

Staff Report

DRAFT

**FISCAL DISPARITIES
DISCUSSION PAPER**

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Metropolitan Council

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WHY IS THE COUNCIL INVOLVED?

The Metropolitan Council has been involved in and supportive of fiscal disparities from the program's inception. The Council was active in efforts to create and pass the bill into law.

The fiscal disparities law puts 40 percent of the Metropolitan Area's growth in commercial and industrial tax base since 1971 into a metro-wide pool. The pool of tax-base contributions is then redistributed among all communities in the seven-county area. The redistribution is based on a community's population and how its per-capita market value of all real property ("fiscal capacity") compares with the average for the Metropolitan Area. A community with below-average fiscal capacity receives a somewhat larger distribution from the pool, while a community with above average fiscal capacity receives somewhat less.

Region-wide sharing of tax-base growth fits the Council's view that the Metropolitan Area functions as a single economic unit. Fiscal disparities is also supportive of regional planning objectives. For example, redistributing tax base spreads the benefits of economic development spurred by regional facilities such as freeways, interchanges and airports. It also helps older communities finance redevelopment and encourage worthwhile land uses, like parks or low-income housing, that produce little or no tax revenue. If the fiscal disparities law were changed substantially, communities might be less willing to provide for these and similar land uses that are encouraged by regional policies.

Since the fiscal disparities law went into effect, the Council has monitored the impacts of the law and opposed changes to it that moved away from the tax-base sharing aspects of the legislation. Recently, various groups have discussed **what** was intended by the law and **how** it is working. The Council believes that it is important to review these questions in light of the original ideas behind the law.

This paper reviews the purposes of the law, examines how the law is working, discusses the Council's positions on some issues and lays out factors to consider on other issues where the Council has not yet taken a stand. The Council has a broad regional perspective on the fiscal disparities issues, and does not stand to gain or lose revenues or change its tax rates as a result of this analysis.

Appendices A through E are referenced throughout this paper. They contain data, maps, examples and formulas that are important to the fiscal disparities discussion. Appendices A and B contain tax capacity information for all cities in the Metropolitan Area. They show fiscal disparities contributions and distributions, the amount of exempt property, total amounts of commercial-industrial property, etc., for each city. Appendix C is a listing of top net contributors and top net recipients for 1975, 1980, 1985 and 1991. Appendix D is a step by step walk-through of how the law works. And Appendix E is a map of the top 20 net contributors for taxes payable in 1991, along with the major existing highways in 1990. It is a simple illustration of the issue that major contributors do, in fact, benefit from state and regional investments which they do not totally pay for themselves.

PURPOSE OF THE LAW

The tax-base sharing program was initially proposed to respond to concerns in the late 1960s about high property taxes and large differences in tax base among communities in the Metro Area. There was also a concern that communities were competing for development by using fiscal incentives that did not always produce the best development decisions.

From a regional perspective the Twin Cities Area is one economy. Large commercial-industrial developments tend to concentrate in a few locations, drawing workers and clients from a market area that is larger than the city it is located in. Access to these concentrations, primarily highways, is a prime determinant of where these developments locate. Cities with such access are the ones most likely to get commercial-industrial development.

Since the property tax is the primary source of local government revenues, certain types of development--office space, headquarters buildings, up-scale housing--are attractive because they typically generate more revenue than it costs to serve them. Not all cities can expect to attract such development, but most participate in financing the regional facilities serving these developments. The idea underlying tax-base sharing is to allow all cities to share in the commercial-industrial development that is, to a large extent, the result of a regional market and public investments made at the regional and state levels.

The purpose of the law is well stated in the original act and has not changed. It reads as follows:

The legislature finds it desirable to improve the revenue raising and distribution system in the seven county Twin Cities area to accomplish the following objectives:

- (1) To provide a way for local governments to share in the resources generated by the growth of the area, without removing any resources which local governments already have;*
- (2) To increase the likelihood of orderly urban development by reducing the impact of fiscal considerations on the location of business and residential growth and of highways, transit facilities and airports;*
- (3) To establish incentives for all parts of the area to work for the growth of the area as a whole;*
- (4) To provide a way whereby the area's resources can be made available within and through the existing system of local governments and local decision making;*
- (5) To help communities in different stages of development by making resources increasingly available to communities at those early stages of development and redevelopment when financial pressures on them are the greatest;*
- (6) To encourage protection of the environment by reducing the impact of fiscal considerations so that flood plains can be protected and land for parks and open space can be preserved; and*
- (7) To provide for the distribution to municipalities of additional revenues generated within the area or from outside sources pursuant to other legislation.*

The fiscal disparities law has two major parts--first, the tax-base sharing portion that has become known simply as "fiscal disparities" and, second, a separate fund (the "municipal equity" fund), which was never carried out. Tax-base sharing was viewed as addressing the differences in wealth of communities across the region. The municipal equity fund, responding to the final purpose listed above, was aimed at partially offsetting the differences in costs incurred by communities. Only the fiscal disparities portion of the law was implemented. The equity fund required a separate funding source, which was never authorized.

IS FISCAL DISPARITIES WORKING?

The disparities in the commercial-industrial (C-I) tax base of Metropolitan Area communities have been significantly reduced under the fiscal disparities program. For taxes payable in 1991, nearly 31 percent of all C-I tax capacity is being shared, with 157 communities being net recipients

and 31, net contributors. The ratio of highest per-capita tax base to lowest is 4 to 1 with fiscal disparities; without the program, it would be 22 to 1.

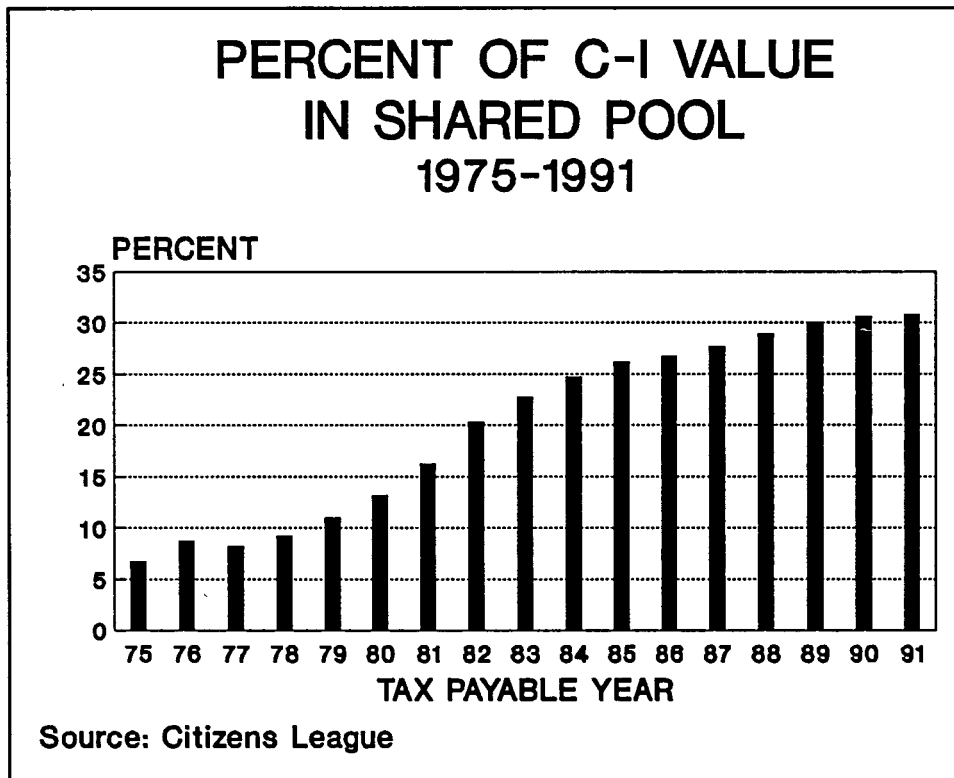
Effect on Tax Base

Shared C-I tax base has grown to make up a significant portion of total C-I tax base for taxes payable in 1991. The shared pool amounted to \$290.5 million of the region's \$943 million in commercial-industrial tax capacity. Figure 1 shows how fiscal disparities' share of total commercial-industrial tax capacity has increased, rising from 6.7 percent for taxes payable in 1975 to 30.8 percent for taxes payable in 1991.

This is working just as the law was intended. In the early years, legislators did not want to hurt communities with existing development, so pre-1971 C-I tax base was not included in calculations of the contribution share. Over time, real growth and inflation have increased shares contributed to the regional pool and reduced the significance of the pre-1971 base exemption. In 1975 developed communities contributed substantially less than 40 percent of their C-I tax capacity, while new communities contributed a much larger share of their base (because most C-I tax capacity was new growth).

Over a very long period of time, all communities will contribute approximately 40 percent of their C-I base and the regional total will approach the same. Appendix A shows the shares of total C-I tax capacity that each community contributed for taxes payable in 1991.

FIGURE 1



By redistributing tax base, fiscal disparities causes communities to gain or lose tax capacity. Table 1 shows the distribution values, contribution values and net changes in tax base (distribution minus contribution) by county for taxes payable in 1991. As seen in the table, Ramsey and Anoka Counties received the most net tax base, while Hennepin was the only net contributor (\$62.7 million).

TABLE 1 CHANGES IN TAX BASE BY COUNTY FOR TAXES PAYABLE IN 1991			
County	Contribution	Distribution	Net Change
Anoka County	\$16,554,873	\$38,441,870	\$21,886,997
Carver County	2,669,981	6,330,187	3,660,206
Dakota County	31,856,129	34,363,149	2,507,020
Hennepin County	177,523,169	114,808,394	-62,714,775
Ramsey County	47,730,425	70,374,563	22,644,138
Scott County	4,461,184	7,497,595	3,036,411
Washington County	9,712,410	18,692,412	8,980,002
SEVEN-COUNTY TOTAL	\$290,508,171	\$290,508,170	\$-1
Source: Minnesota Department of Revenue, Local Government Services Division.			

