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Property taxes fall after state takeover of education levy

by Scott McMahon

Most homeowners in Minnesota saw their property taxes fall significantly in 2002 as a result of the state takeover of the general education levy. The Citizens League's annual Homestead Property Tax Review analyzed residential property taxes for 108 metropolitan communities and found that taxes on an average value home decreased 13 percent between 2001 and 2002. The survey also looked at 32 non-metropolitan communities and found that property taxes on an average value home declined 9.4 percent last year.

Overall, homeowners in 88 of the 108 communities surveyed saw property tax decreases for an average value home. But the impact of eliminating the general education levy varied widely across communities in the seven-county metropolitan area. For example, property taxes for an average value home in Shorewood dropped 36.4 percent but increased 5.2 percent in Blaine.

Because of the legislated changes in the property tax system, most homeowners expected property taxes to decline. But property tax reductions were offset in some cases by rising property values. The average assessed market value among all the metro communities surveyed rose by 9.5 percent.

Twenty-eight metro communities saw their average assessed market value increase by more than 10 percent this year. Last year, only 12 communities saw increases of 10 percent or more. The average assessed market value is derived by dividing a community's total non-agricultural homestead property valuation by the number of residences in the community.

The greatest tax decreases—in percentage terms—were in Shorewood (36.4 %) and Roseville (35.1%). Both communities saw average assessed market values rise between 8 and

8.5 percent. Columbia Heights experienced the greatest increase in property taxes at 16.5 percent, followed by St. Francis at 13.7 percent. The average assessed market value for those communities increased by almost the same percentage, 8.4 and 8.7 percent.

The overall picture for property taxes changes when taxes on a hypothetical \$160,000 home are compared across the 108 metropolitan communities surveyed. While the average assessed market value indicates what the "average" homeowner pays in property taxes within a given community, comparing taxes on a hypothetical \$160,000 home provides a constant value that enables better comparisons between communities.

Metrowide, the average tax on a \$160,000 homestead dropped by 24.4 percent from \$2,345 in 2001 to \$1,772 this year. Using the same hypothetical \$160,000 homestead, total property taxes in all 108 communities dropped from between 2 to 41 percent. Increasing market values result in an overall decrease in taxes for that \$160,000 house because, as the overall tax base increased, the share of the tax burden decreased for a property with a static value.

Additional survey findings:

Centerville, in Anoka County and school district 12, emerged this year as the metropolitan community where total property taxes on that hypothetical \$160,000 home are highest, replacing Jordan, which dropped to fifth in the overall tax ranking. Centerville was ranked second in last year's survey.

In Minneapolis, taxes on a home valued at \$160,000 fell by 12.4 percent, while taxes on a house of the same value in Saint Paul decreased 27.2 percent. Despite that, Minneapolis moved

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Additional property tax survey tables for metro and non-metro communities are available at www.citizensleague.net

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up the rankings to third place this year from ninth place last year. Saint Paul, which ranked 16th last year, plunged to 34th.

When city taxes alone are compared, Minneapolis slid back to sixth place this year, after climbing to number four last year. St. Paul plummeted from number 12 in the rankings last year to the middle of the pack this year, ranking 50 out of 108 in city taxes.

Since 1996, there has been a noticeably divergent trend between the core cities. In 1996, Minneapolis ranked 12th in taxes on a hypothetical valued home. This year the city comes in at number three. During the same period, Saint Paul went from fifth to 34th.

The property tax survey also looked at 32 non-metropolitan communities. Based on a comparison of taxes for a hypothetical \$100,000 home, Cloquet took the lead spot for taxes in a non-metropolitan community. (See page 4 for more analysis on the non-metropolitan outcomes.) It is important to note that the total property tax figures used in the rankings reflect the spending decisions of several local government entities, including county, city and school district.

Tax comparisons on a \$160,000 home

Centerville, in Anoka County and school district 12, ranked first in this year's survey, moving up from second place last year. Taxes on a \$160,000 home there are \$2,525. New Hope (Hennepin County, school district 281) came in second with a tax bill of \$2,392, up from 20th place last year. Rounding out the top five in 2002 are: Minneapolis (Hennepin County, school district 991) at \$2,391; Dayton (Hennepin County, school district 11) at \$2,347; Jordan (Scott County, school district 717) at \$2,333. In last year's survey, Minneapolis ranked ninth, Dayton 34th, and Jordan first.

As mentioned earlier, although the list is organized by city, taxes on the \$160,000 homes come from a variety of sources other than city taxes. The total tax bill includes county, city, school district and special district taxes. The cities in the top five arrived there in different ways.

It is not surprising that a community ranked among the top in taxes in last

year's survey would hold the number one spot this year. After the general education levy was removed from property taxes, the rankings relied more on county, city and school referendum taxes that were already in place. Three of the top five in the rankings were in the top 10 in last year's survey.

Top-ranked Centerville also ranks second in city taxes and fifth in school taxes. Similarly, residents of New Hope pay relatively high county and city taxes—ranking fifth out of 16 in county taxes, 14th out of 108 in city taxes, and 17th out of 49 in school taxes.

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What do the rankings mean?

\$100,000 and \$160,000 comparisons. To allow comparison of taxes from one community to another, we computed the average home value for the 108 metro communities with populations greater than 2,500 and in nonmetro communities with populations greater than 9,000. Hypothetical home values of \$100,000 and \$160,000 were used to provide a constant value and enable comparison between communities.

