



Citizens League

The 1989 Legislative Session: Citizens League Positions on Key Issues

When the Minnesota Legislature convened in January for its 1989 session, it prepared to address a wide range of significant public policy issues, including many which have been the subjects of Citizens League research reports in recent years. This summary reviews the League's positions on those issues which are likely to be debated at the Capitol before the regular legislative session concludes in May.

The Citizens League research process depends not just on the experts — even though we are always indebted to a wide range of specialists who contribute to the factual basis of our work. What makes the results distinctive is the distillation of issues through months of discussion by citizens who give a good deal of time to become "expert" enough to make sensible suggestions.

Coming through this sort of process, the reasoning and recommendations have already passed one kind of political, though carefully non-partisan, test. Some of our ideas strike legislators as more "ideal" than practical, but still valuable as benchmarks. Of course, we argue that many of these ideas turn out to be the most practical answers to the issues we face.

We hope that you find them useful. And we welcome a chance to discuss these issues as they move through the decision process. Reports on these issues are available upon request. For more information contact the Citizens League at 708 South 3rd Street, Suite 500, Minneapolis, MN 55415, or at 338-0791.

The issues are addressed in the following order:

**Lottery
Recycling/Solid Waste Management
School Improvement and Integration
Tax Exemptions
Post-Secondary Education
Airport
Early Childhood Education
Health Care Access
Property Tax Reform
Transportation Finance
Fiscal Disparities
Development Finance
Judicial Selection
Transit
AIDS**

Lottery



Legislators face an opportunity to create a lottery that reflects both Minnesota's insistence on good government and the preference for equitable tax policy. Presumably, Minnesotans who voted to remove the constitutional prohibition on a lottery voted for the opportunity to play and win a lottery, not to pay more taxes to the state. And that means that Minnesota shouldn't simply copy the lotteries in all other states.

In other states, the state government directly operates and promotes the lottery. This arrangement fails a close examination of the appropriate role of government. It places the state in the uncomfortable position of promoting a game that puts an unfair tax burden on low-income residents. Furthermore it confuses the issue of state government control over the lottery with running the lottery — the state need not run the lottery to control it. The same is true with other leisure activities and products: Minnesota taxes wagers in charitable gambling and parimutuel betting, but it does not operate and promote the bingo games and horse races. The state taxes liquor

sales, but it does not produce, distribute, and promote the liquor.

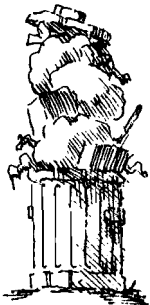
Most states impose a heavy tax on lottery winnings. If a lottery truly is for the players, then Minnesota should return more money in prizes than any other state presently does.

The lottery fails many of the tests Minnesotans customarily use to determine what makes good tax policy: it's an inefficient source of revenue, it's undependable because sales fluctuate dramatically, and it's a regressive tax. The state can't keep people from spending their income as they choose. But the state can avoid raising revenue in a way that unfairly burdens those Minnesotans who can least afford the tax.

The Citizens League recommends:

- Holding down the state's share of the lottery to no more than 20 percent, a rate comparable to taxes on charitable gambling and parimutuel wagering.
- Requiring strict regulation of the lottery by the state, but establishing an arms-length relationship between the state and the running and promotion of the lottery.

Recycling



Minnesotans could try any number of arrangements to increase recycling, such as providing weekly collection and special bins for recyclables. Those efforts probably would significantly increase recycling. But the best way to encourage Minnesotans to dispose of less waste and recycle more is to require fees for waste collection and disposal to vary according to the volume of waste disposed: The more waste one generates, the higher fees one will pay.

The Minnesota communities of Robbinsdale and St. Louis Park are hometown evidence that volume-based fees work. When money can be saved by disposing of less waste and using the recycling option, Minnesotans have shown they are willing to change their habits.