More than three-fourths of cities and townships in the Metropolitan Area received more tax base than they contributed. Table 2 summarizes net recipients and net contributors by county and provides more information about which of the total 188 cities and townships had the largest net changes in tax-capacity values for taxes payable in 1991. As mentioned earlier, for taxes payable in 1991, 157 cities and townships received extra tax capacity and 31 cities and townships contributed net tax base.

The percentage figures in the last column represent the size of the tax-base shift compared to the total amount a community can levy taxes against ("taxable tax capacity" is the total tax capacity minus tax-increment value and the value of the fiscal-disparities contribution).

An interesting way to look at Hennepin County's net contribution is that the five largest contributing communities (Minneapolis, Bloomington, Minnetonka, Eden Prairie and Plymouth) accounted for all the net exported tax base. The rest of the contributing communities in Hennepin County essentially shared their tax base with other Hennepin County cities and townships.

Appendix C shows a condensed history of the top net recipients and net contributors over the life of the program. Many of the names on the list have stayed the same primarily because the growing communities have continued to grow at much faster rates than the communities that are net recipients. The most notable exception is Minneapolis. It was a net recipient in 1975 and 1980, a net contributor in 1985, and the highest net contributor in 1991.

TABLE 2
NET RECIPIENTS AND CONTRIBUTORS IN TAX BASE BY COUNTY
FOR TAXES PAYABLE IN 1991

County	Number of Cities and Townships*		Cities and Townships with Largest Net Changes		
	Net Recip.	Net Contrib.	City or Township	Net Change	% of Taxable Tax Capacity
Anoka County	20	1	Coon Rapids	\$3,846,087	17.4
			Blaine**	2,923,970	19.0
			Columbia Hgts.	2,708,204	33.7
			Fridley	-862,662	4.1
Carver County	23	0	Chanhasen**	702,032	9.2
Dakota County	29	4	So. St. Paul	3,285,878	39.3
			Apple Valley	2,752,342	14.8
			Eagan	-4,253,113	10.3
			Burnsville	-3,833,262	8.5
Hennepin County	29	16	Brooklyn Park	3,700,924	12.6
			Richfield	2,898,203	15.1
			Champlin	2,451,638	40.7
			Crystal	2,087,914	20.1
			Maple Grove	2,040,956	9.5
			Minneapolis	-19,008,178	6.5
			Bloomington	-14,829,753	14.7
			Minnetonka	-11,761,253	18.4
			Eden Prairie	-11,243,118	20.6
			Plymouth	-7,629,998	15.0
			Edina	-7,004,549	9.3
			Golden Valley	-4,315,000	16.6
St. Louis Park	-2,942,953	7.3			
Ramsey County	11	5	St. Paul	24,319,865	16.1
			Roseville	-4,886,173	14.8
			Maplewood	-2,813,193	10.5
Scott County	17	1	Prior Lake	972,681	16.1
			Shakopee	-1,392,751	14.7
Washington County	28	4	Cottage Grove	2,097,851	19.7
			Oak Park Hgts.	-481,064	7.4
TOTAL	157	31			

* Communities split among two counties are represented in the county with the largest population.
 **City is split among two counties; figure represents only the portion in given county.

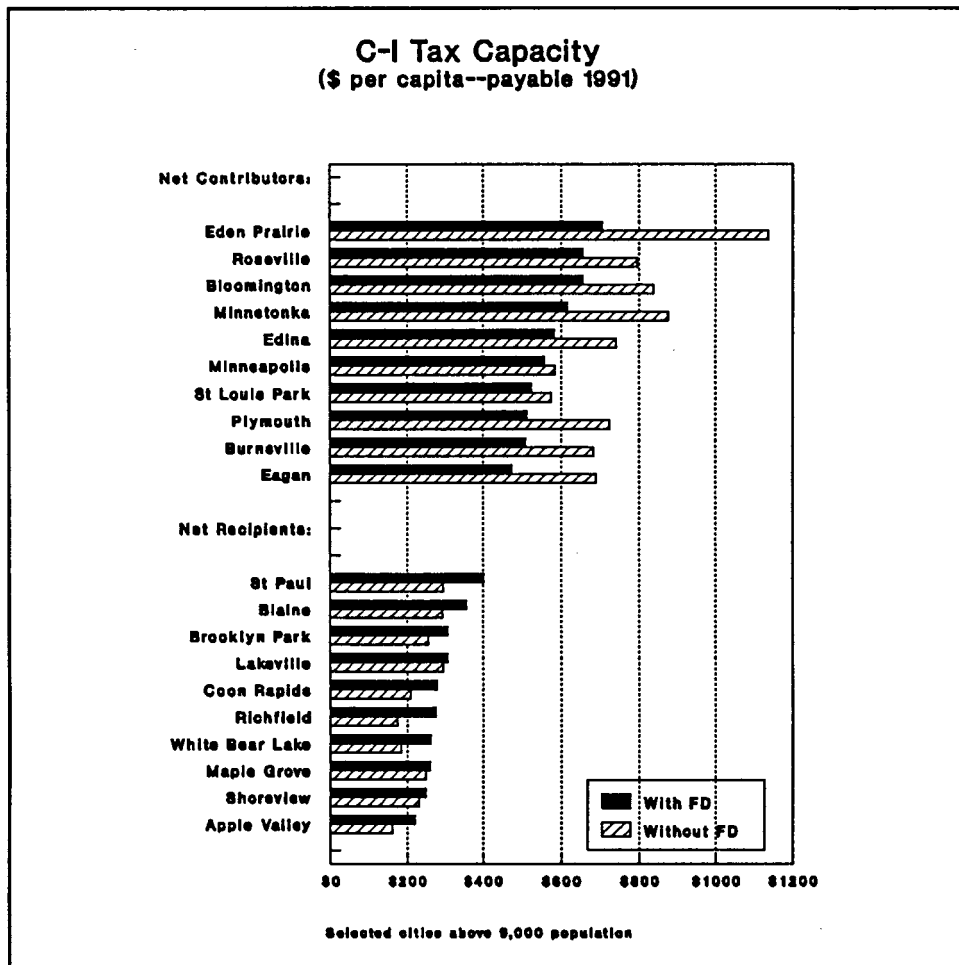
Sources: Tax-base data from the Minnesota Department of Revenue, Local Government Services Division; taxable tax-capacity data for taxes payable in 1990 also from the Minnesota Department of Revenue.

As also seen in the table, there appears to be a trend toward fewer contributors and more recipients. This again would suggest that the actual disparities in C-I tax base in the region are growing even with the fiscal disparities law--with heavier concentrations of growth in 31 communities and not the other 157.

As mentioned at the beginning of this section, the ratio between the highest C-I tax base per capita and the lowest C-I tax base per capita is 4 to 1 among cities with more than 9,000 residents, according to a Citizens League study. That ratio would be 22 to 1 without fiscal disparities. For the most part, communities with high commercial-industrial tax base remain the wealthiest even if they contribute more to the shared tax-base pool than they get back (*Minnesota Journal*, January 15, 1991).

Figure 2 illustrates this point. It shows C-I tax capacity per capita with and without fiscal disparities for some of the top contributors and some of the top recipients. The contributors, even after the fiscal disparities contribution, still have significantly higher C-I tax base than recipient communities. The effect of disparities is to narrow the range of these differences (see the black bars in Figure 2).

FIGURE 2



Effect on Tax Burdens

A community that is a net contributor to the metro-wide tax-base pool may not bear as large an increase in **tax burden** as the tax-base shifts suggest. By the same token, a net recipient may not have a lower tax burden. The program's effects on tax burdens may differ substantially from its effects on tax capacity due to adjustments in state aids, according to a House Research report on fiscal disparities (Minnesota House of Representatives Research Department, *Tax Base Sharing in the Twin Cities Metropolitan Area*, August 1987).

Although some tax-base shifts look high, House Research found that only 36 cities out of 140 experienced changes in their tax burdens of more than three percent as the result of fiscal disparities. When communities lose tax capacity, state aids go up; when they gain, aids go down. Since that study, local government aids, which adjusted for tax-base changes, are no longer tied to the tax base. Homestead and Agricultural Credit Aid and School Aid, however, are still tied to the tax capacity of a community.

The overlapping of jurisdictions using the property tax also comes into play when looking at tax burdens. What happens to a city's tax base can be offset by opposite changes in other taxing jurisdictions. For instance, a taxpayer in a city that loses tax base may still benefit from a lower local tax rate if it is located in a county that gains tax base.

The Metropolitan Council staff cannot model the effects of aids on final tax burdens, but this kind of analysis is very important when looking at a major change in fiscal disparities or the state-local fiscal systems.

Projected Trends

House Research projections to 1995 point to a continuation of current trends. Communities now gaining tax base or losing tax base will generally follow the same path in coming years. Additional estimates by House Research indicate that the fiscal-disparity share of commercial-industrial tax capacity is expected to rise to 34 percent by 1995. Disparities among tax bases are expected to increase, even with fiscal disparities. This conclusion parallels earlier observations about the number of net contributing communities decreasing over time.

ISSUES

The major issues raised concerning fiscal disparities fall into two categories--contribution issues and distribution issues. The most important contribution issues involve proposals to do the following:

- Expand the tax-base sharing pool by eliminating or phasing out exemptions such as South St. Paul, pre-1979 tax increment districts and pre-1971 C-I tax base.
- Equalize the valuations of similar real estate for tax purposes from community to community.
- Cap the total amount of the contribution pool.

On the distribution side, two issues are central:

- What should be the factors in the distribution formula?
- Should shared tax base be used for special purposes (for example, as a funding source for special projects or the provision of selected services).

