MN JOURNAL

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Citizens League
Common ground. Common good.

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# Spending more and getting less for U.S. health care

## What we can do to improve health outcomes

*By Jan Malcom*

The United States spends at least 50 percent more per person for medical care than the next most expensive country (Switzerland), and 140 percent more than the average among European countries, yet the World Health Organization ranks the U.S. 37th in the world for the overall quality of its health care system.

The WHO rankings consider many different variables, such as cost, coverage, equity of access, and outcomes, so the composite measure may be an "unfair" comparison, given the greater diversity of our country than most others. So let's pick a more straightforward measure — say, healthy life expectancy (a more refined measure than total life expectancy which includes the impact of decreased health from the prevalence and severity of various conditions). We're No. 24. And this is hard to fathom: despite the literal explosion in our technical capacity and the costs that come with it, our relative rankings on some of these measures have actually fallen in recent decades.

The U.S. ranked 11th in the world in terms of infant mortality rates in 1960. In 2000, we had fallen to 28th. That doesn't mean that our absolute numbers haven't improved, they have, but not as much as they have in many other countries that spend far less than we do on medical services.

Politicians and pundits are quick to proclaim that the American public has no interest in adopting any other country's health system as a substitute for our own. Certainly there are significant enough differences in our cultural norms and values to give that view plenty of credence. And then there's the financial disruption it would cause in a very significant part of our economy. But isn't it rather stunning that we hardly even consider the most fundamental measures of the health of our people overall compared to other countries in evaluating the success or failure of our health policies?

Ironically, the fact that medical care is eating up every other part of the budget may actually be making the problem worse. If we can't invest in education, housing, building livable communities, and adequate wages, it turns out that we are undermining the very things that help to promote health, just as much or more than medical care does. It may be counterintuitive that spending more on medical care doesn't necessarily buy us more health, but the data are clear.

The Centers for Disease Control and Prevention and other researchers have calculated the relative contributions to health status of behavior, genetics, the environment, socioeconomic variables, and medical care. Figure 1 shows that our health behaviors are the largest single factor by a significant margin.

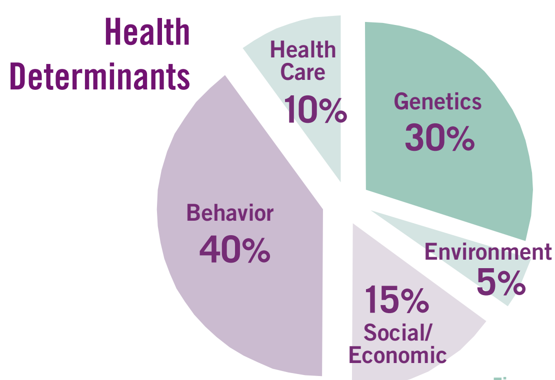


Figure 1

It makes sense when you consider the clear influence of tobacco use, excess weight, and physical inactivity on our health as individuals and as whole communities. The direct correlation between dramatic increases in the rate of childhood obesity and the epidemic rise in diabetes, including ever-earlier onset of the disease, makes the point. So does the virtually straight-line relationship between rates of increase in smoking by women (Which began to grow about the time Virginia Slims came on the market, imagine.) and the rate of lung cancer among women, which now kills more women each year than breast cancer.

continued on page 7

INSIDE

3 Viewpoint: politics and the workplace

4 Facts Unfiltered: Analyzing the achievement gap

5 Minnesota's PSEO, 20 years of educational success

6 Citizens League recommendation leads to innovation in K-14

8 Take Note: Innovation spotlight

9 Citizens League Annual TIF report

11 Perspectives: The community benefits of citywide WiFi

# CONNECTIONS

Building a League of Citizens

Target Corporation staff members listen to a presentation by Sean Kershaw, a part of the "Pizza and Politics" series hosted by Target's Government Affairs department. The Citizens League is working with a number of our corporate members to implement on-site public affairs programs.

## List of new members, donors, and recruiters

**Individuals and families**

Dipi and Muneet Bakshi
Peter Bartling
Niki Carlson
Mary Ann Dorsher
Andrew Elbert
Lisa Fink
Teri Foley
Sheila Graham
Robert Halbach
Matthew Jones
Nicola Kieves
Lisa Levitan
Susan Mattes
Danny and Katie Nadeau
Traci Parmenter
Sandra Rieger
Matthew S. Stay
Zachary Wehrwein

**Organizations**

Metro Work Center
Minnesota Secretary of State

**Sponsorships**

United Management

**Recruiters**

Lynn Blewett
Tim Hawkins
David Piper
Eric Schubert
Nena Street
Tom Teigen

**Thanks to our volunteer**

Anika Walz

## community connections calendar

• point • click • engage

**www.pointclickengage.org**

The Community Connections Calendar is your one-stop shop for public affairs events in the Twin Cities.

## Register now for two upcoming events:

**Tuesday, March 14:** "The Changemakers — Talent: Education and Preparing Our Human Capital to Fuel the Innovation Economy"

**Saturday, March 25:** Conference on "The News Media, Public Policy and the Age of Indifference."

Register online at www.citizensleague.net.

## Upcoming Citizens League committee on Immigration & Higher Education

This spring, the Citizens League will launch a new study committee on Immigration & Higher Education. To find out more about the project, or to apply for membership on the committee, go to www.citizensleague.net and click on "Immigration & Higher Education Study Committee."

## Citizens League welcomes Rachel Foran

Rachel Foran, our new administrative assistant, began work on Tuesday, January 17. Along with providing logistical support to study committees, Rachel will be monitoring membership activity and managing the membership database — so don't be surprised if you hear from her soon. To find out more about Rachel's background (and what she's reading these days), check out her bio on www.citizensleague.net.

VIEWPOINT
Voices In My Head

# Politics Part II:

## A politics that works…and politics at work

*by Sean Kershaw*

I'm uncomfortable mixing my personal and professional life, but I suppose my personal political transformation began on the sun-drenched lawn of the Washington Monument in the spring of 1993. This renewed political passion still compels my work now — and just might connect to your own work.