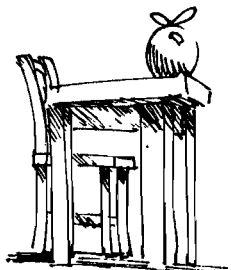
Volume-based garbage fees are not unlike fees for gas, electric, and water utilities. Minnesotans turn down their thermostats during winter nights to conserve energy and save money, because they pay according to the amount of energy used.

This past fall the Governor's Select Committee on Recycling and the Environment endorsed volume-based fees and included such fees in its recommendations to Governor Perpich.

The Citizens League recommends:

- Charging users according to the volume of waste disposed by requiring any unit of government that collects and disposes of waste or regulates such services to adopt volume-based fees.

School Improvement and Integration



Now that Minnesota has established a program of school choice for students, the next logical step in its policies of incentives and opportunities is to widen opportunities for educators and others to develop quality options in education. Let them create better schooling for students, particularly those

students having the most difficulty in traditional school settings.

Emphasize **quality** education and equal access to it for all students. Don't settle for desegregating schools by just balancing the racial mix of students in a school building; instead build on that mix by insisting on high-quality school options for everyone. To achieve true integration schools need a more visible emphasis on multi-cultural experiences, including multi-cultural curricula and teachers from diverse racial and ethnic backgrounds.

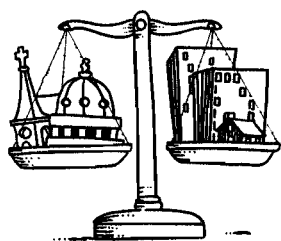
Focusing the opportunity for creating quality learning arrangements in the locations where minority children are concentrated accomplishes two objectives: it increases the likelihood of academic success for those children having

the greatest difficulty in the traditional school setting, and it builds innovative and unique programs to retain students as well as attract students from outside district boundaries.

The Citizens League recommends:

- Allowing educators and others to form chartered **public** schools, to provide schooling opportunities different from those available under the conventional structure.
- Requiring school boards and teachers to make a formal choice between negotiating new management arrangements for individual schools that include teachers and parents in decision-making, or retaining current management arrangements.
- 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.
- Broadening strategies for desegregating schools by adopting initiatives that reinforce in all schools an appreciation for cultural differences and contributions.

Tax Exemptions



State policies that exempt government and nonprofit institutions from most taxes unfairly raise taxes on those who do pay and send the wrong economic signals both to those who pay and those who don't. Minnesota's tax

exemption policies also ignore the blurring of distinctions between the nonprofit, the for-profit, and the government sectors. We found no case for broad, indiscriminating exemptions from taxation.

Government and nonprofit purchases should be subject to the same economic considerations as the purchases of other organizations. Public support for nonprofits should shift from indirect subsidies (tax exemptions) to explicit individual support, encouraged by tax credits.

The Citizens League recommends:

- Requiring all government and nonprofit organizations, to pay the state sales tax on their

purchases, while providing a two-year transition period to assist organizations in the adjustment.

■ Requiring government agencies and nonprofit organizations which are exempt from property taxes to pay fees for the property-related services, such as police and fire protection, received from local governments.

■ Taxing the income that nonprofits earn from business activities unrelated to their central purpose, while leaving their basic mission-related income exempt from taxation.

■ Providing tax credits for individual contributions to nonprofit organizations to create additional incentives for persons to support worthy organizations.

New net revenue available to governments as a result of these changes should not be a windfall, but should be used to reduce tax burdens for all taxpayers.

Post-Secondary Education



Minnesota's post-secondary education system presents a wide range of opportunities for learning. Students can attend universities, private colleges, community colleges and technical institutes in nearly every region of the state.

Providing these opportunities is essential for ensuring adequate preparation of Minnesota citizens — working adults as well as recent high school graduates. With a changing economy raising the requirements for many jobs to ever higher standards, a high-quality system is more important than ever.

A state strategy that emphasized "access" is evolving into one that recognizes the need for specialization of mission and growth in quality. Trying to offer nearly everything nearly everywhere is prohibitive in cost and a sure formula for disastrous deterioration in quality.