The Council has specific responses to a number of the issues raised over the past several years. Those are discussed in the next two sections. The third section comments on additional issues that have or may come up, but for which the Council has not made specific recommendations.

Points the Council Supports

1. *It's working as is.*

Fiscal disparities was created to reduce tax-base disparities. Since the program is accomplishing its major purpose, the Council supports the original law. The Council recognizes, however, that several relatively minor aspects of the law could be changed to improve equity and uniformity, or to simplify the program. None of these minor changes would alter the basic function of the program.

a. *Eliminate certain exemptions.*

The Council supports phasing out special exemptions, except for the pre-1979 tax increment financing districts.

Under the fiscal disparities law, certain kinds of property do not contribute to the shared pool of commercial-industrial tax base. First, there is a blanket exemption for all C-I property in place prior to 1971. The share of each community's pre-1971 C-I exemption is presented in the table in Appendix A. The primary special exemption is property in some tax increment financing (TIF) districts. Other special exemptions are a blanket exemption for the city of South St. Paul and exemption of all commercial-industrial property at the Minneapolis-St. Paul International Airport (MSP).

The TIF, South St. Paul and airport exemptions were valued at \$230.6 million for taxes payable in 1985, according to House Research. As seen in Table 3, all three types of exemptions could have contributed \$92.3 million to the area-wide pool in 1985, approximately 7 percent of the pool in that year. The value exempted in the pre-1979 TIF districts grows as the districts grow and will do so until the districts are decertified. TIF districts accounted for the bulk of the exemptions; the largest exemptions were for Minneapolis and St. Paul. The other 17 cities with exempt TIF districts are identified in Appendix A, along with their exempt values for taxes payable in 1991 instead of the 1985 values listed in Table 3.

Type of Exemption	Exempt Value	40 Percent of Exempt Value	Percent of Area-Wide Pool
Pre-1979 TIF	\$197,727,000	\$79,090,800	6.0
South St. Paul	2,905,000	\$1,162,000	0.1
MSP Airport (est.)	30,000,000	12,000,000	0.9
TOTAL EXEMPTIONS	\$230,632,000	\$92,252,800	7.0

Source: Minnesota House of Representatives Research Department.

The Council does not recommend eliminating the pre-1979 TIF exemption because such an action may impair previous commitments to support bonds. Also, the tax increment financing law was substantially rewritten in 1979 and the legislature decided to retain the exemption for pre-1979 Housing and Redevelopment Authority districts. (For all other districts created since 1979, a city must choose one of two contribution options that differ in the extent to which the contribution is funded by property in the district or property outside the district.)

South St. Paul's exemption should be eliminated to improve equity. The city is the only area affected by a 1965 federal provision covering redevelopment areas. It receives a distribution from the area-wide pool of tax base although it contributes no tax base. The amount listed in Table 3 above excludes South St. Paul's pre-1979 TIF exemption, which was valued at \$4.1 million for taxes payable in 1985. For taxes payable in 1991, South St. Paul's net distribution was nearly \$3.3 million, or about 1.1 percent of the total amount distributed.

Whether the exemption of commercial-industrial property at the airport should continue is a difficult question because of the way the airport is treated under the property tax laws. If included in the shared tax base, the airport tax base would require devising a different means of distributing tax base to the district, because under the distribution formula, the airport would get no distribution since it has no population. If any exemption is phased out, it probably should be done over time to prevent major changes in tax burdens and allow a city with exempt property time to adjust to the change.

b. Remove the "factor of two" (minimum-distribution alternative).

The Council recommends removing the factor of two from the distribution formula. The factor of two provides for a minimum distribution of tax base to some cities.

The distribution formula allows a city to use its preliminary distribution index or its population, whichever is greater. The minimum distribution (a city's population) becomes the distribution value for wealthy cities--those with a fiscal capacity that is more than twice the metropolitan average. For taxes payable in 1991, nine cities had populations greater than the preliminary index: Lilydale, Sunfish Lake, Deephaven, Edina, Greenwood, Minnetonka Beach, Orono, North Oaks and Dellwood.

Removing the factor of two would have a minimal effect overall. This is an equity issue. Why should wealthy cities get a minimum distribution? Shouldn't they get treated the same as all other cities and townships? For taxes payable in 1991, the additional amount of tax base these cities received was just under \$250,000, or 0.08 percent of the total distribution.

c. Include personal property.

Personal property is not included in the computation of fiscal capacity. For fiscal disparities, fiscal capacity is the per-capita market value of real property and is used to determine how much shared tax base is distributed to a city. Although most personal property is not subject to *ad valorem* taxation in Minnesota, there are two types of property that remain on the property tax rolls--manufactured housing and personal property of public utilities.

In some taxing jurisdictions, the value of manufactured housing and public-utility personal property is relatively significant. In the case of manufactured housing, the people living in these homes are counted on the population side of the fiscal-capacity equation even though the value of their homes is not included. This means that fiscal capacity in taxing jurisdictions having a large amount of manufactured housing is understated and, consequently, their fiscal disparities

distribution is higher than it would be if the value of manufactured housing were included in the fiscal-capacity measure. Another inconsistency is that commercial-industrial tax base contributed to the area-wide pool does include both real and personal property value.

The value of manufactured housing and public-utility personal property is part of the tax-base wealth of a community, and the Council supports including this value in the fiscal capacity measure as a way to increase the equity and uniformity of the program.

Points the Council Opposes

1. Diverting metro-pool tax base to finance special-purpose projects and away from reducing tax-base disparities.

The Council opposes using the fiscal-disparities base as a revenue or a borrowing source to finance projects not related to the program's original purpose. The shared base is a regional resource created for the specific purpose of reducing tax-base disparities. To allow any single community to tap part of that "regional resource" for its own purposes takes those resources out of the hands of all other communities and thus increases their costs.

The program was designed to operate as part of the existing property tax system. Local governments are allowed to tax the shared base in the same way (rate) that they tax property within their jurisdiction--no more, no less. This means that the revenue is for general--not special--purposes.

Over the past decade, the Council has reviewed three major development plans that proposed tapping into the fiscal disparities tax base--the new convention center, the Bloomington megamall and light rail transit. In 1984, the Council reviewed proposals from Bloomington and Minneapolis for a convention center. The Council argued that the cities' plans to use fiscal disparities as a financing source or to secure funding were not consistent with the intent of the law.

During the following year, the Council reviewed the Bloomington megamall plan, including its proposal to raise the majority of its operating subsidy by exempting Bloomington's tax base from the fiscal disparities program. Testimony offered by then-Council Member Josephine Nunn to the House Tax Committee in 1985 stated the Council's opposition to Bloomington's proposed exemption and recommended a few changes to the fiscal disparities program.

Then in 1989, the Council reviewed the Regional Transit Board's development and financial plan for light rail transit. The plan proposed several funding methods, one of which was to dedicate 40 percent of new growth in fiscal disparities' shared tax base after 1990 to fund light rail construction. The Council decided that such use of fiscal disparities was inconsistent with Council policies, the program's legislative intent and previous Council positions on fiscal disparities. The Council directed the Regional Transit Board to eliminate the fiscal disparities funding proposal from its plan.

In one of the three instances, the fiscal disparities program was used as a financing source. The 1986 legislature authorized the use of fiscal disparities revenues to pay interest on bonds used for highway improvements related to the Bloomington megamall site. For 12 years Bloomington receives an amount in addition to its regular distribution levy equal to the annual interest payment due on bonds. Bloomington is to then repay an equivalent amount over the next 10 years, one-tenth each year.

It is tempting to look to the fiscal disparities mechanism as a potential funding source for specific programs--by tapping the area-wide pool or, in the case of net contributors, to exempt some

eligible base from sharing. Often a case can be made that the resulting benefits accrue to the entire region or a major part of the region (for example, funding light rail transit). While fiscal disparities is a convenient source with significant revenue potential, such uses of the program do not fit with the original intent of the legislation. The complicated design of the program reflects, in part, an attempt to keep the revenue side of the program determined by local decisions.

2. Making adjustments for inflation.

Some portion of the pool's growth is the result of inflation in the value of older properties. One recent criticism of the program takes issue with capturing this inflationary growth in the value of older properties (developed before 1971). The argument is that this is not consistent with the original legislation to limit tax-base sharing to new development.

As noted earlier, the legislature designed the program to operate within the existing property tax system. This meant that any increase in property-tax base as determined by the system is included. Under the existing property tax system, the tax base is not adjusted for increases in inflation. Also, the purposes of the law do not mention limiting sharing to new development, but speak of "growth" generally, and the resources that result from growth. The intent of the law's framers was to have the fiscal pool grow over time to approach 40 percent of all the commercial-industrial base in the region, and in each community. If inflated values were not included, newly developed communities would always contribute proportionately more than older cities. In addition, it would take much longer for each community to come close to the 40 percent mark.

One value of counting inflation is that it tends to even out the contribution rates (shares of C-I base) of old and new communities over time. The differences in these contribution rates is a result of the exemptions for tax increment districts and the pre-1971 base. See Appendix A for individual community rates.

3. Distributing the metro-wide pool based on need.

One factor that is not used to redistribute tax base is an indicator of different "needs" of communities. At the time the program was originally proposed, this issue was considered in the debate. The issue at that time had to do with the special needs of cities. A study by the Council in 1970 concluded that the two primary causes of fiscal disparities among cities were differences in resources (tax base) and the existence of certain cost differences and "special populations" in primarily older cities.

The legislation that created the fiscal disparities program included provisions for tax-base sharing and for a separate fund (a municipal equity fund mentioned earlier) that would be distributed as unrestricted aid to cities over 2,500 in population. As mentioned earlier, tax-base sharing was viewed as addressing the differences in resources part of fiscal disparities and the municipal equity fund was aimed at partially offsetting the cost differences.