### An end to advocacy

In D.C. with my mother and my future spouse to attend the Gay and Lesbian March on Washington, I arrived with high hopes about our chance to make history. The three of us, a mother, a Gulf War veteran, and someone passionate about public affairs, hoped that our advocacy would make a difference.

But what we witnessed was more party than good politics; more outrage than public outreach; more disco than developing strategies to resolve the issues that brought us there. RuPaul in red, white and blue sequins wasn't exactly the appeal to fundamental American values and democratic aspirations that I had hoped for — no matter how fine the music and the moves.

My spouse, who is African American, found words for our disappointment. "How could we compare ourselves to the March on Washington 30 years earlier when we lacked their seriousness, their leadership, and the political capacity that made them successful?"

We shouldn't be surprised then that our advocacy accomplished very little. Something has happened since the 1960s that has made politics a little too personal, and a little too focused on single-issues and self-righteousness than on effective collective action. A politics based on protest, disconnected from daily lives, doesn't work well anymore.

But how can politics work better? How can it achieve goals that matter for all of us in a democracy? Can politics work beyond the glare of sunlit marches, shallow rhetoric, and the media spotlight? Can politics be practical again?

> Because if politics is fundamentally about the means to solve problems, then workplaces offer a natural opportunity to build these skills.

### An end to outrage

Another example of the need for more effective politics took place recently and closer to home with the resignation of Minneapolis Schools Superintendent Dr. Thandiwe Peebles.

Peebles' temperament was certainly ill-suited to our civic culture, but this fiasco really wasn't her fault. Improvements in educational attainment were still insufficient under the previous superintendent — when everyone got along.

If politics is the *means* (the skills and practices and network of effective relationships) to solve problems in a democracy, the real failure in Minneapolis was political — on a grand scale. The superintendent, the school board's liberal (mostly-white) leadership, and self-designated leadership in communities of color, lacked the political capacity to make their education system work. Dr. Peebles became a symptom of a much larger political problem — a problem that we can't address with press conferences, public outrage, and a new superintendent. Solving this educational problem requires a new political equation — and we all have a stake in a better political answer.

### A new opportunity

Thankfully, there are clear signs that a better politics is possible again.

The 2020 Caucus (a bi-partisan legislative coalition dedicated to addressing long-term policy challenges) recognizes that perhaps their most important task is building and sustaining the internal relationships needed to address challenges like affording future long-term care. This is a political mandate.

Attendance at our new "*Policy and a Pint*" series, which we are co-sponsoring with MPR's new station *The Current*, has blown away expectations. Every generation is hungry for new venues and new policy conversations that don't devolve into partisan name calling. This is a political surprise.

The Citizens League is piloting an exciting new corporate "pizza and politics" series with Allianz, Blue Cross, General Mills, Target and Wells Fargo. We've had more than 50 people at each discussion, and more than 200 attended a single event at Target — just to talk about politics and the importance of Minnesota's civic culture. This is a political opportunity.

When it comes to practicing politics, the opportunity in the workplace goes beyond these new conversations. The workplace might be our best opportunity to develop more politically competent citizens. Because if politics is fundamentally about the means to solve problems (e.g. resolving conflict and working toward a common goal), then the workplace offers a natural opportunity to build these skills.

The point is not to turn work into battlegrounds over abortion, but to recognize that the real skills we develop wherever we spend time making decisions are the political skills that will help solve public policy challenges that we all care about.

Let's move politics from protests and involvement "out there," back to practical skill building "in here" — in the institutions where we already spend time. Let's transform this new energy to get involved into the political capacity we need to solve real public problems. Can we start to develop a politics that works — at work?

**Sean Kershaw is Executive Director of the Citizens League, and can be reached at skershaw@citizensleague.net or 651-293-0575x14.**

# FACTS UNFILTERED

## The Achievement Gap

Each month, Citizens League members and staff will collaborate to select a timely policy topic, then ask the important—and sometimes uncomfortable—questions and dig up the answers. Just the facts, unadulterated and unspun.

Questions, comments, corrections? We need more Facts Unfiltered volunteers! If you are willing to roll up your sleeves and dig into the facts, if you have suggestions for a future Facts Unfiltered policy topic—or if you just think we got something wrong—e-mail us at facts@citzensleague.net.

### Q What is the achievement gap?

**A** The term achievement gap refers to the disparity in educational performance between groups of students typically categorized by gender, race and/or socioeconomic status. Often, this term is used to describe the disparity in the performance of low-income and minority students, specifically blacks and Latinos, and their white and Asian peers on several educational indicators.

The achievement gap is especially perplexing in Minnesota where students typically score very well on national standardized tests, such as the National Assessment of Educational Progress, in comparison with other states. Yet, the gap in Minnesota in educational achievement between whites and their minority classmates is among the largest in the nation.

### Q What are commonly used indicators of the achievement gap?

**A** A variety of measures are used to observe the achievement gap, although standardized test scores have become a political hot button for the issue. Other indicators include school attendance, grade point average and drop out rates. School completion rates and college enrollment rates are also used to measure student performance.

