying with the Public Utilities Commission the desirability of creating incentives that encourage such deployment;
 - Sorting out the roles of different state agencies and recognizing the need for clear, on-going responsibility in state government; and
 - Monitoring progress toward these goals and creating a joint legislative commission to oversee these activities.

Highway Finance

Minnesota has more miles of state, county, and local roads and highways than the political will and financial capacity to maintain. We have long advocated reducing the state trunk highway system by transferring to local jurisdiction those highways that do not serve state purposes. But shrinking the state system is difficult politically.

After a comprehensive study, the Minnesota Transportation Study Board (a statutory commission of legislators and citizens) in early 1991 recommended significant increased spending for roads and highways. The study board also completed a study that showed that large trucks do not pay their full share of road costs.

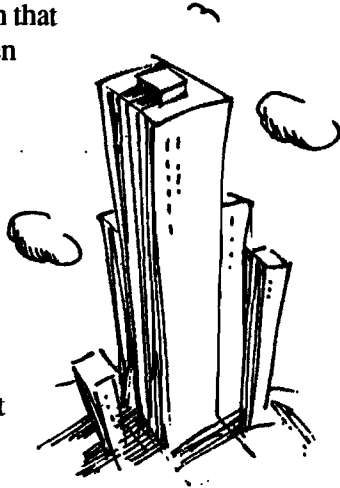
Meanwhile, the state's over-all budget difficulties suggested that the 1991 Legislature might well return to the general fund the portion of the motor vehicle sales tax which the Legislature diverted to road-building beginning in the early 1980s.

The Citizens League recommends:

- ☐ Reassigning to local jurisdiction those portions of state highways that serve local, rather than state-wide, functions.
- ☐ Changing the formula for allocating state funds to the counties for highways in order to target the limited dollars to those county highways that are the most heavily traveled. Such a change is needed if expenditure of the state's county-road aid is to even approximate travel volume. It will be even more essential — as a matter of equity — if the 1991 Legislature raises the state gas tax or license fees, which would cause automatic increases in county-level spending for roads.
- ☐ Adopting a system for taxing trucks that bases the tax on weight and mileage rather than on fuel consumed, and adjust this tax so that large trucks pay their full, fair shares of road costs.

Fiscal Disparities

Minnesota's tax-base sharing law for the Twin Cities metropolitan area, known as "fiscal disparities," continues to achieve its original purpose — to reduce the otherwise huge disparities in property-tax wealth that would exist between the richest and poorest communities. Under the law, communities with the most commercial-industrial (CI) property, relative to population, share part of it with less-fortunate neighboring cities that possess a smaller proportion of such property.



This sharing has resulted in a net export of tax base from the region's largest, richest, and fastest-growing county, Hennepin, and stimulated repeated efforts by the county commissioners to limit the amount of shared tax base or divert it to finance selected county programs.

The Citizens League recommends:

- ☐ Retaining the contribution level at 40 percent of each community's post-1971 increase in property-tax base. Communities that are benefiting from the most development would still be the largest gainers, while less fortunate communities would continue to receive meaningful help. In addition, this
- level will ensure more uniformity in CI tax rates across the metropolitan area.
- ☐ Resisting any efforts to change the sole, basic purpose of this law — evening out the taxable CI property base available to municipalities — by converting the law to a revenue-raising mechanism, or a source of additional spending.
- ☐ Modifying the distribution formula if the Legislature concludes that a new formula is more equitable and appropriate.
- ☐ Improving the law by:
 - Eliminating the exemptions, such as those granted to South St. Paul and pre-1979 tax-increment districts.
 - Ensuring that cities do not escape making their fair share contributions by undervaluing property, and excluding from the program any cities that explicitly prohibit all CI development.
 - Removing special treatment afforded cities with a high percentage of mobile homes and with unusually high levels of market value per capita.
 - Considering including pre-1971 value in the shared property-tax base. Cities whose main growth occurred after 1971 contribute more of their CI tax base than cities with a large share of growth before 1971, since the pre-1971 growth is not shared.

WHAT THE CITIZENS LEAGUE IS

The Citizens League has been an active and effective public affairs research and education organization in the Twin Cities metropolitan area since 1952.

Volunteer research committees of League members study policy issues in depth and develop informational reports that propose specific workable solutions to public issues. Recommendations in these reports often become law.

Over the years, League reports have been a reliable source of information for governmental officials, community leaders, and citizens concerned with public policy issues of our area.

The League depends upon the support of individual members and contributions from businesses, foundations, and other organizations throughout the metropolitan area. *For membership information, please call 612/338-0791.*

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