If needs are localized, it is better to develop programs to deal with them directly. Targeting encourages more efficient use of scarce resources. Using a broad-based program such as fiscal disparities that provides unrestricted revenues to a government does not guarantee that the revenue will be used to address a specific need.

Other Issues--Some Principles

The fiscal disparities program has been operating since 1975. During this period, no significant changes have been made. Nor has the Legislature authorized a significant review of the program in light of changing conditions and changing needs in the Metropolitan Area's fiscal system.

While the program is achieving its primary purpose, any proposal advocating significant changes would also represent an opportunity to thoroughly review all aspects of the program in the overall context of state-local fiscal policy.

Other than issues discussed in the previous sections, a number of proposals have been advanced to change other parts of the fiscal disparities program. Some of these include expanding the contribution base by adding in pre-1971 business property, removing the exemption for pre-1979 tax increment financing districts or reducing the base by lowering the contribution rate. Other changes proposed in the past include adjusting the contribution base for differences in assessment practices, shortening the period determining growth in the base and allowing for a variable contribution rate.

The Council staff has not reviewed these various changes in detail. However, data in Appendices A and B is helpful in estimating which cities are affected by various changes. For example, the amount of pre-1971 base is listed by city. Similarly, cities with property in tax increment districts created before 1979 are identified. The effects of other changes are straightforward. For example, if the contribution rate is reduced from 40 percent to 30 percent, each city's contribution is lowered proportionately.

In evaluating any proposed changes to the fiscal disparities program, the Council staff offers several principles for consideration:

- ***Limit use to regional tax-base sharing, not specific purposes.*** The Council has consistently opposed the use of fiscal disparities as a revenue source or a borrowing source for special purposes. This reflects the original intent of the law to share tax base among cities, thereby reducing tax-base disparities. While any aid program erodes accountability, the existing program, as designed, limits the amount of revenue to what a city is willing to tax its own property.
- ***Determine who benefits and who pays.*** To the extent possible, it is important to identify who are the primary beneficiaries of changes and who bears the resulting burdens. If someone is paying less, someone is paying more. In addition, the magnitude of any change is an important consideration. Some changes may not be significant in terms of the entire program. Large changes may require temporary transition provisions to phase in the full effects.
- ***Evaluate changes for consistency with the purposes of the law.*** The initial emphasis was on sharing tax base resulting from the area's growth. As long as the original purposes remain, changes should be consistent with them.
- ***Separate and estimate long-term effects from immediate effects.*** This is particularly important when proposed changes involve a combination of factors, some working to expand the program and some working to contract it. In addition, changes should be considered in the overall context of the fiscal system and public policy objectives for the Metropolitan Area. This not only helps identify the effects of changes, but suggests alternative approaches to issues that may be more appropriate and more effective.
- ***Look at effects in combination--don't evaluate one proposed change at a time.*** This is a dynamic system and should be evaluated as such. It is important to examine where the fiscal disparities program intersects with other parts of the local fiscal system.

APPENDICES

APPENDIX A
FISCAL DISPARITIES DATA FOR TAXES PAYABLE IN 1990*

County	City/County/County Total	1989 Population	Total 1989 Tax Capacity	% of Total 1989 Tax Capacity		% of 1989 CI Tax Capacity		TIF**
				CI Tax Capacity	Res. Tax Capacity	'91 F.D. Contrib.	Pre-1971 Exemp.	Pre-1979 Exemp.
Anoka	Andover	14,646	7,043,958	11.5	77.3	37.5	4.1	
	Anoka	17,266	9,800,213	37.9	60.9	27.2	30.4	
	Bethel	309	153,636	9.3	39.4	36.9	5.6	
	Blaine	37,819	21,348,250	47.8	48.3	37.3	4.7	
	Burns Twp.	2,404	981,678	9.1	51.2	32.6	16.7	
	Centerville	1,395	570,598	18.1	74.6	35.3	9.9	
	Circle Pines	4,764	2,021,852	14.9	82.9	31.7	19.0	
	Columbia Heights	20,039	10,235,396	32.0	65.3	22.0	43.8	927,713
	Columbus Twp.	3,726	1,541,127	13.2	72.9	32.5	16.9	
	Coon Rapids	47,725	27,642,572	30.2	65.1	35.1	10.3	
	East Bethel	7,976	2,833,941	8.7	76.5	33.8	13.5	
	Fridley	29,250	27,956,770	53.8	39.4	30.0	23.4	494,053
	Ham Lake	9,017	4,028,567	22.7	64.3	35.4	9.6	
	Hilltop	705	432,929	53.3	43.9	27.6	29.4	
	Lexington	2,115	821,560	25.6	71.2	30.2	22.9	
	Lino Lakes	8,235	3,999,565	12.4	77.7	33.8	13.7	
	Linwood Twp.	3,401	1,162,083	2.5	75.6	37.9	3.0	
	Oak Grove Twp.	4,967	1,897,803	2.8	81.9	36.3	7.2	
	Ramsey Twp.	12,717	5,238,714	20.9	69.4	36.8	6.0	
	Spring Lake Park***	6,868	3,791,150	43.1	54.9	34.9	10.9	
St. Francis	2,202	957,795	26.1	54.5	33.0	15.6		
Anoka County Total		237,546	133,879,951	34.9	58.6	32.7	16.5	1,421,766
Carver	Benton Twp.	957	712,942	38.8	7.3	27.2	30.6	
	Camden Twp.	907	380,065	0.7	15.9	24.2	38.1	
	Carver	741	274,071	10.6	71.1	28.8	26.3	
	Chanhassen	10,461	11,164,336	34.1	59.2	34.9	10.7	2,150,530
	Chaska	11,141	8,165,487	46.1	50.2	36.2	7.5	
	Chaska Twp.	206	69,795	4.2	47.6	36.2	7.4	
	Cologne	608	245,435	34.0	57.6	28.5	27.2	
	Dahlgren Twp.	1,316	655,519	14.8	31.8	34.8	11.2	
	Hamburg	487	124,280	15.6	79.9	27.7	29.3	
	Hancock Twp.	428	180,761	1.9	12.4	37.1	5.3	
	Hollywood Twp.	1,112	380,797	4.4	16.0	26.7	31.8	
	Laketown Twp.	2,336	916,364	4.5	56.6	27.5	29.7	
	Mayer	398	130,252	13.2	75.9	30.8	21.4	
	New Germany	356	124,824	38.1	51.9	33.0	15.5	
	Norwood	1,262	619,005	52.2	43.3	35.1	10.3	
	San Francisco Twp.	715	307,654	1.1	46.9	32.8	16.3	
	Victoria	2,228	2,161,991	8.9	84.5	33.9	13.4	
	Waconia	3,415	2,415,468	38.5	58.2	34.0	13.1	163,376
	Waconia Twp.	1,352	632,839	3.9	45.0	25.3	35.3	
	Watertown	2,120	689,126	25.0	70.4	28.7	26.8	
Watertown Twp.	1,428	1,001,520	43.7	24.6	36.3	7.1		
Young America Twp.	936	391,096	11.5	18.4	32.2	17.7		
Young America	1,230	463,278	30.3	64.8	32.4	17.1		
Carver County Total		46,136	31,195,069	30.4	55.5	34.0	13.0	2,313,906
Dakota	Apple Valley	33,622	21,225,732	18.8	77.3	36.6	6.6	
	Burnsville	50,225	54,835,228	52.0	45.9	33.6	14.2	
	Castle Rock Twp.	1,438	797,764	18.2	45.2	34.3	12.4	
	Coates	204	115,254	41.4	41.6	34.4	12.2	
	Douglas Twp.	615	347,442	0.5	23.4	30.3	22.6	
	Eagan	44,058	49,881,109	48.1	48.8	36.3	7.2	
	Empire Twp.	1,290	767,250	10.6	45.3	25.6	34.5	
	Eureka Twp.	1,321	877,761	2.6	47.0	18.8	51.9	
	Farmington	5,682	2,731,585	29.1	61.3	22.8	41.7	127,668
	Greenvale Twp.	642	412,012	0.9	25.5	19.6	50.0	
	Hampton	315	143,487	35.7	55.3	23.1	41.0	
	Hampton Twp.	902	430,695	7.2	28.9	33.9	13.2	