#### 2005 NAEP Results for Minnesota

Numbers indicate the percentage of students scoring at each level of achievement.*

| | Minnesota | White | Black | Hispanic | Asian |
|---|---|---|---|---|---|
| **8th Grade Reading** | | | | | |
| Advanced | 3 | 4 | 0 | 0 | 2 |
| Proficient | 34 | 38 | 11 | 14 | 27 |
| Basic | 42 | 43 | 37 | 41 | 43 |
| Below Basic | 20 | 15 | 52 | 45 | 28 |
| **8th Grade Mathematics** | | | | | |
| Advanced | 11 | 12 | 2 | 3 | 11 |
| Proficient | 32 | 37 | 7 | 7 | 23 |
| Basic | 36 | 36 | 28 | 43 | 38 |
| Below Basic | 21 | 15 | 63 | 47 | 28 |

** All data disaggregated from http://nces.ed.gov/nationsreportcard/states/profile.asp*

#### 2005 MCA Results

Numbers indicate the percentage of students scoring at each level of achievement.*

| | Minnesota | White | Black | Hispanic | Asian |
|---|---|---|---|---|---|
| **3rd GradeReading** | | | | | |
| Above Grade Level | 65 | 72 | 37 | 38 | 49 |
| Below Grade Level | 22 | 16 | 46 | 46 | 35 |
| **3rd Grade Mathematics** | | | | | |
| Above Grade Level | 66 | 72 | 34 | 39 | 55 |
| Below Grade Level | 22 | 16 | 52 | 47 | 32 |
| **7th Grade Reading** | | | | | |
| Above Grade Level | 41 | 47 | 11 | 17 | 27 |
| Below Grade Level | 26 | 20 | 56 | 54 | 41 |
| **7th Grade Mathematics** | | | | | |
| Above Grade Level | 40 | 45 | 10 | 14 | 31 |
| Below Grade Level | 24 | 18 | 60 | 52 | 31 |

** All data disaggregated from Minnesota Department of Education website.*

### Q How does Minnesota perform on standardized tests with respect to the achievement gap?

**A** The National Assessment of Academic Progress (NAEP) and the Minnesota Comprehensive Assessments (MCA) are two of the key standardized tests Minnesota students take. The NAEP test, sometimes referred to as the Nation's Report Card, is the only nationally representative continuing assessment. It tests fourth, eighth and twelfth grade students in subjects such as reading, mathematics, science, writing, U.S. history, civics, geography and the arts. Results are compared with other states.

The MCA's test students in grades 3, 5, 7, 10 and 11. Subjects tested by the MCA's include reading, mathematics and writing. They are required by the state of Minnesota and are used to assess the health of the educational system. In other words, they do not identify individual students' performance.

The two tables at left show Minnesota's performance on these standardized tests broken down by race. The NAEP data illustrate the differences between eighth grade reading and mathematics scores, while the MCA table examines the differences in reading and mathematics at third and seventh grade.

### Q Are there stories of successfully "closing" the achievement gap?

**A** Thankfully, there are notable exceptions to the achievement gap. In Minnesota and across the country, many schools that serve predominately poor and minority populations have achieved very positive results. Dayton's Bluff Elementary School, located just east of downtown St. Paul, is a success story. According to Tim Pugmire in his article "Closing the Gap: One School's approach," Dayton's Bluff had a reputation for poor performance. But since hiring a new principal and installing a "Responsive Classroom" approach to engaging students, test scores have climbed significantly. "The school has avoided the state's list of underperformers, because every subgroup of students, including African American, Hispanic and Asian, is doing well."

Other commonly cited national examples of excellence include the Knowledge is Power Program (KIPP), which has been so successful that it has been replicated in 52 schools nationwide (www.kipp.org), and Amistad Academy, a middle school in New Haven, Conn. that, despite serving a poor population, consistently outscores affluent school districts such as Greenwich. Learn more at www.achievementfirst.org.

http://news.minnesota.publicradio.org/features/2004/09/20_pugmiret_gapdaytonsbluff/

http://education.state.mn.us/mde/index.html

www.kipp.org

www.achievementfirst.org

http://nces.ed.gov/nationsreportcard/about/

http://nces.ed.gov/nationsreportcard/states/profile.asp

# Two decades of Post-Secondary Enrollment Options have served students well

*By Joe Nathan*

In 1982, the Citizens League stunned many people with a simple, powerful sentence: "Public Education dollars should follow parents' choices about which schools or educational services should be utilized." This was the central recommendation of a report entitled, "Rebuilding Education to Make it Work." Over the next several years, a bi-partisan group of state governors and legislators, along with businesspeople, Citizens League members and other community activists helped to make that recommendation a reality.

In 1985, Post-Secondary Enrollment Options (PSEO) became the first of Minnesota's statewide school choice laws to be adopted. This law, which just celebrated its 20th anniversary, allows high school juniors and seniors to take college courses, full or part time. State funds follow students, as the Citizens League suggested, to pay tuition and book costs. In addition, funds are available to provide transportation for students from low-income families.

A new Center for School Change report on PSEO, "Stretching Minds and Resources," found that, overall, PSEO has worked well.

- Since 1985, more than 100,000 students have used this law, which allows high school juniors and seniors to take all or part of their courses at colleges and universities.
- More than 90 percent say that taking college courses enabled them to learn more than if they took high school classes.
- 97 percent of participants reported themselves "satisfied or very satisfied" with PSEO.
- 86 percent of participants would definitely do it again.
- Statewide, 82 percent of Minnesotans support PSEO.
- The law has saved families and taxpayers millions of dollars.
- Many school districts have responded to the PSEO challenge by improving what they offer students.

However, the report also found that improvements are needed:

- More than one-third (36%) of Minnesota public high school graduates take at least one remedial course on entering a Minnesota public college or university. This is not just a problem in low income communities — many large suburban high schools have an even higher percentage of their graduates who enroll in remedial courses — so much more needs to be done to encourage high school students to enroll in challenging courses — whether PSEO, College in the Schools, IB, or Advanced Placement.
- PSEO participants are more likely to be white, female and middle-upper income. Young men and minority students are under-represented. This is unlike several other Minnesota school choice laws, including the charter public school legislation, and the "2nd Chance" legislation. Students of color and those from low-income families are over-represented in charter and alternative public schools.
- Participating students' most frequent recommendation: provide more information to students and families. The Center for School Change intends to work with others to do that. (The report is available at www.centerforschoolchange)

Former Minnesota Senate Education Committee chair, now South Washington County Superintendent Tom Nelson calls the Post-Secondary Enrollment Options program "one of the two or three legislative accomplishments I am most proud of." It was a model of bi-partisan collaboration, involving among others, Governor Rudy Perpich, Senator Nelson, and House Majority Leader Connie Levi.

