Minnesota Journal

Inside This Issue

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Fiscal disparities pool shrinks again, after C-I tax cuts

by Dana Schroeder

Now in its 25th year of operation, the Twin Cities area tax-base sharing program, widely known as the "fiscal disparities" program, once again faces a shrinking pool of commercial-industrial (C-I) tax base to redistribute among metro-area communities. This year's regionwide pool is $252,545,903, down by 4.4 percent from last year's pool of $264.2 million. This is the second year in a row the pool has declined, after increasing for the previous two years.

The Citizens League's 25th annual tax-base sharing analysis shows that the shared fiscal disparities pool fell at an even higher rate in 1999—4.4 percent—than the four percent it had dropped in 1998.

The Twin Cities tax-base sharing program currently redistributes over 27.5 percent of the area's commercial-industrial (C-I) tax base among metro-area communities. Every community puts 40 percent of its growth in C-I tax base since 1971 into a regionwide pool. Every community (except Sunfish Lake, which is ineligible, since it does not allow C-I development) then receives back tax base from the regionwide pool, based on its relative shares of population and tax base. (See "How fiscal disparities works" on page 4.)

The program, which has generated interest from around the country, has been controversial from the start. Passed in 1971, court challenges upheld its implementation until 1975. Since then, there have been a number of legislative attempts to weaken the program or to expand it to include residential property.

Now in its second year, the Iron Range tax-base sharing program—modeled after its Twin Cities cousin, both in concept and controversy—provides for sharing 40 percent of C-I tax-base growth, with 1995 as the base year, rather than 1971. The area covered by the program is the Iron Range taconite tax-relief area, which includes all or part of seven counties in north-central and northeastern Minnesota. In its second year the shared pool increased by 2.1 percent to $450,078, or about 1.3 percent of the Range's C-I tax base. (See "Tax-base sharing on the Range" on page 6.)

Shared pool declines

The region's total tax base—from all types of property—also declined over the past year, dropping by $64.6 million to $2.286 billion. This decline, too, was due to a lowering of various class rates, not

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Crisis in financing health education could cut access

by Frank B. Cerra

A quiet crisis is looming in Minnesota, one that could potentially reduce health-care access in communities across the state and jeopardize the ability of the University of Minnesota to maintain the research enterprise that has been an economic development cornerstone for decades.

You haven't heard much about it until recently, but you will hear a lot about it during this year's legislative session. It is the question of how we finance the education of future physicians, pharmacists, dentists and nurses. It is a national problem that has crept up quickly and is of particular interest to the University, as we educate upwards of two-thirds of Minnesota health professionals.

Let me step back for a minute and explain what has caused this serious situation. Several major forces continue to reshape American health care, significantly affecting the ability of universities to offer high quality health professional education. These factors, generally outside the control of the University, include reduced federal funding, declining patient-care revenues and changing expectations for health sciences students and faculty. Simply put, educational revenues are declining dramatically and costs are increasing—a deadly combination, considering the growing need for health professionals to serve an aging and increasingly diverse Minnesota population.

Medical education has traditionally been funded from four sources: 1) the federal government through Medicare, 2) the state, 3) faculty who generate patient-care revenue, and 4) students. Minnesota hospitals, clinics and health providers also provide *pro bono* support estimated to be $45 million per year to train and mentor students and residents.

Now, two sources of income—federal funds for resident training and faculty-generated patient-care revenues—are diminishing. The *pro bono* contributions are also in question, as providers attempt to manage costs and still support medical

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Working toward an inclusive, successful metro region

Viewpoint

by Lyle Wray

The scene is the Sabathani Community Center on a Saturday earlier this month with several dozen concerned citizens. We were wrestling with how to produce better educational outcomes for all students, particularly low-income students of color in Minneapolis. To many there—including me—it seemed, to quote Yogi Berra, like "deja vu all over again," because the struggle with *de facto* economic and racial segregation and its effects on K-12 outcomes has been with us for decades.

Educational outcomes for students in the two core cities are unacceptably bad. K-12 has not necessarily deteriorated over the years—graduation rates are dramatically higher across the board for every ethnic group over the last 50 years. But the "skills bar" needed to earn living wages keeps moving up, as the new economy demands higher productivity. The skills premium—the wage differential between those with higher and lower education and skill levels—is widening and accelerating. The economic prognosis for those with less than a high-school diploma has gone from tough to grim. The likelihood of gaining a family living wage with "willing hands and no skills" has disappeared.