APPENDIX A
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County	City/County/County Total	1989 Population	Total 1989 Tax Capacity	% of Total 1989 Tax Capacity		% of 1989 CI Tax Capacity		TIF**
				CI Tax Capacity	Res. Tax Capacity	'91 F.D. Contrib.	Pre-1971 Exemp.	Pre-1979 Exemp.
Dakota (cont.)	Hastings	14,893	8,054,259	37.6	58.6	30.9	21.0	208,520
	Inver Grove Heights	21,850	16,937,758	37.5	56.4	35.4	9.6	
	Lakeville	22,707	15,496,828	35.6	57.6	36.6	6.5	
	Lilydale	643	1,289,322	22.4	75.0	28.5	27.2	
	Marshan Twp.	1,169	742,957	13.4	41.1	37.7	3.6	
	Mendota	197	150,270	45.1	46.6	28.1	28.2	
	Mendota Heights	8,982	13,644,770	36.8	59.9	35.1	10.3	
	Miesville	178	88,395	40.1	41.9	24.9	36.2	
	New Trier	116	28,925	17.9	78.9	31.3	20.0	
	Nininger Twp.	799	452,254	1.5	56.3	17.1	56.3	
	Randolph	323	94,515	19.8	64.9	21.3	45.7	
	Randolph Twp.	415	318,359	26.7	43.0	24.0	38.8	
	Ravenna Twp.	1,907	780,298	0.7	81.9	37.9	3.1	
	Rosemount	8,014	6,821,767	47.7	40.4	30.0	23.3	218,290
	Sciota Twp.	244	143,650	0.4	25.9	22.3	43.0	
	South St. Paul	20,083	9,705,909	34.7	61.3	0.0	54.2	1,255,953
	Sunfish Lake	393	1,003,133	0.0	96.4	32.7	16.5	
	Vermillion	550	177,862	20.3	73.0	28.6	26.9	
	Vermillion Twp.	1,173	592,262	7.7	41.1	28.5	27.1	
	Waterford Twp.	479	320,005	23.1	33.6	33.6	14.2	
West St. Paul	18,381	14,625,034	36.8	61.1	31.7	19.0		
Dakota County Total	263,818	224,047,231	40.3	54.5	33.0	13.9	1,810,431	
Hennepin	Bloomington	86,460	127,752,010	59.2	39.4	31.9	18.6	
	Brooklyn Center	28,578	26,849,632	59.9	38.1	32.4	17.2	
	Brooklyn Park	55,294	35,723,587	34.2	62.1	36.2	7.6	
	Champlin	16,245	6,467,332	8.0	87.9	35.0	10.6	
	Corcoran	5,116	2,490,285	9.6	68.0	36.4	7.0	
	Crystal	22,851	12,482,194	30.1	66.2	28.1	28.1	
	Dayton	4,125	1,963,232	18.4	65.3	36.5	6.7	
	Deephaven	3,773	5,625,790	6.7	89.9	32.6	16.8	
	Eden Prairie	37,786	69,657,337	52.7	44.6	37.9	3.1	
	Edina	44,943	87,969,229	38.7	60.2	29.3	25.2	1,434,852
	Excelsior	2,530	2,459,615	34.6	63.1	24.8	36.5	
	Golden Valley	21,813	36,967,440	60.5	37.9	29.8	23.8	2,629,812
	Greenfield	1,512	879,193	13.0	52.2	35.8	8.6	
	Greenwood	663	1,115,296	11.2	82.3	30.1	23.1	
	Hanover	307	125,483	2.0	76.7	27.5	29.8	
	Hassan Twp.	2,053	1,288,660	34.0	44.1	38.4	1.8	
	Hopkins	16,111	18,236,572	48.3	50.3	27.9	28.8	912,247
	Independence	2,746	2,071,087	5.4	68.2	32.6	16.7	
	Long Lake	1,939	2,129,044	46.1	51.5	35.6	9.1	
	Loretto	345	268,644	46.1	47.8	35.0	10.5	
	Maple Grove	37,792	25,036,916	27.0	67.5	37.3	4.6	
	Maple Plain	1,832	1,375,293	42.3	54.1	31.8	18.8	
	Medicine Lake	387	439,539	4.4	92.3	16.5	57.8	
	Medina	3,272	5,044,960	28.3	63.0	35.7	8.7	
	Minneapolis	358,166	395,677,742	58.4	39.2	28.1	28.2	18,899,408
	Minnetonka	47,727	81,595,629	51.2	47.3	37.4	4.3	209,074
	Minnetonka Beach	642	1,585,793	6.1	91.3	24.4	37.6	
	Minnetrista	3,722	4,564,224	2.9	83.6	26.8	31.5	
	Mound	9,444	6,351,540	17.0	79.8	27.6	29.5	
	New Hope	22,680	18,562,146	46.2	52.2	32.9	16.0	
	Orono	7,379	12,740,484	6.8	88.9	26.4	32.5	
	Osseo	2,743	2,199,568	43.0	54.0	29.1	25.8	
Plymouth	51,390	68,665,488	48.3	49.5	36.8	5.9		
Richfield	34,876	23,707,720	33.1	65.2	24.6	37.2	1,524,562	
Robbinsdale	14,276	7,976,008	27.8	68.8	25.1	35.9	683,861	
Rockford	437	247,847	47.6	47.9	29.4	24.9		

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County	City/County/County Total	1989 Population	Total 1989 Tax Capacity	% of Total 1989 Tax Capacity		% of 1989 CI Tax Capacity		TIF**	
				CI Tax Capacity	Res. Tax Capacity	'91 F.D. Contrib.	Pre-1971 Exemp.		Pre-1979 Exemp.
Hennepin (cont.)	Rogers	733	1,244,434	73.1	21.1	37.3	4.7		
	Shorewood	5,815	7,033,863	7.9	89.1	33.4	14.6		
	Spring Park	1,532	2,152,743	27.8	70.3	29.3	25.0		
	St. Anthony***	5,371	4,135,323	33.4	64.3	28.1	28.1		
	St. Bonifacius	1,138	578,563	31.0	64.1	34.9	10.8		
	St. Louis Park	42,649	50,109,309	52.5	45.8	28.5	27.2	1,575,410	
	Tonka Bay	1,487	2,693,135	8.9	88.2	31.9	18.4		
	Wayzata	3,938	9,489,690	41.8	55.3	30.9	21.0	51,443	
	Woodland	482	1,645,747	0.0	97.9	16.4	58.1		
	Hennepin County Total	1,015,320	1,188,813,428	49.3	47.5	31.2	20.4	27,920,669	
Ramsey	Arden Hills	9,667	13,685,190	61.4	36.5	33.8	13.5		
	Falcon Heights	5,234	3,292,027	28.4	68.7	28.0	28.4		
	Gem Lake	397	677,117	48.2	47.1	31.4	19.8		
	Lauderdale	2,455	1,579,741	31.7	64.5	15.5	60.5		
	Little Canada	9,119	7,643,404	43.5	53.4	37.0	5.5		
	Maplewood	30,163	33,671,494	63.1	34.8	29.9	23.7		
	Mounds View	12,738	6,537,886	32.3	65.0	35.7	8.8		
	New Brighton	22,798	16,526,479	33.9	63.9	33.5	14.4		
	North Oaks	3,287	5,714,996	2.8	94.9	27.6	29.6		
	North St. Paul	12,257	6,031,095	29.2	69.3	31.1	20.4		
	Roseville	34,474	45,795,470	60.3	37.8	31.1	20.5		
	Shoreview	24,087	18,993,699	25.5	71.7	37.5	4.3		
	Spring Lake Park***	169	53,192	16.6	82.3	23.2	40.7		
	St. Anthony***	2,963	3,114,673	55.4	43.1	26.2	33.1		
	St. Paul	267,968	188,422,521	42.1	47.8	22.9	41.4	10,182,825	
	Vadnais Heights	9,749	8,965,357	42.2	54.3	37.7	3.5		
	White Bear Lake***	23,240	13,823,502	28.6	68.2	33.5	14.4		
	White Bear Twp.	8,739	5,013,628	9.0	87.0	32.0	18.3		
Ramsey County Total	479,504	380,139,854	43.9	50.0	27.7	29.3	10,182,825		
Scott	Belle Plaine	3,071	993,527	21.9	71.5	23.5	40.0		
	Belle Plaine Twp.	730	356,685	2.9	6.3	29.3	25.2		
	Blakeley Twp.	489	212,595	4.7	9.6	32.4	17.1		
	Cedar Lake Twp.	1,770	748,404	1.6	36.8	31.6	19.3		
	Credit River Twp.	2,878	1,422,807	2.4	69.7	33.3	14.9		
	Elko	274	83,997	15.5	72.3	32.4	17.3		
	Helena Twp.	1,252	617,840	5.3	38.3	37.9	3.3		
	Jackson Twp.	1,353	504,301	30.7	46.1	32.6	16.8		
	Jordan	2,767	858,663	28.8	64.2	30.6	21.8		
	Louisville Twp.	875	590,718	30.7	43.8	38.0	2.9		
	New Market	288	82,826	20.8	69.3	26.2	33.1		
	New Market Twp.	2,108	1,127,588	11.5	34.3	34.5	11.8		
	Prior Lake	10,863	6,397,500	12.1	79.3	35.4	9.4		
	Sand Creek Twp.	1,574	660,985	8.7	31.9	31.8	18.8		
	Savage	9,430	6,226,809	38.5	53.7	29.9	23.5		
	Shakopee	12,045	14,167,753	67.5	28.1	35.5	9.3	1,866,899	
	Spring Lake Twp.	2,938	1,352,436	2.9	49.6	30.1	23.0		
St. Lawrence Twp.	386	194,674	20.8	15.2	29.2	25.3			
Scott County Total	57,573	37,535,400	37.1	45.6	33.9	13.5	1,866,899		
Washington	Afton	2,616	2,540,697	12.9	73.0	31.0	20.8		
	Bayport	3,118	2,806,862	68.7	29.8	31.5	19.6		
	Baytown Twp.	905	817,092	13.8	62.8	32.9	15.9		
	Birchwood	1,067	895,521	0.0	93.8	16.3	58.4		
	Cottage Grove	21,863	11,889,159	31.5	61.1	28.8	26.4		
	Dellwood	882	2,065,180	9.2	79.8	32.9	15.9		
	Denmark Twp.	1,213	1,136,495	13.8	46.0	34.9	10.7		
	Forest Lake	5,400	4,189,633	47.7	47.3	34.8	11.0		
	Forest Lake Twp.	6,436	3,578,130	4.3	82.6	32.1	17.9		
Grant Twp.	3,921	3,337,609	7.4	80.2	33.7	13.8			