More than 90 percent say that taking college courses enabled them to learn more than if they took high school classes

## Providing more strong courses for students

Here are a few examples of constructive responses to Post Secondary Enrollment Options, beginning with Nelson's district.

Both high schools in South Washington County offer various Advanced Placement courses, including English, history, math and science. Woodbury High School's website is a model of information for families, including a clear explanation of Post-Secondary Options. Woodbury also has a PSEO information evening meeting with current participants and college representatives.

Woodbury isn't alone. According to the College Board, the number of Minnesota high school students taking Advanced Placement exams has increased at a much greater rate than nationally since 1985, when PSEO was adopted.

## Increase in AP Tests 1986-2004

**Number of Students who Took AP**

| | Nationally | Minnesota |
|---|---|---|
| **1985** | 231,378 | 1,970 |
| **2004** | 1,101,803 | 17,437 |
| **% Change** | 376% | 785% |

**Number of AP Tests Taken**

| | Nationally | Minnesota |
|---|---|---|
| **1985** | 319,224 | 2,483 |
| **2004** | 1,887,770 | 27,007 |
| **% Change** | 491% | 988% |

The increase in the number of students taking AP classes is due in part to the Minnesota Legislature's help in paying for AP teacher training, and for the cost of the exams, and in part because school districts have responded constructively to PSEO competition. Moreover, while PSEO now serves more than 7,000 students, the Minnesota Department of Education estimates 14,000 participate in College in the Schools courses.

Jerry Ness, superintendent of the West Central Public Schools and president of the Minnesota Rural Education Association, agrees that PSEO has encouraged many districts to improve: "You have to be innovative to survive. Giving students more choices has made us much better...we've made partners out of (higher education

continued on page 6

# Citizens League recommendation leads to innovation in K-14

In our 2004 report, *Trouble on the Horizon: Growing Demands and Competition, Limited Resources, & Changing Demographics in Higher Education*, the Citizens League recommended that Minnesota "raise expectations to K-14." On January 9, the leaders of three local institutions of higher education did just that: they announced the creation of the "Power of You," a program that provides two years of tuition-free higher education to graduates of the Minneapolis and Saint Paul public schools.

Students can attend Metropolitan State University, Minneapolis Community and Technical College (MCTC) or St. Paul College.

They will be required to take a full load of 12 credits per term, and meet satisfactory academic guidelines.

The key goals of the program are to overcome the real and perceived financial barriers to a college education; to raise awareness that college education is essential to earning a living wage; and to increase the number of Minneapolis and Saint Paul public high school graduates who enroll in college and complete a degree.

MCTC President Phil Davis credits the Citizens League's *Trouble on the Horizon* report with triggering the idea. The report noted that "out of 100 ninth grade high school students of color right now: only three percent of American Indian students; only five percent of Hispanic students; and only three percent of black students will get a bachelors degree in Minnesota within 10 years."

*Trouble on the Horizon* called Minnesota to action to improve those numbers:

*"Recognizing that a knowledge-based economy needs knowledgeable workers and that a high school diploma isn't sufficient to compete in this global economy, begin to raise the standards and expectations in Minnesota to a K-14 set of outcomes. Establish a goal that all Minnesotans have at least two years of higher education achievement."*

*"Implement new 'K-14 pilot programs' that improve the formal connections between "community and technical schools and local K-12 districts."*

**For more information about the Power of You program go to www.minneapolis.edu/powerofyou or call Jan Knutsen at Minneapolis Community and Technical College at 612-659-6221.**

**To read the Citizens League report on higher education, go to www.citizensleague.net and click on publications.**

## Two Decades of PSEO

continued from page 5

institutions), rather than enemies." His district worked with Alexandria Tech and Fergus Falls Community College to offer college-level courses.

Both the larger system and PSEO students have seen many benefits.

Over the course of our year-long research, we found Minnesotans who had benefited from this law. For example, when he was in high school, a teacher wrongly told Bondo Nyembwe he did not qualify for PSEO. Minnesota State Colleges and Universities accept high school juniors in the top third of their class, and seniors in the top half. MnSCU officials will also review test scores if students' overall record is not above average, to see if they deserve a chance to try one or two PSEO courses. Nyembwe was qualified, and he graduated from the University of Minnesota in three years. He now directs a Minneapolis school for recent immigrants.

Raised on a farm near Crookston in a family where "money was not in abundance," Stephanie Rupp took PSEO courses at the University of Minnesota Crookston. She now is a Rochester public school teacher.

Steven Clift of Winona used PSEO to "complement" high school, taking Asian History, Latin American Politics and French. "My father, a recent former Winona school board member, (was) proud. He was dying of cancer, but could see his kids taking on the world."

Lindsay Anderson recalls PSEO offering "the challenging environment I was lacking in high school." Despite flack from her rural high school officials, PSEO made her "a stronger, more determined person."

Like Anderson, Cassandra Sheppard had difficulty getting information from her high school. But PSEO "gave me an unquenchable desire to go to college after graduation," she said.

While controversy accompanied its creation, 82 percent of Minnesotans now support PSEO. It is a great gift to Minnesota.

**Joe Nathan is the Director of the Center for School Change at the Hubert H. Humphrey Institute of Public Affairs.**

## Spending more and getting less for U.S. health care

continued from page 1

Equally important, health behaviors don't occur in a vacuum, and better health isn't simply a matter of more individual responsibility. The interaction between these different factors is an even bigger part of the story. For instance, it's hard for low income parents to improve the diet and exercise patterns of their children when they work two or more jobs, have only corner convenience stores in the neighborhood (Ever tried to get fresh produce or affordable proteins in one of those?), and when the kids have no safe places to play, never mind the absence of organized sports after school. People should take more responsibility for their own health, absolutely, but we also collectively need to assure that the conditions exist in which healthier choices are actually realistic.