Minnesota currently faces a 30-year labor shortage. But some schools graduate only half the students who come through their doors. The number of students going on to postsecondary training—the key for living-wage jobs—is declining. And access to that training for some communities of color is disastrously poor.

As we look for short-term and long-term strategies to address the suffering behind these statistics, we should be wary of the "silver bullet"—the one-shot solution that proposes to solve everything. The noted quality guru Charles Deming began with an opposite premise: seek out or create many small changes that are coherent, aligned and focused on a quality outcome and you can make a long-term difference. Such a strategy also demands that you have good information on how you are progressing toward those outcomes.

"The Governor and the Legislature should take a serious look at what we might learn from making school districts coterminous with counties."

Here are four ideas for the mix of solutions that should help us build a more inclusive and successful region in the long haul.

Coterminous county/school district borders. Schools make up an important part of a child's development, but are often poorly connected to other organizations involved in childhood development. Fragmentation would be a charitable characterization of the present state of affairs among schools, communities, nonprofits and county governments.

While there are numerous projects and programs today, the scale is just not up to the size of the challenge. A few years ago former legislator Howard Orenstein proposed a model for an integrated boundary for Ramsey County and Saint Paul schools. The Governor and the Legislature should take a serious look at what we might learn from making school districts coterminous with counties. If it looks good, they should provide a powerful incentive for a demonstration in the metropolitan area around one or both of the core cities.

Scale up the Livable Communities demonstrations. The Livable Communities Act has sponsored dozens of projects to demonstrate attractive, mixed-income, mixed-use development. But the pot of money is very small—in the single-digit millions. If we have half a billion dollars for one light-rail line, how about allocating ten percent of that amount for scaling up demonstrations of new urban forms that will revitalize core and first-ring suburbs and shape greenfield growth into a more sustainable form?

Postsecondary access guarantees. We need to make it "billboard simple" for students from families with no postsecondary experience to understand the link between better work skills, good wages and postsecondary education and training. The Georgia HOPE program guarantees a two-year free ride to higher education for high school graduates with a "B" average. Working back from that program, more effective links are needed between employers and those students not going on to some postsecondary training.

Good information on what is happening. As we move forward, the state will need new kinds of information on how we're doing—the number of higher skill jobs going vacant, employer satisfaction with postsecondary and secondary "products" and real measures of economic and ethnic segregation and discrimination in housing and employment.

Winston Churchill said something to the affect that Americans usually do the right thing—after they have tried everything else. We are there and we need to act.

Lyle Wray is executive director of the Citizens League.

Health ed

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education, which is very expensive for them.

It is a double financial whammy for Minnesota. The first blow—despite our vocal opposition—was the decision by the U. S. Congress to reduce Medicare support for graduate medical education as part of the 1997 Balanced Budget Act. For over three decades, Medicare has funded the training of residents and fellows. Even so, Congress accepted the recommendations of the Bipartisan Commission on the Future of Medicare and cut support for medical education by $9 billion over the next five years. Minnesota's cumulative loss is expected to be $100 million through 2003 and a minimum of $30 million per year thereafter.

The Commission is now considering a proposal to move another $7 billion in direct medical-education payments and disproportionate share payments from the Medicare Part A Trust Fund to a discretionary funding source. This would mean that we would have to fight for funding in each congressional budget cycle. We are adamantly opposing this move to politicize funding for health-professional education. Universities and teaching hospitals must have a dependable flow of revenue, since it takes up to eight years to train a physician.

The second whammy results from Minnesota's leadership in managed care. University of Minnesota faculty physicians, who have traditionally contributed about $40 million of patient-care revenue to the Medical School for education and research, compete in the same marketplace as community physicians. As cost-containment strategies have reduced their fees, revenues generated by University physicians are declining by about three percent per year. This means fewer dollars to support the education and research enterprise.