Focused missions and a new emphasis on quality will not come easily. The place to start is the University of Minnesota. The restructuring process, known as "Commitment to Focus," represents a bold initiative to do what needs to be done. Stalled somewhat by last year's series of troubling events, this process can now get back on track with new leadership directing the University's future.

Minnesota's systems of community colleges and technical institutes (TIs) are more alike than different and would be more effective if managed jointly. For some time these two systems' programs have been on a convergence path. While the primary emphasis in the TIs has been on preparation for specific jobs and the primary emphasis in

the community colleges has been on academic work that transfers to four year institutions, their missions have many similarities. The case for their eventual merger appears strong.

In addition, local school districts operate the TIs and the state provides the financing. Because the level of government that is responsible for the TIs should also bear responsibility for raising some of its dollars, TIs should be disengaged from local school districts.

The Citizens League recommends:

- Reasserting support for "Commitment to Focus" at the University of Minnesota, making sure that the U fulfills its plans to reduce undergraduate enrollment, to narrow the breadth of its offerings, and to improve the quality of its curricular offerings.
- Providing significant increases in the state's appropriations commitment to the University's operation.
- Completing the mission differentiation process across all sectors of the post-secondary system.
- Making a careful assessment of the need for another public 4-year college in the metropolitan region.
- Providing incentives for community colleges and technical institutes to merge. If technical institutes desire to remain under local management, require some local funding.

Airport



A 1988 report from the Metropolitan Council on the adequacy of the Minneapolis/St. Paul International Airport asserts the same conclusion reached by a Citizens League study in 1987, but adds a strong technical base of support: that it is impossible to know conclusively whether the current airport, however modified, can serve the long-term air transportation needs of the region.

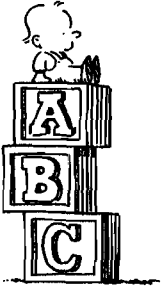
Accordingly, the responsible strategy is to adopt a dual-track approach, one that 1) emphasizes near-term improvements at the present site both to expand capacity and improve environmental factors, chiefly noise-reduction; and 2) sets in motion an efficient process for finding, designating, and acquiring a site suitable for a replacement airport.

It is important to give each part of the strategy balanced weight, so that when all available information is at hand, there will be a real choice to exercise.

The Citizens League recommends:

- Requiring the Metropolitan Council to identify by a specific date a search area for a possible replacement airport. The Metropolitan Airports Commission (MAC) should plan for and acquire a specific site within the search area. The site would be held as insurance against a time when a replacement airport might be needed.
- Providing public tax dollars to support some costs of search and acquisition, rather than relying exclusively on fees paid by airport users, the current source of MAC revenue.
- Requiring the MAC to make improvements in noise control and capacity at the existing airport, so that it can be used as long as possible.
- Supporting the Metropolitan Council's development of an annual analysis of the information needed to assist in determining long-term demand for air travel and airport capacity.

Early Childhood Education



Children are our most precious resource. Nothing is more important for success in life than their development from birth to age five. But, because of poverty and other problems encountered in their early years, a growing number of Minnesota children are "at-risk" of failure in school or will face later problems of

welfare dependency, teenage pregnancy, or long-term unemployment. Helping these children grow to reach their full potential is an urgent public responsibility.

Because parents are a child's most important resource, it is crucial that they have good parenting skills and access to resources and services that help them. In addition, while Minnesota has a good record of providing services that meet the health and development needs of children, much remains to be done. Only about 25 percent of eligible children are served by Head Start. Research shows that public funds invested in high quality Head Start or other high quality pre-school programs yield a tremendous return.

The Citizens League recommends:

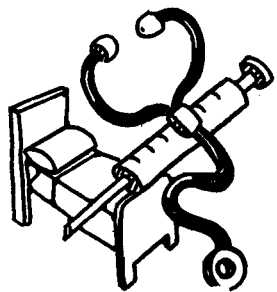
- Expanding the availability and use of parenting education programs, particularly for families of at-risk children.