In previous Homestead Property Tax Surveys, the comparison values used were \$85,000 and \$130,000. However, due to the increasing average market value across the metro and nonmetro regions, we recalculated the average by adding all the average market values for the 108 communities and divided by 108. The new total of \$160,000 was used for this study. The same calculation was performed for the 32 nonmetro communities and the comparison home value increase to \$100,000. The new values were used to recalculate data from the 2001 survey in order to accurately compare the results from the 2001 Property Tax Survey with the 2002 Property Tax Survey results.

A high ranking in this comparison shows that a community pays relatively high taxes per dollar of homestead property—a high tax rate not sufficiently offset by tax relief, such as the Homestead Tax Credit (available to all homeowners at a maximum of \$304 this year) and the Taconite Homestead Credit available to Iron Range communities.

It is important to remember that total property taxes reflect the spending decisions of several layers of local government. High tax rates indicate high government spending—by cities, schools,

counties or special districts, like hospitals or watershed districts—relative to a community's property tax base. Sometimes a particularly high tax rate set by one level of government can pull a community into a high ranking, even if the other levels of government have more moderate tax rates. The analysis ranks taxes by various levels of government, as well as total taxes. This comparison does not account for differences in communities' assessment practices.

A community's property tax base can vary depending on several factors: the value of homes; the amount of commercial-industrial property—which adds more tax base per dollar of property value than homestead property; the amount of agricultural property—much of which adds less tax base per dollar of value than homestead property tax; and the amount of tax base available because of tax-increment financing (TIF).

Average-value homes. We calculated the average estimated market value for each community and compared taxes on these average-value homes. This analysis gives a better sense of what homeowners in various communities actually pay in property taxes. But because the analysis reflects differences in tax rates and differences in value, a high ranking can mean that a community either has a high average home value, a high tax rate, or both.

None of the analyses account for the special targeted property-tax refund intended to help offset large increases in taxes since homeowners must specially apply for that refund. Also not factored is the circuit breaker refund, which is dependent of homeowners' incomes. MJ

Viewpoint

Balancing the budget and advancing reform in the 83rd legislative session

by Lyle Wray

Last year the states faced a combined \$50 billion budget gap, according to an article in the Dec. 9 issue of *Fortune*. The top 10 states—and Minnesota should be happy it's not on this list—had deficits ranging from 5.9 to 20.6 percent of their budgets. Even if we're not among the top 10, however, Minnesota's new governor and state legislators will have their hands full beginning the first week of January. Not only will there be new people in critically important seats in both the executive and legislative branches, but the state is back on the budget roller coaster.

After many of the "easier" budget cuts were made during the 2002 session, the state still faces a two-year projected budget deficit of \$4.56 billion dollars.

There really are two important tasks on the table: first, balance the budget for at least the biennium; second, advance a long-term reform agenda for public programs. These tasks will go largely to new players since most of the people who participated in the budget fixes in the 1980s and 1990s are now gone from key leadership positions. This is new terrain, and the new leadership must learn under fire.

Three options have been staples in the budget balancing rituals in Minnesota:

raise taxes, cut spending or use short-term budget gimmicks. During the past two budget crises, in the 1980's and 1990's, the Citizens League tried to help sell a fourth option: redesign taxing and spending mechanisms for public services.

Reforming government systems is never easy work. The impetus for tax and spending reform is often limited when state coffers are full. Surpluses result in more money flowing into the same channels with little assurance of more or better results. Or surpluses funds are returned to taxpayers as rebates. During deficit periods, the major beneficiaries of public spending adopt a circle the wagons mentality to protect their own in the budget process, which can make tax and spending reform difficult if not impossible.

In 1992 and 1995, the Citizens League issued two reports focused on balancing the state budget. Both documents offered a number of key principles for improving the long-term financial health of the state. These principles include targeting, competition and long-term support for economic growth.

The first of these key principles, targeting, funnels public subsidies more directly to people who are financially needy instead of subsidizing institutions. For example, higher education students, not the institutions of higher education, should be the recipients of state aid, and institutional subsidies should be reduced in relative terms.

Another example where targeting would be useful is local government aid. The 1993 Ladd report to the Legislature described how the state could help local governments most in need, and do so for about half the cost of the current system.

Another key principle the governor and Legislature should consider is competitive sourcing—making greater use of competition—in public services to shake up bureaucracies and improve performance for citizens. While careless intervention in the marketplace can be disastrous—and the

clumsy deregulation of electric power in California is a recent and painful example of this—competition with such innovations as charter schools and managed competition in public services can provide major improvements in performance and cost savings, as shown in Indianapolis, Phoenix and other communities across the country. Minnesota is far from a leader in the use of well-conceived competition and more should be done in this session to foster its use.

Long-term economic growth, a third key principle, should also be one of the objectives of state spending. While Minnesota ranks high in personal income, largely due to long hours and multiple jobs per worker, there are serious concerns on the horizon. Barely half the ninth graders in our two core cities finish high school on time. Access to post-secondary education for low-income students is not improving.

As for electronic delivery of state services, Minnesota recently ranked 20th in one survey and 37th in another for overall depth and quality of e-government services. Improving the state's e-government service can produce significant savings.

We can make steps toward improving the state's long term economic growth by preserving research and development capacity in higher education and aggressively adopting electronic government services for the state.

As the 83rd Legislative session unfolds, let's hope that there will be an opportunity to squeeze some additional spending reform out of the distasteful process of balancing the state budget. Targeting spending to those most in need or who directly benefit from services, enhancing intelligent use of competition public services and working from an investment plan for the future growth of the economy are three principles that Minnesotans should insist upon. **MJ**

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Most non-metro communities' taxes fall, property values rise

by Scott McMahon

Most residents in greater Minnesota saw their property taxes decrease this year, due largely to changes in the state tax code. Of the 32 non-metro communities included in the Citizen's League annual Homestead Property Tax Review, (those with populations greater than 9,000) all but three saw property taxes fall on a hypothetical average home with an assessed market value of \$100,000. Cloquet, Hutchinson and Red Wing saw taxes rise 6.9 percent, 2.1 percent and 9.6 percent respectively.

