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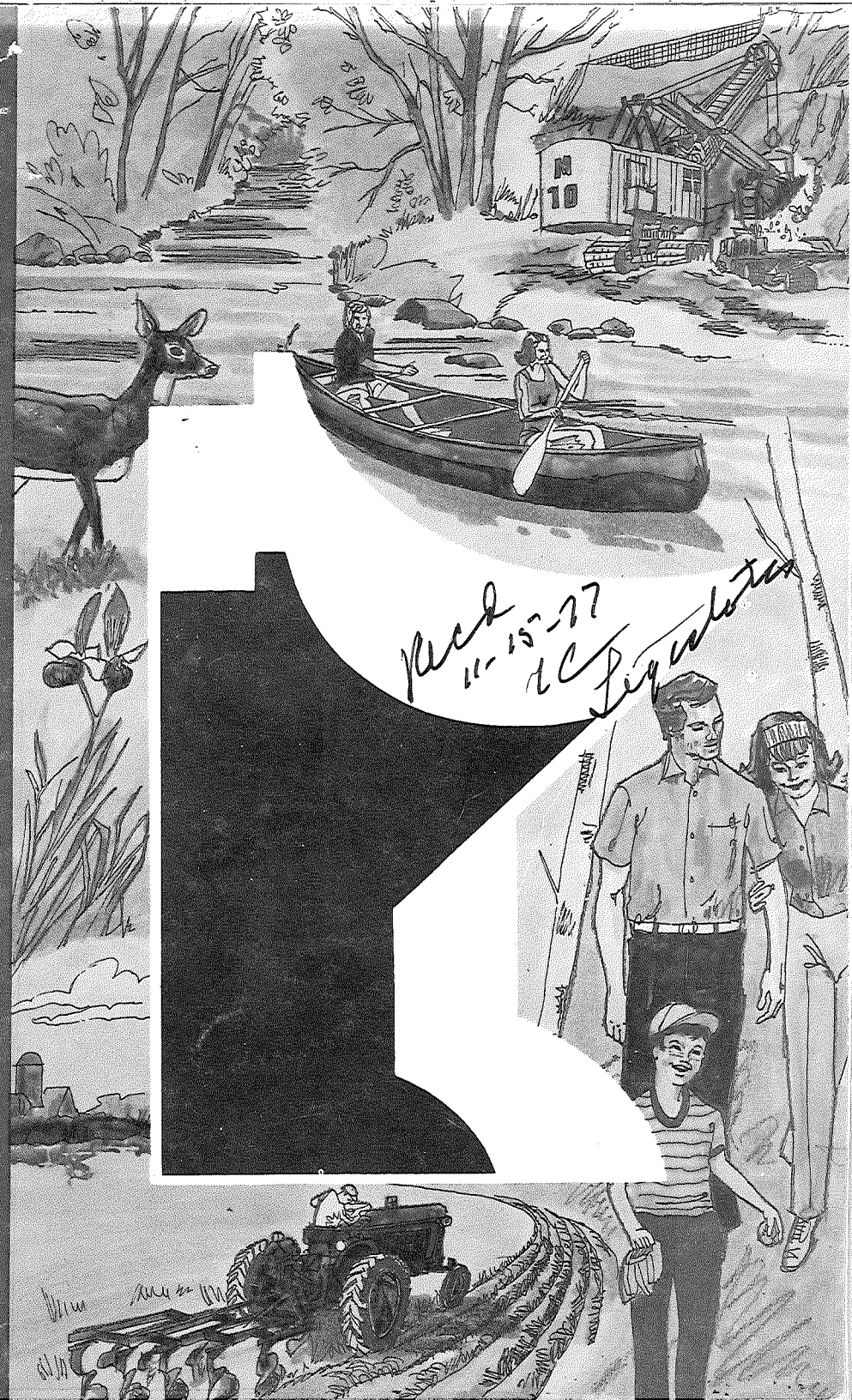
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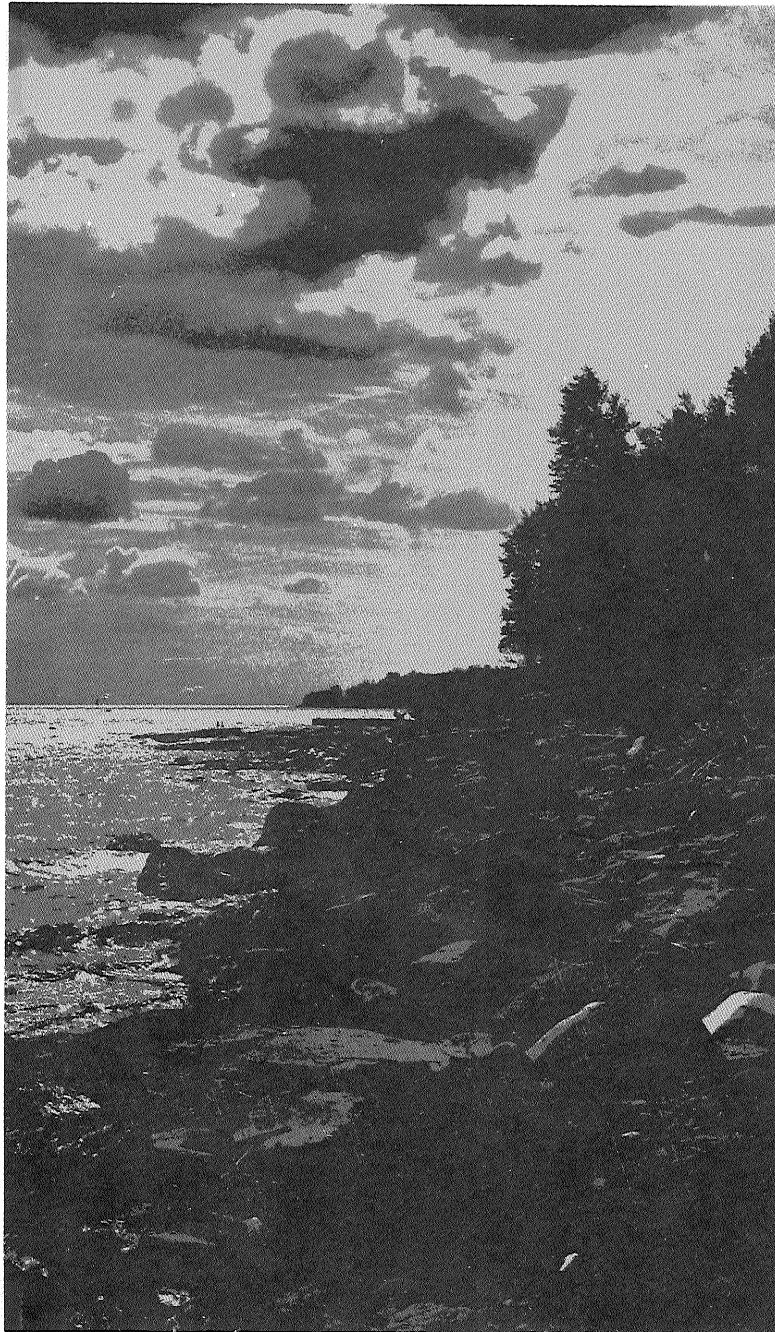


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Minnesota Horizons

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Minnesota Horizons

A LEGISLATIVE SYMPOSIUM

A REPORT on the special Minnesota Horizons session of the 1975 Minnesota State Legislature, held on January 14, 15, and 16 at St. Paul Technical-Vocational Institute.

CO-SPONSORED by the Minnesota State Legislature, the Minnesota State Planning Agency, and the Commission on Minnesota's Future.

PARTIALLY SUPPORTED by grants from the Bemis Foundation; the Dayton-Hudson Foundation; the Hill Family Foundation; and the Intergovernmental Personnel Act, U. S. Civil Service Commission.

Minnesota Horizons

Seldom does a state legislature have the opportunity, as a group, to be briefed on the status of its state — the people, the economy, the natural and man-made environments, the workings of the government itself. The Minnesota Horizons symposium offered such an opportunity to the Minnesota State Legislature when it presented a comprehensive review of where the state has been, where it is, and where it might be heading.

The symposium consisted of 17 papers (see Index, page 5) presented during six 90-minute sessions on

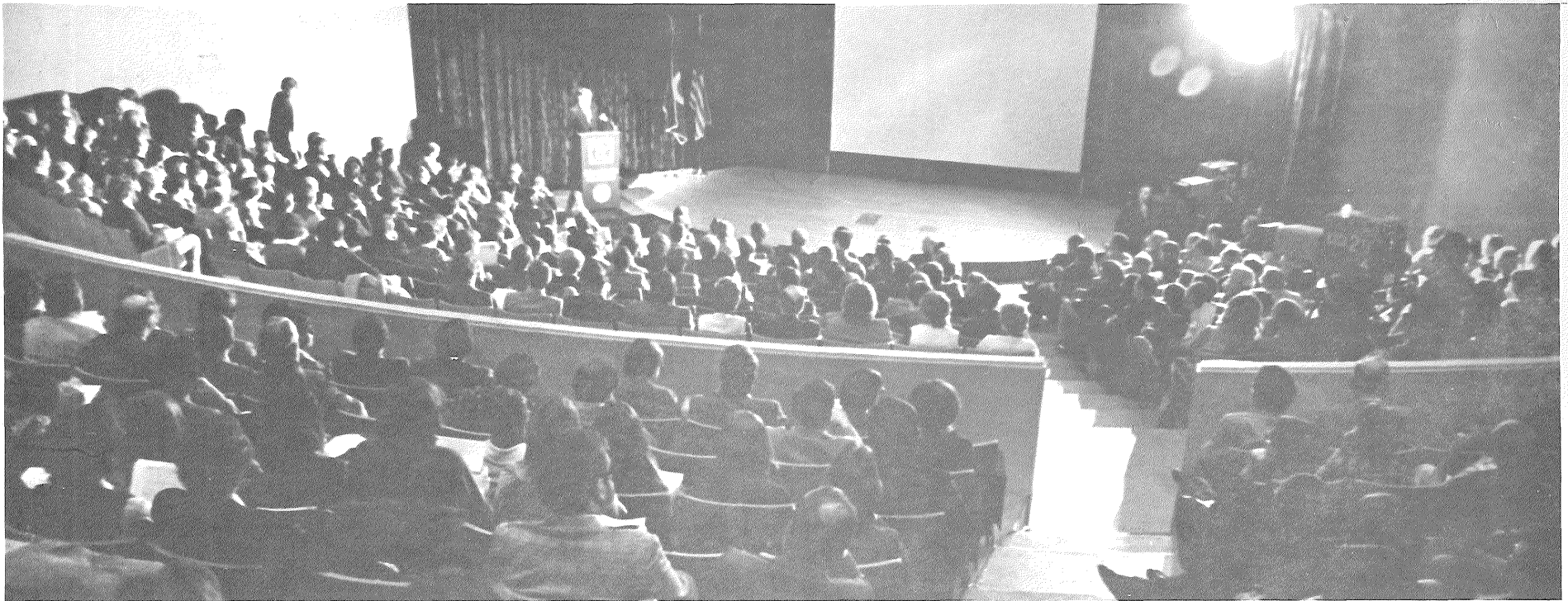
three consecutive mornings.

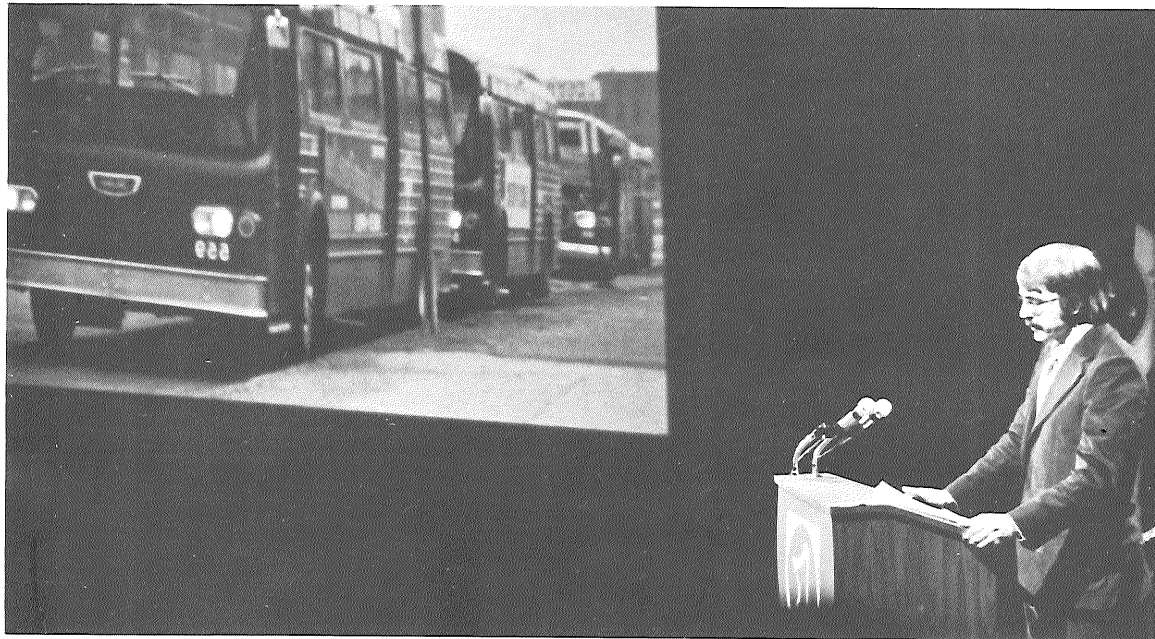
Members of both houses of the Legislature, plus representatives of state departments, public interest groups, and local government bodies were invited.

To accommodate the general public, sessions were broadcast live on Minnesota Public Radio (FM) and University of Minnesota Radio KUOM-AM. Mid-western Educational Television remote crews videotaped the entire symposium for later rebroadcast in a series of six 90-minute programs.

Legislative bodies typically face a number of complex, inter-related issues and problems, yet extensive discussion, of necessity, is usually limited to committees. Key to the success of Minnesota Horizons was early and enthusiastic support of this innovative briefing by the leadership of both houses of the Legislature.

Leadership in planning and reviewing the material presented was provided by Sen. Nicholas D. Coleman, Senate Majority Leader; Sen. Robert O. Ashbach, Senate Minority Leader; Rep. Martin O. Sabo, Speaker of the House; Rep. Henry J. Savekoul, House Minority Leader; former Senator Harold Krieger; and Rep. Aubrey Dirlam. Additional leadership was provided by a special task force: Sen. Hubert H. Humphrey, III; Sen. William G. Kirchner; Rep. William N. Kelly; Rep. Rodney N. Searle; Bruce MacLaury, Commission on Minnesota's Future; and Victor Arnold, Gerald Christenson, Dean Honetschlager and Edward Hunter, all of the State Planning Agency.





Presentors



DR. VICTOR L. ARNOLD

Director, Development Planning, Minnesota State Planning Agency since 1973. Executive Director, Commission on Minnesota's Future. Formerly: Assistant Professor of Public Affairs and Director of Continuing Education in Public Affairs, University of Minnesota. Program Director, Minnesota Environmental Decision-Making Project. Marine Resource Economist, University of Wisconsin, Marine Studies Center.



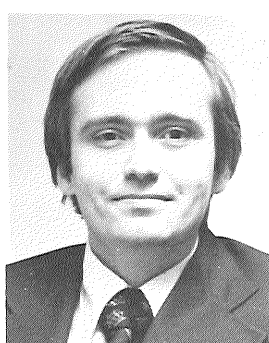
DR. JOHN E. BRANDL

Director, School of Public Affairs and Professor of Public Affairs, University of Minnesota, since 1969. Formerly: Visiting Professor of Public Policy and Public Administration, University of Sydney, 1973. Deputy Assistant Secretary for Education Planning, HEW, Washington, D.C. 1968-69. Visiting Lecturer, Department of Economics, University of the Philippines, 1968. Director of Educational Program in Systematic Analysis; Assistant Professor of Economics, University of Wisconsin, 1967-68.



JANE BELAU

Chairperson, Governor's Council on Developmental Disabilities. Co-Chairperson, Minnesota Coalition of and for Handicapped Persons. Member, County Welfare Board. Member, National Advisory Board for Developmental Disabilities, Technical Assistance System. Formerly: Minnesota Corrections Authority. Consultant, Communications and Organizational Relationships, Development Disabilities Technical Assistance Systems, University of North Carolina.



DR. RICHARD BROEKER

Planning Director in charge of implementing Minnesota's 1973 Human Services Act. Part-time faculty member at University of Minnesota and Hamline University. Formerly: Chairman 1972-73 Minnesota Comprehensive Welfare Reform Project. State Coordinator 1971 Minnesota Action Congress on Unemployment, Health and Welfare. President 1970-72 National Association of Social Workers—Minnesota Chapter.



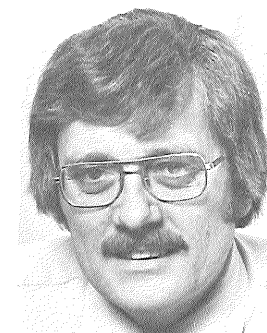
DR. GERALD W. CHRISTENSON

Director of Minnesota State Planning Agency, appointed 1971. Chairman, Minnesota Environmental Quality Council. Vice Chairman, Minnesota Housing Finance Agency. Formerly: Executive Director of President's Council on Youth Opportunity under former Vice President Hubert Humphrey. Administrative Assistant to Congressman Joseph Karth. Chairman, Social Studies Department, Mounds View High School.



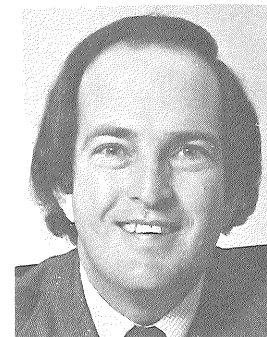
RUSSELL W. FRIDLEY

Director, Minnesota Historical Society since 1955. Chairman, Minnesota Humanities Commission, since 1970. Outco-Superior Foundation Board of Trustees. Formerly: President American Association for State and Local History 1966-68. National Advisory Council on Historic Preservation 1967-70. American Heritage Board of Trustees 1967-69.



DEAN HONETSCHLAGER

Director, Human Resources Planning, Minnesota State Planning Agency. Formerly: Minnesota public school teacher, counselor, and project administrator. Aided with a federally financed five state regional educational research and development laboratory.



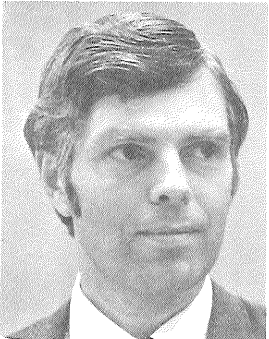
A. EDWARD HUNTER

Deputy Director, Minnesota State Planning Agency since 1969. Chairman, State Manpower Council. President, Minnesota Chapter, American Society of Public Administration. Formerly: Acting Director, 1970-71, Minnesota State Planning Agency. Director, Human Resources, Minnesota State Planning Agency. Director, Research and Planning, Minnesota Department of Employment Security. Visiting Lecturer in Industrial Relations, University of Minnesota.