- Providing financing, through the Legislature and the federal government, to: (1) ensure access to developmental screening programs for children from birth to age six; (2) expand the availability of Head Start and other preschool intervention programs for at-risk children; and (3) meet the demand for subsidized child care through the Child Care Sliding Fee program.

- Providing state financed loans to encourage child care providers and preschool intervention programs to construct facilities and improve their programs to meet accreditation standards. Services for children must be of high quality. Custodial child care is not sufficient to meet a child's need for developmentally appropriate stimulation and learning.

- Creating a new office of Assistant Commissioner for Services for Young Children in the Minnesota Department of Human Services to improve coordination of services for children. Such an office would provide a visible focal point for children's issues in state government, and create the link between the many different service systems and providers. Because the diversity of providers and service systems is an important strength and should be preserved, the Legislature should not designate the state Department of Education and local school districts as the lead agencies for early childhood programs.

Health Care Access



About eight percent of Minnesota residents lack health insurance. Many of the uninsured are children. Easy access to affordable health insurance consistent with competitive market forces is needed.

The 1987 and 1988 sessions of the Legislature expanded access to health care by creating the "Children's Health Plan" and changing eligibility for Medical Assistance. The 1989 session will see additional proposals to expand access to health insurance.

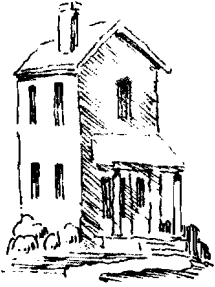
The Citizens League recommends:

- Expanding the Children's Health Plan by including coverage for in-patient hospital care and allowing children up to age 18 to be eligible.

- Including the following elements in health insurance proposals for people who are currently uninsured:

- Requiring a competitive bidding process for the right to serve patients, and require bidders to agree to report performance measurements of participating providers;
- Allowing only managed care systems the opportunity to bid;
- Reimbursing health care providers based on negotiated contracts rather than fee-for-service Medical Assistance rates;
- Requiring participants to pay premiums (based on a sliding scale) for their health insurance.

Property Tax



Minnesota's property tax system is unquestionably the most complex in the nation. Whatever benefits there may have been to this complexity are outweighed by its burdens. The 1988 Legislature adopted several reforms which is expected to revisit in 1989.

Although the 1988 reforms eliminated property classifications per se, the new system of tax capacities 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 1988 reforms eliminated most of the open-ended entitlements of state property tax relief. Credits targeted to help individual homeowners were replaced with equivalent amounts of aid to the local units of government. As local levies rise in the future, homeowners will not automatically receive special state protections against the increases.

However, local government aid remains a complex form of tax relief that does not necessarily reward cities for

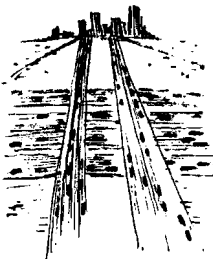
efficient spending.

The 1988 reforms exempt only cities with under 2,500 population from levy limits. If local governments are fully responsible for the incremental changes in property tax levels the state doesn't need to tell local governments how much they can raise.

The Citizens League recommends:

- Replacing the multi-class property assessment system with a one-class system; avoid a major shift in tax burden from commercial-industrial to other property resulting from a one-class system, by imposing a uniform statewide tax on commercial-industrial property, in addition to the local property taxes.
- Replacing property tax credits with a targeted refund program for homeowners and renters based on income.
- Eliminating levy limits for cities and counties.
- Continuing to provide property tax relief only through specific appropriations, not open-ended entitlements.

Transportation Finance



The demand for roads continues to increase in Minnesota. Minnesota already has more miles, particularly those for which the state is responsible, than the political will and financial capacity to maintain. The Citizens League has called for a reduction in the total mileage of the state trunk highway system. But reducing the size of the system is a difficult political process.

Meanwhile, the increased gas tax passed by the 1988 Legislature will provide additional road revenues without any better targeting of the resources to the most urgently needed projects. The 1988 Legislature also increased the share of the motor vehicle sales tax revenues dedicated to highways and transit without targeting those revenues; the highway portion of these revenues will be divided among the state, county, and municipal road systems.

