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

<table>
<thead>
<tr>
<th>Event</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minneapolis Star 1965</td>
<td>Editorial by Ted Kolderie stating, “We need to break away from the tyranny of the local property tax…”</td>
</tr>
<tr>
<td>Power plant on St. Croix River</td>
<td>Controversy over Oak Park Heights power plant</td>
</tr>
<tr>
<td>Annual surveys by Citizens League</td>
<td>Attention on extent of differences in property tax burdens across metro area</td>
</tr>
<tr>
<td>Metropolitan Council created 1967</td>
<td>Metropolitan Council’s influence on growth part of Citizens League’s rationale for the program</td>
</tr>
</tbody>
</table>
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)
  – 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, and former Regional Administrator, Metropolitan Council
Thank you!

Debra Detrick
Planning Analyst, Local Planning Assistance, Community Development Division
651-602-1327
debra.detrick@metc.state.mn.us