RAY L. LAPPEGAARD

Vice President, Human Resources, Hoerner Waldorf Corporation. Formerly: Commissioner of Highways, State of Minnesota, 1971-74. Vice President, Stanton Associates, Inc., 1969-71. Director, Organization Planning, Toro Manufacturing Corporation 1967-69. Commissioner of Administration, State of Minnesota, 1966-67. Commissioner of Corrections, State of Minnesota 1965-66. Deputy Commissioner, Department of Public Welfare, State of Minnesota 1955-59. Vice President, Twin City Monorail Company, 1959-63.



DR. BRUCE K. MACLAURY

President, Ninth Federal Reserve Bank of Minneapolis. Chairman, Upper Midwest Council. Co-Chairman, Commission on Minnesota's Future. Consultative Council University of Minnesota Business School, Council on Foreign Relations in New York. Formerly: Deputy Undersecretary of the U.S. Treasury, 1969. President, Upper Midwest Council 1972-73. Vice President, Foreign Department, New York Federal Reserve Bank, 1968.

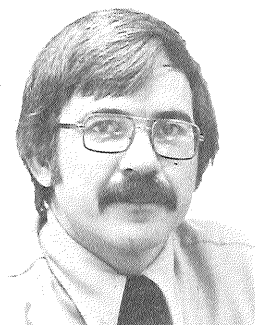


DR. PHILIP M. RAUP

Professor, Agriculture and Applied Economics, University of Minnesota. Formerly: Panel of Experts on Land Tenure and Settlement, Food and Agriculture Organization, U.N., Rome, Italy, 1966-72. Guest Professor, Technical University of Berlin, 1963-64 and 1966-68. Consultant, Economic Development Institute, International Bank for Reconstruction and Development, Washington, D.C. Technical Secretary, Land and Water Use, Subcommission, European Commission on Agriculture, Rome, Italy, 1960-61.

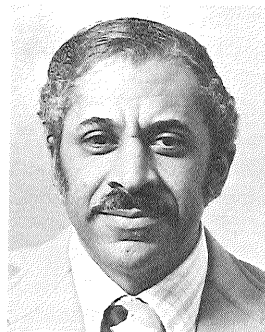
HARRY A. REED

Director, Transportation Planning, State Planning Agency since 1971. Coordinator, National Transportation Needs Study. Secretary, State Interdepartmental Transportation Task Force. Responsibility for administering State Public Transit Grant Programs. Formerly: Control Data Corporation, Regional Planning Agency in Cleveland, Ohio, and the U.S. Department of Transportation.



HAZEL H. REINHARDT

Minnesota State Demographer, Minnesota State Planning Agency. Formerly: Director, Laboratory for Applied Population and Community Analysis, University of Wisconsin-Extension. Demographic Consultant, Southeastern Wisconsin Regional Planning Commission. Consultant, Department of Administration, State of Wisconsin. Professor, Institute of Environmental Studies, University of Wisconsin.



JOSEPH E. SIZER

Director, Environmental Planning Division, Minnesota State Planning Agency, appointed 1968. Formerly: Technical Services Administrator, Minnesota State Planning Agency. Industrial Economist, Department of Economic Development, Marketing Analyst, Department of Agriculture, Florida A&M University.



DR. JAMES J. SOLEM

Director, Office of Local and Urban Affairs, Minnesota State Planning Agency, appointed 1971. Formerly: Executive Director, Minnesota State Urban Affairs Council. Director, Urban Research, State Planning Agency. Assistant Professor, Political Science; Center for Community and Metropolitan Studies; Extension Specialist in Urban Government, University of Missouri, St. Louis. Research Director, Ramsey County League of Municipalities. Budget and Program Analyst, U.S. Department of Agriculture.



VERNON SOMMERDORF, M.D.

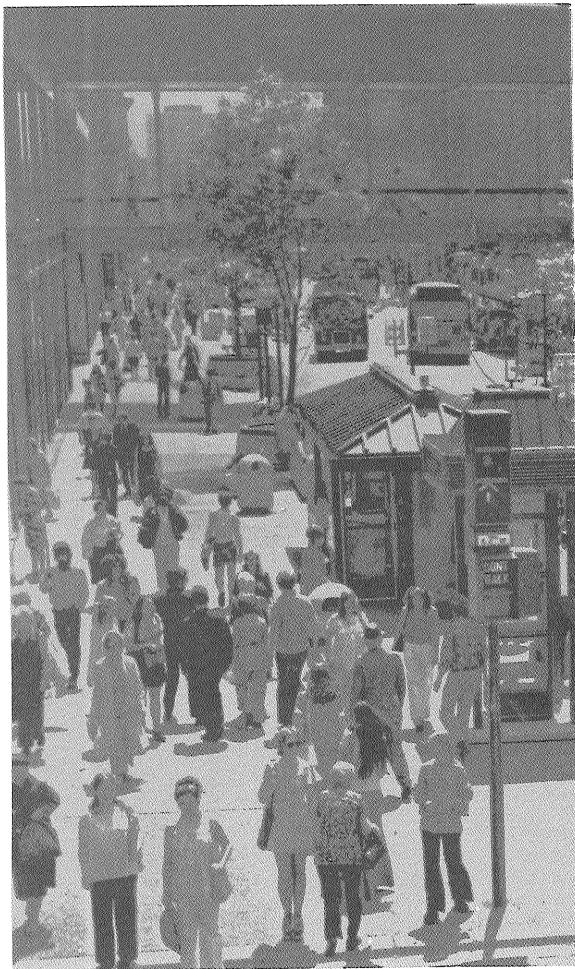
Family practitioner, St. Paul. Chairman, State Comprehensive Planning Advisory Council. Member, State Medical Association. Formerly: member House of Representatives, Minnesota State Legislature.

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Minnesota's Population

Past, Present and Future



*..... How many counties have lost population during the past 35 years? How many have gained?
..... How many have fluctuated in size? How many have remained stable?
..... How does Minnesota's population density compare with the rest of the nation? Why must some areas of the state put forth greater tax efforts than others to provide comparable community services?
..... What is the "mini baby boom"? When is it likely to occur? What practical impact might it have on the state?*

Excerpts from original Minnesota Horizons presentation — By Hazel H. Reinhardt:

"When people think of population, they usually think of simple numbers, yet size is not such a simple concept. For example: while the state has shown a continual increase in numbers, the increase has not been the same for all counties and municipalities. Between 1940 and 1970, only one county, Stevens, had a stable population size, 26 had continuous growth, 27 continuous decline, but 33 counties fluctuated in size. The pattern for municipalities was even more dramatic. Only 93 places continually lost population from 1940-1970, while 229 gained. However, 496 places fluctuated in size."

"The second characteristic of population, change, is inevitable, but the speed with which it occurs influences our ability to cope with it effectively. For Minnesota, the rate of growth has varied from its years of settlement, when the rate was rapid, to the 1950's, when it was also rapid.

"While the state's fluctuations have always been in rate of growth, many counties and places have fluctuated between growth and loss. A community that increases in size, and then declines, is caught in a squeeze both as it grows and as it declines."

"The way in which population changes — births, deaths, and migration — and the speed with which it changes affect noticeably the third and fourth characteristics of population: composition and geographical distribution.

"Composition refers to the characteristics of individuals in the population: age, sex, race and ethnicity, marital status, level of education, occupation and income, to name the most important. These elements are important, because they are keys to understanding the demand for goods and services, both public and private.

"Of all these characteristics, age is the most important, especially for planning, since it has the greatest effect on demand for services. Age is also important because all the components of population-change — births, deaths, and migration — are closely linked to it. Age and income are also closely linked."

"Income is not distributed evenly over the state. In fact, geographical distribution of income worsened between 1950 and 1970. In 1950, 19 counties had median family incomes 30% or more below the state median. By 1970, 23 counties fell into this category. This uneven geographical distribution of income is one of the reasons many local areas must put forth such great tax efforts to provide services comparable to other areas."

"As the demands created by the life cycle indicate, the proportion in the population of one age group to another is critical. When we consider that the 20-64 age group generates most of the revenue, the proportion of the young and the old to those in that middle group becomes a measure of taxpayer burden. Since 1940, that burden has steadily increased. By 1970 there were 1,031 young and old for every 1,000 aged 20-64. A "taxpayers' revolt" becomes understandable in this light.

"The income of families is as important for government as age. Income levels have implications for tax policies. The old adage "you can't get blood from a turnip" is applicable here. On the other hand, the level of family income indicates generally how much social welfare programs are likely to cost."

"Population density, or number of persons per square mile, is a common way of expressing distribution. Minnesota, with 48 persons per square mile, averages ten persons fewer than the nation as a whole, which averages 58.

"Density within Minnesota is naturally greatest in the larger urban areas. However, higher density is also evident along parts of the Mississippi, Minnesota and St. Croix River Valleys.

"Another way to think of population distribution

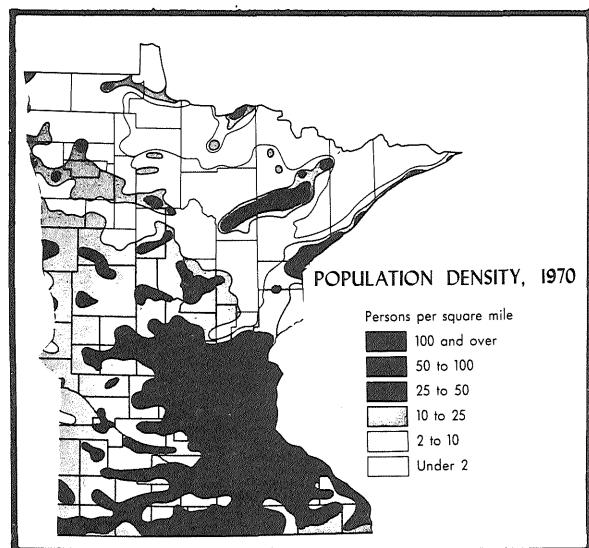
is in terms of concentration. In 1940, 26 counties around the Twin Cities were needed to constitute 50% of Minnesota's population, while in 1970, only eight counties were required to make up this 50%.

"Population distribution wouldn't receive the attention it does, if it did not affect the cost of delivering goods and services. This cost differential is even more dramatic when important compositional characteristics of the population are seen by their geographic distribution . . . In 1950, the proportion of persons over 65 was more or less evenly distributed throughout the state. The highest percentage was 14 in Chisago county, while the lowest percentage was seven in Clay county. By 1970, quite another picture had evolved. The over-65 age group had been unequally distributed. The range in percentages was 19% in Aitkin county to 3% in Anoka county."

"The pattern of population change since 1970 is different from the pattern of the last 30 years. So what will the future look like?

"First, let me say population projections are not predictions. Projections are the result of making assumptions or judgments about the future levels of births, deaths, and migration. Once these judgments have been made, the population projection simply works out present and future relationships. For example, given the present age structure of Minnesota, how many deaths or how many births should be expected? How many migrants will there be?

"The usefulness of population projections lies in



their ability to focus concern where it should be focused: on the components of change likely to produce the greatest future variations in the population. The greatest service any projection can offer is to enhance our awareness of possible options and to provide insight into which 'doors' should, or should not be closed."

"From our alternatives, we selected the assumptions we believe most reasonable, given the vantage point of 1975. The projection, assuming current mortality, a fertility average of 1.9 children, and slight net in-migration, results in a population of 4,653,000 for Minnesota in the year 2000. The 1980 population would be 4,077,000 persons, while in 1990 it would be 4,422,000, under these assumptions. This projection, as you will note, points to a slowing of population growth in Minnesota for the rest of the century.

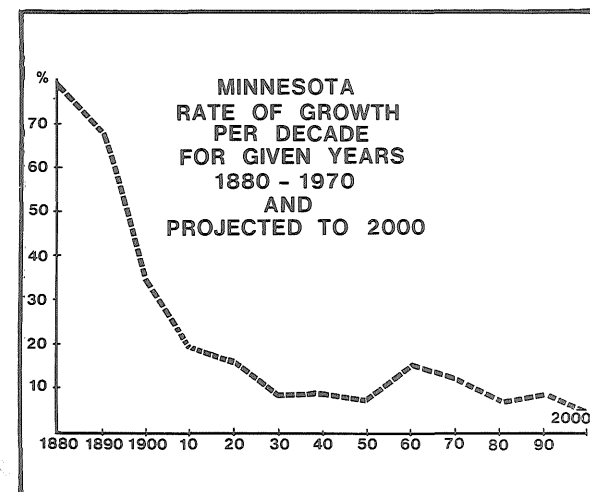
"The rate of change would slow from 11.5% in the 1960's to 7.1% in the 1970's, up slightly to 8.5% in the 1980's, and then down to 5.2% in the 1990's. This slowing of growth is the result of the decline in projected fertility. Thus, its most immediate practical impact will be in the number of children going to elementary schools.

"The most interesting aspect of this projected change is the faster rate of growth in the 1980's. This results from the baby boom. Even if the females born from 1947 to 1960, have a low fertility rate, their numbers are so large, they will produce a 'mini baby boom.' Under the 1.9 fertility assumption, live births are expected to average around 56,600 for 1970-75, rise to about 71,500 between 1980 and 1990, then drop to about 60,700 between 1995 and 2000.

"The age structure of Minnesota will change drastically during this projection period. The proportion of the population under age 20 could decrease from 40% to 29% between 1970 and 2000. The proportion of persons over age 65 should remain quite stable — around 11%.

"The impact of this change in age structure becomes evident when we think of persons between 20 and 64 years of age as generating most of our tax revenues, and persons under 20 and over 65 as benefiting from special expenditures on their behalf."

"Population growth will be more evenly divided between the seven-county metro area and the rest of the state. The rapid increase in manufacturing jobs



should produce some spin-off in retail, business and repair services, and professional employment in outstate Minnesota. The net out-migration of persons 65 and over will continue. Finally, the constantly increasing commuter range, due to the location of jobs on the fringe of the seven-county metro area, will further disperse population, which has long been influenced by transportation arteries. We have in place, today, an interstate system too new to have yet demonstrated its full impact.

"In summary, the future will not be a carbon copy of the past. The decline in fertility will drastically alter the age structure of Minnesota. Even a more modest decline in fertility will not offset the changes to come with the aging of the baby boom, and population distribution in Minnesota, as in other parts of the nation, is bound to change."

Minnesota's Population

What Do The Population Changes Mean?

..... How will future declining enrollments in Minnesota's schools affect the amount of money spent on elementary and secondary education? When is the "mini baby boom" likely to hit the state's colleges and universities?

..... What factors may influence growing unemployment in Minnesota's future How many additional families will be in need of housing during the next ten years? Should the present expansion of nursing home facilities continue or should other options be explored?

..... What areas of the state are likely to attract additional population in the future? Why doesn't a decrease in population size mean a decrease in the cost of government services?

Excerpts from original Minnesota Horizons presentation — By Gerald W. Christenson:

"Most of us would probably have predicted greater total population growth for the state by the year 2000. Some would not have guessed that the percentage of our total population, under twenty years of age, would decline from 40% in 1970, to about 29% by the year 2000. Most would probably have predicted that the percentage of the state's population, 65 years of age and older, would increase substantially by the year 2000, while the projection is that it will increase only very slightly.

"But the biggest surprise, I suspect, is the projection that the seven-county metro area will continue to have only about 50% of the state's population in the year 2000. Most of us have assumed that the rate of growth for the seven-county area would far outstrip the rest of the state, but that is not supported by the data . . .

"The projections that have been made can be of great assistance to you legislators as you make decisions regarding such matters as the cost of school aid formulas, the need for health facilities and nursing homes, transportation modes, housing programs, the location of public facilities, and so on."

"Looking at the state projections as they apply to current decision making in education, the Legislature may want to consider the following factors:

"The declining enrollments may result in an undesirable lack of mobility in the teaching profession. There will be few openings for new teachers, and the structure of salary schedules and retirement programs will make it unlikely that experienced teachers will move. Attention might be directed to a more flexible retirement program, varied sabbatical opportunities for teachers, and expanded cooperative efforts among school districts.

"The combination of declining birth rates and out-migration will cause serious enrollment problems for some rural districts, where pupils already travel long distances by bus. New options, such as better use of telecommunications, educational service districts, and traveling teachers may have to be examined.

"The teacher surplus will be an element in creating new opportunities and demands in the areas of early childhood development and expanded programs for adults and the handicapped.

"Some of the school facilities which will be regarded as surplus during the next ten years may have to be utilized again, after 1985, as the 'mini boom' occurs.

"While the rate of total spending in education may be slowed, per pupil costs of education are likely to rise substantially. The main reason for this is teacher salary schedules. With fewer teachers being hired at the bottom of the schedule, the teachers who are retained are those with experience whose salaries are much higher."

"After 1980, the pool of 18-24-year-olds, the traditional utilizers of post-secondary education, will start to decrease. Declines in college enrollments, thus far, have resulted from declines in the percentage of this age-group attending school. A low attendance rate, with the smaller pool after 1980, would call for a rethinking of our post-secondary structure.

"Some factors to consider here include:

"The low demand for teachers over the next 15 years means that the state colleges must continue their efforts to expand their programs of new vocations, community service, and continuing education. . .

"The projected even division in Minnesota's population between the seven-county metro area and the remainder of the state should be good news to some of the outstate colleges, but the outstate growth will be uneven, and further analysis will be required to assess its effect on individual colleges.

"Renewed emphasis on career counseling may be necessary. The recent decline in the percentage of high school graduates attending college may be accounted for, in large part, by economic conditions, the end of the Viet Nam War, and the increase in enrollments at vocational schools. But another important factor may be the decreased demand for teachers. High school graduates who foresee a real job at the end of their college training are undoubtedly more likely to attend college . . .

"The population mini boom that hits the elementary and secondary schools between 1985 and 1995 will also affect the colleges, but it will be almost the turn of the century before its full impact is felt."

PERCENT DISTRIBUTION OF THE POPULATION

Under 20 yrs. 65yrs. & Over

1970	40.1	10.7
1985	30.5	11.3
2000	28.7	10.9

"A smaller than anticipated population in the seven-county metro area will affect mass transit planning . . . The peak year for babies in Minnesota was 1959. Those 1959 babies will be 16 this year and old enough to drive in Minnesota. One might speculate that if energy, economic, or mass transit factors don't intervene, there will be an increase in automobile use during the next ten years.

"The 50% share of Minnesota's population, projected for outstate areas, combined with energy and economic problems, may require a harder look at the public transportation needs of the outstate area."

"The baby boom generation is now in the 14 to 27 year age bracket. The entry of this large group of people into the labor force places a severe strain on our ability to create jobs. The increasing percentage of women seeking employment is an added factor. Unemployment may grow to higher levels than we feel is tolerable. The combination of higher energy costs, higher capital costs, and the large available supply of labor could result in expanding labor intensive economic activity that might be a factor in increasing the number of jobs."

"During the next ten years, 242,000 additional families will need housing in Minnesota. This increased demand will come primarily from the 20-34 age group. This will increase the need for lower cost housing, because most people in that age category are at early stages in their careers, when incomes are lower. With new construction costs rising rapidly, this may point the state toward greater efforts to rehabilitate our existing housing stock, one-half of which was constructed before 1940."

"The percentage of Minnesotans 65 years of age and older will remain relatively constant at about 11% over the period 1970-2000. Commensurate with the overall population increase during that period, the actual numbers of aged will increase by about 100,000. That raises important issues regarding health care for this group. For example, should the present expansion of nursing home facilities continue or should other options be explored?