Increasing the share of motor vehicle sales tax revenues dedicated to transportation is again being discussed. The problem is that only 75 percent of those revenues will go to highways, and of that amount, only 62 percent would go to state trunk highways, where the need is greatest; the rest

would automatically go to counties and cities, without going through the appropriations process. Additional dedication is unnecessary, wasteful, sets a bad precedent, and removes dollars from legislative review. Legislators did provide for future targeting of the motor vehicle sales tax revenues by distributing the highway portion of those revenues exclusively to the state trunk highway system after 1991.

The Citizens League recommends:

- Appropriating any new dollars for highways and transit from the state general fund. Do not dedicate more of the state sales tax on motor vehicles to transportation.
- Changing the formula for allocating highway dollars among counties to target the limited dollars to the heavily traveled roads.
- Adopting a new system for taxing trucks, that bases taxes on weight and mileage, instead of amount of fuel that is consumed. Trucks don't pay their share of road expenses under the existing system.

Fiscal Disparities



Our tax base sharing law, known as "fiscal disparities," continues to be a successful tool for reducing the otherwise vast disparities that would exist between the wealthiest and least wealthy communities in the metro area. The tax base sharing law continues to work and is one of the few laws on fiscal matters that has not required annual legislative readjustments. But in the interests of fairness the law could be refined without losing its essential characteristics.

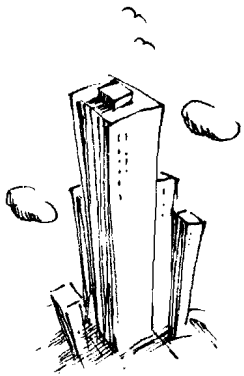
The Citizens League recommends:

■ Retaining the contribution level at 40 percent. That level ensures more uniformity in commercial-industrial tax rates across the metropolitan area; it keeps the fiscal disparities pool larger, and it preserves the integrity of tax-base sharing. Consider modifying the distribution formula if the Legislature believes the differences between "gainers" and "losers" are too great.

■ Modifying the fiscal disparities law by:

- Eliminating the exemptions, such as those granted to South Saint Paul and pre-1979 tax-increment districts.
- Not allowing cities to escape making contributions by undervaluing property.
- Not allowing cities to share in the pooled tax base if they prohibit commercial-industrial development within their borders.
- Removing special treatment given to cities with a high percentage of mobile homes in their borders, and to cities with unusually high levels of market value per capita.
- Considering phasing in the pre-1971 commercial-industrial value. Cities that have experienced most of their growth since 1971 are required to contribute more of their tax base than cities who had considerable growth before 1971 and aren't required to share it.

Development Finance



Tax increment financing, a favorite tool among Minnesota cities (particularly in the metropolitan area) for facilitating real estate development, remains an essentially unaccountable, unnecessarily indirect program. In the long-term Minnesota should move away from this practice, replacing it with a direct development fund. In the near-term,

additional restrictions beyond those passed in 1988 are needed to guard against excessive use.

The Citizens League recommends:

■ Phasing out tax-increment financing (TIF) provided cities are given access to a redevelopment fund, paid

for from direct revenue sources, including general fund transfers, direct property tax levies, limited surplus revenues, general obligation bonds, and other sources. The system for financing redevelopment should not be outside the regular budgetary process, as it now is.

■ Imposing restrictions in the meantime to stop excessive use, such as:

- Disallowing the pre-1979 TIF districts where no redevelopment is occurring; requiring city governments to partially reimburse the state for its loss of revenue due to TIF; disallowing the accumulation of surpluses; discontinuing the pooling of tax-increment dollars; requiring that city administrative expenses be financed from sources outside TIF.

Judicial Selection



The Citizens League commends both Governors Quie and Perpich for establishing by executive order and following a merit system for identifying nominees for judgeships. Minnesota should build on their examples and, with some refinements, put such a system into statutes to ensure that these principles will always govern appointments in this important and sensitive sector.