Cloquet, in Carlton County and school district 94, ranks number one in this year's survey among non-metro communities in total taxes, with a total tax bill on that \$100,000 home of \$1,467. Cloquet ranked fourth last year. Hutchinson came in second this year in terms of taxes at \$1,381, followed by Red Wing (\$1,363), New Prague (\$1,296) and Bemidji (\$1,284). Bemidji ranked first in last year's survey of non-metro communities.

Cloquet earned its first-place overall ranking through a combination of relatively high county (third), city (fifth) and school taxes (ninth). In contrast, Hutchinson ranked high in county (eight) and city (second) taxes, Red Wing ranked high in county (ninth), city (third) and school (eight) taxes, New Prague ranked high in city (first) and school (seventh) taxes, and Bemidji ranked high in county (first) and school district (sixth) taxes.

At the other end of the spectrum, Brainerd boasted the lowest taxes on a \$100,000 home among the communities surveyed, followed by Austin, Albert Lea and Faribault. Brainerd and Austin were at the bottom of last year's survey as well.

The average market value of home-steads in the non-metro communities rose last year. The average market value for all 32 communities surveyed was \$98,661, a seven percent increase over the previous year. Two communities, Rochester and St. Michael, saw market values increased by more than 10 percent. **MJ**

See non-metro tax table on page 6.

TABLE 1: 2002 TAXES ON HOMES IN 108 METROPOLITAN COMMUNITIES

Community (School District)	\$160,000 HOME *			AVERAGE VALUE HOME **				
	2002 Tax	Rank	% change in tax 2001-02	Average assessed market value (MV)	2002 Tax	Rank	% change in assessed avg MV	% change in tax 2001-02
ANOKA COUNTY								
Andover (11)	\$1,471	92	-26.9%	\$166,793	\$1,549	71	8.8%	-19.1%
Anoka (11)	\$1,631	77	-25.0%	\$122,895	\$1,166	103	9.2%	-8.0%
Blaine (11)	\$1,584	83	-25.9%	\$131,807	\$1,469	80	10.7%	5.2%
Burns (15)	\$1,144	107	-35.2%	\$176,027	\$1,353	87	11.0%	-23.4%
Centerville (12)	\$2,221	7	-26.9%	\$145,154	\$2,256	28	9.8%	-2.9%
Circle Pines (12)	\$1,931	27	-29.2%	\$123,982	\$1,409	84	9.0%	-14.1%
Columbia Hts (13)	\$2,005	22	-13.9%	\$105,343	\$1,268	94	8.4%	16.5%
Columbus (831)	\$1,742	54	-23.1%	\$165,289	\$1,705	57	10.7%	-17.3%
Coon Rapids (11)	\$1,559	85	-24.2%	\$123,953	\$1,118	105	8.9%	-7.9%
East Bethel (15)	\$1,454	93	-23.6%	\$139,370	\$1,248	96	9.5%	-7.1%
Fridley (14)	\$1,449	94	-28.0%	\$123,156	\$1,011	108	8.4%	-16.8%
Ham Lake (11)	\$1,386	98	-27.7%	\$173,292	\$1,508	77	10.8%	-20.0%
Lino Lakes (12)	\$1,939	26	-29.0%	\$174,871	\$2,274	26	8.7%	-18.0%
Linwood Twp (831)	\$1,642	74	-21.3%	\$141,136	\$1,275	92	7.7%	-17.7%
Oak Grove (15)	\$1,610	81	-20.9%	\$159,093	\$1,785	51	9.5%	0.3%
Ramsey (11)	\$1,611	80	-24.6%	\$155,795	\$1,524	75	8.5%	-17.5%