"The portion of our health resources, previously devoted to such areas as obstetrics and pediatrics, may be freed for use in areas such as the treatment of alcoholism and drug abuse."

"The reduced pressure in education should open new program opportunities for early child develop-

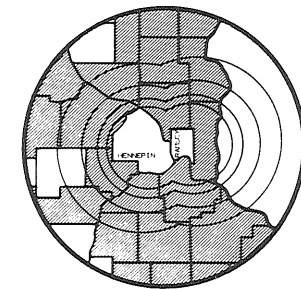
ment, for the mentally retarded, and for the handicapped. The criminal justice area should also be interesting to watch. A great proportion of the crimes today are committed by persons between ages 15 and 29. The reduction in this age group, after 1985 or 1990, should result in a decrease in certain kinds of crime."

"Population growth in the scenic and amenity areas will probably continue to be brisk. The St. Cloud area and the entire I-94 corridor appear to be areas of population growth. The population of the Iron Range will undoubtedly increase, if there is increased mining activity; however, this area has also experienced the greatest fluctuation in population in the past. The areas of the state which are intensively cultivated, probably will not attract the over-64 migrant. Population growth there will depend on agricultural prices, increase in non-agricultural prices, and increase in non-agricultural employment. It may be encouraging that since 1972, the decline in the number of farms in Minnesota appears to have halted."

"The migration of middle-age and older people to certain outstate counties will create a new demand for government services in those areas. Those who move from the metropolitan area, where they have been accustomed to high levels of service, may be especially insistent on rapid response . . . This demand for improved government services, combined with decentralization efforts by state government, will probably result in a reevaluation of the number and role of local units of government, and a move to combine various service delivery systems."

"Why doesn't a decrease in population size mean a decrease in the cost of government services? Largely because most municipal expenditures are made to enhance and secure property, and to provide a pleasant environment for its inhabitants. Thus, the number of persons living in each house is not as important as the number of houses and how densely they are located, or how many businesses are located within the municipality."

ESTIMATED NET OUT-MIGRATION
OF 70,000 PERSONS
FROM HENNEPIN AND RAMSEY COUNTIES
1970-73



□ Counties of Out Migration
▨ Counties of In Migration

"If normal spending patterns persist, relative state and local tax burdens should be reduced between now and the year 2000. We usually regard those between 20 and 64 years of age as generating most of our tax revenues, and persons under 20 and over 64, as benefiting from special expenditures on their behalf. In 1970, for every 1,000 persons 20-64 years of age, there were 1,031 persons under 20, and over 64. From now until the year 2000, there will be a steady change in that relationship; by that time, there will be only 656 persons under 20 and over 64, for every 1,000 persons 20-64 years of age. This change results from the projected lower fertility rate, and the emergence into adulthood of the baby boom population. The change in the proportion of the age structure between 20 and 64 years, means more taxpayers, and fewer in the combined categories of young and old to receive tax dollars."

Minnesota's Economy

Public Policy and Minnesota's Economy



By Bruce MacLaury

"Economics has to do with the ways people earn their livings and spend their incomes. More specifically, it's the study of resource allocation — the ways in which land, labor, and capital are used to produce needed goods and services. Economic development, then — whether of a nation, state, or locality — is primarily the process that determines if, when, and how existing resources will be used.

"Resources do not allocate themselves. Resource allocation is the result of decisions. Someone — individuals, consumers, firms, or corporations — decides how resources will be used.

"Obviously, it is not only private individuals and firms that make such decisions; governments and legislatures also allocate resources. They do so on the one hand by spending money on schools, highways, hospitals, and human services, and on the other hand, through taxes and regulations. Moreover, the primary decisions made by governments to spend, tax, or regulate have secondary impacts. For instance, the decision to route a new highway through one town rather than another has an effect on the location decisions of private firms and individuals.

"Thus we operate in a mixed economic system — one in which both private and public elements interact to allocate resources. One important question then is: What is the proper mix? In terms of improving the allocation of resources, what *have* governments done? What *should* governments do? What *can* they do? These are the primary questions to which we will address ourselves in the following discussion."

"The imperfections of the price system are well known. First, in a purely laissez-faire economy, some desirable goods and services probably would not be produced at all, or would not be produced in adequate quantities. In cases where collective benefits are relatively great but the benefits to any one individual acting by himself are negligible, those kinds of goods or services would not be adequately provided without collective action. Defense expenditures are perhaps the nearest thing we have to a purely public good. Police and fire protection come to mind at the local level."

"There are other areas where the marketplace may not produce the best results. It can be argued, for example, that the market, left to itself, may not appropriately divide resources between present and future generations. Clearly, tomorrow's citizens have a stake in the way resources are allocated today, although, as yet, they have no dollar votes to cast in the marketplace. The result is that the market economy may take a shortsighted view of the needs of its citizens. Current consumption may be biased upward at the expense of future generations. A society's depletable resources may be used too quickly, or its land base may be used in ways that unduly constrain the possibilities open to future generations."

"Thus, we are left, it seems, with choosing between two allocative systems, neither of which is perfect. How are we to choose? Or more accurately, when should we rely on market forces or on public action?

"Precedent might offer some guidelines. Therefore, let us look back at our state's economic development. In the past, what mix of private and public forces has guided Minnesota's economy?"

Economy The Past

.....What are some of Minnesota's natural endowments which affected its economic development?
What is a "bonanza farm"?.....What happened to the state's lumbering industry?
What was the chief economic concern of Minnesotans during the 1850's?.....Which two industries led the state at the turn of the century?
Is Minnesota still mainly an agricultural state?

Excerpts from original Minnesota Horizons presentation — By Russell W. Fridley:

"To begin our survey of the development of Minnesota's economic base between 1850 and 1950, we must first look at the state's geographical location, climate, and its remarkable combination of natural resources — water, soil, timber, and iron ore. One out of every 20 acres is water.

"Because of its central location in North America — in almost the exact geographic center — Minnesota has a distinctly continental climate, marked by wide variations in temperature — 114° above to 25° below — an extreme range of 173 degrees. It contains the sources of three great drainage systems flowing in opposite directions. From the northwestern third of Minnesota, they flow northward through the Red River into Hudson Bay. The northeastern tip drains eastward through the Great Lakes into the Atlantic Ocean. Water from the rest of the state finds its



way south into the Gulf of Mexico through the Mississippi River and its tributaries. Geographically, Minnesota is a transition zone, partaking of three distinct regions: the north woods, the Great Plains, and the corn belt. This varied geography has provided equally varied resources which, in turn, have led to a highly diversified economy."

"Most of the early immigrants were farmers, and with their arrival, agriculture became the dominant occupation in Minnesota. The first farms were diversified and largely self-sufficient. Cash crops were unimportant because of the difficulty in getting them to market. High prices during the Civil War, however, encouraged the growth of wheat, especially in the southeastern counties where it could be taken by wagon to river ports along the Mississippi. The building of railroads in the late 1860's and the increasing use of farm machinery further stimulated wheat production, and during the 1870's, settlement and railroads extended to the Red River Valley. There the millions of acres of flat, rich land led to the first experiments with large-scale semi-mechanized agriculture — the famous bonanza farms. Minnesota soon became the nation's leading producer of wheat, and Minneapolis became its great flour-milling center."

"Next to the fur trade, lumbering is Minnesota's oldest industry. It began after 1837. The northern part of this area included a dense stand of pine

timber. By 1839 lumber camps had been set up along the St. Croix, and the state's first commercial sawmill was built at Marine. Others soon followed. Major sawmills sprang up at Stillwater, St. Anthony Falls, and Winona. Millions of logs were made into rafts and sent down the Mississippi to St. Louis and other cities. Millions more were milled and sent out as lumber. White pine from Minnesota built towns, cities, and farms across the treeless plains of Iowa, Kansas, and Nebraska.

"With increased use of machinery and the building of railroads, cutting proceeded faster and faster with little thought for the long-range consequences. The industry fanned out eastward and northward toward the Canadian border, and places like Duluth, Cloquet, Virginia, and Grand Rapids replaced the earlier milling centers. The peak of production came in 1905. After that the supply of timber rapidly ran out. The cut-over land has proved generally unsuitable for agriculture, but it still supports a forest-products industry which ranks as Minnesota's fifth largest. Jack pine and poplar yield pulpwood for making paper and building board. Other products are posts and poles, railroad ties, Christmas trees and wreaths, and fuel wood. The area is also a center for the state's growing tourist business.

"Development of Minnesota's timber paralleled that of its great iron deposits. The first iron mine opened was the Soudan on the Vermillion Range in

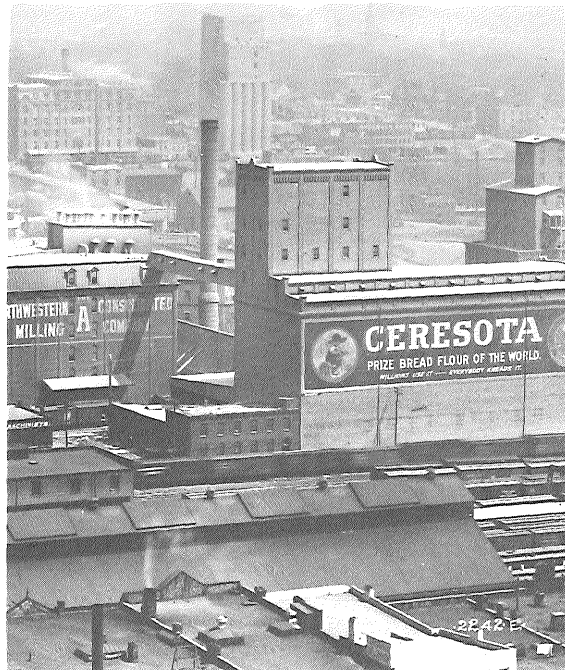
1884. Not until 1890 was the potential wealth of the Mesabi Range discovered, but thereafter it was rapidly developed. On the Mesabi, the iron lay near the surface of the ground in large pockets of soft, rich ore which could be scooped out of open pits by armies of unskilled laborers and later with heavy machinery. The Great Lakes provided a convenient water route to the steel mills of Pennsylvania, Ohio, and Indiana. Of the 2½ billion tons of ore taken from Minnesota since mining began here, all but a small portion has come from the Mesabi. An increasing number of taconite processing plants operate in the region. These involve an investment in specialized equipment which places this industry as much in manufacturing as in mining."



"It is useful to take a look at the economic concerns of Minnesotans at 50 year intervals — 1850, 1900, and 1950.

"Few economic problems in the 1850's occasioned greater interest and concern than that of improving transportation, especially as settlement worked out from friendly river banks, river forks, and power-producing falls. Faster and better means of getting from place to place were vital to growth, opening

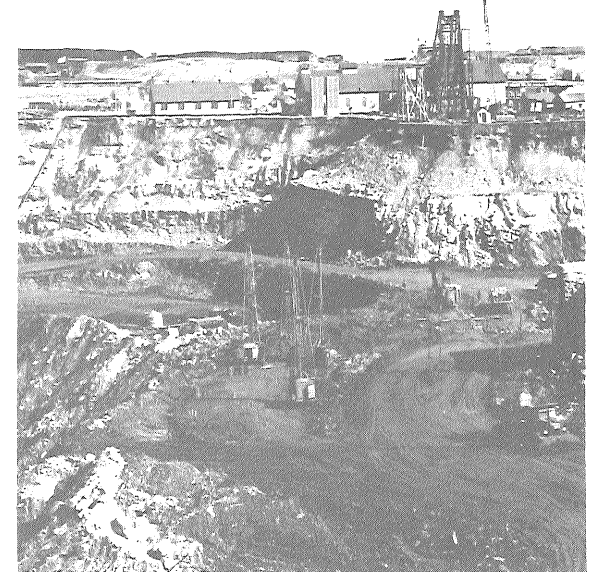
farms, building towns, developing industry and markets, providing effective mail service, and indeed knitting the fabric of society and government. Improved channels of travel offered cheering therapy for the pangs of isolation and loneliness, a spur to the feeling of 'belonging' to an organized community. The pioneers understandably hailed every advance from the era of canoes, pirogues, rafts, and oxcarts to steamboats, roads, and railroads.



"In 1900, as Minnesota worked its way into the 20th century, it wore the unmistakable marks of growth and prosperity. It had changed considerably from the territory of the pioneering 1850's. The thinly populated frontier with grandiose visions that had existed 50 years earlier had grown into a state of 1,750,000 people. Railroads had built tracks in nearly every direction from the Twin Cities. Farming was still very important. Diversification had invaded the rural scene, though wheat was still a dominant crop. But cities and urban industry were challenging the rural economy. Towns had sprung up and a 'metropolitan center' was extending its orbit of

influence into both state and region. Iron ore was being shipped eastward in millions of tons. Yet the business race was still led by flour and lumber. These two industries claimed about 46% of Minnesota's invested industrial capital at the beginning of the new century.

"By 1950, Minnesotans, accustomed to thinking of their state as rural and agricultural, were witnessing a fundamental shift in the composition of the state's economy. For the first time, the value of the state's manufactured goods exceeded that of its agricultural products."



"Industrialization and urbanization also brought problems with them. Family farms and many prosperous small communities have withered away, and some rural counties face virtual depopulation. Meanwhile, metropolitan growth has sprawled across the countryside. Change has been sudden and rapid, and the government structure of Minnesota has not kept pace."

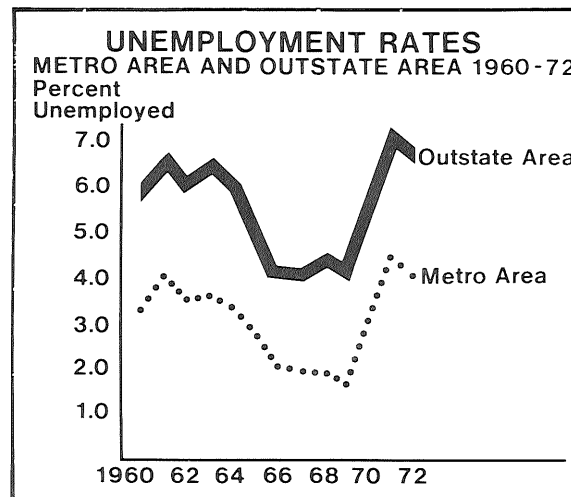
Economy The Present

..... How does Minnesota's income level compare with the national average? Have government programs had an effect on redistributing incomes? Is it true that the economy of the Midwest is more stable than the national economy? Which industries or occupations employ fewer workers today than they did 20 years ago? Which employ more? How does employment in the Twin Cities metropolitan area compare with outstate employment? Why was the Twin Cities area able to foil the forecast that it would never become a modern industrial center?

Excerpts from original Minnesota Horizons presentation — By Bruce MacLaury:

"The logical starting point in assessing our achievements and our remaining problems is to ask: Where are we relative to a quarter-century ago? We have more cars and more luxuries, but we also have more crowding, more pollution and, some would say, more anxiety and less happiness. Are we really any better off?

"Judged by the gains in per capita income, the answer is undeniably 'yes.' In 1948, our per capita personal income was \$1,400; by 1973 it had grown to \$5,100. Of course, inflation caused some of that gain, and thus it does not represent any real increase in purchasing power. But even after allowing for the effects of inflation, the gains have been substantial. Minnesota's income level lagged behind the national average for over 25 years, but in 1973, the state spurted ahead, largely on the strength of record gains in farm incomes."



"The incomes of the poor are certainly higher than they were ten years ago, and, at least until the recent inflation, the real purchasing power of low-income groups probably improved during those years. However, it can also be argued that poverty is a *relative* phenomenon: a man feels poor because the people around him are so much richer. If this view is accurate, then the gains of the poor are far less since the poverty programs of the 1960's have not greatly altered the distribution of personal incomes, at least nationally. In 1964, the families in the lowest 20% of the income scale received only slightly more than 4% of the income; in 1973, they received slightly less than 5%. Correspondingly, the share of income going to the top 20% decreased only slightly, from 45.5% to 44.6%."

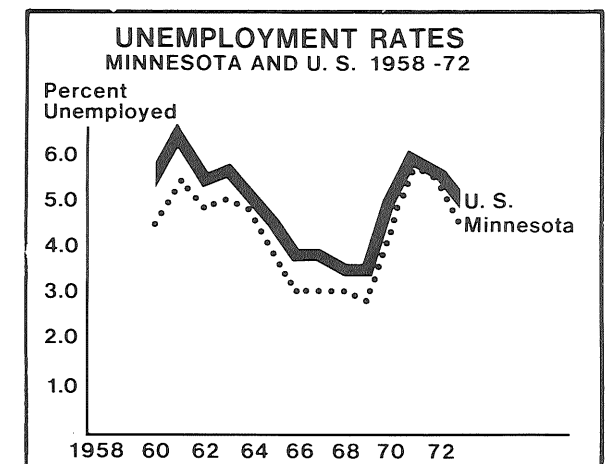
"Why haven't government programs had a greater effect in redistributing incomes? Two economists — Kenneth Boulding and Martin Pfaff — have concluded that explicit grants to the poor, taken by themselves, *have* helped redistribute incomes. But, they add, the redistributive effects of other programs — conveyed through tax laws, public policy, or administrative rules — have been to reinforce greater inequality, thereby offsetting the impacts of the grants. For example, a recent Brookings study pointed out that social programs intended to help low-income groups are often financed by increasing the types of taxes which fall most heavily on just those groups."

"The Midwest economy has acquired a reputation for being more stable than the national economy. That reputation may or may not be justified, depending upon the area and on the time period under discussion. It is true that the unemployment rate in the Twin Cities has generally been below the national rate. But unemployment rates in outstate Minnesota have usually been above the national average, in part because of high seasonal unemployment."

"Employment in Minnesota has been growing. Since 1958, the work force has increased by nearly one-third, about the same as the national increment. By 1973, total employment was 404,000 workers above the level of 1958, and the annual rate of growth over that period was 1.8%."

"Not all regions and not all sectors gained employment in the postwar period. There was, first of all, a sizable shift from rural to urban areas, especially the Twin Cities metropolitan area. According to census data, 86% of the gain in employment from 1950 to 1970 was in this area; 14% of the gain was in outstate areas. Since 1970, however, dramatic shifts have occurred. Total increase in employment in the metropolitan area has been 1.8%, in outstate Minnesota, 11.7%."

"Which economic sectors fueled the employment gains over the period 1958-72? First, note that some sectors lost jobs: fewer workers were employed in mining and farming in 1972 — 102,000 fewer than in 1958. There were also fewer self-employed work-



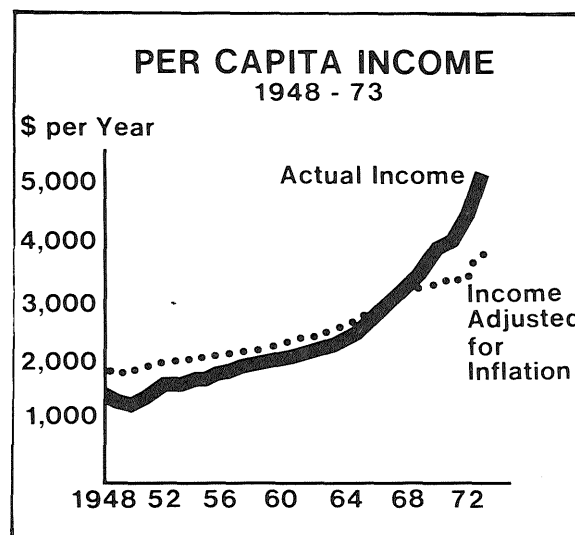
ers as the size of nearly all types of operations shifted toward more large-scale, capital-intensive units. Partially offsetting those losses were nearly 90,000 new manufacturing jobs, more than half of which were in the metropolitan area. Large gains were also registered in the trades and service sectors and in the government (including education) sector, which in one sense was the real growth sector of the economy."