We are especially concerned about the potential threat to our world-class research capability as faculty struggle to balance education, research, outreach and patient-care responsibilities. There are only so many hours in the day and, when faculty must work harder to generate patient-care revenue, there is less time for research. Ironically, this challenge is coming at a time when funding for the National Institutes of Health has increased by 15 percent, or $2 billion. We

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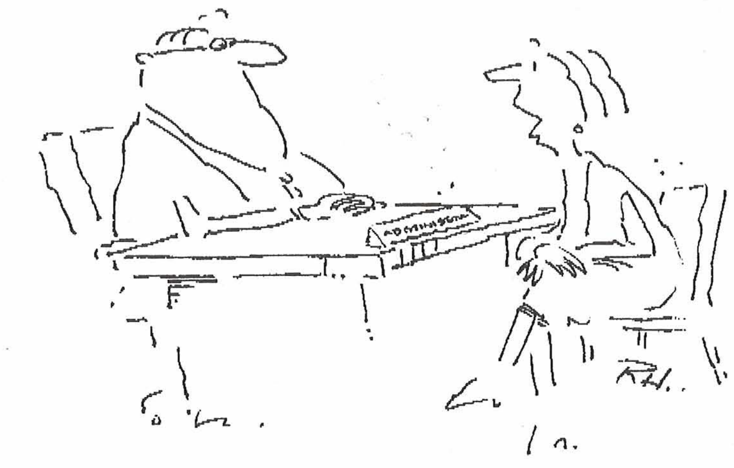
must reduce the pressure on clinical faculty, so they have the time to compete for new federal funds and to conduct industry-sponsored research.

Managed care is also adding cost and complexity to the educational process. In days past, medical students, residents and others were trained in a few major teaching hospitals. Today, however, the educational setting is shifting away from the hospital bedside into the community as cost-containment pressures reduce the length of patient stays. Most of the patient care is now delivered outside the traditional hospital setting in clinics, offices, homes and community sites, such as schools, senior centers and jails. As the care delivery system moves more into the community, we must also shift our training to over 100 community locations, which is far more difficult to manage than teaching students in a few hospitals.

Let me be more specific about this change. A patient receiving a new gal[illegible], for example, formerly stayed in the hospital eight to ten days. This left plenty of time for students to learn about the procedure, get to know the patient, watch the operation, and apply aftercare techniques. A single hospital could accommodate about 400 residents and students. Now, the patient stays three to four days, leaving precious little time in the hospital for the educational process to occur. After the patient is discharged, the care continues on an outpatient basis. Students and the residents will probably see the patient more during clinic visits then they did in the hospital.

The final challenge, which drives up costs, is to arm our graduates with knowledge and skills unknown a generation ago. They must understand federal and state statutes and regulations, business practices, managed care, information technology, government programs, ethics, preventative health, wellness, complementary medicine, team care, recent scientific discoveries, new products and devices, gene therapies and new drugs and treatments. This is a staggering task, but one we must pursue to assure that Minnesota has the properly trained heath professionals.



"Sir, if you'd sponsor even part of my med school expenses, you'd be welcome to as many guest passes as you can use to whatever country club I end up in!"

So, what is the answer to this complicated question of how to finance the education of future health-care professionals? We now have a clear picture of federal intent, and it's not pretty; we can't ask faculty to do more; and we can't ask students or their families to give much more. Students are already shouldering a significant financial burden by paying tuition and fees that are among the highest in the nation for public medical schools. The average debt at the end of training is $75,000. If we ask the students and their families to contribute more, we risk closing the doors to lower income students and those from at-risk populations. This is an unacceptable option to me. Access must be maintained.

Our best hope is for Minnesota to establish a new public-private partnership to meet this challenge. On the public side, we will continue to advocate for federal support; we will ask the state's taxpayers to increase their investment to assure adequate numbers of health professionals in their communities; we will seek additional support for faculty who generate patient-care revenue in a manner that also facilitates research; we will ask the students to maintain partial responsibility for the cost of their education; and we will assure continued access to the health professions for all students.

On the private side, we will encourage the providers to continue their important *pro bono* support, despite increasing financial pressures to reduce that commitment. And I firmly believe the insurance companies must become partners by stepping up and sharing the cost of educating health professionals. They benefit—as we all do—from the public value of quality health care. Their involvement will be the final piece in the health-education financing puzzle.

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Editor's note: Due to a space shortage, the "On Balance" roundup of opinions from state newspapers will not appear in this issue.

The Minnesota Journal

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Another view: Jobs for poor adults key to better schools

The road to hell, it is said, is paved with good intentions, but the recent article by Gary Cunningham, Barbara Bearman and Matthew Little shows that the same is true of roads that go nowhere.

Once again, supposed experts are taking to task the local schools for failing to deal with a major policy issue that is far beyond their control. Children from poor homes tend to come to school unprepared. These poor kids tend to be minorities, who often have been bused far from their home neighborhoods. This, in turn, keeps parents from participating in school-related activities.