APPENDIX A
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County	City/County/County Total	1989 Population	Total 1989 Tax Capacity	% of Total 1989 Tax Capacity		% of 1989 CI Tax Capacity		TIF**
				CI Tax Capacity	Res. Tax Capacity	'91 F.D. Contrib.	Pre-1971 Exemp.	Pre-1979 Exemp.
Wash. (cont.)	Grey Cloud Island Twp.	337	326,616	15.3	73.3	26.2	33.0	
	Hugo	4,323	2,633,468	20.0	61.1	34.8	11.0	
	Lake Elmo	5,580	4,073,320	15.9	71.1	28.9	26.3	
	Lake St. Croix Beach	1,155	429,888	7.5	88.0	29.3	25.1	
	Lakeland	1,991	1,154,186	13.2	80.0	29.5	24.7	
	Lakeland Shores	213	234,651	4.8	84.5	28.9	26.2	
	Landfall	580	112,713	46.4	46.3	21.1	46.0	
	Mahtomedi	5,099	3,236,732	6.2	89.3	30.0	23.3	
	Marine on St. Croix	539	581,418	6.3	77.7	30.3	22.6	
	May Twp.	2,431	1,895,220	1.4	70.7	26.7	31.7	
	New Scandia	3,155	1,863,076	3.6	66.6	31.5	19.4	
	Newport	3,587	3,242,383	55.4	39.3	29.4	24.9	
	Oak Park Heights	3,844	7,115,089	77.0	21.0	14.7	62.4	
	Oakdale	16,908	8,875,571	22.3	73.5	35.3	9.8	
	Pine Springs	437	398,928	0.1	94.4	21.3	45.6	
	Stillwater	13,282	9,967,326	37.7	59.1	34.0	13.2	
	Stillwater Twp.	2,124	1,699,283	4.6	84.8	25.4	35.0	
	St. Mary's Point	358	314,814	0.0	88.1	26.8	31.5	
	St. Paul Park	4,972	2,178,976	33.8	61.8	31.1	20.4	
	West Lakeland Twp.	1,733	1,283,010	7.2	79.0	35.0	10.7	
White Bear Lake***	266	162,298	30.9	64.3	26.1	33.4		
Willernie	645	228,202	32.0	64.3	27.7	29.3		
Woodbury	19,961	17,086,863	24.9	66.4	35.0	10.6		
Washington County Total	140,953	102,490,899	28.4	63.0	29.4	24.8	0	
TOTAL	Metro Area Total	2,240,850	2,098,101,832	44.9	50.2	30.8	21.1	45,516,496

* A few areas not listed in the table are included in the county totals. Fort Snelling, Northfield and New Prague are included in the 1989 population data; Fort Snelling, the State Fair Grounds, Northfield, New Prague and the Minneapolis-St. Paul International Airport are included in the total tax capacity data; available data for Fort Snelling and the State Fair Grounds are included in the Fiscal Disparity contribution data and the commercial-industrial and residential tax capacity data; and the State Fair Grounds is included in the pre-1971 tax base data.

** TIF amounts exempt from contribution for taxes payable in 1991. Data is from the City of Minneapolis Office of Intergovernmental Relations.

*** Three cities split between two counties in the Metro Area appear twice in the appendix: Spring Lake Park (Anoka and Ramsey Counties), St. Anthony (Hennepin and Ramsey), and White Bear Lake (Ramsey and Washington).

Notes: Split cities with less than five households are reported once in the most populated county. This affects Blaine, Chanhassen and Hastings. County totals do not reflect combined cities but do include areas specified in footnote * .

Sources: the Citizens League (pre-1971 exemption values), the Metropolitan Council (population data) and the Minnesota Department of Revenue.

**APPENDIX B
FISCAL DISPARITIES DATA FOR TAXES PAYABLE IN 1991****

County	City/Township/County Total	Per Capita			1989 Per Capita Tax Capacity	
		Contribution	Distribution	Net Recipient (Contributor)	Total	Net as % of Tax Capacity
Anoka	Andover	\$35	\$155	\$120	\$481	25.0
	Anoka	\$60	\$178	\$118	\$568	20.7
	Bethel	\$110	\$276	\$166	\$497	33.5
	Blaine	\$105	\$177	\$71	\$564	12.7
	Burns Twp.	\$24	\$153	\$129	\$408	31.6
	Centerville	\$33	\$169	\$136	\$409	33.2
	Circle Pines	\$23	\$153	\$130	\$424	30.7
	Columbia Heights	\$25	\$161	\$135	\$511	26.5
	Columbus Twp.	\$22	\$150	\$128	\$414	30.9
	Coon Rapids	\$70	\$150	\$81	\$579	13.9
	East Bethel	\$17	\$184	\$167	\$355	47.1
	Fridley	\$166	\$136	(\$29)	\$956	(3.1)
	Ham Lake	\$48	\$172	\$124	\$447	27.7
	Hilltop	\$95	\$292	\$197	\$614	32.1
	Lexington	\$34	\$218	\$185	\$388	47.5
	Lino Lakes	\$30	\$149	\$119	\$486	24.5
	Linwood Twp.	\$6	\$170	\$164	\$342	48.0
	Oak Grove Twp.	\$11	\$152	\$141	\$382	37.0
	Ramsey Twp.	\$41	\$177	\$136	\$412	33.0
	Spring Lake Park***	\$86	\$169	\$83	\$552	15.0
St. Francis	\$46	\$189	\$143	\$435	33.0	
Anoka County Total		\$70	\$162	\$92	\$564	16.3
Carver	Benton Twp.	\$90	\$123	\$33	\$745	4.4
	Camden Twp.	\$9	\$134	\$125	\$419	29.9
	Carver	\$24	\$178	\$155	\$370	41.8
	Chanhassen	\$60	\$89	\$29	\$1,067	2.8
	Chaska	\$125	\$157	\$31	\$733	4.2
	Chaska Twp.	\$10	\$173	\$162	\$339	47.9
	Cologne	\$47	\$176	\$129	\$404	31.9
	Dahlgren Twp.	\$34	\$123	\$89	\$498	17.8
	Hamburg	\$14	\$228	\$214	\$255	83.9
	Hancock Twp.	\$6	\$120	\$114	\$422	27.0
	Hollywood Twp.	\$8	\$141	\$133	\$342	38.9
	Laketown Twp.	\$7	\$160	\$153	\$392	38.9
	Mayer	\$22	\$179	\$157	\$327	48.0
	New Germany	\$51	\$224	\$173	\$351	49.3
	Norwood	\$97	\$194	\$97	\$490	19.8
	San Francisco Twp.	\$4	\$129	\$125	\$430	29.0
	Victoria	\$34	\$86	\$52	\$970	5.4
	Waconia	\$82	\$135	\$53	\$707	7.5
	Waconia Twp.	\$10	\$120	\$111	\$468	23.6
	Watertown	\$27	\$218	\$191	\$325	58.8
Watertown Twp.	\$119	\$124	\$5	\$701	0.7	
Young America Twp.	\$21	\$133	\$112	\$418	26.9	
Young America	\$42	\$177	\$135	\$377	35.9	
Carver County Total		\$58	\$137	\$79	\$676	11.7
Dakota	Apple Valley	\$51	\$133	\$82	\$631	13.0
	Burnsville	\$197	\$121	(\$76)	\$1,092	(7.0)
	Castle Rock Twp.	\$38	\$113	\$75	\$555	13.5
	Coates	\$93	\$170	\$77	\$565	13.6
	Douglas Twp.	\$12	\$90	\$77	\$565	13.7
	Eagan	\$207	\$111	(\$97)	\$1,132	(8.5)
	Empire Twp.	\$39	\$123	\$84	\$595	14.2
	Eureka Twp.	\$22	\$102	\$80	\$664	12.0
	Farmington	\$34	\$163	\$129	\$481	26.9
	Greenvale Twp.	\$25	\$92	\$67	\$642	10.4
	Hampton	\$41	\$179	\$138	\$456	30.2
	Hampton Twp.	\$15	\$110	\$95	\$477	19.9

APPENDIX B
FISCAL DISPARITIES DATA FOR TAXES PAYABLE IN 1991**

County	City/Township/County Total	Per Capita			1989 Per Capita Tax Capacity	
		Contribution	Distribution	Net Recipient (Contributor)	Total	Net as % of Tax Capacity
Dakota (cont.)	Hastings	\$64	\$168	\$104	\$541	19.3
	Inver Grove Heights	\$115	\$141	\$26	\$775	3.4
	Lakeville	\$96	\$139	\$42	\$682	6.2
	Lilydale	\$143	\$60	(\$83) *	\$2,005	(4.1)
	Marshan Twp.	\$64	\$109	\$45	\$636	7.1
	Mendota	\$114	\$149	\$35	\$763	4.6
	Mendota Heights	\$212	\$74	(\$138)	\$1,519	(9.1)
	Miesville	\$52	\$158	\$106	\$497	21.3
	New Trier	\$14	\$266	\$251	\$249	100.7
	Nininger Twp.	\$20	\$119	\$99	\$566	17.5
	Randolph	\$19	\$240	\$221	\$293	75.7
	Randolph Twp.	\$61	\$102	\$41	\$767	5.4
	Ravenna Twp.	\$15	\$149	\$134	\$409	32.8
	Rosemount	\$134	\$137	\$3	\$851	0.4
	Sciota Twp.	\$8	\$87	\$79	\$589	13.5
	South St. Paul	\$0	\$164	\$164	\$483	33.9
	Sunfish Lake	\$19	\$60	\$41 *	\$2,553	1.6
	Vermillion	\$22	\$198	\$176	\$323	54.5
	Vermillion Twp.	\$22	\$113	\$91	\$505	18.0
	Waterford Twp.	\$62	\$97	\$34	\$668	5.1
	West St. Paul	\$98	\$131	\$33	\$796	4.1
Dakota County Total		\$121	\$130	\$10	\$849	1.1
Hennepin	Bloomington	\$263	\$92	(\$172)	\$1,478	(11.6)
	Brooklyn Center	\$187	\$131	(\$56)	\$940	(6.0)
	Brooklyn Park	\$87	\$154	\$67	\$646	10.4
	Champlin	\$16	\$167	\$151	\$398	37.9
	Corcoran	\$30	\$149	\$119	\$487	24.4
	Crystal	\$52	\$143	\$91	\$546	16.7
	Dayton	\$40	\$157	\$117	\$476	24.5
	Deephaven	\$39	\$60	\$21 *	\$1,491	1.4
	Eden Prairie	\$380	\$83	(\$298)	\$1,843	(16.1)
	Edina	\$216	\$60	(\$156) *	\$1,957	(8.0)
	Excelsior	\$87	\$109	\$22	\$972	2.2
	Golden Valley	\$277	\$79	(\$198)	\$1,695	(11.7)
	Greenfield	\$49	\$129	\$80	\$581	13.7
	Greenwood	\$65	\$60	(\$5) *	\$1,682	(0.3)
	Hanover	\$9	\$137	\$128	\$409	31.3
	Hassan Twp.	\$94	\$140	\$45	\$628	7.2
	Hopkins	\$140	\$120	(\$20)	\$1,132	(1.8)
	Independence	\$26	\$103	\$77	\$754	10.2
	Long Lake	\$189	\$101	(\$88)	\$1,098	(8.0)
	Loretto	\$141	\$141	\$1	\$779	0.1
	Maple Grove	\$77	\$131	\$54	\$662	8.2
	Maple Plain	\$109	\$136	\$28	\$751	3.7
	Medicine Lake	\$12	\$79	\$68	\$1,136	6.0
	Medina	\$170	\$71	(\$99)	\$1,542	(6.4)
	Minneapolis	\$172	\$119	(\$53)	\$1,105	(4.8)
	Minnetonka	\$323	\$76	(\$246)	\$1,710	(14.4)
	Minnetonka Beach	\$42	\$60	\$18 *	\$2,470	0.7
	Minnetrissa	\$16	\$76	\$59	\$1,226	4.8
	Mound	\$36	\$123	\$87	\$673	13.0
	New Hope	\$128	\$142	\$14	\$818	1.7
	Orono	\$38	\$60	\$22 *	\$1,727	1.3
Osseo	\$106	\$147	\$41	\$802	5.1	
Plymouth	\$244	\$95	(\$148)	\$1,336	(11.1)	
Richfield	\$47	\$130	\$83	\$680	12.2	
Robbinsdale	\$29	\$140	\$111	\$559	19.8	
Rockford	\$38	\$304	\$266	\$567	46.9	