Spring Lake Pk (16)	\$1,869	41	-13.8%	\$117,747	\$1,255	95	9.2%	5.7%
St. Francis (15)	\$1,667	72	-18.9%	\$129,229	\$1,480	79	8.7%	13.7%
CARVER COUNTY								
Chanhasen (112)	\$2,105	16	-26.0%	\$221,903	\$2,706	14	9.3%	-32.0%
Chaska (112)	\$1,714	61	-32.9%	\$169,176	\$1,720	56	8.4%	-32.1%
Norwood Young								
America (108)	\$1,705	63	-27.8%	\$108,229	\$1,163	104	6.7%	2.2%
Victoria (112)	\$1,981	23	-22.8%	\$239,742	\$3,460	8	7.2%	-22.5%
Waconia (110)	\$1,630	78	-35.0%	\$150,220	\$1,881	42	10.8%	-7.9%
Watertown (111)	\$1,713	60	-31.6%	\$120,693	\$1,201	99	9.6%	-16.4%
DAKOTA COUNTY								
Apple Valley (196)	\$1,891	37	-13.6%	\$164,601	\$1,641	62	7.5%	-21.5%
Burnsville (191)	\$1,702	65	-20.9%	\$154,919	\$1,434	82	9.0%	-23.8%
Eagan (196)	\$1,684	68	-17.4%	\$170,837	\$1,824	48	10.0%	-8.4%
Farmington (192)	\$1,725	58	-26.6%	\$141,477	\$1,466	81	8.8%	-16.9%
Hastings (200)	\$1,703	64	-21.7%	\$137,257	\$1,686	60	9.7%	10.8%
Inver Grove Hts (199)	\$1,526	87	-25.2%	\$160,505	\$1,738	54	10.5%	-4.7%
Lakeville (194)	\$1,511	88	-32.3%	\$185,722	\$1,753	52	10.2%	-29.7%
Mendota Hts (197)	\$1,252	64	-32.0%	\$230,279	\$1,904	41	9.0%	-31.3%
Rosemount (196)	\$2,108	15	-11.4%	\$160,903	\$1,979	35	9.8%	-7.1%
South St. Paul (996)	\$1,724	59	-25.1%	\$112,400	\$1,293	91	8.9%	10.5%
West St. Paul (197)	\$1,481	90	-25.1%	\$131,538	\$1,096	106	8.7%	-16.8%
HENNEPIN COUNTY								
Bloomington (271)	\$1,709	62	-24.2%	\$161,046	\$1,612	68	8.3%	-22.3%
Brooklyn Center (279)	\$2,312	4	-19.8%	\$103,255	\$1,240	97	8.6%	-5.5%
Brooklyn Park (279)	\$2,099	17	-22.7%	\$130,289	\$1,666	61	10.0%	-6.1%
Champlin (11)	\$1,895	34	-21.2%	\$147,750	\$1,693	58	10.9%	-8.8%
Corcoran (877)	\$1,767	52	-23.3%	\$201,782	\$2,287	25	10.4%	-18.6%
Crystal (281)	\$2,238	6	-6.7%	\$113,178	\$1,393	85	8.7%	11.2%
Dayton (11)	\$2,071	18	-15.0%	\$175,197	\$2,606	16	8.5%	4.4%
Deephaven (276)	\$1,756	53	-24.3%	\$378,507	\$4,340	4	10.5%	-30.2%
Eden Prairie (272)	\$1,777	50	-27.1%	\$226,382	\$2,414	18	9.4%	-31.5%
Edina (273)	\$1,825	45	-22.0%	\$254,268	\$2,792	11	9.0%	-29.5%
Excelsior (276)	\$1,947	25	-21.6%	\$199,165	\$2,301	23	8.8%	-25.6%
Golden Valley (281)	\$2,350	2	-2.2%	\$171,605	\$2,332	22	9.2%	-2.6%
Greenfield (883)	\$2,145	11	-20.1%	\$213,921	\$3,167	10	11.6%	-8.4%
Hopkins (270)	\$2,145	12	-12.7%	\$137,242	\$1,552	70	9.9%	-11.0%
Independence (879)	\$1,889	38	-30.3%	\$274,730	\$3,858	7	12.9%	-18.3%
Maple Grove (279)	\$1,897	33	-25.1%	\$173,133	\$2,288	24	9.9%	-9.4%
Medina (284)	\$1,690	67	-17.2%	\$368,898	\$4,217	5	11.6%	-20.3%
Minneapolis (991)	\$2,261	5	-17.1%	\$122,857	\$1,750	53	9.1%	6.8%
Minnnetonka (270)	\$1,782	48	-18.7%	\$209,542	\$2,243	30	8.7%	-22.6%
Minnetrissa (277)	\$1,782	49	-13.4%	\$339,163	\$4,677	3	8.7%	-5.7%
Mound (277)	\$1,892	36	-9.9%	\$164,138	\$1,913	40	9.6%	-2.1%
New Hope (281)	\$2,386	1	-7.0%	\$133,651	\$1,937	38	8.7%	9.0%