### Education, income and health

What does it mean that medical care accounts for only 10 percent of the impact on health status? It does not mean that access to medical care is unimportant. In fact, a recent Institute of Medicine study calculated that 18,000 people die in this country every year because they don't have the insurance to allow them to get the medical care they need to identify or treat an illness. What it does mean is that all of our medical expertise cannot by itself overcome the effects of poor health behaviors, increasing socioeconomic gaps, and a deteriorating environment. We're setting the health care system up for failure if we expect it to control costs and produce good health outcomes but we do nothing to reduce risky behaviors or make our communities safer and healthier. And not surprisingly, raising education and income levels is a good way to do both.

Despite the clear evidence of how overwhelmingly important these other factors are in protecting health, Figure 2 shows that our financial investments are the mirror opposite. The U.S. spends more than 90 percent of the supposed "health" budget on individual medical care — almost all of it after the illness or injury has already occurred. Only about 8 percent of the budget is spent on activities that can change the community conditions that produce the ill health in the first place.

Researchers are beginning to focus more attention on the differences among countries with respect to their patterns of spending and population health status. Health professionals understand the connections based on their daily experience. They feel the futility of providing ever-more costly treatments to address the symptoms of chronic diseases while the behaviors that caused the disease, and will continue to exacerbate it, go unchecked. And they know how unlikely it is that their advice to quit smoking, or lose weight, or get more exercise, will make much difference to a patient in the face of all the environmental forces that create unhealthy norms.

To return to the example of childhood obesity, what has happened in the last several decades? Human biology didn't change, but the environment and our behaviors did. Most children no longer walk to school, and playtime is now all too often screen time. Fast food is cheap and omnipresent, as are super-sized portions. Indeed, many if not most schools are now dependent on revenues from fast food vendors and soda sales to offset cuts in education funding. And the physical education curriculum?

### How Do We Invest?

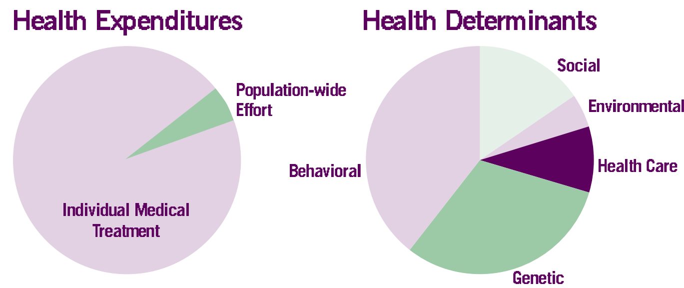


Figure 2

It's long gone in the face of diminished teaching time and shrinking resources. Far beyond schools, we've virtually engineered physical activity out of our lives with changes in living and working patterns.

### How other countries address health

So what do other countries do differently? Part of it is certainly their different approach to the medical care slice of the health determinants pie. Their universal coverage systems create better access to primary care, and that matters significantly to health at the level of the whole population. But that's not the whole story. The countries we are competing with, both in health and economic terms, make other policy choices that drive health outcomes. Infant mortality statistics are strongly affected by policies affecting maternal poverty levels, for example. In 2004, Sweden became the first country to adopt a national public health plan based on the full picture of the determinants of health. In addition to goals for safe and more nutritious food, reduced tobacco use, and protection against communicable disease, the Swedish plan now includes goals for "secure and favorable conditions during childhood and adolescence," "economic and social security," and "participation and influence in society." We may not think these topics have much to do with medical care, but they have a lot to do with health.

It must also be acknowledged that no country has found a silver bullet solution to containing the costs of health care while meeting their citizens' demands for more and better care. As populations age, and as technology advances, there is more that can be done and more people to demand that it be done. Nonetheless, the global economic marketplace demands that the U.S. take a closer look at the growing gap between our expenditures and our results. I find room for optimism here, if we are open to examining more closely the relative contributions of those other, non-medical determinants of health, and to acting on what we learn. Let's at least acknowledge that the question of how much health we're buying for the money may be the most important health policy question of all. ●

Jan Malcolm is a member of the Citizens League and is CEO of Courage Center, the state's largest non-profit provider of comprehensive rehabilitation services for people with a broad range of physical disabilities. She is president-elect of the Minnesota Public Health Association and served as commissioner of the Minnesota Department of Health under Governor Ventura.

# TAKE NOTE

Innovation Spotlight

## "Housing First" in San Francisco

San Francisco is taking a new approach to combating chronic homelessness. Dubbed "Care Not Cash" by the city's Democratic mayor, Gavin Newsom, the program provides permanent housing to single homeless people in place of monthly welfare checks. Newsom championed the program as a member of the Board of Supervisors and expanded it when he was elected mayor in 2003.

The program is innovative — and controversial — because it turns most anti-homelessness efforts upside down. Until recently, most programs have begun by treating the underlying causes of homelessness (mental illness, substance abuse, etc.) while the homeless lived in "transitional" shelters. The Care Not Cash program is part of a national movement called Housing First that puts homeless people directly into individual, permanent housing — and then helps them address other problems. "Housing itself has a therapeutic impact," says Philip Mangano, President Bush's "homelessness czar." "The security, the stability that housing puts in a person's life creates the context for delivering all the other services."

The evidence is mounting that this new approach works. In San Francisco, before the Care Not Cash program was established, two local organizations experimented with "housing first" models — and achieved significant success. Community Housing Partnership, a local nonprofit, found that only 2 percent of tenants who were moved into permanent housing before receiving treatment wound up back on the street. And the San Francisco Public Health Department moved a number of its most frequent homeless patients into permanent housing and tracked 71 of them. They found that those 71 participants consumed a total of $1 million less in emergency health care while living in permanent housing than they had the year before on the street.

The Housing First model and San Francisco's Care Not Cash program are both controversial. One homeless advocate argues the latest Housing First push should be renamed "Welfare First" because clients have to be on welfare to get it and welfare recipients tend to be higher functioning. In her view, priority should go to people with the greatest medical needs, and those with children.