Anyone who has been in the belly of the beast (an inner-city school) knows the shopworn arguments made by the authors of your article. With worn-out tools, the people in these schools toil day after day until they're used up.

What Minnesota needs is effective training programs for poor adults that get them into the workplace, help them improve their economic status and allow them to move *with their kids* into better housing. We should establish such programs now, while we have a huge budget surplus and an industrial sector that's desperate for workers.

Please put this issue in more competent hands in the future.

J. Farrell, Minneapolis

Disparities

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a drop in market value. The total market value in the seven-county metro area actually increased by 8.0 percent, from $117.224 billion to $126.660 billion.

Property taxes paid by the shared pool of tax base decreased by 3.0 percent from last year's all-time high of $409.7 million to $397.4 million this year. Taxes paid by the shared pool have declined only two other times in the history of the tax-base sharing program—in 1977 and 1995.

The shared tax base now accounts for 27.5 percent of the total C-I tax base in the metro area, down from last year's 28.1 percent and from the peak of 30.0 percent in 1994. The shared pool accounts for 11.1 percent of the region's total tax base, down slightly from last year's 11.6 percent.

But the drop in the size of the pool has more to do with legislative fiat than with the vagaries of the marketplace. In both 1997 and 1998 the Legislature cut the rate at which C-I property is assessed for tax purposes, thus reducing the size of the C-I tax base for taxes payable in both 1998 and 1999. Even though C-I *market values* increased—growing by 11 percent to $27.148 billion—the C-I *tax base* (officially known as tax capacity) dropped by 2.6 percent. Since the size of the pool is dependent on the size of the C-I tax base, the pool continued to shrink. (See "Why did the fiscal disparities pool shrink?" on page 6.)

Impact of shrinking pool

As the pool shrinks, of course, communities dependent on fiscal disparities for a significant share of their tax base will have to place more of the tax burden on other types of property.

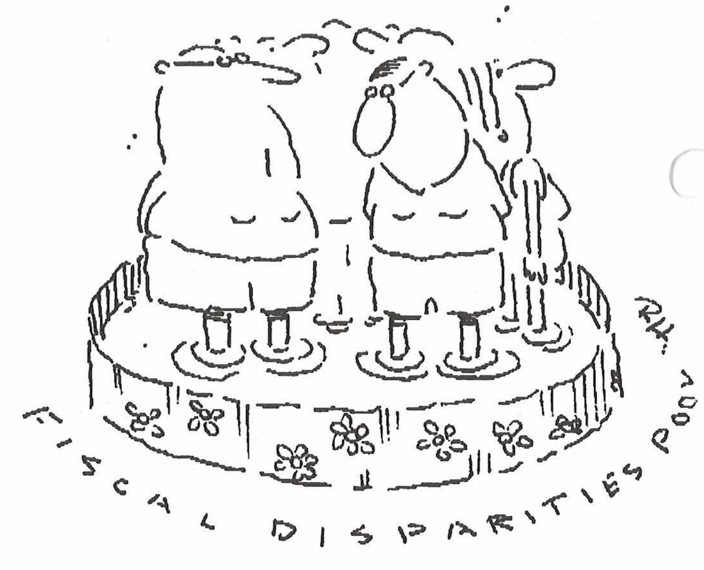
Given the quirks in the way the program is implemented, next year could offer even a bigger blow to the communities receiving significant amounts of money through the tax-base sharing program. According to Steve Hinze of the Minnesota House Research Department, the C-I values on which tax-base sharing is figured have already bottomed out, unless any further class rate breaks are given during the 1999 session.

Because of the way the areawide tax rate assessed against the C-I property in the pool is figured, Hinze said property taxes paid by the pool will likely not be as high next year, leaving a greater tax burden on other types of property.

In anticipation of this problem, Hinze said the Legislature has funded a special $13 million Fiscal Disparities Homestead Agricultural Credit Aid to help replace the fiscal disparities distribution in areas that will feel the pinch.

Net gainers, losers

Over three-quarters of the 186 eligible metro-area communities are net gainers under the program: 142 received more tax base from the shared pool this year than they contributed. The other 44 were net losers. (Sunfish Lake is ineligible to participate because it excludes C-I property.) Among the 60 communities over 9,000 population, 39 were net gainers and 21 were net losers. Minneapolis' status switched very slightly, enough to make it a net gainer this year, unlike last year. The other new net gainer was a city new to the over 9,000 population group of cities, Farmington.