TABLE 1: 2002 TAXES ON HOMES IN 108 METROPOLITAN COMMUNITIES, continued

Community (School District)	\$160,000 HOME *			AVERAGE VALUE HOME **				
	2002 Tax	Rank	% change in tax 2001-02	Average assessed market value (MV)	2002 Tax	Rank	% change in assessed avg MV	% change in tax 2001-02
Orono (278)	\$1,481	89	-28.7%	\$406,308	\$4,166	6	10.1%	-31.7%
Osseo (279)	\$1,903	31	-33.0%	\$118,777	\$1,631	65	9.2%	1.1%
Plymouth (284)	\$1,777	51	-17.9%	\$202,991	\$2,029	34	9.2%	-25.9%
Richfield (280)	\$2,061	20	-14.1%	\$126,191	\$1,511	76	9.2%	1.3%
Robbinsdale (281)	\$2,330	3	-3.5%	\$108,873	\$1,197	101	8.6%	0.5%
Rogers (728)	\$2,212	8	-20.6%	\$171,332	\$2,369	20	8.1%	-15.6%
Shorewood (276)	\$1,926	29	-21.8%	\$299,490	\$3,262	9	8.0%	-36.4%
St. Anthony (282)	\$2,178	10	-21.1%	\$139,372	\$1,832	47	5.5%	-14.1%
St. Louis Park (283)	\$2,144	13	-13.1%	\$140,514	\$1,688	59	8.9%	-9.2%
Wayzata (284)	\$1,892	35	-17.6%	\$388,641	\$4,730	2	8.3%	-26.8%
RAMSEY COUNTY								
Arden Hills (621)	\$1,647	73	-28.2%	\$185,758	\$1,866	43	8.3%	-27.5%
Falcon Heights (623)	\$1,630	79	-27.4%	\$163,229	\$1,526	73	7.5%	-29.3%
Lauderdale (623)	\$1,715	60	-30.8%	\$106,167	\$1,030	107	8.5%	-13.2%
Little Canada (623)	\$1,674	7	-26.5%	\$135,344	\$1,321	89	9.1%	-18.5%
Maplewood (622)	\$1,680	69	-30.3%	\$139,772	\$1,524	74	8.7%	-15.2%
Mounds View (621)	\$1,930	28	-25.0%	\$125,675	\$1,636	63	8.5%	1.6%
New Brighton (621)	\$1,867	42	-21.0%	\$156,564	\$2,047	33	8.4%	-1.5%
North Oaks (621)	\$1,423	97	-31.4%	\$421,797	\$4,840	1	6.1%	-26.8%
North St. Paul (622)	\$1,472	91	-36.3%	\$123,416	\$1,269	93	8.5%	-9.7%
Roseville (623)	\$1,633	76	-28.8%	\$145,894	\$1,197	100	8.5%	-35.1%
Shoreview (621)	\$1,732	57	-25.6%	\$166,161	\$1,948	36	9.2%	-11.8%
St. Paul (625)	\$1,851	43	-30.1%	\$109,641	\$1,203	98	8.7%	-6.8%
Vadnais Heights (624)	\$1,693	66	-23.9%	\$158,038	\$1,787	50	8.6%	-9.5%
White Bear Lake (624)	\$1,736	56	-21.5%	\$137,462	\$1,543	72	8.6%	-2.6%
White Bear Twp (624)	\$1,669	71	-24.2%	\$166,850	\$1,634	64	8.8%	-22.5%
SCOTT COUNTY								
Belle Plaine (716)	\$1,836	44	-29.9%	\$114,495	\$1,337	88	8.5%	-2.8%
Credit River Twp (719)	\$1,238	105	-36.6%	\$218,801	\$1,722	55	12.9%	-34.0%
Jordan (717)	\$1,976	24	-35.2%	\$117,290	\$1,611	69	11.4%	-0.3%
New Market Twp (194)	\$1,424	96	-35.5%	\$237,594	\$2,400	19	13.2%	-27.1%
Prior Lake (719)	\$1,900	32	-26.4%	\$181,398	\$2,075	32	9.5%	-25.4%
Savage (191)	\$1,813	47	-19.8%	\$174,992	\$1,832	46	10.3%	-20.7%
Shakopee (720)	\$1,534	86	-18.8%	\$142,688	\$1,413	83	13.2%	5.4%
Spring Lake Twp (719)	\$1,869	41	-13.8%	\$211,680	\$1,832	45	11.8%	-32.2%
WASHINGTON COUNTY								
Afton (834)	\$1,357	101	-27.3%	\$247,738	\$2,245	29	9.2%	-26.8%
Bayport (834)	\$2,026	21	-15.6%	\$149,501	\$1,808	49	7.5%	-9.2%
Cottage Grove (833)	\$2,061	19	-15.1%	\$137,061	\$1,625	66	9.2%	-6.4%
Forest Lake (831)	\$1,638	75	-28.9%	\$162,737	\$1,392	86	31.0%	-11.9%
Grant (834)	\$1,157	106	-36.2%	\$293,551	\$2,647	15	11.6%	-26.5%
Hugo (624)	\$1,567	84	-21.8%	\$169,117	\$1,850	44	6.3%	-8.8%
Lake Elmo (834)	\$1,385	100	-31.6%	\$244,227	\$2,722	13	9.9%	-15.5%
Mahtomedi (832)	\$1,818	46	-15.2%	\$205,017	\$2,263	27	9.2%	-17.4%
May Township (834)	\$1,272	103	-19.2%	\$258,666	\$2,722	12	10.4%	-0.6%
New Scandia Twp (831)	\$1,872	40	-12.9%	\$196,593	\$2,347	21	10.2%	-7.0%
Newport (833)	\$2,190	9	-18.4%	\$126,272	\$1,482	78	8.5%	-13.3%
Oak Park Heights (834)	\$1,596	82	-23.2%	\$143,441	\$1,624	67	8.5%	2.2%
Oakdale (622)	\$1,425	95	-34.4%	\$134,574	\$1,302	90	9.0%	-13.8%
St. Paul Park (833)	\$1,874	39	-16.4%	\$110,127	\$1,175	102	8.8%	6.0%
Stillwater (834)	\$1,740	55	-24.1%	\$160,276	\$1,929	39	9.8%	-5.5%
Stillwater Twp (834)	\$1,386	99	-26.0%	\$261,398	\$2,501	17	9.5%	-23.8%
West Lakeland (834)	\$1,016	108	-37.0%	\$281,982	\$2,157	31	10.1%	-31.2%
Woodbury (833)	\$1,909	30	-18.6%	\$185,665	\$1,945	37	10.0%	-25.1%
AVERAGES	\$1,766		-23.4%		\$1,959		9.5%	-13.0%

* Assumes a home with the same \$160,000 assessed market value in both 2001 and 2002

** Compares tax on a 2002 average value home with tax on a 2001 average value home

SOURCE: Minnesota Department of Revenue; calculations by the Citizens League

What do those school district numbers mean?

Each community in the property tax survey is associated with a school district (listed in parentheses) since school taxes are a key part of total property taxes. For example, the top metro and nonmetro cities are listed as Centerville (12) and Cloquet (94). That means the property tax figures used for Centerville are for the portion of the city located in school district 12.

Some cities are located entirely in one school district. Others are split among two or even three districts. We chose which district to associate each community with by reviewing state Department of Revenue records showing the number of homesteads located in each unique taxing area—that is, each portion of a community overlapped by a different school district—and then used the figures for the school district with the greatest number of non-agricultural homesteads.

Since cities grow unevenly, this year we needed to change the school district associated with one metro community: Burns, in Anoka County, is associated with District 15, rather than District 11.