"While in outstate areas total employment was fairly stable as losses of jobs in farming were offset by gains in other sections, employment in the Twin Cities economy was growing throughout the postwar period. By the early 1970's the seven-county metropolitan area had more than half of the state's total work force, two-thirds of its manufacturing employment, and three-fourths of the jobs in finance, insurance, and real estate.

"The growth of the Twin Cities economy was not foreseen a quarter century ago. A journalist, William Peirce, speculates that the Twin Cities economy in the mid-1940's showed little promise of becoming a modern industrial center. He points out that the area's traditional industry, flour milling, was moving out. The area was far from the nation's main transportation lines and market centers. Surely high transportation costs would discourage industries from locating here. Thus, he asks: what kept Minnesota from becoming an economic backwater?

"He advances several reasons. First, two developments diminished the importance of high transportation costs as a factor constraining industrialization. The newer postwar technologies made possible a greater degree of decentralization in American industry than was previously possible, since for new products like computers and scientific instruments, transportation costs were small related to the total value of these products. And the development of modern transportation technologies — high speed motor traffic between major cities and increases in shipment by air — tied the Twin Cities more closely to national markets. In other words, transportation costs were no longer a critical constraint.

"Second, while the Twin Cities area had no mineral or energy resources, it did have other important resources. It was located close to amenities — an increasingly important consideration in a consumer-oriented and relatively affluent society. And as the regional capital of the Upper Midwest,

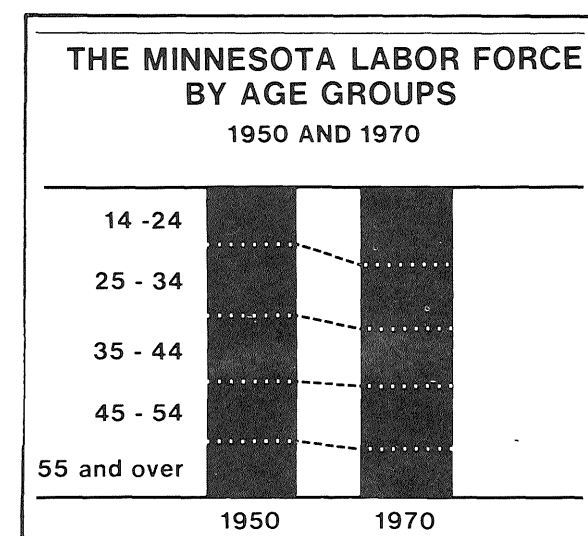


it was the jumping-off point for many migrants from farming regions in the Dakotas and outstate Minnesota. These in-migrants helped provide the skilled and dependable labor force needed by growing industries.

"Third, given that the Twin Cities were able to attract an initial core of new industries, growth tended to become self-sustaining. In seeking locations, new firms found it most efficient to locate near already existing firms. The existence of a productive labor force attracts new industries and, in turn, the new industries attract new migrants to the area. The introduction into the metro area of important leisure-time attractions — baseball, football, hockey, and the arts — gave an added impetus to the cycle of self-sustaining urban growth. In the growth cycle, these various factors thus reinforce each other, at least up to a certain city size, after which the costs of further growth may begin to outweigh the gains."

"There are two ways to approach the future. One is to assume that it will be like the past, or at least that past trends will continue into the future. The second approach tries to anticipate ways in which the future will differ from the past.

"Both approaches have their merits. The first approach makes sense insofar as basic structural changes usually occur gradually in our economy. Annual increments in the population and in the



labor force are fairly small. Tastes and preferences change slowly. The capital stock cannot be either rapidly expanded or rapidly contracted. The land and resource base is essentially given. Thus, it comes as no surprise that simple trend projections are often better predictors of future events than sophisticated approaches.

"The problem with projecting past trends is that sharp structural changes occasionally do occur. The dislocations caused by the current energy crisis are proof of that. Thus, there is merit in attempting to foresee these sharp breaks with past trends. This might be called the 'what if' approach, and it lends itself to numerous possibilities. What if, for instance, Minnesota's future energy supplies are less certain and more costly than in the past? What if inflation rates do not abate in the near future? What if a worldwide recession occurs? What happens if changes in our climate make large portions of the American corn belt unsuited for agriculture? Or, what if short-run gains in food production glut world markets?

"How likely are these events? Or others? If they do occur, what can be done through public policy to counter their adverse effects?"

Economy The Future

..... What are some of the major causes of inflation today?..... Is the population bomb a real threat in the United States?..... Can the energy shortage and environmental degradation be handled at the same time?

..... Will agricultural productivity remain high?..... Will energy costs rise in Minnesota?..... Will transportation and communication advances put the state more on the beaten track?..... Will more women appear in the job market?

..... How can inflation be of benefit to the state's fiscal reserves?

Excerpts from original Minnesota Horizons presentation — By John E. Brandl:

"It should be emphasized that the major causes of inflation have not included excessive governmental spending. The inflation has been caused by the oil embargo, widespread crop failures around the world, an arbitrarily large increase in the money supply two years ago, overly powerful large firms and unions, and finally, the pessimistic expectations of a dispirited populace. Attacking the recession directly would not necessarily foster further inflation; it might indeed quell some inflationary pressures."

"For the next quarter century, the most frequently mentioned threats to continued prosperity are nuclear war, population increases, shortages of energy and other resources, and pollution gone wild. I will not discuss the first of these, simply because its occurrence is beyond the control of anyone in state government. The same is true of the second. Furthermore, at current growth rates population

increases in this country will be modest; they will not be a threat to economic growth. In fact, as I will show in a moment, the demographic trends for this country are economically encouraging. The 'Third World' is another, exceedingly gloomy story.

"Of energy and other resources, it must be said that not only for this year, but for the next decade or two, world-wide shortage is not the problem. The problem is dependence on particular forms and locations of supply, coupled with a demand for ever more materials. The only comprehensive study of energy demand and supply, recently completed by a group at the Ford Foundation, concluded optimistically that if government policy-makers and society in general are willing to take appropriate but difficult steps, the twin problems of energy shortage and environmental degradation can, in the long run, be handled. At present, each year we use 4.5% more energy than in the last. That could be cut to an increase of 2% or less per year without changing drastically our standard of living. Under those circumstances, it would not be necessary in the next decade or two — and hopefully not ever — for the U.S. to make use of all the controversial ways of expanding energy supply: increased imports, surface or strip-mined coal, offshore oil wells, oil shale, and nuclear fission. Each of these ways has staggering associated costs or dangers that have not as yet been surmounted. To assume blithely that they will be is folly. Energy growth must be cut.

"But even providing current levels of energy each year in the future will be expensive. Can the country afford it, and will its use strangle us in exhaust and industrial waste? Those are open questions, but the resources enabling us to afford pollution control and needed energy can and should be available. The American economy, which yielded a per capita income (in constant 1967 dollars) of \$2000 in 1950, and \$3500 in 1970, *can* continue to grow. At full employment it could produce \$4700 per capita in 1980, \$5300 in 1985, and \$8000 by the year 2000. Per capita income is already nearly twice what it was in 1950, and it could nearly double again by the turn of the century."

"In trying to arrive at a more plausible picture of the state's economic future, we can combine several ingredients: past state and national trends that can be expected to continue and calculated guesses such as the following:

1. Agricultural productivity will continue to keep increasing and demand will remain high.
2. Energy costs will rise.
3. An affluent society will be concerned with getting health care.
4. Transportation and communication advances will put Minnesota more on the beaten track.
5. In a crowded, hostile, and dirty world, our natural and social amenities will be attractive enough to outbalance blizzards and the high cost of our government."

"Combining conjectures with demographic data and the informed judgment of leaders in the various sectors, we can arrive at a guess about life in the next quarter century. The picture, of course, could always be changed by natural calamities, public policy, and the unpredictability of human beings. Projections assume average unemployment of 6%. The picture, then, looks like this:

1. A population for the state lower than has often been predicted in the past.
2. A work force relatively larger than at present. Now, 40% of the state's population supports the other 60%. By 2000, with relatively fewer young people and old people and more women in the job market, the work force will be 45% of the population.
3. A society more urban than the present one. But the evidence of the past several years suggests that much of the urbanization will take place outside the Twin Cities. Several outstate cities have enjoyed a renaissance in recent years. The Metropolitan Council has recently adjusted downward its estimates of population growth for the Twin Cities. It is very unlikely that any major new urban centers will develop. Rather, we can expect to see increased urbanization in existing communities along a strip extending from Rochester, through the Twin Cities, and north, perhaps as far as Bemidji. The out-migration that occurred in the northern third of that strip during the 1960's began to reverse itself in the early 1970's. On the other hand, Hennepin and Ramsey counties have actually been losing population lately.
4. Stabilized employment in agriculture and mining, some increase in manufacturing, and larger increases in services. Education, now

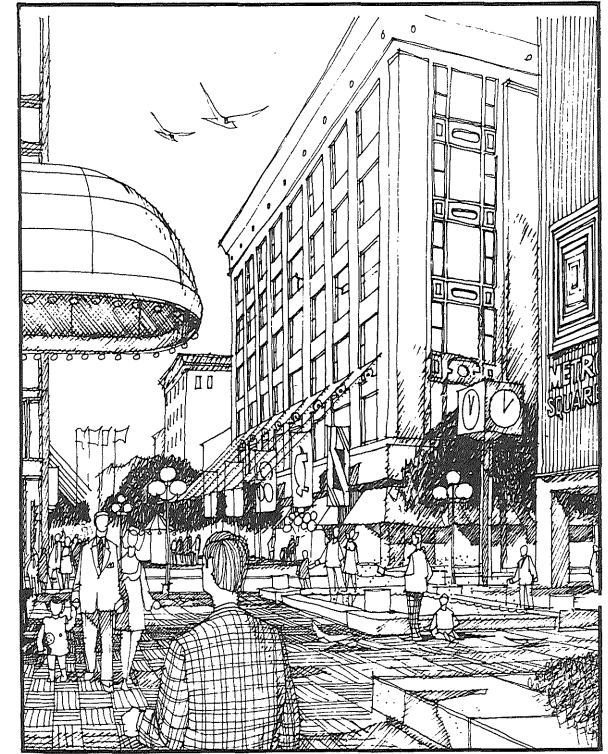
the largest component of the services category, is no longer a growth sector and will be surpassed by health as a category of employment."

"Here are the major questions the projections do not answer:

1. To what extent can governmental action affect that picture?
2. To what extent is it desirable to sacrifice private incomes to public amenities, environmental preservation, education, roads, and parks?
3. How will the financial returns of that future society be distributed? Recall that in 2000, per capita income in constant dollars could be double what it is today."

"Combinations of inflation and real growth in the economy that result in increases in money incomes yield proportionately larger increases in tax revenues. To the extent that corporate profits grow more slowly than income, that conclusion does not apply, since the corporate tax is a flat proportion of income. With that proviso, however, we have

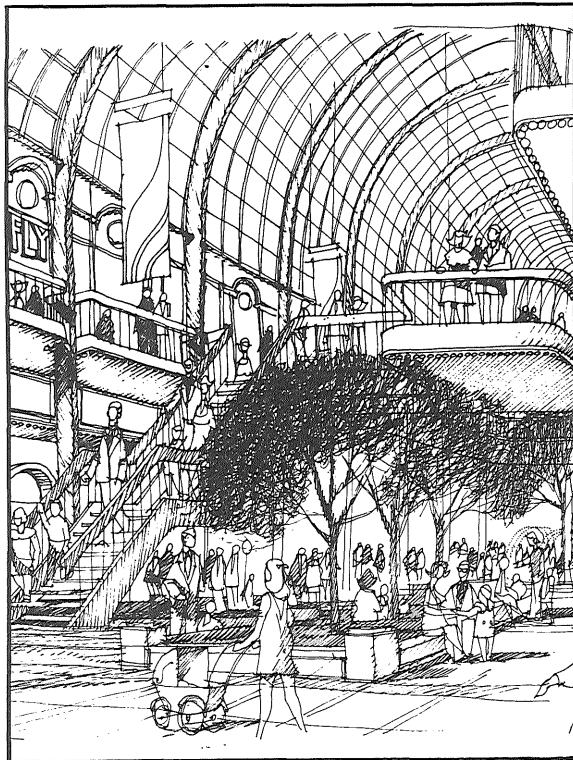
reached the important conclusion that in Minnesota, inflation transfers money from private to public use. Assuming some decrease in corporate profits in the next biennium, followed by small increases after that, one can make rough projections of revenue growth over the next several bienniums.



* Tax revenues are largely dependent on the state of the overall economy.

* For the next several bienniums, revenues will increase by several hundred million dollars each biennium unless there is a collapse of the economy.

* The number of dollars involved is so enormous that it is having important effects on Minnesota's economy. It seems no longer to be the case that taxes are merely ways to support government. They have become an influence on the level and distribution of economic activity in the state. Whether conscious of it or not, state government does have an overall economic policy."



Minnesota's Physical Environment



Mining, Forestry and Recreation

.....What minerals have the biggest potential for development in Minnesota?.....Will such development present a threat to the natural environment, or compete with current land use?

.....Which will be more important, paper pulp or saw timber, in future industrial use of the state's forests?.....Does Minnesota have a long-range management policy for its public forest land?

.....How many lakes does Minnesota actually contain? How many miles of inland rivers and streams?.....Of how much economic benefit are they to the state?

Excerpts from original Minnesota Horizons presentation — By Victor L. Arnold:

"We have a total land area in Minnesota of 54.6 million acres with the following land uses:

	Acres	Percentage
Cultivated	23,743,360	43.5%
Forested	18,384,800	33.7%
Pasture and Open	6,013,280	11.1%
Water	3,293,960	6.1%
Marsh	1,867,200	3.5%
Urban and Residential	644,040	1.2%
Urban Mixes	550,080	1.0%
Extractive	87,280	0.2%
Transportation	27,840	0.1%
Total	54,611,740	

"In Minnesota, 87,280 acres, less than 0.2% of the total land area of the state, is devoted to mineral extraction. The Mesabi Range, the Duluth-Gabbro formation, and the Minnesota Greenstone formation are the major mineralized formations."

"Iron mining in Minnesota has grown from an initial shipment of 62,124 tons in 1884, to present annual shipments of more than 50 million tons. In the last ten to 20 years, there has been a dramatic shift from natural ore to the production of taconite. Taconite production has grown to 570 times the 1950 level, while natural ore production decreased 74.8%. The iron and steel industry has so adapted its blast-furnace technology to the high-quality iron taconite pellets that it has become increasingly less economic to mine natural iron ore reserves."

"The biggest potential for mineral development in the state is the copper-nickel industry. To date, two definite proposals have been made. International Nickel Corporation (INCO) has proposed an open-pit mine about 15 miles southeast of Ely near the South Kawishiwi River. The mine and ancillary facilities would consume about 5,500 acres of land. The company plans to extract 90,000 tons of rock daily, of which 50,000 tons would be waste rock. . .

"The second proposal is from American Metal Climax Company (AMAX), which wants to establish an exploration site. This would be an underground shaft outside Babbitt in St. Louis county, near the open-pit taconite mines of Reserve and Erie Mining companies. AMAX has done an extensive environmental analysis of the area and has instituted some pre-operational monitoring. The total area to be disturbed by the exploration is ten acres. Exploration would occur over 18 months, during which time 60,000 tons of rock will be removed. This mine, if developed, would be underground."

"The copper-nickel industry, on the whole, has the potential for disrupting a much larger area than iron mining. The prime mineral area along the Duluth-Gabbro contact lies within the Superior National Forest. With the exception of the INCO proposal, future proposals for copper-nickel development in the Duluth-Gabbro complex will probably specify underground mining. Although this will help to limit impact on the land, there are other problems to consider. Mining in areas north of the Laurentian Divide has the potential of affecting the ecology of the BWCA with sulfide runoff from stockpiles and possible leakage from tailings basins. The actual impact this would have and the ability of present technology to handle the problem are not really known.

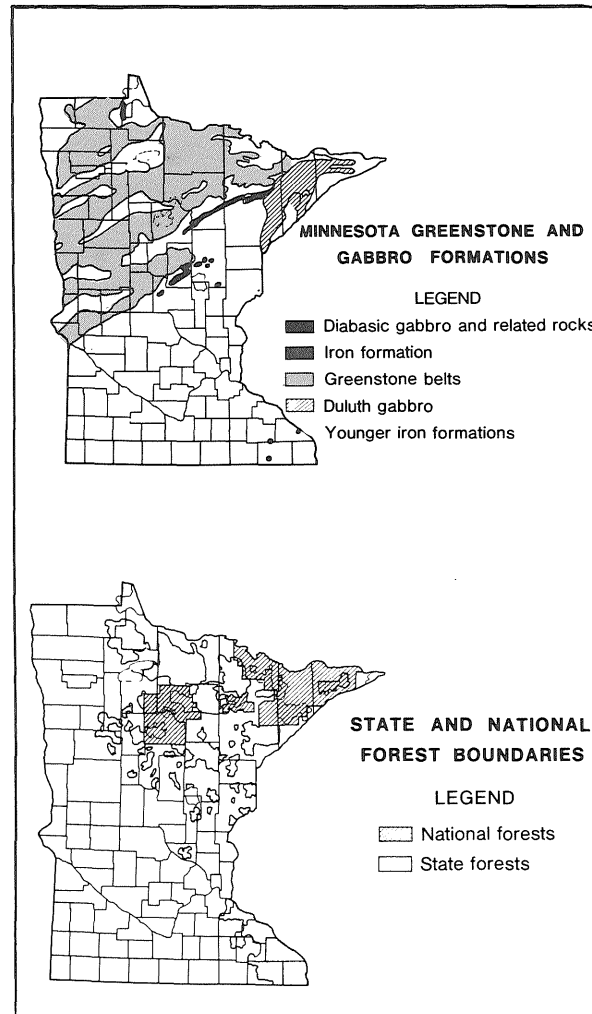
"Perhaps the largest potential problem is the future development of Minnesota's Greenstone belts. The Greenstone belts extend down from Canada where many valuable mineral deposits have been discovered and developed. The belts may contain deposits of copper, nickel, zinc, lead, gold and/or silver. Some areas in Minnesota's Greenstone belts are being leased and explored, but no discoveries have yet been made. The technology necessary to develop any deposits that might be discovered is not yet available and probably will not be for many decades to come. Nevertheless, the large area over which the Greenstone belts extend, which includes land in northwestern Minnesota, makes potential future development an exceedingly important issue for the state to consider."

"At the time of the first white settlement of Minnesota, pine and spruce were the dominant forest types. After the fires and disastrous forest mismanagement of the late 19th and early 20th centuries, most of the forest regrowth has been aspen and birch. Although aspen and birch are still the dominant forest types, some forest land, as a result of forest regeneration, is returning to pine and spruce and will continue to do so unless clearcutting or fires are allowed to regenerate the aspen and birch, species which are necessary to maintain good deer habitat."