APPENDIX B
FISCAL DISPARITIES DATA FOR TAXES PAYABLE IN 1991**

County	City/Township/County Total	Per Capita			1989 Per Capita Tax Capacity	
		Contribution	Distribution	Net Recipient (Contributor)	Total	Net as % of Tax Capacity
Hennepin (cont.)	Rogers	\$483	\$100	(\$383)	\$1,698	(22.5)
	Shorewood	\$39	\$67	\$28	\$1,210	2.3
	Spring Park	\$121	\$101	(\$19)	\$1,405	(1.4)
	St. Anthony***	\$77	\$122	\$45	\$770	5.8
	St. Bonifacius	\$61	\$160	\$99	\$508	19.4
	St. Louis Park	\$169	\$100	(\$69)	\$1,175	(5.9)
	Tonka Bay	\$58	\$60	\$3	\$1,811	0.1
	Wayzata	\$319	\$60	(\$259)	\$2,410	(10.7)
	Woodland	\$4	\$60	\$56	\$3,414	1.7
	Hennepin County Total	\$175	\$113	(\$62)	\$1,171	(5.3)
	Ramsey	Arden Hills	\$288	\$99	(\$189)	\$1,416
Falcon Heights		\$60	\$140	\$81	\$629	12.8
Gem Lake		\$263	\$73	(\$191)	\$1,706	(11.2)
Lauderdale		\$35	\$164	\$129	\$643	20.0
Little Canada		\$143	\$145	\$2	\$838	0.2
Maplewood		\$214	\$120	(\$93)	\$1,116	(8.4)
Mounds View		\$64	\$183	\$120	\$513	23.3
New Brighton		\$83	\$140	\$57	\$725	7.9
North Oaks		\$20	\$60	\$40 *	\$1,739	2.3
North St. Paul		\$47	\$165	\$119	\$492	24.1
Roseville		\$248	\$106	(\$142)	\$1,328	(10.7)
Shoreview		\$82	\$111	\$29	\$789	3.7
Spring Lake Park***		\$13	\$169	\$156	\$315	49.5
St. Anthony***		\$151	\$122	(\$29)	\$1,051	(2.8)
St. Paul		\$71	\$162	\$91	\$703	12.9
Vadnais Heights		\$146	\$113	(\$33)	\$920	(3.5)
White Bear Lake***		\$62	\$139	\$78	\$595	13.1
White Bear Twp.		\$21	\$118	\$97	\$574	17.0
Ramsey County Total		\$100	\$147	\$47	\$793	6.0
Scott	Belle Plaine	\$20	\$213	\$193	\$324	59.5
	Belle Plaine Twp.	\$9	\$94	\$85	\$489	17.5
	Blakeley Twp.	\$10	\$110	\$100	\$435	23.0
	Cedar Lake Twp.	\$5	\$116	\$111	\$423	26.3
	Credit River Twp.	\$6	\$129	\$123	\$494	24.9
	Elko	\$18	\$191	\$173	\$307	56.5
	Helena Twp.	\$16	\$110	\$94	\$493	19.0
	Jackson Twp.	\$50	\$238	\$188	\$373	50.3
	Jordan	\$32	\$239	\$206	\$310	66.4
	Louisville Twp.	\$96	\$121	\$25	\$675	3.7
	New Market	\$20	\$189	\$169	\$288	58.8
	New Market Twp.	\$27	\$113	\$85	\$535	16.0
	Prior Lake	\$31	\$121	\$90	\$589	15.2
	Sand Creek Twp.	\$21	\$133	\$112	\$420	26.7
	Savage	\$86	\$131	\$46	\$660	6.9
	Shakopee	\$234	\$118	(\$116)	\$1,176	(9.8)
	Spring Lake Twp.	\$7	\$117	\$111	\$460	24.0
	St. Lawrence Twp.	\$37	\$117	\$80	\$504	15.9
	Scott County Total	\$77	\$130	\$53	\$652	8.1
Washington	Afton	\$56	\$89	\$33	\$971	3.4
	Bayport	\$199	\$156	(\$43)	\$900	(4.7)
	Baytown Twp.	\$75	\$106	\$31	\$903	3.4
	Birchwood	\$2	\$88	\$86	\$839	10.3
	Cottage Grove	\$56	\$152	\$96	\$544	17.6
	Dellwood	\$84	\$60	(\$24) *	\$2,341	(1.0)
	Denmark Twp.	\$71	\$93	\$23	\$937	2.4
	Forest Lake	\$138	\$143	\$4	\$776	0.6
	Forest Lake Twp.	\$13	\$126	\$113	\$556	20.3
	Grant Twp.	\$31	\$95	\$65	\$851	7.6

APPENDIX B
FISCAL DISPARITIES DATA FOR TAXES PAYABLE IN 1991**

County	City/Township/County Total	Per Capita			1989 Per Capita Tax Capacity	
		Contribution	Distribution	Net Recipient (Contributor)	Total	Net as % of Tax Capacity
Wash. (cont.)	Grey Cloud Island Twp.	\$55	\$99	\$43	\$969	4.4
	Hugo	\$61	\$136	\$75	\$609	12.3
	Lake Elmo	\$48	\$113	\$65	\$730	8.9
	Lake St. Croix Beach	\$10	\$168	\$158	\$372	42.3
	Lakeland	\$28	\$116	\$87	\$580	15.0
	Lakeland Shores	\$21	\$72	\$51	\$1,102	4.6
	Landfall	\$22	\$969	\$947	\$194	487.3
	Mahtomedi	\$18	\$111	\$93	\$635	14.6
	Marine on St. Croix	\$29	\$71	\$42	\$1,079	3.9
	May Twp.	\$8	\$91	\$82	\$780	10.6
	New Scandia	\$14	\$117	\$103	\$591	17.4
	Newport	\$164	\$137	(\$27)	\$904	(3.0)
	Oak Park Heights	\$214	\$89	(\$125)	\$1,851	(6.8)
	Oakdale	\$48	\$153	\$105	\$525	20.0
	Pine Springs	\$11	\$85	\$74	\$913	8.1
	Stillwater	\$103	\$124	\$21	\$750	2.9
	Stillwater Twp.	\$11	\$94	\$83	\$800	10.4
	St. Mary's Point	\$6	\$83	\$77	\$879	8.8
	St. Paul Park	\$52	\$184	\$132	\$438	30.1
	West Lakeland Twp.	\$32	\$108	\$76	\$740	10.3
	White Bear Lake***	\$57	\$139	\$83	\$610	13.5
Willernie	\$35	\$201	\$166	\$354	46.8	
Woodbury	\$85	\$114	\$29	\$856	3.4	
Washington County Total	\$69	\$133	\$64	\$727	8.8	
TOTAL	Metro Area Total	\$130	\$130	\$0	\$936	0.0

* Cities receive a minimum distribution of tax base.

** A few areas not listed in the table are included in the county totals. Fort Snelling and the State Fair Grounds are included in the contribution, distribution and net figures; Fort Snelling, Northfield and New Prague are included in the 1989 population data; and these areas and the Minneapolis-St. Paul International Airport are included in the tax capacity data.

*** Three cities split between two counties in the Metro Area appear twice in the appendix: Spring Lake Park (Anoka and Ramsey Counties), St. Anthony (Hennepin and Ramsey), and White Bear Lake (Ramsey and Washington).

Notes: Split cities with less than five households are reported once in the most populated county. This affects Blaine, Chanhassen and Hastings.

County totals may not equal the sum of cities and townships. County totals do not reflect combined cities but do include areas specified in footnote **.

Sources: The Metropolitan Council (population data) and the Minnesota Department of Revenue.