School taxes on the \$160,000 homestead in the 108 community/school district combinations in our metro survey ranged from \$161 to \$844. All of the top five in total property taxes, based on the \$160,000 home, are in the top 20 in the school portion of the property tax bill. Thus, which school district is associated with a particular community becomes very important in that communities' overall tax ranking. MJ

Property taxes from page 6

Average assessed market value (AMV)

North Oaks, once again, is the community with the highest average market value in the metropolitan area at \$421,797. North Oaks also boasts the highest average property tax bill at \$4,840. However, using a \$160,000 home for the comparison, North Oaks ranked 77. Orono has the second highest average market value at \$406,308 and an average tax of \$4,166. It ranks 96th for taxes on a \$160,000 home. The average market value of a home in Wayzata is \$388,641 and the average tax is \$4,730. Deephaven and Medina are the only other metro communities where average market values exceed \$340,000.

Last year, three of the metropolitan communities surveyed still had average home values below \$100,000. This year, no community in the study has an average market value below that mark. Average home values in those three communities are: Brooklyn Center, \$103,255, Columbia Heights, \$105,343 and Lauderdale, \$106,167.

The average assessed market (AMV) value in Minneapolis increased 9.1 percent to \$122,857. In St. Paul, the AMV

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TABLE 3: 2002 TAXES ON HOMES IN 32 NONMETROPOLITAN COMMUNITIES *

Community (School district)	\$100,000 2002 Tax	HOME **		Average assessed market value(MV)	2002 Tax	AVERAGE VALUE HOME ***		
		Rank	% change in tax 2001-02			Rank	%change in assessed avg MV	% change in tax 2001-02
Albert Lea (241)	\$747	30	-32.7%	\$71,413	\$449	30	8.9%	-31.3%
Alexandria (206)	\$801	26	-15.3%	\$93,867	\$729	24	6.1%	0.0%
Austin (492)	\$722	31	-23.8%	\$71,844	\$434	31	6.3%	-26.6%
Bemidji (31)	\$1,284	5	-21.4%	\$61,701	\$720	25	4.0%	-16.8%
Brainerd (181)	\$699	32	-25.8%	\$71,104	\$414	32	8.3%	-25.9%
Buffalo (877)	\$758	27	-27.6%	\$133,179	\$1,133	9	9.5%	-21.7%
Cloquet (94)	\$1,467	1	6.9%	\$79,095	\$1,083	11	5.5%	19.1%
Duluth (709)	\$1,111	11	-13.0%	\$87,892	\$932	17	9.2%	-0.5%
Elk River (728)	\$1,198	8	-7.0%	\$143,198	\$1,876	1	9.0%	-2.9%
Fairmont (2752)	\$909	20	-18.7%	\$68,312	\$540	29	4.8%	-15.9%
Faribault (656)	\$747	29	-34.0%	\$107,421	\$830	23	9.1%	-26.1%
Fergus Falls (544)	\$813	23	-19.6%	\$79,011	\$564	28	4.5%	-17.9%
Hibbing (701)	\$1,025	14	-11.0%	\$57,557	\$692	26	6.8%	0.7%
Hutchinson (423)	\$1,381	2	2.1%	\$106,077	\$1,487	5	4.0%	5.7%
Mankato (77)	\$810	24	-25.6%	\$106,001	\$881	20	8.7%	-16.4%
Marshall (413)	\$920	18	-18.5%	\$102,642	\$954	15	7.0%	-10.7%
Moorhead (152)	\$1,017	15	-23.9%	\$89,802	\$876	21	6.6%	-16.8%
New Prague (721)	\$1,296	4	-1.7%	\$119,180	\$1,706	3	2.5%	-0.9%
New Ulm (88)	\$1,100	12	-6.4%	\$88,728	\$934	16	4.9%	0.9%
North Mankato (77)	\$809	25	-25.1%	\$125,006	\$1,105	10	9.9%	-16.9%
Northfield (659)	\$922	17	-14.6%	\$143,450	\$1,485	6	9.8%	-13.4%
Owatonna (761)	\$831	22	-19.1%	\$112,619	\$983	13	8.2%	-11.8%
Red Wing (256)	\$1,363	3	9.6%	\$112,681	\$1,583	4	6.8%	15.6%
Rochester (535)	\$1,122	10	-3.3%	\$117,905	\$1,390	7	10.8%	6.8%
Sauk Rapids (47)	\$1,199	7	-22.8%	\$103,573	\$1,255	8	9.3%	-12.8%
St. Cloud (742)	\$947	16	-22.0%	\$101,422	\$966	14	6.6%	-15.1%
St. Michael (885)	\$902	21	-14.4%	\$157,299	\$1,632	2	11.8%	-7.9%
St. Peter (508)	\$754	28	-28.6%	\$107,237	\$836	22	7.5%	-20.7%
Waseca (829)	\$1,247	6	-12.4%	\$84,552	\$998	12	6.4%	-2.3%
Willmar (347)	\$1,182.	9	-10.8%	\$83,374	\$924	18	2.7%	-6.2%
Winona (861)	\$910	19	-15.2%	\$98,854	\$896	19	8.0%	-5.4%
Worthington (518)	\$1,082	13	-8.7%	\$71,166	\$686	27	2.8%	-5.4%
AVERAGES	\$1,002		-15.8%	\$98,661	\$999		7.1%	-9.4%