"Traditionally, forests have been managed primarily for timber production. Currently, there is increasing interest in forest management for recreational and aesthetic values as well. Regulations and incentives established under traditional forest management policy, however, make it difficult for these interests to achieve equal treatment in management programs. For instance, federal funds designated for timber production are not transferable to any other program and most federal forest programs are still geared to timber production."

"Although a large growth is expected in wood demand in the United States by the year 2000, Minnesota's share of the market will continue to be small. Future industrial use of Minnesota's forests will emphasize paper pulp as compared to saw timber. From 1950 to 1970, employment in the forest industries has declined, primarily because of increased mechanization. The only sector which has increased in employment is paper and pulp because of increased demand, and growth is expected to continue."

"Because 56% of Minnesota's commercial forest land is publicly owned, the state, through public policy decisions, has the opportunity to determine the pattern competing land uses — recreation, mining, wildlife, forest products industry — will take. But Minnesota does not now have a long-range management policy for its public forest land articulated in one document. A policy, taking into consideration the trade-offs the state might have to make among these competing land uses, is an important area of concern for the future."



"Very little capital is generated directly by outdoor recreational uses of Minnesota's natural resources. The real economic benefit is seen in receipts from hotels, motels, resorts, and other service industries which receive the income generated by the millions of persons attracted by Minnesota's wealth of recreational land and water."

"The Department of Economic Development estimates that expenditures in Minnesota's tourist-travel industry reached \$975 million in 1972. Estimated receipts break down this way: transportation \$374.6 million, food \$204.9 million, lodging \$171.7 million, retail sales \$166.8 million, and entertainment \$57.5 million."

"In addition to its contribution to the economy, the tourist-travel industry in 1972 generated an estimated \$71 million in state tax receipts, \$35 million of which came from out-of-state visitors."

"We've looked at the economic benefits derived from recreational uses of Minnesota's lands. Now let's take a look at the resources themselves. Minnesota has over 15,000 fresh water lakes, 25,000 miles of inland rivers and streams, and along the North Shore, 2,112 square miles of the water surface of Lake Superior. The state also maintains and operates 162,000 acres of state park and recreation land and 2,500 miles of trails. In addition to state-maintained lands, Minnesota has 67,449 acres of county and municipal recreation land, excluding county forests. It also has two national forests, the 3½ million acre Boundary Waters Canoe Area, and the area to be developed as Voyageurs National Park. Much of Minnesota's recreational land lies in northeastern Minnesota."

"In determining state policy towards recreation, the state must weigh recreational uses of the land together with other economic activities such as mining and forestry. Although the state will want to consider the economic benefits of the tourist-travel industry, it must consider the aesthetic dimension as well. Forests, water, wetlands, fields, wildlife are impossible to measure economically but are definitely assets that cannot be overlooked. Minnesota's natural resources are important for more than their income and revenue-generating capacity."

Physical Environment

Agriculture

..... What is a part-time farmer? Is he more or less vulnerable to price and market pressures than a full-time farmer?

..... How much does an acre of good farmland cost in Minnesota? What size investment should the average farmer in southern Minnesota expect to make for his land, livestock and machinery? In what three areas of the state are corporate farms found most frequently?

..... What are some of the consequences of agricultural specialization in Minnesota? Is it true chickens and turkeys will compete with human beings for water during the next period of water shortage?

Excerpts from original Minnesota Horizons presentation — By Philip M. Raup:

"Although oil and energy problems dominate our current attention, it seems probable that a longer range perspective will give growing emphasis to questions of increased agricultural output and world food supplies. As a leading agricultural state, the impact of these trends on Minnesota's future will be heavy and, at the moment, highly uncertain."

"Minnesota, in 1974, was one of 16 states for which the United States Department of Agriculture reported no decline in the number of farms. A steady decline had taken place since the mid-1930's. Minnesota farm numbers declined from 203,000 in 1935 to an estimated 118,000 in 1973. The estimated number of Minnesota farms has remained stable at 118,000 for three years. While we cannot yet predict

the durability of this trend, it is significant that the decline in the number of farms has stabilized, if only for the moment.

"An even more significant trend, in its economic consequences, has been the steady increase over several decades in the proportion of farm operators working off the farm. As a result, a majority of the farms in the state must now be classified as part-time farms, even though they are highly productive in an agricultural sense."

"The significance for agricultural policy is profound. A rapidly growing segment of our farm population has alternative sources of income. It is less likely to respond to price and market stimuli in the manner revealed by analysis of past agricultural price and production statistics. Many of these people are more likely to be concerned about fringe benefits associated with their off-farm employment than with traditional agricultural price and income policies. We not only have a new ball game, but also a new set of players whose response to traditional market stimuli is still untested."

"There has been a sharp increase in average farm size. If we eliminate the smallest farms, it is probable that the current average for Minnesota is approximately 300 acres, with averages over twice that figure in some counties in the northwestern part of the state. This introduces a new problem, when coupled with the recent steep rise in land values. Until well into the 1970's, it was possible for the average farm family to raise enough capital from conventional credit sources to finance the purchase of a farm of average size. This situation has changed radically in the past three years. For the state as a whole, the estimated value per acre of Minnesota farmland increased 7% from 1971-1972, 20% from mid-1972 to mid-1973, and 42% from July, 1973, through June, 1974. The composite effect is that the average value of Minnesota farmland has increased over 70% in the past three years. In the better farming areas of the southern and western parts of the state, farmland sales at over \$1,000 an acre have been frequent. . . If we include a modest inventory of livestock and machinery, the average farm in southern and southwestern Minnesota today represents an investment exceeding a quarter of a million dollars. Assuming the most generous credit terms, and even with ability and luck, it is out of the question for

a beginning farm family to accumulate a sufficient down payment to buy into an agricultural enterprise on this scale."

"Minnesota, in 1973, had 585 corporate farms. It is not possible to identify these farms precisely in terms of economic size or activity, but it is possible to determine the number of corporate farms in which all officers and directors have the same family name. By this test, 50% of the total number of incorporated farms in the state are in the hands of directors and officers with the same surname. If we add to this figure the number of corporate farms in which only two different surnames appear in the list of individuals reported, then 72% of the corporate farms in Minnesota are family farms in terms of ownership and control, if not in terms of size.



"Although there are some incorporated farms in all agricultural areas of the state, they are found with greatest frequency in three regions. One is the poultry producing area that includes Kandiyohi county, Meeker county, and adjacent areas in the central part of the state. Virtually all the poultry production in the state is by corporate farms. A second area of geographic concentration is in the south-central portion of the state where land values are highest and where problems of transferring farms

from generation to generation raise the most acute financial questions. The third area is in the north-western counties, particularly in the sugar beet and potato growing regions of the Red River Valley. Here topography favors large-scale equipment in the cash grain areas, and the capital intensity of sugar beet and potato growing makes a corporate form of organization attractive."

"Although the growth of corporation farming has been significant, a more important trend has been the rapid move toward specialization in Minnesota agriculture. As of 1954, cattle were reported on 84% of all Minnesota farms, milk cows were present on 74% of the farms, hogs on 59%, and 73% of the farms kept poultry. In 1974, approximately 40% of Minnesota farms had no cattle of any kind, 68% no milk cows, 69% no hogs, and over 90% of the farms, no commercial poultry. We have an agricultural structure in which many grain producing farms keep no livestock, and in which livestock farms produce a steadily declining fraction of their feed supplies and are heavily dependent on purchased feeds."

"The growing concentration in livestock production has two major consequences. On the one hand, demands upon water supplies are now highly concentrated and could prove critical in a drought period. The concentration of poultry production in the central portion of the state creates heavy and insistent demands upon water supplies that would be given top priority in any period of drought. It was not true in the past that chickens and turkeys were competing directly with human beings for water supply. It will be true in the next period of water shortage.

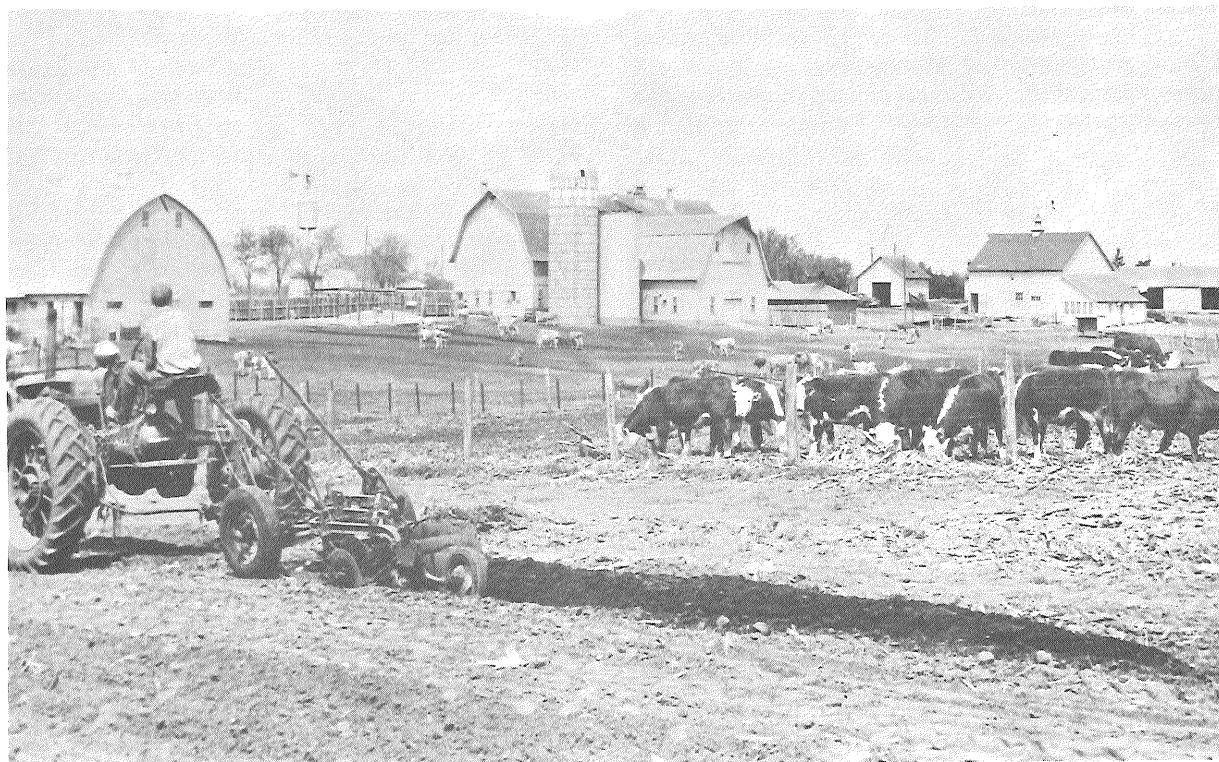
"A second consequence of concentration of livestock production on fewer and larger farms is that the value of manure as a fertilizer has been seriously reduced. We have no statewide statistics to indicate the magnitude of this loss. We do know that the proportion of all farms having no cattle of any kind increased from 16% in 1954, to 39% in 1974. On large beef, hog, and dairy farms, it is uneconomical to spread manure on fields, due to the high cost of transportation and handling. At a moment in our history when chemical fertilizers have become a critical variable, we have seriously reduced our capacity to substitute animal manures. The geographic concentration of livestock production also creates

pollution problems that were largely nonexistent in an agricultural structure characterized by a large number of family-sized, multiple-product farms."

"Increases in farm size and land prices have created one problem that calls for immediate attention. Until about five years ago, it was possible for a farm family to transfer the average Minnesota farm to the younger generation without severe penalties as a result of inheritance, gift, or capital gains tax. The situation today is quite different. The outmoded rate structure and exemptions provided in estate, inheritance, and gift taxes will make it impossible for farm families to pass on existing farms in the better farming areas of the state without being forced to liquidate some of the capital in order to pay the tax costs of transfer. This situation alone, if allowed to continue, will destroy our existing structure of owner-operated farms. While it offers an opportunity for constructive legislative action,

it also opens the door to a real danger that any increase in exemptions for inheritance purposes will favor larger farms and richer families. We have a long history in the United States of seeking to help family farms, only to find that we have actually increased their difficulty by giving unintended benefits to large-scale firms and non-farm capital. It will be unforgivable if we repeat this mistake in the 1970's."

"We are living at the present time on the momentum generated by many years of successful investment in agricultural education and research. This momentum will not be exhausted quickly, and it will carry us forward for a few years on the basis of present levels of investment. But the signs are distressingly clear that this base of investment in human capital, represented by research, new knowledge, and the delivery system to disseminate it widely, is being seriously undermined."



Physical Environment

Land Use Planning

.....Will private rights to land be curtailed by land use planning?.....Is urban sprawl likely to encroach on agricultural land?.....How many separate land-use powers presently exist among how many state agencies?

.....On what basis can sound land use decisions be made?.....Who should make these decisions?

.....What is involved in land use planning beyond the land and its use?

Excerpts from original Minnesota Horizons presentation — By Joe Sizer:

"Land use planning has simultaneously been cursed either as a Communist plot by which all private rights to land will be curtailed, or praised as the answer to the myriad of past, present, and future environmental problems. Quite frankly, land use planning probably will be neither of these extremes. The fact is, Minnesota has an opportunity and a responsibility to shape the meaning and the thrust of the programs within her boundaries."

"We have a mixture of land uses in Minnesota. It is often this mixture that results in land use conflict."

"In the agricultural zone, competition for agricultural land may involve transportation, urban expansion, recreation, industrial development, energy

generation and transmission, and wildlife production.

"In the forested zone, uses competing with forestry include mining, both iron ore and taconite, which now account for more than 87,000 acres, and copper-nickel mining which has potential over a far broader area. Outdoor recreation, lake-shore development, urban expansion, transportation, and other uses may also compete for the same land."

"In the urban zone, particularly the metro area, land use problems may frequently result from leap-frog development which creates urban sprawl and costly extension of public utilities. Conversion of open land, needed for agriculture and recreation, is another possible problem, as is industrial siting which results in air or water pollution, or developments of any kind which result in traffic congestion, excessive noise, or aesthetic eyesores. This scattered development is usually the result of disparities in land values, inadequate planning to support zoning, or the search for high aesthetic values for residential use."

"In the past, government has taken a band-aid approach to problem solving by designing separate programs to deal with each problem after that problem occurs. Minnesota has created a host of separate statutory authorities, resulting in a vast array of functional programs and responsibilities under the jurisdiction of numerous state agencies, units of local government, and special-purpose boards, districts, and commissions. Recent research has disclosed that 679 land-use related powers now exist among six state agencies."

"Local government has traditionally been responsible for determining the use of land within its jurisdiction. The majority of land use decisions are of a local nature and should continue to be made at that level. It is important that we strengthen the decision-making ability of elected officials at the local level by providing them with the financial and informational assistance required."

"To date, we have not successfully knit these various state and local programs together, nor have we provided any pattern to guide program administration or to determine program effectiveness and accountability. Our approach to problem-solving, in many instances, still relies on a case-by-case determination of good versus bad, where we win some and lose some. The trouble is, both sides may lose

the really crucial cases which should have been decided in their behalf — not so much for their sake, but for society's."

"It is helpful to compare state government to a football team. Each agency, like the quarterback, tackle, end, has a specific role. But without a play, 11 men run directionless around the field. Goals, objectives, and policies are like that play, and with them, the team may score a victory if each team member does his part. If we reach harmony at the policy level, we stand a chance of realizing harmony at the program level. Until that happens, however, the final outcome of a debate to drain a wetland for agriculture versus preserving it for wildlife is a toss-up."

"In order to make and implement sound land use decisions, we must have stated goals, objectives, and other necessary directives which provide an understanding of what we are attempting to achieve as a state. This then needs to be supported by accurate and readily accessible information and an effective government structure."

"We recommend for your consideration a recurring six-step process which incorporates these ingredients."

1. The analysis of current resources.
2. Identification of problems and opportunities.
3. Development of goals and objectives.
4. Formulation and enactment of policies.
5. Implementation of policies through private and public programs.
6. Evaluation of progress and effectiveness of these programs.

"Unlike the traditional plan that is static and quickly outmoded, this process is dynamic and responsive to changing conditions."

"It is important to remember that land use is a complex phenomenon that is determined by and has an impact on our social, economic, and environmental values. In order to be successful, therefore, a land use planning program must logically traverse and seek to coordinate the broad spectrum of social, economic, and environmental issues. This task will be a cooperative venture and will require the full participation of all branches and levels of government and the private sector."

Minnesota's Man Made Environment

Housing



*..... Is Minnesota a state of renters or home-owners?
..... Do Minnesotans prefer apartments to single
family houses?..... How old are the majority of
housing units in Minnesota?..... Have mobile homes
caught on in the state?
..... Is the housing debt in this country larger or
smaller than the total federal debt?..... What are
some of the obstacles to meeting future housing de-
mands in the state?..... If you were to buy a
\$45,000 house today with a 9% loan and 30-year
payback on the loan, would your interest payments
be greater or less than the cost of the house?
..... How many low-income families receive govern-
ment subsidies for housing?..... How many families
with incomes of \$30,000 a year receive government
subsidies for housing?..... Which families receive
more dollars and cents subsidies from government?*

**Excerpts from original Minnesota Horizons presenta-
tion — By James J. Solem:**

"Minnesota has always been a state with a high rate of homeownership. Of the 50 states, Minnesota in 1970 had the fourth highest rate of homeownership. Over 70% of all housing units in Minnesota were owner-occupied. The 50-state average is 62.5%.

"Housing stock in Minnesota is, however, old. About half of all existing units were built before 1940. Of these, 92% were single family units. Thus, a large portion of single family housing is well over 30 years old."

"Using 1970 census data as a benchmark, two important changes have taken place in Minnesota's housing trends during the last five years. First, there has been a reduction both in the number and percentage of single family units built. Of all units produced in the state since 1970, 54% have been single family and 46% multiple units. A similar trend is taking place nationwide, with the percentage of single family units produced in all states below 55% in 1973.

"A second major change taking place in Minnesota is the increased utilization of the mobile home. The 1970 census showed there were approximately 30,000 mobile homes in Minnesota. By 1974, tax assessment data show that this number had increased to 55,479."

"Housing is the largest single user of credit in our nation's economy. In 1972, total residential mortgage credit outstanding was \$476 billion. The next largest user of credit is the United States government, with a total federal debt of about \$354 billion."

"Today, housing issues facing Minnesota are as complex as they have ever been. In the next ten years, in order to meet demands created by new families and to replace substandard units, Minnesota must double the number of new housing units produced during the best year the industry has ever seen. This means that capital necessary for financing will amount to \$2 billion per year, each year, for the next ten years."

"The need to double housing production in Minnesota comes at a time when the housing industry, both in this state and nationwide, is in the worst shape it's been in since World War II. Housing production, throughout the nation, is near an all-time low, 48% of what it was a year ago. New building permits, issued for November, were also at an all-time low. The experts are predicting that the 1974 year-end number of new housing starts, nationwide, may be below one million units for the first time in the last eight years.

"The need to double housing production also comes at a time when there are no existing federal housing programs with a demonstrated ability to provide housing units at a cost within a reach of low and moderate income families. Federal housing policy is in a state of transition. It is impossible to predict its impact on housing programs in Minnesota. . .

"Finally, the need to double housing production comes at a time when the costs of all elements of housing, including capital for financing, are at an all-time high."