**Fiscal Disparities
Top 10 Net Recipients**

Payable 1975	Payable 1980	Payable 1985	Payable 1991
St. Paul	Minneapolis	St. Paul	St. Paul
Minneapolis	St. Paul	Coon Rapids	Coon Rapids
Richfield	Richfield	Brooklyn Park	Brooklyn Park
Crystal	S. St. Paul	Richfield	S. St. Paul
S. St. Paul	Crystal	S. St. Paul	Blaine
White Bear Lake	White Bear Lake	Blaine	Richfield
Columbia Heights	Coon Rapids	Crystal	Apple Valley
Stillwater	Blaine	Apple Valley	Columbia Heights
St. Louis Park	Stillwater	White Bear Lake	Champlin
Hastings	Columbia Heights	Cottage Grove	Cottage Grove
Total Net Recipients Each Year			
137	130	140	157

**Fiscal Disparities
Top 10 Net Contributors**

Payable 1975	Payable 1980	Payable 1985	Payable 1991
Edina	Bloomington	Minnetonka	Minneapolis
Bloomington	Minnetonka	Bloomington	Bloomington
Inver Grove Heights	Maplewood	Eden Prairie	Minnetonka
Shakopee	Edina	Edina	Eden Prairie
Plymouth	Plymouth	Roseville	Plymouth
Golden Valley	Burnsville	Plymouth	Edina
Fridley	Eden Prairie	Maplewood	Roseville
Maplewood	Fridley	Minneapolis	Golden Valley
Eagan	Shakopee	Golden Valley	Eagan
Burnsville	Eagan	St. Louis Park	Burnsville
Total Net Contributors Each Year			
51	58	48	31

FISCAL DISPARITIES CALCULATIONS FOR A HYPOTHETICAL CITY, TAXES PAYABLE IN 1990

The fiscal disparities program is designed to share tax base. The practical effect of the program is to share revenues and to shift tax burdens. The following example shows how the program moves from the initial sharing of base to generating revenues and how the program affects the taxes paid by a commercial-industrial property. Steps 1-6 lay out how the growth is pooled and redistributed; steps 7-10 how the redistributed base is used by recipient governments to generate revenue; and step 11 computes the tax on a commercial-industrial parcel.

Given:

1988 Population	20,000
1988 Value	\$500,000,000
1988 Local Fiscal Capacity*	\$25,000
1988 Average Fiscal Capacity**	\$31,000
1989 Payable 1990 Certified Budget Levy	\$3,200,000
1971 Commercial-Industrial Tax Capacity	\$2,000,000
1988 Payable 1989 Tax Capacity	
Commercial-Industrial	\$7,800,000
Residential	\$6,000,000
All Other	\$4,200,000
Total Tax Capacity	\$18,000,000
1989 Payable 1990 Tax Capacity	
Commercial-Industrial	\$8,400,000
Residential	\$6,360,000
All Other	\$4,440,000
Total Tax Capacity	\$19,200,000

* Local Fiscal Capacity = $\frac{\text{Equalized market value of real property in city}}{\text{Population of city}}$ $\frac{500M}{20,000}$

** Average Fiscal Capacity = $\frac{\text{Equalized market value of real property for all metro cities}}{\text{Population of metro area}}$

STEP 1. DETERMINE HYPOTHETICAL CITY'S COMMERCIAL-INDUSTRIAL TAX-CAPACITY CONTRIBUTION TO AREAWIDE TAX BASE

1988 Payable 1989 Commercial-Industrial Tax Capacity***	\$7,800,000
Less 1971 Commercial-Industrial Tax Capacity	<u>-\$2,000,000</u>
Net Growth of 1989 over 1971	\$5,800,000
 Contribution to Areawide Tax Base (\$5,800,000 x 40%)	 \$2,320,000

*** For payable 1990 calculations, payable 1989 values are used as required by the 1976 Minnesota statues, Chapter 191.

Note: This city's \$2,320,000 contribution to the areawide tax base = 27.619 percent of payable 1990 total commercial-industrial tax capacity of \$8,400,000 (\$2,320,000 divided by \$8,400,000). Therefore, 27.62 percent of the tax capacity of each commercial-industrial parcel is subject to the areawide tax rate. The remaining 72.38 percent of the tax capacity of each commercial-industrial parcel is subject to the local tax rate.

STEP 2. DETERMINE THE AREAWIDE TAX BASE

Tax Capacity Contributed by Hypothetical City	\$2,320,000
Tax Capacity Contributed by Other Metro Cities	<u>\$247,680,000</u>
Total Areawide Tax Base	\$250,000,000

STEP 3. DETERMINE HYPOTHETICAL CITY'S DISTRIBUTION INDEX

$$\text{Population} \times \frac{\text{Average Fiscal Capacity}}{\text{City's Fiscal Capacity}} \times 2 = \text{Preliminary Distribution Index}$$

$$20,000 \times \frac{\$31,000}{\$25,000} \times 2 = 49,600$$

The preliminary distribution index is 49,600. Since it is greater than the city's 20,000 population, it will be used as the final distribution index. If the preliminary distribution index were less than the population, the population would become the final distribution index.

STEP 4. TOTAL OF FINAL DISTRIBUTION INDEXES FOR ALL METRO CITIES

	<u>Index</u>	<u>Percent</u>
Hypothetical City	49,600	1.24%
All Other Metro Cities	<u>3,950,400</u>	<u>98.76%</u>
	4,000,000	100.00%

The hypothetical city's final distribution index is 1.24 percent of 4,000,000. Therefore, it receives 1.24 percent of the areawide tax base.

STEP 5. DETERMINE HYPOTHETICAL CITY'S DISTRIBUTION VALUE

$$1.24\% \times \text{Areawide Tax Base} = \text{Distribution Value}$$

$$1.24\% \times \$250,000,000 = \$3,100,000$$

The distribution value is also shared by other tax districts, such as the county and school districts, that overlap the city.

STEP 10. COUNTY AUDITOR CALCULATES LOCAL TAX-CAPACITY RATE

1989 Payable 1990 Certified Levy	\$3,200,000
Less Payable 1989 Contribution from Areawide Levy	<u>-\$465,000</u>
1989 Payable 1990 Adjusted Levy for the Hypothetical City	\$2,735,000

<u>1989 Payable 1990 Adjusted Levy</u>	=	<u>\$2,735,000</u>
Taxable Value		\$16,880,000

City Local Tax-Capacity Rate 16.20%

The local tax-capacity rate is applied to all the city's taxable property except the 27.62 growth portion of commercial-industrial property.

The city's certified levy consists of:

Areawide Portion = \$3,100,000 X 15% =	\$ 465,000
Local Portion = \$16,880,000 X 16.20% =	<u>\$2,734,560</u>
Total Payable 1990 Levy =	\$3,199,560*

* The difference between the total payable 1990 levy and the \$3,200,000 certified budget levy is attributable to tax-capacity rate rounding.

STEP 11. COMPUTE PROPERTY TAX ON A COMMERCIAL-INDUSTRIAL PARCEL

Payable 1990 property tax for a commercial-industrial parcel valued at \$8,150 in tax capacity (approximately \$200,000 market value) in the hypothetical city is computed as follows.

A. Areawide Portion of Tax (Contribution Tax):

27.62% of \$8,150 at 95 percent areawide tax rate
 $2,251.03 \times 95\% = \$2,138.48$

B. Local Portion of Tax:

Remaining \$5,898.97 (\$8,150 - \$2,251.03) at local tax rates

City	16.2%
School District A	53.7%
County A	28.2%
Special Tax District	<u>5.0%</u>
Total Local Tax Rate	103.1%

$5,898.97 \times 103.1\% = \$6,081.84$

C. Total Tax on Commercial-Industrial Parcel:

Areawide Portion of Tax	\$2,138.48
Local Portion of Tax	<u>\$6,081.84</u>
Total Tax	\$8,220.32

STEP 6. DETERMINE HYPOTHETICAL CITY'S TAX CAPACITY

1989 Payable 1990 Tax Capacity

Commercial-Industrial Property	\$8,400,000
Residential Property	\$6,360,000
All Other Property	<u>\$4,440,000</u>
Total Tax Capacity	\$19,200,000
Less Payable 1989 Areawide Contribution	<u>-\$2,320,000</u>
Total Taxable Net Tax Capacity	\$16,880,000

STEP 7. DETERMINE AREAWIDE PORTION OF CITY'S LEVY

$$\begin{array}{l} \text{1988 Payable 1989} \\ \text{Distribution Value} \end{array} \quad \times \quad \begin{array}{l} \text{1988 Payable 1989} \\ \text{City Tax-Capacity Rate} \end{array} = \begin{array}{l} \text{Areawide Portion} \\ \text{of Levy} \end{array}$$

$$\$3,100,000 \times 15\% = \$465,000$$

STEP 8. DETERMINE AREAWIDE TAX LEVY

The county auditor certifies to the administrative auditor:

Hypothetical City's Areawide Levy	\$465,000
Areawide Levies, All Other Governments	<u>\$237,035,000</u>
Areawide Dollar Levy	<u>\$237,500,000</u>

STEP 9. DETERMINE AREAWIDE TAX-CAPACITY RATE

The administrative auditor computes the areawide tax-capacity rate.

$$\frac{\text{Areawide Dollar Levy}}{\text{Areawide Tax Base}} = \frac{\$237,500,000}{\$250,000,000} = 95\%$$

This rate is applied to the 27.62 percent growth portion of the city's commercial-industrial property.

STEP 12. PROPERTY-TAX SETTLEMENT OF THE AREAWIDE LEVY

1. County treasurer collects from taxpayers for all parcels in the county (\$8,220.32 for parcel in Step. 11).
2. He/she totals contribution levies (areawide portions of tax) from all the commercial-industrial parcels.
3. He/she totals distribution levies that all county tax districts are due from the metro area contribution pool.
4. He/she
 - Sends a check for the difference to the administrative auditor if contributions are more than distributions.
 - Gets a check for the difference from the administrative auditor if contributions are less than distributions.

Top Twenty Net Contributors to Fiscal Disparities--Payable 1991

Major Metropolitan Highways--1990