The Citizens League recommends:

■ Establishing by statute a Judicial Selection Commission to deal with appointments to the Court of Appeals and the District Courts, with these key provisions:

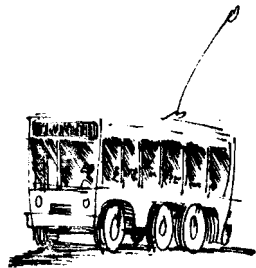
- The Governor and the Minnesota Supreme Court should share in the appointment of

commission members, with the Governor naming a majority. Not more than one-half of the members, other than the chair, should be lawyers, to ensure that members of the public will be strongly represented.

- The Governor and the chief judge from every judicial district should each name two members from each judicial district, who would participate only when vacancies occurred within their respective districts, to ensure that local interests are represented on the commission.

- The Commission should submit three to five names to the Governor, in alphabetical order. If the Governor refused to appoint from the list, a second list would be required, after which the Governor would be free to name any qualified candidate, whether on the list or not.

Transit



Forecasts of growing roadway congestion are fueling greater interest in the region's long-term transportation needs. While there is activity on many fronts, there is also danger that resources may not be allocated where the needs actually are, and that decisions will be made piecemeal, without a sense of the dynamic development of the entire region.

Currently one quarter of any transfer of motor vehicle sales tax revenues from the general fund automatically goes to transit. Expenditures on transit should be based on getting the most ridership out of the dollars expended.

The Citizens League recommends:

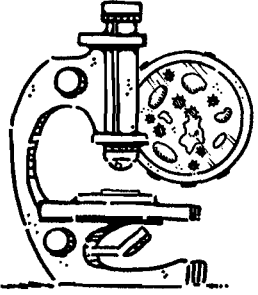
■ Giving authority to the Metropolitan Council to decide whether to proceed with light rail transit (LRT) and, if so, what corridors should be selected, in which priority order, and how the system should be financed. Regional leadership is urgently needed, but is largely frustrated as counties have taken the initiative.

■ Rejecting additional state dollars for the current LRT proposals because:

- They have not demonstrated reasonable prospects for attracting significant numbers of drivers from single-occupant cars;
- They do not propose to leverage sufficient private sector dollars from the benefiting property owners;
- The public dollars used for the proposals will not provide the most ridership per dollar where the need is greatest.

■ Placing more responsibility for providing funds for transit on the beneficiaries, including developers, whose land values increase, businesses, whose customers and employees receive transit's benefits, and riders. A more responsible decision on transit improvements is likely if the individuals and groups who will receive most of the direct benefit assume most of the costs.

AIDS



Stopping the spread of the AIDS virus depends on decisions made by individuals. The AIDS virus cannot be spread casually; to become infected with the AIDS virus, one must engage in unprotected sexual intercourse or share a contaminated intravenous drug needle.

Government can help to stop AIDS, but not by enacting measures that are coercive, restrictive or discriminatory. Well-intentioned efforts, such as mandatory testing of targeted populations, may only result in further alienation of persons who already do not trust people who want to help. Instead government can make the greatest impact on the spread of AIDS by encouraging individuals to take responsibility for their actions and supporting them when they do.

The Citizens League recommends:

- Providing education that fits the special needs of

populations most affected by AIDS and that is delivered by individuals and organizations trusted by those populations.

- Promoting and expanding voluntary testing and counseling.

■ Ensuring that an individual's AIDS status will be disclosed only to persons who need to know to provide proper care, so that individuals who may be infected and need to be tested will not fear discriminatory or cruel treatment from others.

■ Ensuring protection against discrimination on the basis of infection with the AIDS virus or affectional preference, again so that individuals may seek testing and care without fear.

■ Repealing the law that makes sodomy (homosexual or heterosexual anal and/or oral intercourse) a criminal act, to eliminate the possibility of criminal prosecution as a result of stepping forward for testing.



*Public affairs
research and education
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