

Fiscal Disparities Program

The 50-Year History of the Fiscal Disparities Program with Panel Discussion

August 18, 2021

Committee of the Whole



Fiscal disparities program

- Shares part of growth in commercial-industrial tax base

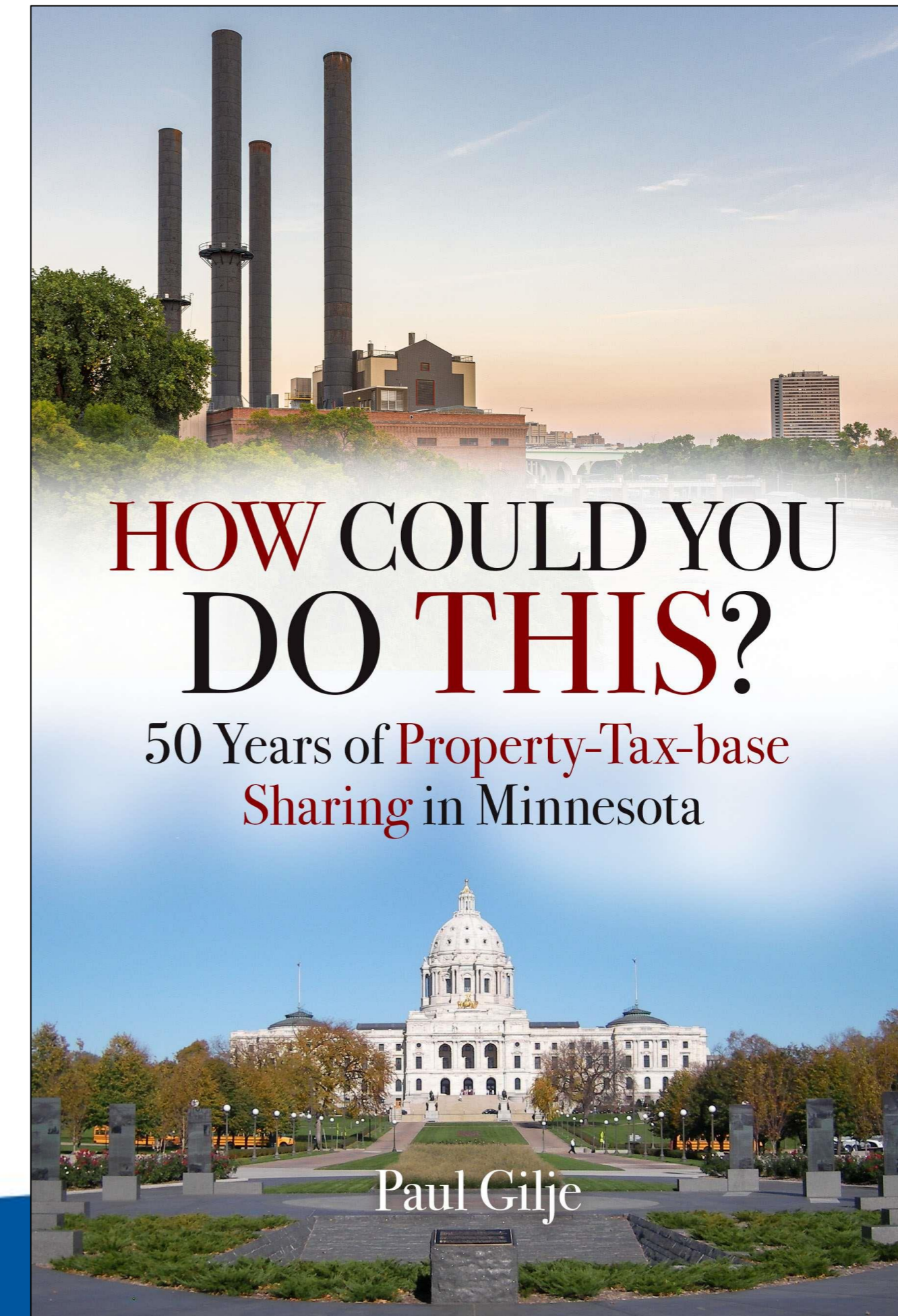


Presentation and panel discussion

- Presentation on Paul Gilje's publication, [How Could You Do This? 50 Years of Property-Tax-base Sharing in Minnesota](#)
- Panel discussion
 - Paul Gilje, author, and former Associate Director, Citizen League
 - Steve Hinze, former Legislative Analyst, Minnesota House of Representatives Research Department
 - Patricia Nauman, Executive Director, Metro Cities
 - Tom Weaver, CEO, Achieve Services, and former Regional Administrator, Metropolitan Council

Paul Gilje's book on tax-base sharing

- Why Paul Gilje wrote this book
- Quote about the book:
“Officials from around the country visit the Twin Cities asking, ‘How in the world did this law get passed and implemented?’” – John Adams, University of Minnesota



Momentum for tax-base sharing

Minneapolis Star
1965

- Editorial by Ted Kolderie stating, “*We need to break away from the tyranny of the local property tax...*”

Power plant on St.
Croix River

- Controversy over Oak Park Heights power plant

Annual surveys by
Citizens League

- Attention on extent of differences in property tax burdens across metro area

Metropolitan Council
created 1967

- Metropolitan Council’s influence on growth part of Citizens League’s rationale for the program