"If housing production is to double in order to meet basic demand, the need for credit must also double to about \$2 billion each year. It is important to note the competition for credit that is likely to exist in the economy in the next few years. . . The cost of money is not likely to decrease, and real questions emerge about the ability of the economy to generate sufficient savings to meet all these credit demands.

"An important policy issue for Minnesota is the extent to which the Minnesota Housing Finance Agency can and should be used as an instrument for raising necessary capital to finance housing demands.

ESTIMATED HOUSING DEMAND PER YEAR

	NEW FAMILIES	REPLACEMENT OF EXISTING UNITS	ESTIMATED TOTAL UNITS
1975 - 1980	23,000	20,000 - 25,000	43,000 - 45,000
1980 - 1985	25,000	25,000 - 30,000	50,000 - 54,000

"Total housing costs are directly related to the cost of money — the largest single element in housing costs: As an example: if you were to buy a \$45,000 house today with a 9% loan and 30-year payback on the loan, at the end of 30 years you would have paid \$130,352 for principal and interest on that \$45,000 house. For a \$45,000 house, it costs \$85,350 at 9% just to acquire the necessary capital to make the purchase."

"The question is not whether housing subsidies will be provided by state government, but rather in what form, in what amount, and for whose benefit? . . .

"Every homeowner in Minnesota — all 825,000

or more — receives an indirect subsidy through state and federal tax policies. The Minnesota Department of Revenue estimates that a family with an income of \$30,000 a year, owning a \$45,000 home with an 8% mortgage and paying average property taxes receives, through the opportunity to deduct interest and property taxes from income taxes, through the lower homestead classification ratio, and through the homestead credit provisions, a total annual subsidy of combined state and federal tax breaks of \$2,169 per year.

NATIONWIDE CHANGE IN SALES PRICE OF NEW SINGLE FAMILY HOMES % DISTRIBUTION

SALES PRICE	1966	1970	1973
UNDER \$ 15,000	15 %	4 %	1 %
\$ 25 - 30,000	16 %	15 %	19 %
\$ 30 - 35,000	9 %	10 %	17 %
\$35 - OVER	10 %	19 %	41 %

"The total number of housing units receiving direct subsidies from federal programs, such as public housing and the Farmers Home Administration, is only about 42,000 in Minnesota. Of these 42,000 units, 60% are subsidized public housing units for the elderly. For low income families, there are only about 17,000 directly subsidized units of family housing available in the entire state. Yet, every one of the 825,000 units, owned by families in Minnesota, receives an indirect subsidy through state and federal tax policy.

"Nationwide, homeowner income tax deductions for interest and property taxes cost the federal government \$6.2 billion in lost taxes for 1972. Other lost taxes, such as the tax break on capital gains on the sale of homes, cost \$4 billion.

"In that same year, the total cost of all direct federal subsidy programs was only \$2.5 billion."

Man Made Environment

Transportation

..... How many miles of streets and highways must the State of Minnesota maintain? Where does the money come from? How big a slice of the state budget does the Highway Department get? Is the Highway Department really short on funds?

..... What are some of the disturbing effects which growing railroad track abandonment may cause? How many cities in the state with populations over 5,000 are not served by public transit? How long does it take to travel on a scheduled bus from Alexandria to Detroit Lakes?

..... Why should the state consider establishing a Department of Transportation?

Excerpts from original Minnesota Horizons presentation — By Harry A. Reed:

"In Minnesota, we have over 128,000 miles of streets and highways, the state being directly responsible for about 12,000. Funds to improve and maintain the state's share of these roads come exclusively from state and federal highway user taxes. State funds are dedicated by the State Constitution and paid for by fuel taxes and vehicle registration fees. Annual expenditures for state highways represent about 11% of the state budget.

"The over 100,000 miles of county, municipal, and township roads are financed partly by state highway user funds, and partly by property taxes and some federal monies, with the property tax representing about 66% of the total amount. In 1971, nearly 20% of all local government expenditures were for highways, the chief share being for maintenance."

"In 1968, the Highway Department developed a 20 year plan which would have cost an estimated \$1.8 billion to implement. With a projection of 1968 funding, it was thought that 52% of the assessed needs could be satisfied. Six years later, the plan was updated to account for changes in demand and safety standards, and the price tag, in 1974 dollars, became \$3.2 billion. Thus, assuming that the level of funding during the last biennium will continue until 1994, it is estimated that only 25% of those needs can be satisfied — only half of what was anticipated six years before. While some may question the necessity for a highway plan of this magnitude, the disparity between its cost and the funds available cannot be ignored."

"With over 1,000 miles of railroad track abandoned or about to be abandoned, the transportation of agricultural products, particularly grain, is adversely affected. This problem is compounded by the many miles of highways and numerous bridges which are sub-standard.

"Many small communities may face serious problems when lines are abandoned. The absence of railroad service presents a hardship to those trying to attract new industry. Present jobs may be affected, which in turn would affect retail sales and erode the tax base of the community. Another adverse effect of railroad abandonment is that with a greater reliance on trucking to haul goods, it becomes necessary to increase highway construction and maintenance, already under great financial stress."

"There are 26 cities with populations over 5,000 which are not served by public transit. These 26 cities have a combined population of over one quarter million people, 42,000 of whom do not have direct access to an automobile."

"Unlike public transit systems within cities, inter-city service is still totally owned and operated by private companies. Minnesota is served by ten

different companies, ranging in size from the nation's largest, Greyhound, down to very small operations. The majority of service is scheduled between the Twin Cities and other large cities.

"Because of route scheduling, it is both difficult and time-consuming to travel by bus to many parts of Minnesota. For example: a trip from Alexandria to Detroit Lakes, a distance of only 79 miles, or approximately a one and one-half hour drive, requires more than seven hours by bus, including a four hour lay-over in Moorhead."

"At a time when transportation needs far exceed our financial capabilities to satisfy them, it becomes even more important to take advantage of the complementary nature of transportation modes by planning for all segments of the system as a single unit. . .

"Some states — 26, in fact — have recognized the benefits of combining separate agencies and have established a single department of transportation. Such reorganization in our state government should be considered."



Man Made Environment

Energy

.....Why will energy policies developed at the national level be difficult both to propose and to achieve?..... Is the energy crisis one of supply or of price?.....When is the energy crisis likely to become less acute?

.....Will higher prices or increased taxes on gasoline reduce consumption?.....How big a bite would gasoline at 80 cents a gallon take out of a median family income?.....Will prices for all forms of energy continue to rise?

.....Is energy conservation really important?..... Will exotic fuels such as solar energy and oil shale play significant roles during the next decade?..... What about the use of coal or nuclear power?

Excerpts from original Minnesota Horizons presentation — By A. Edward Hunter:

"Minnesota's energy system is closely linked to our neighboring states. Energy supply and demand in the Midwest are interdependent with other regions of the nation, just as the energy requirements of the United States are but part of a complex world energy network. No better example could be given than the current reliance of Minnesota refineries on a soon-to-be eliminated supply of Canadian crude oil and the need for a firm national allocation policy which recognizes this situation and either distributes domestic oil accordingly, or gives these refineries priority access to limited Canadian supplies. To

recognize this interdependence is to understand why national energy policies will be difficult both to propose and to achieve. It also demonstrates why each state government must assess its own energy situation and determine what course of action would best meet the unique needs of that state.

"The second point which should be made clear is that the energy crisis is today an energy *price* crisis. The issue now is not only the supply of the product, but the price. Sharp increases in world oil prices during and after the embargo raised energy costs throughout the world. At least one-fourth of the increase in U.S. wholesale prices has been attributed to increased energy costs.

"The cost of oil imports has increased from \$4.9 billion in 1972, to an estimated \$25 billion in 1974. To allow these price levels, and the accompanying outflow of U.S. dollars, to continue is to run the risk of a deepening depression. The question is not

whether we can reduce our level of petroleum imports, but only *how*, and how soon. The Administration has proposed a goal of a 1-million-barrel-per-day reduction in oil imports by the end of 1975. Strong measures, such as import curbs, rationing, or possibly tax increases, will be necessary.

"The long range energy outlook has changed little from this time last year. Anticipated demand for the next decade will exceed domestic supply, and we can expect to continue our dependence on imported oil and gas at least through 1985."

"There are substantial differences in energy sources between regions, states and communities. The East Coast is a heavy user of petroleum and coal. The Gulf Coast states are dependent on natural gas. The West Coast uses almost no coal. The North Central states, including Minnesota, have a relatively balanced dependence on oil, natural gas, and coal.

"There is as much variation between states. Wisconsin, North and South Dakota use coal extensively to provide their energy; Iowa relies heavily on natural gas. Minnesota, on the other hand, is more dependent on petroleum than is any other state in the region.

"Even within Minnesota, there is substantial variation in the type of fuel used, particularly for home heating. In the metropolitan area, almost 77% of the occupied homes use natural gas; in Region 2, only 4.4%. On the other hand, only 16% of the homes in the metropolitan area use oil or kerosene, while in Regions 2 and 6, 70% use these fuels.

"Differences among national regions, states, and communities within the state, demonstrate again both the need for states to develop their own energy policies and the difficulty of developing an energy policy or allocation program which will satisfy the needs of each community."

"Conservation of energy must happen. We have not yet accepted the inevitability of energy conservation nor the seriousness of our energy future. Despite our concern with expanding domestic supplies, oil production in this country will be less this year than last. In 1974, we imported a greater percentage of our oil than we did in 1973. We continue to consume energy as we have in the past. It is possible that one-fourth of energy consumed nationally is used wastefully.

"Nothing could be more urgent, or more appropriate for state and local governments, than to

engage immediately in an extensive, sustained effort to acquaint the public with the essential nature of our energy dilemma, and to convey to them the importance of conservation. State and local governments must assume the initiative for energy education. Further, it is important that energy and environmental issues be treated in an integrated fashion, for energy consumption and environmental protection are complementary, not contradictory, issues."

"What effect will rising energy prices have on consumption? Will we use less? Using gasoline as an example, aside from limiting supply it is argued that significant savings during the next one to four years can be achieved by increasing the price, preferably through a tax. . .

"According to a study by the Rand Corporation, a 15 cent increase in gas tax would result in gasoline savings of 13.2%; a 30 cent increase, in savings of 25%. But other evidence supports the view that the American public is willing to pay more for gasoline without significantly reducing consumption. A recent study demonstrated that if gasoline were now 80 cents a gallon, the cost of 1,000 gallons, as a percent of median family income, would be 6.7%, the same relationship which existed in 1955."

"Within the past year the results of many energy studies have been presented. Although differing in their assessment of future demand and supplies, most of these efforts reached similar conclusions:

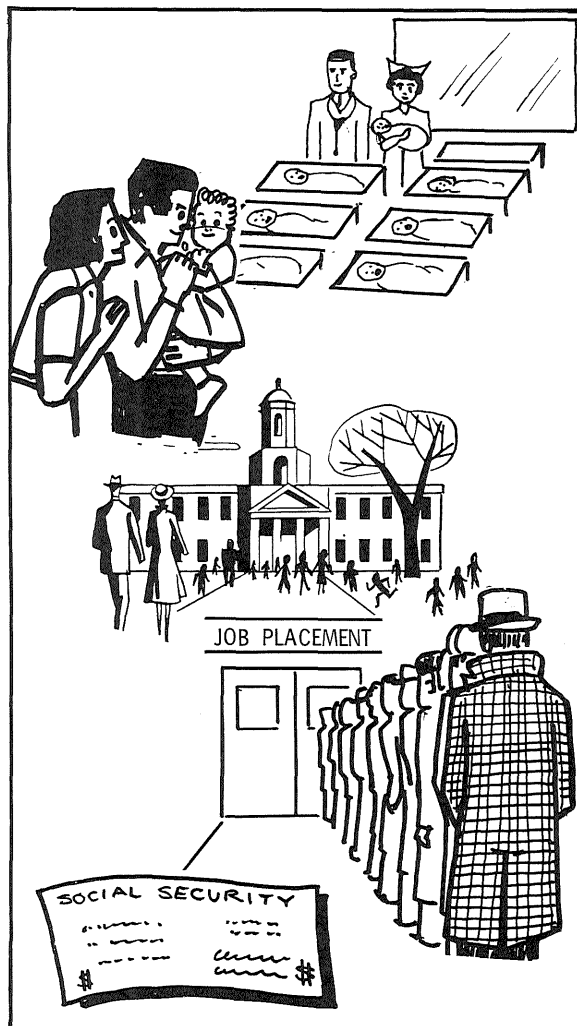
- * That significant changes must take place in our consumption of energy; our demand for energy must be reduced substantially, perhaps to a rate of increase of only 2% per year, half our current rate.
- * Conservation of energy must happen, yet will involve difficult choices.
- * Our reliance on natural gas and petroleum must be reduced, mandating an increase in our use of coal and nuclear power.
- * We must take steps to use available technology to utilize energy more efficiently in automobiles, buildings, and appliances.
- * Exotic fuels such as solar, geothermal, oil shale, will not play a significant role during the next decade.
- * Imports of gas and petroleum will be required, at least through the mid 1980's.
- * Prices of energy will continue to increase."

ENERGY SOURCES 1972					
Minnesota and Adjacent States					
ENERGY SOURCES (%)					
State	Coal	Petroleum	Nat. Gas	Hydro & Nuclear	Million BTU Per Capita
Minn.	16.5	48.1	31.4	4.0	302
Iowa	17.8	42.0	39.1	1.1	314
N. D.	24.7	40.5	14.2	20.6	402
S. D.					
Wisc.	27.3	41.3	26.9	4.5	280

ENERGY USES (%)					
Minnesota and Adjacent States					
Household - Commercial	Industrial	Transportation	Elec. Gen.	Misc.	
Minn.	30.6 %	19.8 %	27.8 %	21.7 %	0.2 %
Iowa	28.8	19.7	29.3	21.8	0.3
N. D.	21.8	8.9	25.0	43.7	0.5
S. D.					
Wisc.	28.3	21.0	24.9	25.7	0.1

Minnesota's Human Environment

Health



..... Are today's health problems the same as they were 25 years ago? What kinds of health problems do Minnesotans encounter? Are they different from those found in the rest of the country? Why is it unlikely that the cost of medical care will go down in the future? How much does the United States spend per year on health services? What is the largest single item out of the personal health care dollar? What is a primary-care physician? What is an HMO? Is the ratio of health services to population satisfactory throughout the state?

Excerpts from original Minnesota Horizons presentation — By Vernon Sommerdorf, M.D.:

"The nature of Minnesota's — and the nation's — health problems has changed from epidemic diseases such as tuberculosis, polio, and smallpox, to chronic diseases such as heart and respiratory ailments, cancer, diabetes, and kidney disease. In the first half of the century, medical research concentrated on finding cures for epidemic diseases, and medical practitioners concentrated on providing the kind of episodic, acute, or crisis care needed. Today, however, the leading health problems are chronic illnesses — chronic in the sense

that for the most part they cannot be totally reversed, may span many years of an individual's life, and may limit the person's activity to varying degrees. This increase in chronic conditions in part reflects our changing lifestyle. We cannot expect the traditional health care system to prevent conditions that result from our personal behavior or the physical environment. We need to educate people to those actions which can maintain health and prevent diseases resulting from such things as smoking, poor nutrition, alcohol, and drug abuse. We cannot expect a pill from our doctor to undo those problems which our own behavior has created."

"The health care delivery system will have to adjust itself to the continued growth of chronic, disability-producing disease. This will require experimentation with a variety of alternatives such as public health services, public health education, home health services, ambulatory care, and preventive services in general. Now and in the future, the state must define its role in assisting health care systems to address themselves to preventive and public health services and to the management of chronic conditions.

"Increased lifespan is a major factor in the increasing prevalence of chronic conditions and certainly is one factor in the increasing demand for health services. When you add increased lifespan to general population growth, affluence, and inflation, reduction in the cost of medical care seems very remote."

"This country spends more than \$94 billion a year on health services, a figure which has been rising rapidly. Projecting from national figures, the average health bill per Minnesotan is \$441 each year.

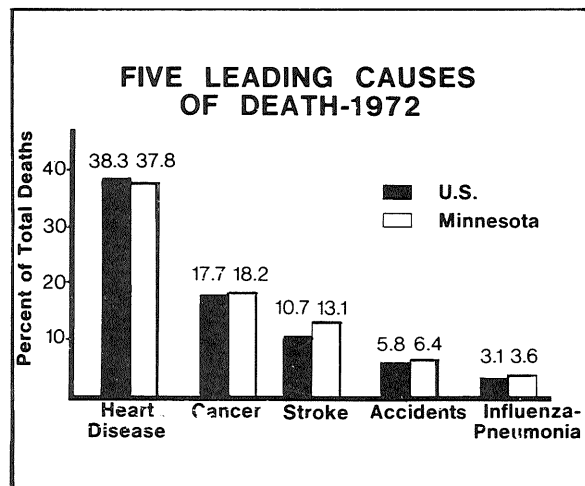
"Indications are that the burden of these costs may shift significantly from private to public sources. For example: in 1966, the year before Medicare and the beginning of Medicaid, individuals paid fifty-one cents of every personal health care dollar. By 1972, individuals paid only thirty-five cents.

"Hospital and nursing home care account for a very large share of the health care dollar. Using national data, it is possible to estimate that we spend approximately \$700 million per year in Minnesota on hospital services. Now, as in past years, hospital care is the largest single item in the personal health care dollar, representing 45% of the total. The second largest item is professional services.

"Data on Minnesota's Medical Assistance Program

(Medicaid or Title XIX) further illustrate the significant increase in both the costs and use of institutional services. These figures illustrate the impact of hospital and nursing home costs on the spiralling rates of inflation in the field of health care.

"In Minnesota, nursing home beds have increased at a rapid rate over the past several years. This indicates a trend toward treating long-term patients, especially the elderly, in institutional settings. As we



have just indicated, institutional care costs the most. If only for financial reasons, then, we have incentives for keeping the elderly out of institutions. Less expensive alternatives are possible — for example, meals on wheels, home health care, and other various support services.

"Equally important, however, is our approach to the provision of care for the elderly. So far, there has been no truly effective means of monitoring the quality of care provided in nursing homes. Quality of care is an extremely difficult thing to define or measure; nevertheless, it must be considered when designing programs to provide long-term care. Hopefully, alternatives to institutionalization can maximize the independence and dignity in the lives of Minnesota's elderly citizens."

"We have not yet perfected a means of identifying acceptable ratios of physicians and other health personnel to meet adequately the needs of the population. While the overall state ratio seems adequate, there are

certain areas where the ratio of both hospitals and physicians to population is less than satisfactory. In a state such as ours, with half its population widely and thinly dispersed in rural areas, an even and equitable distribution of health personnel is of concern.

"Looking solely at the ratio of physicians in patient-care to population, Minnesota compares favorably with the rest of the country, falling in the second highest category. The state again ranks relatively high nationally in its ratio of primary-care physicians to population. (A primary-care physician is one in general or family practice, internal medicine, obstetrics-gynecology, or pediatrics.)

"The state average for primary-care physicians is 101 per 100,000, or about one doctor for every 990 persons. However, noting their distribution, we see the ratio fall in the non-metropolitan areas of the state to about one doctor for every 1,100 persons. In some counties, the ratio drops dramatically. Furthermore, many of these outstate primary-care physicians are increasing in age and are likely to be retiring from practice altogether."