To read more about the pros and cons of San Francisco's push to reduce homelessness, read "A Roof to Start With," by Christopher Swope in the December 2005 edition of Governing magazine: www.governing.com/articles/12home.htm

## Hawaii's Gas Cap Experiment

On September 1, officials in Hawaii implemented an experiment: setting a legal limit on how much oil companies can charge retailers for wholesale gasoline. The gas cap (actually a set of caps with different amounts for eight regions in the state) changes weekly, and is based on the average wholesale price for gasoline in Los Angeles, New York and the Gulf Coast — plus a margin to account for shipping, distribution and the local market in Hawaii. The gas cap limits the price of wholesale gasoline, but retailers remain free to charge what they want.

Before the cap, politicians and consumers agonized and argued about its value. Democrats passed the cap in 2004 in an attempt to provide relief to Hawaiians who have long paid the highest gasoline prices in the nation. But critics of the cap worried that gas companies would not make enough profit to justify staying in Hawaii. Consumers worried that the price of gas would be set artificially high.

What happened? In the first few weeks, consumers saw their worst fears realized: prices for gasoline rose quickly. But then, gas prices were rising all over the country in response to hurricanes Katrina and Rita.

Consumers and gas station operators noticed another consequence. Because gas cap prices are set weekly, and announced ahead of time, consumers began to make decisions about when to gas up based on the anticipated future price of gas. If the cap was going up the following week, drivers all over the state topped off their tanks over the weekend, leading to long lines and gas shortages at some stations. If the cap was going down, drivers tried to avoid filling up until the price dropped, which lead to an unusual number of cars stranded with empty tanks.

In late October, the Honolulu Advertiser reviewed AAA retail gas price data to find out whether the cap was having the intended effect. Their conclusion?

"If the goal of Hawaii's gasoline price cap was to tie Island prices to those on the Mainland, it's been a smashing success. If the aim was to narrow the gap between prices in Hawaii and on the Mainland, the results are less than stellar..."

**The Advertiser review revealed:**

- Hawaii's average prices are following Mainland trends, albeit on a lag of seven to 10 days.
- The average difference in prices between Hawaii and the U.S. grew to 50.4 cents a gallon under the cap, up from 45.3 cents in the same period a year earlier.
- Hawaii went from one of the most stable pricing markets in the nation to one of the more volatile.

("Hawaii' gas cap isn't closing price gap," by Greg Wiles, Honolulu Advertiser, October 30, 2005)

To read more about the gas cap controversy, go to www.honoluluadvertiser.com and search "gas cap."

**THE BOTTOM LINE:**

**Care Not Cash**
**In San Francisco, pilot programs that provid homeless welfare recipients with homes first appear to improve outcomes and save scarce public resources.**

**Fill 'er up**
**Hawaii's attempt to cap gas prices has resulted in greater volatility and a greater gap between Mainland and Island prices.**

**We are always on the lookout for community and government innovations around the world. If you see something you think we should be covering, forward the link to info@citizensleague.net.**

# For the first time since 1987, use of tax increment financing declined in 2005

*By Bob DeBoer, Citizens League staff*

For the past 18 years, the Citizens League has tracked the use of tax increment financing (TIF) — the sometimes controversial economic development tool used by more than 400 cities and towns throughout Minnesota, and each year the number of TIF users and TIF districts has increased.

That trend ended in 2005. For the first time since 1987, the number of TIF districts created, and the number of local governments using TIF, declined. It is too early to tell whether this is a one-year blip on the TIF timeline, the beginning of a more long-term leveling off, or an actual decline in TIF use.

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TIF is used mainly by cities to subsidize the redevelopment of blighted areas, the creation of new development, and the creation of low and moderate-income housing. TIF allows a municipality to "capture" the property taxes that result from the increased value when a property is developed or redeveloped and use that increase (the increment) to pay for some of the costs of the development or redevelopment. These property taxes, therefore, are not available as general revenues for the city, town, county or school district until the TIF district expires or is closed.

## Indicators of a decline in TIF use

There are several indicators that TIF use may be on the decline. In 2005:

- the number of TIF districts decreased;
- the number of cities and towns using TIF decreased;
- the percentage of tax base captured by TIF users decreased; and
- TIF tax capacity grew more slowly than total tax capacity.

For the first time in 2005, the number of TIF districts decreased from the previous year (see Figure 1). From 1986 to 2004, the increase in number of TIF districts averaged around 80 per year, and the total number of districts grew from 500 to 1,965. Last year, the number of TIF districts fell to 1,947.

The number of cities and towns using TIF has leveled off in recent years, growing from 417 in 2000 to just 424 in 2004, but 2005 marked the first actual decline in that number since 1987 (see Figure 2), down to 421.

Another way to analyze whether TIF use is declining is to look at the percent of total tax capacity that TIF users are "capturing" in TIF districts. In 2000, 417 cities and towns captured more than 8 percent of their tax base in TIF. That number declined to less than 7 percent of the tax base among 421 TIF users in 2005 (see Figure 3).

Another indicator of declining TIF use comes when we compare the increase in total tax capacity for cities and towns using TIF to the increase in their TIF tax capacity, or captured value.

If the level of TIF use was growing, we could expect the increase in TIF tax capacity to be greater or roughly equal to the increase in total tax capacity (see Figure 4). And from 2000 to 2001 that was the case. TIF tax capacity increased more than total tax capacity (14.7 percent and 11.9 percent, respectively). After a one-time reduction (the result of property tax reform the following year), the increase in TIF use was roughly equivalent to the increase in tax base (9.1 percent to 9.5 percent). But in the past two years, the increase in TIF tax capacity has been significantly less than the increase in total tax capacity.

continued on page 10

## What is tax increment financing?

Tax increment financing (TIF) is a tool used by cities and other development authorities to finance certain types of development costs. The state legislature created a uniform TIF act in 1979 that replaced 5 separate laws dating back to 1947 The 1979 law remains the basic structure with important changes enacted in 1988, 990 and 1995. Cities or other authorities to create TIF districts to help subsidize the cost of redeveloping blighted areas and the creation of low- and moderate-income housing, and to create economic development and jobs.