Development of tax-base sharing plan

Citizens League Fiscal Disparities Committee 1968-1969

- Proposal by F. Warren Preeshl to redistribute commercial-industrial tax base among school districts
- Proposal by Charles R. Weaver, House Representative, to share half of property tax revenue from commercial-industrial development
- Five other proposals

Fiscal Disparities Committee report March 1969

Bill's progress at Minnesota Legislature

1969

- Introduced by Charles R. Weaver, House Representative, Anoka
- Amended to share 40 percent of growth in commercial-industrial tax base, not 50 percent
- Passed House by 115-14 margin
- Died in Senate Tax Committee

1971

- New section on municipal equity account added, merging Metropolitan Council's bill into Rep. Weaver's fiscal disparities bill
- Changed per capita distribution formula to add measure of fiscal capacity (total per capita value of property compared to metro average)

Enactment of tax-base sharing in 1971

Special Session

- Senate passed amended bill 34-31 with support of 15 central city Senators and opposition by three-fourths of suburban Senators
- House passed Senate's amended bill 83-39 with support of two-thirds of suburban Representatives

Governor signed bill into law on July 23, 1971

Court challenges: metro area program

Burnsville Village

- District Court found tax-base sharing violated the Minnesota Constitution's uniformity clause
- Minnesota Supreme Court upheld constitutionality 1974
- Reasoned that interdependence of units of government and residents justified metro areawide sharing

Shakopee

- Tax Court upheld constitutionality of program
- Minnesota Supreme Court affirmed decision 1982

Proposals to change or eliminate program

- Among many proposals:
 - First bill to repeal program 1975
 - Hennepin County's push back as largest net contributor of tax base
 - Net contributor means contribution to the shared pool of tax base is greater than distribution from the shared pool of tax base
 - Bill to add growth in residential value over \$200,000 to shared pool of metro area tax base passed 1995; vetoed by Governor Carlson
 - Efforts to help fund the Mall of America

Changes to tax-base sharing

- Few changes to metro area program
 - Tax increment financing districts (1979)
 - Extra distribution to Bloomington for 10 years for interest on highway bonds (1986)
 - Eligibility determination (1991)
 - Livable Communities Act funding (1995)
 - Iron Range tax-base sharing (1996)
 - Mall of America Tax Increment Financing (TIF) districts exemption through 2034



Influence on other areas and other examples

- Tax-base sharing mainly helped spark discussion of solutions for fiscal disparities rather than action
 - Many states sent delegations to Minnesota and many news articles explained the program
- Recent articles and proposals
 - Government Finance Officers Association [study](#)
 - Series of articles by Cleveland, Ohio, reporter at *cleveland.com*
 - Bill for voluntary economic development alliances introduced in Ohio Legislature
- New Jersey Meadowlands closest example of tax-base sharing outside Minnesota

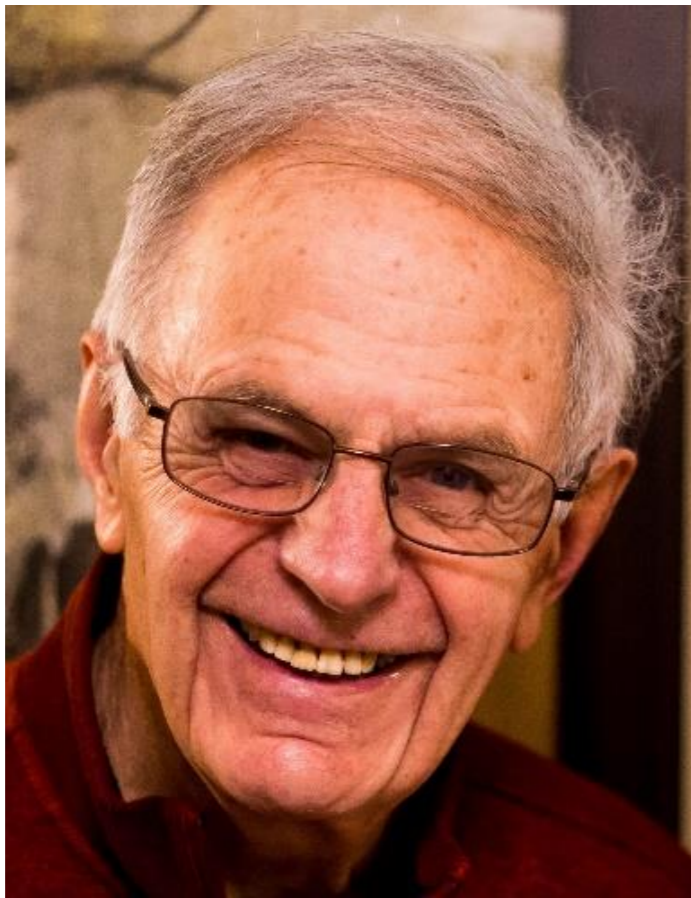
Key takeaway from *How Could You Do This?*

- Tax-base sharing is working
 - Fiscal disparities program partly and gradually reduces differences in commercial-industrial tax base across municipalities in the metro area



Panel discussion

Panelists



Paul Gilje

Author, *How Could You Do This? 50 Years of Property-Tax-base Sharing in Minnesota*



Steve Hinze

Former Legislative Analyst, MN House of Representatives Research Department



Patricia Nauman

Executive Director,
Metro Cities



Tom Weaver

CEO, Achieve Services,
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Thank you!

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