"Most Minnesotans are within a twenty-five mile radius of a hospital and, as you might expect, those areas of the state having no hospital facilities within this range are far away from the metropolitan region."

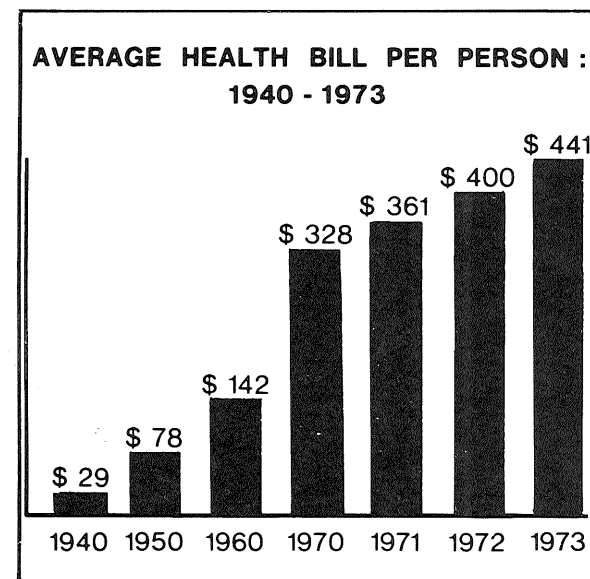
"Pre-paid medical coverage plans, often called Health-Maintenance Organizations or HMO's, have existed in our state for some time. Recently, we have seen a proliferation of HMO's, both in number and variety. This trend is likely to continue, but again they are concentrated in metropolitan areas."

"How many physicians should Minnesota produce? How many and what categories of allied health personnel should it produce in post-secondary programs? To what extent should the state subsidize graduate and undergraduate medical education, and to what extent should paramedic programs be provided instead of, or in addition to, medical education?

"The state is presently deeply involved in providing, paying for, and regulating health care through the Welfare and Health Departments, licensing boards, and other agencies. In the future, should the state play an expanded role? If so, to what degree?

"To what extent should the state intervene in the regulation of rates in the health sector, and what components of the sector should the state regulate? What is the state's responsibility in developing and facili-

tating alternative programs to reduce expenditures in institutional care?



"These are important, but by no means the only, questions in the field of health care which the legislature should examine during the coming months and years. The problems and questions raised are all inter-related, and their effect on one another should be considered as carefully as the problems and questions themselves."

Human Environment

Human Services

"Generally, the term human services includes a variety of 'people' programs that have evolved since the 1930's — although evolving with little comprehensive organization or logical growth. Human services include prevention of physical or behavioral disabilities or difficulties, maintenance of good health or a state of well-being, and corrective or remedial programs. Education is not usually included in the human services definition."

"Minnesota places second in relative standing among the 50 states in the provision of health, security, and related human services efforts. This overall comparative ranking, however, can be misleading when we examine specific problems. For example, Minnesota ranks 19th in its percentage of poor people, 10th in its illiteracy rate, and 14th in its rate of violent crimes."

"Minnesota ranks fourth in average payments in our Aid to Families with Dependent Children (AFDC) program. AFDC represents our largest public program for children in need of help. However, this fourth ranking is somewhat misleading, since Minnesota determines need differently from most other states. Our average AFDC grant of \$81.58 per month compares to a national average of \$56.96. Wisconsin, Massachusetts, and Hawaii rank ahead of Minnesota. When compared with other states, Minnesota ranks near average in overall public assistance payments, and we tend to have low per capita expenditures for such programs."



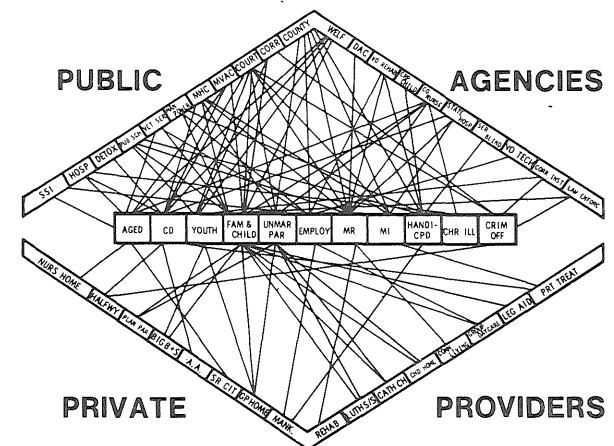
..... What, specifically, are human services? Do they serve only the financially needy? How do Minnesota's human services compare with the rest of the nation's? What percent of the state's population falls below the poverty line? What percent is over age 60? How much does alcohol abuse cost the state each year? Is Minnesota especially generous in its payments to the Aid to Families with Dependent Children program? What are some of the reasons people in need of help often do not get it?

Excerpts from original Minnesota Horizons presentation — By Richard Broeker and Jane Belau:

"Human services range from a middle class couple utilizing an adoption program at a public welfare agency to an alcoholic being treated in a chemical dependency program to the parents of a mentally retarded child receiving specialized help. At one time or another just about all of us use a human service even though the majority of attention is drawn to visible, expensive programs such as public assistance, correctional services, or state institutions."

"A report issued by the Governor's Office of Economic Opportunity in 1972 showed that nearly 400,000 persons, or 10.5% of the state's population, were living on incomes below the poverty level: \$3,721 per year for a family of four."

"The 1970 census indicates that almost 15% of Minnesota's population are 60 years of age or older. One-half of this population have chronic health needs, and one-fourth are under the federally established poverty line."



"Alcoholism is another of those problems pressing the human services system. The annual cost of alcohol misuse in Minnesota is estimated at \$645 million. It is also estimated that 60% to 80% of those receiving human services have alcohol or drug-related problems."

"There exists no policy framework into which human services fit. Human services programs, already haphazardly organized, are constantly changing because of developing philosophies."

"For example, current philosophy indicates a return to our communities for those people housed in state institutions. The Department of Public Welfare's proposed plan calls for the closing of several state hospitals and the concurrent development of community-based facilities and services. Similarly, the recent proposal to close the State Prison at Stillwater, returning many inmates to community programs, reflects a philosophy that a better job can be done rehabilitating offenders in local settings. Policy implications here include administrative responsibility, fiscal responsibility, program design, staff allocation and employment, reallocation of resources, to say nothing of community attitudes."

"It is inconceivable, given the separate and confusing funding sources indicated on some existing charts, that coordinated programs at state and local levels are possible."

"Financial resources originate in a multitude of places. Issues concerning the best source of funding for services — the local property tax, the state or federal income tax — need resolution so as not to aggravate our difficulties. Provision of services suffers when funding is sporadic, when federal regulations restrict expenditures of funds, and when one level of government mandates expenditure of funds controlled by another level."

"There is tremendous confusion and fragmentation among local agencies. Considering the complicated relationships between agencies and target populations, it is easy to understand why people needing help often don't get it. For the individual, to get the *kind* of help needed at the *time* it is needed can be a major feat."

"The system must be client focused. Until now, it has, instead, been largely influenced by considerations relating to bureaucratic or professional concerns. Citizen and consumer input must be assured in developing the services designed to meet their needs."

"The intention of this presentation has been to share with you four basic themes."

1. There is considerable confusion and complexity in the human services system, largely brought about by illogical growth of separately funded and administered programs.
2. There is a lack of adequate information on programs, costs, program impacts, and the needs of citizens, all of which are so important for program planning, development, evaluation, and legislation.
3. There is an increasing shortage of funds from all levels of government, and the shortage is likely to become more acute.
4. The people who need our attention most are the ones who suffer most when the system does not function as it should."

Human Environment

Education

..... What is Minnesota's average expenditure per pupil for education? How does this amount compare with what the other 49 states spend? Where does all the money come from? Is it money well spent? Why is there an ever increasing demand for additional program offerings in the schools? Are these additional offerings luxuries or necessities? What are some ways these demands might be met? What effect will declining enrollments have on the teaching staff? What difficulties will declining enrollments present to the administration of a school district? What is the average tuition at the University of Minnesota? state colleges? community colleges? vocational-technical institutes? What are some of the things which may change the face of post-secondary education in the future?

Excerpts from original Minnesota Horizons presentation — By Dean Honetschlager:

"Elementary and secondary education is one of the largest enterprises in Minnesota. It occupies the efforts of 25% of our state's population and 6% of its work force. The enterprise spent \$1.3 billion in 1972, which was 6% of the gross state product. Elementary and secondary education is the biggest single portion of state government's general fund, with an appropriation of over \$1.3 billion for the current biennium."

"There are one million public and private secondary pupils in Minnesota. Less than 3% come from minority backgrounds. A professional staff of 59,000 serves these one million students. The size of these staffs ranges from 13 teachers and administrators in the smallest school districts to 3,600 in the largest. We have school districts with only a single building for its students; our largest district has over 110 learning sites. Our smallest school district has 150 pupils, our largest, 55,000. There are 436 school districts in Minnesota, 261 of which have fewer than 1,000 students."

"In 1973, Minnesota ranked 24th in per capita income in the country, while our rank was fifth in per capita amount spent for education — kindergarten through high school. Our total public expenditure, in 1972, was \$1.3 billion. The average expenditure at present is slightly over \$1,200 per pupil, a rank of 13 among the 50 states. The expenditure per pupil varies with the school district, ranging in 1973 from \$750 to \$2,007."

"Over the past few years, proportion of income from various sources has shifted. In the 1950's and 1960's, the state picked up about 40% of operating costs, while local districts picked up the rest through property taxes. This relationship remained relatively constant over a number of years. As the effects of the 1971 School Finance Legislation begin to be felt, proportions change. Since that legislation, the state portion has gone from less than 50% to 65%. Average state support around the country is still below 50%."

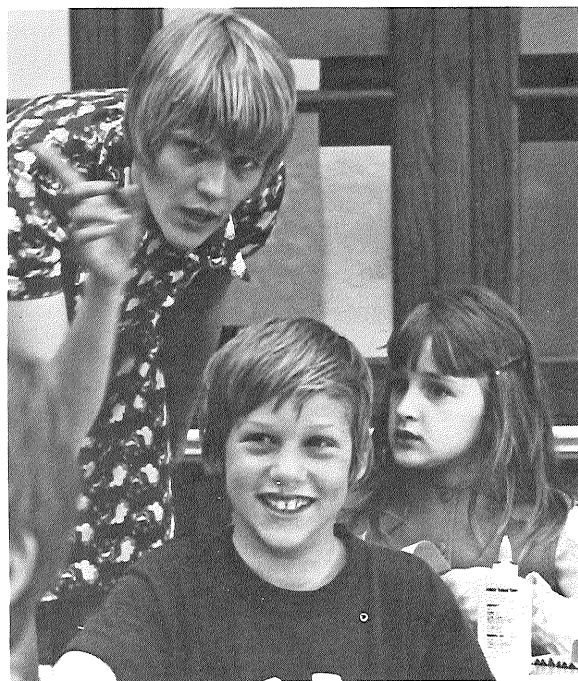
"Overall, the evidence is strong that Minnesota's investment in education, building upon the homogeneous population of the state, has had good results. In the most comprehensive sample of education achievement, the Armed Forces' induction examination, the rate of failure for Minnesota's young men has consistently been among the lowest in the nation. . .

"However, the 88% figure that ranked us so high nationally on a reading assessment study still indicates that 12% of our 17-year-olds are functionally illiterate."

"A recent report prepared by the Department of Education says that nearly 11,000 fewer students were enrolled in Minnesota's public schools on October 1, 1974, than were enrolled on that date in the previous year. This decrease would be analogous to all the people in Lake-of-the-Woods and Kittson counties disappearing over a year's time, or all the residents of Red Wing deciding, in a year, to leave town. Decline in en-

rollment began affecting the elementary school population six years ago and is beginning to be felt in secondary schools. Statewide elementary enrollment, that is grades 1-6, went from 506,000 in the 1968-69 school year to 423,000 during the current school year, a 3% annual drop. For grades 7-12 there has been a growth from 1968 to 1974: from 446,000 to 488,000. However, we are now beginning to see a decline in secondary schools' enrollments also, and even more significant secondary declines will soon be seen.

"These figures come to life when translated into individual school districts. A small school district in west central Minnesota, Elbow Lake, had a graduating class in 1974 of 68 pupils; a kindergarten class of 34 pupils; and only 13 live births. These are startling figures, and not uncommon in rural districts around the state."

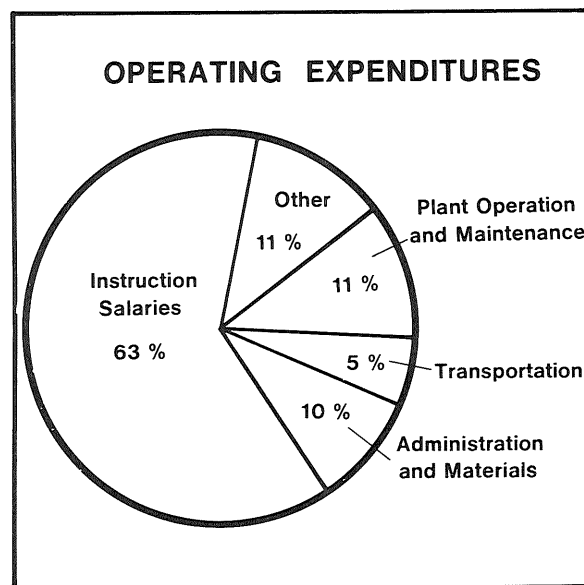


"There has been a rapid growth in program offerings in secondary schools in the past 15 years, and Minnesotans have come to expect a high level of service. There have been growing expectations for equal educational opportunity. These demands have come from individual expectations, from the courts in regard to programs for the handicapped, for women, for minorities. The

shock of the Soviet space supremacy in 1957 put greater demands for offerings in the sciences, math, and foreign languages. A more complex society expects pupils to learn more complex skills. Social unrest, an increase in broken homes, and other societal pressures are sending pupils to school with new needs to be met."

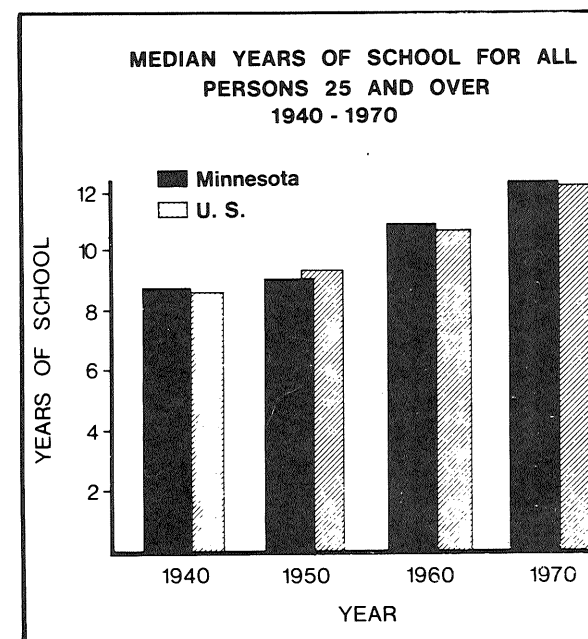
"Cooperative agreements between school districts are increasing. Some of these are specific, such as Special Education or Vocational Education. Others are more general, such as the Education Service Area in southwestern and west central Minnesota. There may be certain technologies that will also make it possible for a small number of pupils to be served economically. It may be decided to preserve the small districts and pay the extra cost. Consolidation might be encouraged. At present, no policy has been forthcoming from the legislature as to what makes up an adequate program, or how access to such programs can be guaranteed to each student. This becomes a central policy issue as the state increases its financial role."

"The 1974 Legislature directed that when school districts dismiss teachers, they must dismiss them on the basis of seniority, that is, the last person hired is the first person released. For an individual school district with declining enrollments, and therefore declining resources from the state, this means that it has a more expensive teaching staff. Our present teacher



corps tends to be relatively young, the median age being around 35; most have many years before retirement. The result is that there is less opportunity for mobility among present teachers and fewer openings for new teachers.

"Further, this maturing staff will place greater strain on school budgets through its impact upon salary costs. A typical school district salary schedule is structured so that teachers are paid more for the longer they teach, and for the more degrees and credits they earn. A greater proportion of teachers will have been teaching in the district longer and will have earned more credits. While teachers may be experiencing a loss in buying power because of inflation this year, during the past ten years, salary increases have been greater than the cost of living."

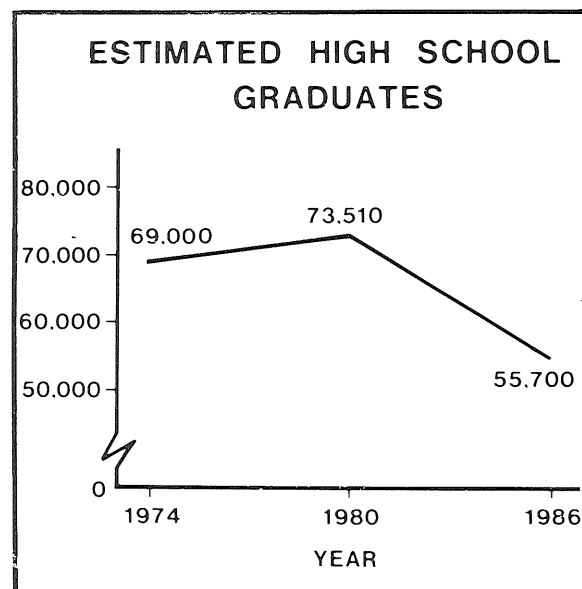


"What is the capacity of the education system to manage the changing environment? These are difficult times to administer a school district. Certain decisions are now being made more centrally at the state level: personnel procedures through collective bargaining laws, resource availability as state aids have increased, and stricter levy limitations. There will be growing need for clarifying roles and responsibilities for managing the enterprise under these changed conditions. Important investments can be made in the Department of Ed-

ucation to assist in describing and analyzing the education system, the cost, and the impact upon students. During change it is even more important to monitor what is happening to see that we are moving toward a more accountable, effective general and uniform system of public schools."

"The broadening definition of 'the good life' and, therefore, the purpose of post-secondary education or any education, has more relevance for older students. Uncertainties about the future rule of post-secondary education come from disagreement about its function. Should it certify, for example, or should it provide experiences and knowledge? Ambivalent attitudes about and support for research and service functions leave post-secondary education unclear about society's expectations of it.

"As an example, since we have just been talking about public schools, how much should the state support training for school teachers when there is a declining job market? Last year 5,200 persons graduated from teacher training programs. Only 53% or 2,770 of them found teaching jobs. Should a limit be placed on teacher training or should individuals be allowed free choice of a college program? The teacher training and placement issue is more complex than this, but the example is appropriate."



"At the University of Minnesota, a liberal arts student pays \$714 tuition. But tuition varies from program to program. As we look at the distribution in a different way, we see that for every dollar spent at the University of Minnesota for instruction, research, and public service, the individual student pays 9%, the state pays 35%, and federal and other sources pay the remainder. If research and public service are taken out, the student pays 26% of instruction-related cost.

"The average tuition for students at state colleges is \$468 per year. For every dollar spent, the student's portion is 20%, the state's 53%. Other fees and federal participation make up the rest.