Tax increment financing enables a city to use the additional property tax revenue generated by new development to pay for certain development expenses. With TIF, the city "captures" the additional property taxes generated by the new development within the district that would have gone to other taxing jurisdictions and uses the "tax increment" to pay some of the development costs that the owner, developer or local government otherwise would have paid.

Some examples of TIF-eligible costs are the acquisition of land or buildings, the demolition of substandard buildings, site preparation, the installation of utilities or road improvements, and the construction of low- and moderate-income housing.

The up-front costs of TIF-subsidized development are often financed with the proceeds from general obligation bonds or loans. The debt service on those obligations is paid with the tax increment generated by one or more TIF districts.

Some TIF districts use an alternative to bonds or loans, known as pay-as-you-go financing, where the property owner or developer pays the development costs upfront and is reimbursed with the tax increment generated by the TIF district.

continued from page 9

## Decline among large TIF users

As might be expected, an analysis of large TIF users (those that capture more than $1 million in tax capacity in a single year) also shows a general decline in the percent of tax base captured in TIF. This year we offer six years of data (2000 through 2005) and rank the 54 cities that have captured more than $1 million during that period by the percent of tax base captured.

Of the top 11 TIF users, Rogers, Chaska and Mounds View are the only three cities that have captured more than 20 percent of their tax base in TIF. Sauk Rapids, Waite Park, Ramsey, Champlin, Anoka, Chanhassen, Brooklyn Park and Minneapolis are the only cities that captured between 15 and 20 percent of their tax base (see Table 1 at www.citizensleague.net).

## Who will use TIF less?

If TIF use does continue to decline in the coming years, it isn't clear whether there will be a significant change in the composition of TIF users. Although they represent only a small portion of overall TIF use, early indications are that county governments may be using TIF less. With the exceptions of White Bear Township in Ramsey County and White Township in St. Louis County, all township TIF districts are part of county government TIF initiatives. In 2000, there were 26 townships that were part of county TIF districts. By 2005, half of those districts no longer used TIF, and only two townships that did not use TIF in 2000 used TIF in 2005. If this six-year period is any indication, there may be less county government use of TIF in the coming years (see Table 2 at www.citizensleague.net).

Declining TIF use doesn't resolve policy questions One major factor that could be influencing the decline in TIF use is the change in property tax laws enacted in 2001 and implemented in 2002 which reduced the amount of revenue that could be raised locally through use of TIF.

There have been significant policy changes over the years that have sometimes slowed, but never halted, the growth in TIF. The property tax changes approved by the Legislature in 2001 did not include significant changes in TIF policy, but did result in significant reductions in TIF revenue, perhaps leading to more risk for some projects.

In the September 2004 edition of the *Minnesota Journal*, we raised significant policy questions about TIF ("Tax increment financing: a whole lotta questions going on") that should still be addressed. As long as rapidly growing areas can use TIF for "green field" development where no blight is present, TIF will not be as effective a tool for redevelopment as it could be.

**For more data and analysis on all TIF districts from 2000 to 2005, visit the Citizens League website at www.citizensleague.net.**

**Figure 1: Number of TIF Districts in Minnesota**

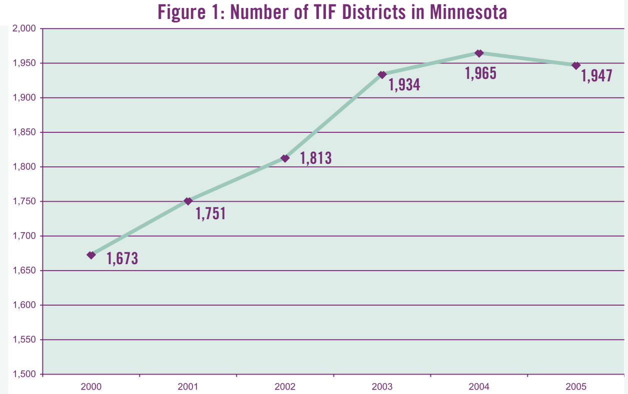



**Figure 2: Number of Cities and Towns Using TIF (2000-2005)**

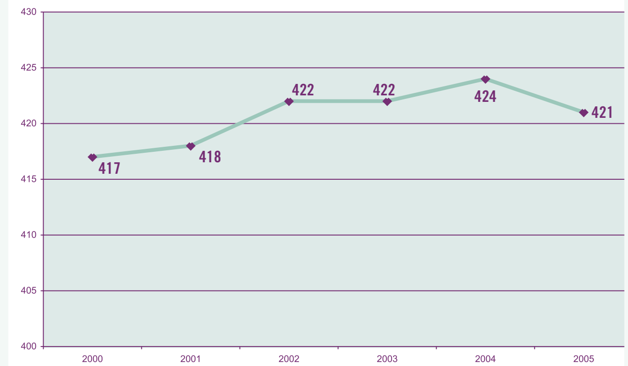



**Figure 3: Percent of Total Tax Capacity Captured in TIF**
(based on the total tax capacity of cities and towns that use TIF)