* all nonmetropolitan communities with a population of more than 9,000

** a hypothetical home in each community with an assessed market value of \$85,000

*** the average value of all non-agricultural homestead property in the community

SOURCE: Minnesota Department of Revenue; calculations by the Citizens League

TABLE 2: 2002 TAXES BY TAXING DISTRICT FOR TOP FIVE METRO AND NONMETRO CITIES

METRO CITIES (\$160,000 home)											
County	Community	County Tax	County Rank	City Tax	City Rank	Net School tax	School Rank	Spec. dist. tax	Spec. dist. rank	Tax Total	2002 Tax Rank
Hennepin	NEW HOPE (281)	\$807	5	\$860	14	\$483	20	\$118	26	\$2,386	1
Hennepin	GOLDEN VALLEY (281)	\$807	5	\$824	19	\$483	20	\$118	26	\$2,350	2
Hennepin	ROBBINSDALE (281)	\$737	5	\$737	27	\$483	29	\$135	18	\$2,330	3
Hennepin	BROOKLYN CENTER	\$807	5	\$923	9	\$481	21	\$137	14	\$2,312	4
Hennepin	MINNEAPOLIS (991)	\$716	6	\$945	6	\$527	14	\$174	4	\$2,391	5
Ramsey	ST PAUL (625)	\$808	4	\$620	50	\$556	8	\$93.78	40	\$1,851	43
Average Taxes		\$700		\$603		\$427		\$103.00		\$1,766	
Number of rankings			16		108		49		64		108
Range of Taxes		\$482-\$886		\$66-\$1,140		\$161-\$844		\$51-\$190		\$1,063-\$2,525	
NONMETRO CITIES (\$100,000 home)											
County	Community	County Tax	County Rank	City Tax	City Rank	Net School tax	School Rank	Spec. dist. taxes	Spec. dist. rank	Tax Total	2002 Tax Rank
Carlton	CLOQUET (94)	\$845	3	\$555	5	\$328	9	\$3	27	\$1,467	1
McLeod	HUTCHINSON (423)	\$678	8	\$669	2	\$277	16	\$15	11	\$1,381	2
Goodhue	RED WING (256)	\$629	9	\$659	3	\$330	8	\$10	18	\$1,363	3
Le Sueur	NEW PRAGUE (721)	\$533	19	\$680	1	\$337	7	\$3	26	\$1,296	4
Beltrami	BEMIDJI (31)	\$926	1	\$290	26	\$345	6	\$5	22	\$1,284	5
Average Taxes		\$577		\$401		\$262		\$14		\$1,002	
Number of rankings			31		32		32		28		32
Range of Taxes		\$386-\$925		\$203-\$669		\$130-\$460		\$0-\$53		\$699-\$1,380	

SOURCE: Minnesota Department of Revenue; calculations by the Citizens League

OnBalance

Views From Around the State

Out with the old, in with the new governor...but the budget's here to stay.

One more time for Ventura

"The frustrating aspect of Ventura's tenure is that his overly confrontational style prevented him from advancing some of the Independence party movement's best common sense ideas," argues the **Brainerd Daily Dispatch (11/26)**. "Ventura kept us on the edge. His accomplishments were mixed but he managed to shake up politics as usual and proved that an electorate that was often distracted and disinterested could be stirred into action by a compelling and original candidate."

The **Mesabi Daily News (11/5)** criticized Governor Ventura for naming Dean Barkley to the U.S. Senate. "...Barkley is not just someone off the street. He is a good politician who has run for U.S. senator before as an independent and received enough votes to get the party established. He has also been the key person in the Ventura administration. But we wish Ventura had put aside his outrage over the memorial service/rally and acted in a much more adult manner. But, unfortunately, he chose to revert back to his old ways before Oct. 25."

Round one goes to Gov.-elect Pawlenty.

The **West Central Tribune (11/19)** sees the budget as the new governor's biggest challenge. "During his governor's campaign, Pawlenty declined to detail any budget deficit solution, other than not raising taxes, prior to the Dec. 4 forecast. His intention is to restrain spending increases, not cut spending from current levels. Unfortunately, an accounting gimmick delaying school funding and the state taking over education funding as part of the 2001 property tax reduction doesn't leave much budget leeway. It appears that Pawlenty's new administration may be facing a significant budget crisis before they even take office."

"In all likelihood the Legislature and Pawlenty are going to have to make some major cuts in state services. Some cuts may make sense but others, particularly in the areas of transportation, will only hurt the investment the state has made in our transportation infrastructure," argues the **Brainerd**

Daily Dispatch (11/24). "Many people applaud Pawlenty for being willing to take a fresh look at state government and trying to come up with solutions that won't burden the taxpayers. Still, government is and always will be a game of give and take. Pledges that lock the governor and legislators into rigid positions during severe economic crises don't serve the best interests of the state."

"At a Farm Bureau meeting, Pawlenty said he'd push to have environmental and regulatory agencies work with farmers and businesses in a partnership, rather than penalize people, to spur economic development," reported the **Mankato Free Press (11/28)**. A good idea, the paper thought, for some but not all. "No one wants to see businesses or individuals beat up by government regulators when innocent mistakes are made and when the violators are willing to correct the actions and pay for damage. But Minnesotans also expect government agencies to vigorously pursue and punish wanton or reckless behavior that despoils the environment. They don't want regulators coddling those they are supposed to be regulating."

The **Rochester Post-Bulletin (11/30)** is pleased with Governor-elect Pawlenty's housing agenda. "In spite of his no-new-tax pledge, Gov.-elect Tim Pawlenty has promised to take action to increase the state's supply of affordable housing...It is encouraging to see that Pawlenty is also concerned about the issue and plans to take action, even though the state is not in a

position to offer major financing programs."

Budget deficit...here today, here tomorrow?