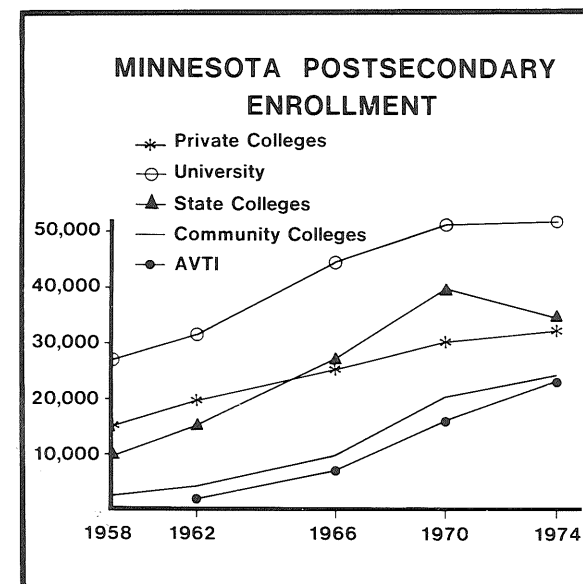
"In the community college system, the cost to the student is \$420 this year, with the state picking up most of the remainder. For a given dollar, this means the student's share is 22%, the state's 60%.

"For entering students under age 21, tuition is free at Area Vocational-Technical institutions. The cost of post-secondary vocational-technical training is carried 67% by the state, 7% by the federal government, 21% by other sources, which include local units of government, and tuitions and fees, 5%.

"What emerges from all this is that the choice of a school has definite financial implications for the student and for the state."

"Some things which may change the face of post-secondary education in the near future:

- * The proportion of part-time students is increasing.
- * The balance is shifting from on-campus to off-campus courses.
- * Non-traditional approaches to earning a degree are increasing.
- * Retention of students is made easier by changed grading policies and practices. Fewer students flunk out.
- * The basis for granting degree credit is being liberalized. Credit is awarded for experience outside the institution, and there have been changes in requirements for earning credits within the institution.
- * Changing enrollment patterns and the necessity of maintaining prescribed student/faculty ratios are causing increases in the proportion of older faculty members and decreases in younger faculty members in some institutions.



- * Serious efforts to serve potential students over age 25 are increasing.
- * The proportion of students in programs with specific career or vocational objectives is increasing, while the proportion in general or liberal arts education is decreasing.
- * The proportion of students in programs of less than four years is increasing."

Minnesota's Government Environment



Financing Government

..... What does the U.S. Constitution have to say about the powers of local government?..... How does Minnesota's total expenditure on education compare with the rest of the country's? With neighboring states?..... Is the state's total per capita revenue from taxes higher or lower than the national average?..... At the state level, where does the money come from?..... Where does it go?..... What is meant by local government?..... How many levels exist in Minnesota?..... How does each one spend its resources?..... Does the federal government, through revenue sharing, provide more or less money than the state does to these local governments?

Excerpts from original Minnesota Horizons presentation — By James J. Solem:

"Relationships among the elements of the federal system — state, local, and national — are complex, confusing, sometimes contradictory, often competitive, and always dominated by the fiscal factor.

"It is also important to understand that local government receives all its powers, its responsibilities, and authority from state government. The United States Constitution says nothing about local government. State law established the systems of local government which exist in each of the fifty states.

1972 MINNESOTA CENSUS OF LOCAL GOVERNMENTS

Total	3,395
Municipalities	854
Counties	87
School Districts	445
Townships	1,798
Special Districts	211

"Minnesota has about 3,400 units of local government. They include 854 municipalities, 87 counties, 436 school districts, 1,798 townships, and 211 special districts. In 1952, we had over 9,000 units of local government, 6,200 of which were school districts. The units which are increasing most rapidly now are 'special districts': from 148 in 1967, to 211 in 1972. The majority of the special districts in the state have been created to perform sewer, water, drainage, and conservation-related functions.

TYPES OF GOVERNMENTAL UNITS AND POPULATION SIZE

66 % of Municipal Units Have
Population Less Than 1,000

92 % of Townships Have Population
Less Than 1,000

50.5 % of Counties Have Population of
Less Than 15,000

"Most of the people in the state live in incorporated areas, or areas served by municipal government. But nearly one million live in areas served by smaller units of local government. In 1970, about 21% of the state's population lived where the unit of local government served a population of fewer than 1,000.

"Figures for 1970 also show that 66% of the municipal governments in the state served populations of fewer than 1,000; 92% of the townships had populations of fewer than 1,000; and about half the counties, fewer than 15,000.

"Thus, we are a state with a relatively large number of units of local government, the seventh largest out of the fifty states. We are also a state where many units serve small populations."

"In trying to understand the federal system and its complexity, we must start with and emphasize the fiscal relationships within that system. . . . In looking at which levels originate and which spend the dollars flowing through the system, we can begin to see the kind of intergovernmental relationships that it is important to understand for the future.

"In 1972-73, the federal government raised 62% of the total nationwide state-local-federal revenues; state governments, about 20%; local governments, the remaining 18%. After all intergovernmental transfers, the federal government spent about 52%; states, 18%; and local governments, 30%. This shows the importance of both federal and state levels as mechanisms for the flow of intergovernmental funds.

"When we look only at Minnesota, in terms of which level raises and which level spends revenues, we see an interesting and important relationship. The federal government provided about 18% of all the revenues of state and local governments. State government provided almost 49%, and local governments, 33%. . .

"These are important figures, because in only two other states, California and New York, do local governments spend a larger portion of state-local revenue than in Minnesota."

"The per capita data comparing the 50 states show that Minnesota's total expenditure on education of \$297 is 150% of the national average, that state aid for education is again 150% of the national average, and that state support for institutions of higher education is 165% of the national average. Other important expenditure areas for the state are highways (above the

national average) and welfare (below the national average). . .

"The U.S. average for per capita state and local spending on all education is \$331.50. Here Minnesota ranks fourth out of the 50 states, with Alaska, Delaware, and Wyoming ranking first to third. It could be argued that Alaska and Wyoming are atypical states, given the nature of their population distributions.

"Neighboring states — South Dakota, Wisconsin, Iowa, and North Dakota — all rank well below Minnesota in per capita state and local spending on all education. Using as an indicator only spending on local schools, Minnesota ranks fifth with, again, neighboring states ranking far below it."

"Minnesota ranks seventh among the 50 states in per capita total general revenues for state government. In terms of total per capita revenue which comes from taxes, Minnesota ranks fourth, with a total of \$420 compared to the 50-state average of \$325.

"Another important source of total general revenue is the federal government. Here, Minnesota's per capita amount is \$148, its rank, 28. Minnesota ranks higher than other states in the Midwest but not as high as the national average, which is about \$150."

"Where, then, do we get the money, and how is it raised at the state level? Most of the money state government raises is reallocated to local governments; fiscal decisions made by state government are not really state decisions at all, but rather inter-governmental decisions. The most important expenditure decisions the Legislature makes concern school aid, state aid to local governments, and property tax relief.

"Where does the money come from, and where does it go? Individual and corporate income taxes comprise the largest revenue sources for the state, while education, tax relief, and other aids to local government, comprise the largest source of expenditures. For the 1973-75 biennium, 72% of the total estimated expenditures of state-raised funds goes to the combination of education and local government aids and tax relief for local government. Welfare and corrections comprise about 12% of total state expenditures, the operation of all other agencies of state government account for 5.1%, and miscellaneous expenditures, 11%."

"Minnesota has made a major shift from the utilization of the property tax to the utilization of income and other taxes, with state government now playing

a fundamental role in raising and reallocating revenues for local governments — school districts, counties, municipalities, and all others."

"In the last two years, much has been made of the importance of federal revenue sharing and the extent to which it has been a prime source of revenue for both state and local government. Clearly, it is important. But it is also true that in Minnesota, unlike many other states, aid to local governments is considerably larger than federal revenue sharing and has had much more effect on local governments than has federal revenue sharing. Minneapolis, for example, receives \$19 million in state municipal aid, only about \$6.5 million in federal revenue sharing. A similar situation exists in other communities around the state.

"Local governments spend their resources in ways which have a direct and immediate impact on services and facilities for people. Cities and villages spend about 60% of their revenues on public safety, highways, and sanitation. County governments spend about 85% on human services and highways. Townships generally spend between 70% and 80% of their revenues on roads and bridges."

"The functional emphasis of what state government does will probably change because our population composition and distribution is changing. But the key role of state government as a place where revenues are raised and reallocated to other units and other levels to provide resources to serve the people will not change. State government is inescapably involved in decisions about what other units, including all forms of local government do, the way in which they do it, and the resources available to get it done."

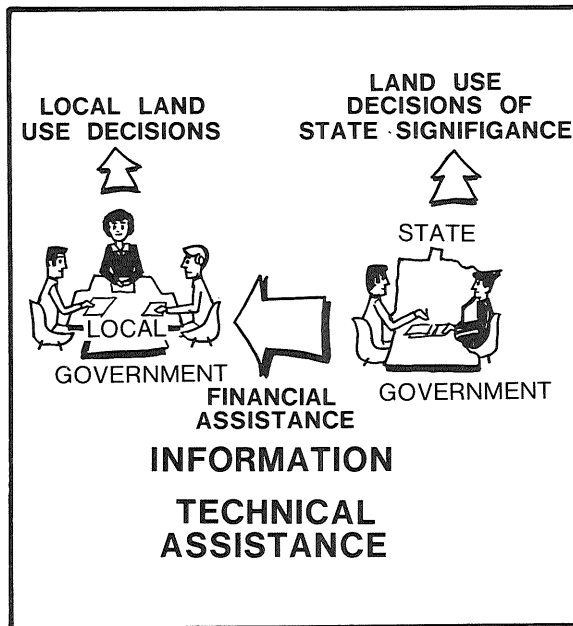
Government Environment

Decision Making in Government

..... How can state tax policy affect the schools?
 How can it affect the environment? In what ways can the news media be a fragmenting force in state government? Are lobbyists a danger in state government?
 Are political parties a fragmenting or integrating force in government? Why?

Excerpts from original Minnesota Horizons presentation — By Gerald W. Christenson:

"The property tax reform legislation passed in 1971, and refined in 1973 involved much more than just property taxes. It changed dramatically the way in which we finance our schools. It permitted tax relief for senior citizens. It will have significant impact on rural development. And, in my opinion, it is one of the most important environmental actions you have taken.



"People are often surprised when I say that the property tax relief-school finance legislation was an environmental step. But it was, and here's why. Up to 1971, school districts and other units of local government were forced to rely heavily on local property taxes for financial support. To keep property tax rates down, local government was pressured sometimes to make development decisions that were not always environmentally sound. A good example: the decision in the middle 1960's to locate the Allen S. King Plant in the beautiful St. Croix Valley near Stillwater. My guess is that most of the Stillwater area residents would have preferred not to have the plant, with its huge smoke-stack, located there. But the property tax burden, particularly for older citizens, was growing because of the need to support the schools. The choice was a difficult one. People didn't like the idea of despoiling their unique valley, but they felt they needed the property tax base to support their schools. The plant was built.

"Perhaps people should not be pressured to make those kinds of decisions. Because of the property tax relief-school finance legislation you passed in 1971, the pressure for unwise development is much reduced. State support for schools has been increased from 43% to 70%. Although this made it necessary to increase

state income and excise taxes, it meant less money had to come from local property taxes. The net result is that since state aid will be forthcoming, local officials do not now feel compelled to accept possibly unwise development.

"The point is that legislative matters become inter-related. What you do with tax policy, for example, may affect not only taxes but also the environment, senior citizens, and schools."

"One force working against an integrated approach to government is the increasing complexity of our society, which is so complex today that it is difficult not only for the average citizen, but also for government officials to have a comprehensive view of the whole. Programs and officials keep changing at the federal, state and local levels. Problems in many areas sometimes seem unsolvable.

"A second force contributing to fragmentation is the pressure on government leaders, particularly elected officials, to 'do something', to make a track record. Officials sometimes get tired of unresponsiveness in government. They want to make their mark in a certain area, and they can't afford the time needed to develop a coordinated approach. The result is that they often take instead a single-shot approach.

"A third fragmenting force can be the committee structure of a legislative body. To accomplish its work, it is essential to divide into committees. But if adequate attention is not paid to strong coordination of these committees, results can be serious fragmentation and ineffective government.

"A fourth fragmenting force can be the departmental structure of the executive branch of both federal and state government. In many cases, matters do not break neatly along functional lines. . . We often have difficulty deciding in which of our functionally-organized agencies a particular program should be located. For example, should a new drug-abuse program be the responsibility of the Health Department, the Welfare Department, or some other department?

"A fifth fragmenting force can be the way we organize local government. The numerous units may mean that some individual units do not have adequate resources for planning or for protecting the natural resources of an area. The number of single-purpose, special districts continue to grow.

"A sixth fragmenting force is the way in which the news media generally operates — particularly tele-

vision. A comprehensive approach does not usually make for lively news. The TV camera is interested in conflict, not coordination; in the quick, decisive answer, not the reasoned response. As elected officials you need public attention. But to get it, you are likely to get pulled toward a fragmented approach.

"A seventh force contributing to fragmentation is the skill of the single-purpose, special interests. In many states and at the national level, they have become very adept at manipulating the legislative process, at getting a bill through that meets their special needs. If they don't possess the expertise, they go out and buy it in the form of consultants or lobbyists."

"One of the integrating forces in the past has been our strong two-party tradition. The parties, if they were going to succeed, had to have a broad appeal. They had to bring people together with comprehensive platforms that included positions on employment, taxation, environmental protection, economic development, agriculture, and all the rest. Compromises had to be made so that a balanced program could be presented that would win support from a wide range of people. But the political parties appear to have been hurt in recent years. More and more people are classifying themselves as independents. Unless another integrating force can be substituted, that trend may become a problem."

"The real key to the success of the comprehensive approach rests with elected officials at all levels of government. To win reelection, these officials need to adopt a balanced, comprehensive approach. But sometimes forces of fragmentation provide temptation. The elected official feels the need to move faster in establishing a track record, feels the need to get more media attention, or feels the need to be more responsive to single-purpose, special interests."

"If elections are going to be meaningful, if they are going to result in the support or rejection of different policy positions, then the roles of elected officials must be substantial. It is difficult to hold elected officials accountable if control is so diffused that no one is in charge."

Government Environment

Legislative - Executive Relationships

..... Is state government better or worse than it was 20 years ago? Are relationships between the legislative and executive branches of government in Minnesota better or worse than in the rest of the country? What is the chief danger inherent in large legislative staffs? In the future, which level of government — federal, state or local — will become most important? Why? Do we need more "grass roots" government in Minnesota? Why do some elected officials show a lack of leadership? Should the Legislature stick to policy-making and leave implementation to the "bureaucrats"?

Excerpts from original Minnesota Horizons presentation — By Ray Lappegaard:

"Since, over the years, I have worked both in and out of government, I have had the opportunity to observe changes, perhaps more clearly and vividly than those who have been on the governmental scene without respite. And I would say — quite flatly — that state government today is a far more efficient and responsive institution than was its counterpart 20 years ago. . .

"Having said that, I would now like to offer you some advice. . . I'll begin with an obvious plea — namely, that in working with a particular department, please allow yourselves both the time and the opportunity to become oriented to that department. Let those in the

department tell you something about it; ask questions; let the personnel in on your particular area of interest . . . The more open, detailed and precise your questions, the more detailed and responsive the answer will be . . .

"Try not to feel frustrated, irritated or impatient if programs which you have initiated don't become really effectual until sometime after your term has ended. You may have a great desire to see results achieved during the time you are present in order to savor the rewards of the achievement. But increasingly, in all areas of government, and in state government especially, there is this problem of delays. Delays seem almost to have become a usual and necessary part of the operation. Much of this snail's pace stems, of course, from the increased demand for openness in government, which is certainly a desirable thing. . ."

"I applaud the fact that you are acquiring staff assistants to aid you in gathering and analyzing data as a basis for the decisions you must make. At the same time, I would caution you that there is a danger that energetic, able, legislative staff members, in their zeal to serve you, can be a nuisance. They provide far more than is required to answer your question. You need good, competent staff assistance, but please be careful that your staff does not become a new bureaucracy — responsible for nothing, accountable to no one. I suggest that the most important function of the legislative staff member is evaluating and monitoring of on-going programs and operations."

"I have the feeling that the state is going to become the most important government level in this country during the next years. It seems clear to me that the federal government is unable to provide direct service operations effectively.

"On the other hand, local governments, for a variety of reasons, seem to have difficulty in handling the real issues which must be addressed if their citizens are to be served properly. I have felt for some time that it might be appropriate to consider changes in the makeup of local governments. I suspect that we have not taken a good look recently at the job descriptions, for instance, of the mayor and councilmen in a municipality."

"In the United States, there are, on the average, 41 units of government for every 100,000 people. In the Ninth Federal Reserve Region, of which Minnesota is a part, there are 195 units of government for every 100,000 people. Something is wrong when we hear

opinions that we need more grass-roots government in this part of the country, where we have almost five times as much local government as the average for the country. By consolidating local governments, opportunities for cost-saving sharing of functions seems to me to be enormous.

"Perhaps the comment that more grass-roots government is needed is another way of saying that the public wants greater participation and involvement in government."

"To some degree, present problems surrounding participatory involvement of the general public arise from a lack of leadership on the part of elected officials. This is not surprising. We have noted that the local elected official who really does take a leadership position, who advocates a cause, immediately becomes the target of a considerable amount of criticism and is hard put to maintain his effectiveness in office. Thus, those who want to stay in office have avoided a leadership role by not taking firm positions on issues, and by voicing the concerns of certain groups protesting the actions of administrative agencies. We have a curious phenomenon here: it is as if the elected official were not part of the government to which he has been elected."

"We have been well-served by our legislative bodies in this state for many years. I have been particularly pleased at the restraint shown by so many individual legislators when they do inquire into specific operations of the departments with which I have been involved. In talking with colleagues around the country, I find that my situation as a state employee is much better than theirs, as far as answering questions and requests from legislators go. We seem to enjoy, here in Minnesota, a much better understanding of the need for some separation between the two branches of government. Most of us, legislative and executive branch members alike, seem to recognize the great truth that Dag Hammarskjöld stated when he said: 'Your position never gives you the right to command; it only imposes upon you the duty of so living your life that others can receive your orders without being humiliated.'"

Reactions

"A remarkable contribution to the Legislature that will be of incomparable value in making our decisions."

— Sen. Nick Coleman,
Senate Majority Leader

"I was especially thrilled for the new members, who received the most terrific briefing possible for a group of freshman legislators going into their first session. They'll be able to ask the kinds of hard questions that will result in good legislation."

— Rep. Rod Searle,
Member, Horizons Task Force

"The seminar is believed to be the first of its kind in the country, and its sponsors think it may serve as a model for other legislative bodies. However it turns out, the attempt is noteworthy, and those associated with it deserve commendation for the effort."

— Editorial, Minneapolis Star, 12/5/74

"The Minnesota Horizons program has launched a unified and integrated approach toward legislation, and it has done so in full view of the citizens of the state whose values must finally determine their state's future . . . Public servants and citizens alike have taken three short days to talk together about what they want their state to become . . . In doing so, they have greatly increased the likelihood that the future of the State of Minnesota will be determined, not by circumstance, but by the people to whom it belongs."

— Sen. Hubert H. Humphrey
Congressional Record, 2/21/75

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