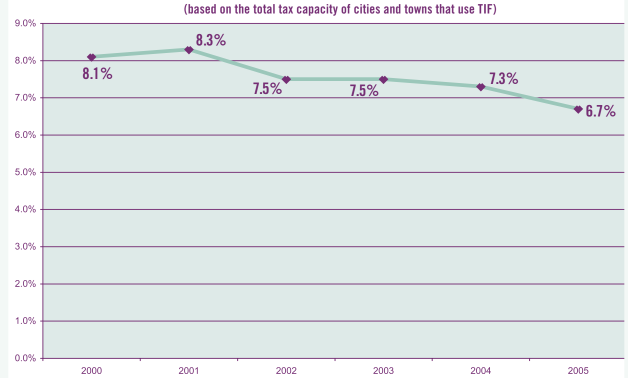
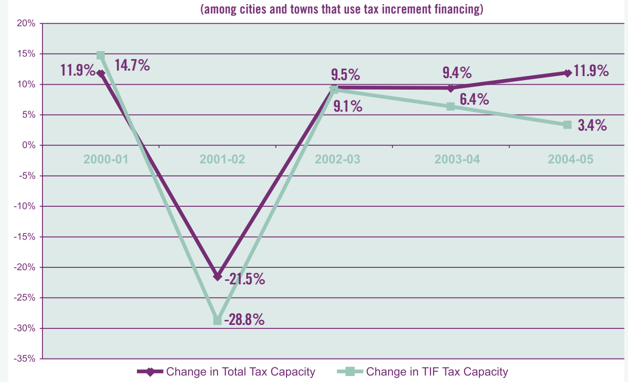



**Figure 4: Percent Change in Total Tax Capacity and TIF Tax Capacity**
(among cities and towns that use tax increment financing)



# PERSPECTIVES

Expanding Minnesota's Conversation

## Towards digital inclusion:

### A community agenda for Minneapolis' broadband/WiFi initiative

*By Catherine Settanni*

Got broadband? The city of Minneapolis has taken an innovative approach to making sure that answer is "yes," regardless of which neighborhood you live in.

In March 2005, Minneapolis invited proposals from private companies to build, maintain and run a citywide broadband/WiFi network.

A broadband/WiFi network will provide all city residents and businesses with low-cost, 24/7, high-speed access to the Internet, regardless of where they're located — if they have the right equipment.

This will benefit the city's institutional users, such as fire and police, schools, public housing authorities, libraries, parks, and employees who need mobile Internet services.

Residents and businesses stand to benefit as well, especially low-income residents. Citywide WiFi service will drive broadband prices down in a market now dominated by two players, and, even more important, the network will be available in *all* neighborhoods, not just the affluent ones.

A pervasive digital divide still exists in our low-income and new immigrant communities. While citywide WiFi will make broadband more affordable and accessible, this technology alone cannot bridge the digital divide.

Bridging this divide will depend on whether the city's final agreement includes strong community benefits language that requires the winning vendor to invest real resources in our community.

A strong, articulate agreement will provide a unique, non-tax based revenue source for programs to help low-income residents obtain technology skills and the tools they need to participate in the social, civic, economic and educational opportunities this network promises.

Such an agreement is in place in Philadelphia; Earthlink pledged 5 percent of revenues to digital divide efforts through a new nonprofit agency, Wireless Philadelphia. A similar community benefits agreement will put Minneapolis on the cutting edge of community technology planning.

Minneapolis is now in final negotiations with two vendors, US Internet (a local company) and Earthlink. Our organization, the Community Computer Access Network, (C-CAN) represents a coalition of non-profit organizations that provide neighborhood-based technology programs for residents that can't afford the Internet, don't own computers, or lack adequate technology literacy skills.

As C-CAN director and a community technology advocate, I was invited to participate in both initial stakeholder meetings and the vendor review process to represent the needs of non-profit constituents, primarily low-income and new immigrant residents.

As a result of community input, the city included language in the RFP that requires vendors to answer the question "How will your company support digital divide and community development efforts?" How vendors answer this question may well determine how they fare in the final proposal review.

Nothing is more important than ensuring that the Minneapolis broadband/WiFi initiative alleviates rather than increases the gap between "information haves" and "have-nots."

To save time and money, federal, state and local governments are quickly moving information and services online. The launch of a municipal WiFi system speeds up this online migration, leaving those residents unable to use the Internet further isolated and disenfranchised. All Minneapolis residents deserve access to critical public sector information and services.

Here are some examples of the kinds of information moving online:

- applications for assistance, INS forms, tax filings, licenses, and permits;
- job listings and employment applications;
- e-learning programs, including GED and higher education courses;
- K-12 student information, including homework assignments, progress reports, teacher and schools' report cards;
- e-government tools, including forums (like e-democracy) and interactive contact with elected officials;
- public safety information, including crime alerts and information about natural disasters, national emergencies, and bio-terrorist attacks,

The Digital Access + Equity Campaign, co-sponsored by C-CAN and the Alliance for Metropolitan Stability, is currently working with neighborhood leaders to develop a "community benefits agreement."

Among the benefits being discussed:

- Free WiFi access for nonprofit organizations, libraries, schools, and parks.
- Support for a "walled garden" of free, accessible, multilingual content, containing critical public safety, health, school, and transportation information.
- Support for refurbished hardware recycling programs, possibly in partnership with area nonprofits.
- A vendor-subsidized "Digital Inclusion Fund" to support community technology programs, including hardware support, technology literacy programs, and public access facilities.

In our community, technology literacy, training and support are as important as Internet access or the presence of computers in the home. Meaningful content is an equally important driver of technology literacy; why bother to learn about and pay for Internet access if there's nothing online that speaks to you, in your language, about things that concern you and your family?

A community benefits agreement can provide the resources necessary to ensure services and support are available to address these issues.

The time is right for community leaders to work in partnership with the city and the private sector to ensure that all businesses and residents benefit equally from this innovative citywide network.

**Catherine Settanni is founder and president of the nonprofit Digital Access Project, which helps local nonprofits provide public access to the Internet and computers for low income youth, adults and seniors.**

## Upcoming Events

**03/14**

**The ChangeMakers — Talent: Education and Preparing Our Human Capital to Fuel the Innovation Economy.** Citizens League members can attend this terrific annual event at a big discount: $25 each.

**03/25**

**The News Media, Public Policy... and the Age of Indifference.** With author David Mindich and Washington Post Ombudsman (and former Pioneer Press editor) Deborah Howell.

**For more information or to register for these events, click to www.citizensleague.net/events.**
**Find more events like these on the Community Connections Calendar: www.pointclickengage.org.**

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