The **Red Wing Republican Eagle (11/7)** thinks the state budget has room for spending cuts. "State government has room to trim. The growth of spending has outstripped inflation and population growth at an unreasonable pace. Spending cannot be reduced without looking at such areas as work force, reform of Medicaid, streamlining education services, increased use of technology and eliminating overlapping services. The only hope to recharge the economy is to have growth and productivity, which in turn will drive up revenues and preclude the need to raise taxes. That formula has to be given a chance in both the state and national arenas."

Faced with a slow economic recovery, the **Mesabi Daily News (11/19)** proposes spending cuts and tax increases. "The soon-to-be governor and the legislature likely won't get too much help from the economy in the coming year. Recovery is expected to be steady, but slow. And with Pawlenty having signed the no-tax increase pledge, expect the state's endowments from the lawsuit settlement with the tobacco industry to be a major player in the state's financial debate. Officials estimate the state could borrow \$1.5 billion against future tobacco payments. But that won't solve the whole problem. It would certainly seem only a combination of spending cuts and tax increases will be able to do that." **MJ**

Property taxes *continued from page 6*

grew 8.7 percent to an average value of \$109,641. Saint Paul's average market value is still the sixth lowest in the metro area. The total tax bill for the owner of the average value home in Minneapolis increased 6.8 percent to \$1,750, moving the city up in the rankings from 77th last year to 53rd. In Saint Paul, total taxes on an average value home increased 8.7 percent to \$1,203. While the taxes on a

\$160,000 home in St. Paul are the 34th highest in the metro, the tax paid by the "average" Saint Paul homeowner ranks 98th on the list.

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TakeNote

Policy Tidbits

Items to ponder as the daylight fades.

Minneapolis graduates less than half its 12th grade class.

Despite the headline in the Dec. 2 *Star Tribune* stating that Minneapolis has increased its graduation rate, the 46 percent graduation rate—up from 43 percent last year and likely to dip back down next year—is far from good news. While the headline “spin” was positive, having fewer than half the students graduate in a district that is spending about \$13,000 per student is not good news. Failure to complete school is a virtual “economic death sentence” for many students. The doubling of the graduation rate for Native American students from 14 percent to 27 percent was heralded as good news as well. About 4 percent of the district’s 46,000 students, 1,840, are Native American. Of these, 11 more graduated in 2002 than the previous year. These numbers are a disgrace. Citizens must demand more from schools and other public and private programs to dramatically increase the success rate. Despite the spin on the headline, these numbers reflect a dim economic and social future for a very large number of students. —*Lyle Wray.*

Car phones increase in traffic accidents.

A recent study by the Harvard Center for Risk Analysis reports that cell phone use is responsible for about six percent of auto accidents annually, and about 2,600 deaths and 330,000 injuries. The researchers calculated the economic costs of cell phone-related car crashes, in medical expenses and lost life, is approximately \$43 billion per year. That is about the same value, the report indicated, that cell phone owners put on their phones. —*Scott McMahon.*

U.S. teens rank 18th in academic skills.

A report by the Innocenti Research Center in Florence, Italy surveyed 14 and 15 year olds in 24 industrialized countries on their literacy and ability to apply mathematics and science. Students in Korea and Japan scored highest in the academic survey. Finland and Canada were third and fourth. The United Kingdom came in seventh. The United States ranked 18th. —*L. W.*

On the road to and with hydrogen. U.S. Secretary of Energy Spencer Abrahamson recently unveiled the new “roadmap” to a hydrogen economy and fuel base. The plan is the result of a 12-month collaboration with members of the scientific and engineering community from across the country. It outlines the research, development, demonstration, codes and standards, and education efforts that are needed to make the transition. Sec. Abrahamson cited the need for the change in policy as a means of providing a clean and sustainable future. Hydrogen is a highly efficient fuel source that produces near-zero emissions and is based on diverse, domestically available sources. Additional information is available at www.eren.doe.gov/hydrogen/features.html#roadmap —*S. M.*

States’ budget outlook bleak. A report by the National Governors Association released in November, “The Fiscal Survey of States,” showed that 37 states were forced to reduce their enacted budgets by about \$12.8 billion in fiscal 2002. About mid-way through the current fiscal year, 23 states plan to reduce their net enacted budgets by an additional \$8.3 billion. NGA Executive Director Raymond C. Scheppach said that this budget situation is “a result of a convergence of four major factors that have battered almost every state budget to the point where there just are no easy choices left. The combination of long-run deterioration in state tax systems coupled with an explosion of health care costs are creating an imbalance between revenue and spending. To make matters worse we’ve had a collapse

of capital gains tax revenues added to the overall loss of revenue attributable to slow economic growth.” For fiscal year 2002, 26 states used across-the-board cuts and rainy day funds to help balance budgets, 15 states laid off employees, 13 states reorganized programs, and 31 used a variety of other methods. —*L. W.*

The National Association of Secretaries of State recently identified Minnesota’s “Election Judge Training Program” as an “Innovative idea for a new millennium,” one of nine programs across the nation to get the nod. Links to Minnesota’s program, and other innovative ideas are available at www.nass.org/Issues/issues_NMmodelpracts.html. —*S. M.*

E-services really do work! In a recent meeting of the Citizens Leagues’ E-government committee, a representative of the University of Minnesota spoke about the increased benefits that students are receiving from the school’s improved website. One successful example cited was the financial aid process, which is now almost completely automated. Processing time has dropped from six weeks to four days. In addition to speed, electronic transactions have enable the University to cut paper use by 500,000 pieces annually. —*S. M.*

Take Note contributors include Citizens League staff members.