"Is it my imagination or is the pool getting smaller?"

St. Paul was once again the top net gainer under the program, with a net gain of $25.7 million in tax base, down from $28.2 million last year. On a percentage basis, St. Paul's tax base increased by 17.3 percent due to sharing, or sixth highest among the 40 large-city net gainers. Even more dramatically, the sharing increased St. Paul's C-I tax base by 40.5 percent.

The situation was different for Minneapolis, even though it regained its status as a net gainer. It had been a net loser last year and a net gainer the three previous years. Its net gain this year was small—$134 thousand, or 39th lowest among the 40 large-city net gainers. Minneapolis' large C-I tax base ($171.4 million) is more than twice as large as Bloomington's, its closest contender, and nearly three times as large as third-place St. Paul.

Because of its large C-I base, Minneapolis made the largest contribution of any community to the shared pool—$40.1 million, or about 16 percent of the total shared pool. While it also received back the largest amount of tax base from the pool—$40.2 million, or 16 percent—its net gain was only $134,197, a gain of less than one-tenth of a percent. For all intents and purposes, then, Minneapolis

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How fiscal disparities works

The 1971 fiscal disparities act—officially known as the Charles R. Weaver Revenue Distribution Act, in honor of the late Anoka legislator who authored it—was designed to lessen differences in tax base among Twin Cities area communities. It allows all communities in the seven-county metro area to share part of any commercial-industrial (C-I) tax-base growth anywhere in the region. The idea grew out of a 1968 Citizens League committee studying tax disparities.

Here's how the program works:

- Communities contribute 40 percent of their C-I tax base growth since 1971 to a regional pool. (Excluded from this base is the airport, property within tax-increment finance districts established before Aug. 1,1979, and property in the city of Sunfish Lake, which is ineligible to participate because it excludes C-I development.)
- Each community then receives back a portion of the pool based on its relative shares of population and tax base. Communities with relatively poor tax bases per capita receive more from the pool than they contribute. Those with relatively wealthy tax bases per capita contribute more than they receive.
- There is a one-year lag in the C-I property values and property tax rates used to figure tax-base sharing. For taxes payable in 1999, the amount of tax base shared is based on C-I property values and property tax rates from the 1998 tax year.
- Taxes generated by the property-tax pool are collected through an areawide tax paid on the shared portion of each C-I property. The funds are then distributed to cities, counties, school districts and special districts according to the amount of shared tax base each unit was assigned.

Why did the fiscal disparities pool decline?

If commercial-industrial market values are increasing in the seven-county area, why did the size of the shared tax-base pool decline?

It's important to understand that the *tax-base* figures discussed in this article are only a small percentage of the *market value* of commercial-industrial (C-I) property. While the market value of C-I property in the seven county area amounts to $27.148 billion in 1999, the C-I tax base—the portion of C-I value available to be taxed—amounts to $916.9 million. Why?

Because Minnesota taxes different types of property at different rates, only a *portion* of a property's market value becomes part of the tax base (officially known as *tax capacity*). The proportions for different types of properties, known as *class rates*, are set by the Legislature. In the last two years the Legislature has *lowered* the class rates, beginning in 1998, for determining the tax capacity of C-I and various other types of properties. The changes in the C-I rates and their effect on C-I tax base are outlined in the following example.

So the $1 million commercial property added $44,400 to a community's tax base in 1997, $38,050 in 1998, but only $33,425 this year, due to the lower class rates. That's a 25 percent decrease in the building's tax base over a two-year period. This does not necessarily mean the property's *taxes* will drop by that much; it's likely local governments will increase tax rates in light of the tax capacity reductions. A higher tax rate would at least partially offset the property's drop in tax capacity, but will, of course, increase taxes on other types of property, as well.

The tax capacity of all C-I property was reduced by these class rate changes and increases in C-I market values were not large enough to offset the downward effect of the rate changes. In the seven-county area, the market value of C-I property *increased* by 11 percent, from $24.546 billion to $27.149 billion. Meanwhile the C-I tax base actually *decreased* by 2.5 percent, from $941.1 million to $916.9 million.

Since the shared pool is made up of C-I tax base, the new class rate changes are reflected in the shrinking of the pool.

Assume a commercial property is assigned a market value of $1 million by the assessor. Here's how that property's tax capacity would be figured for taxes payable in 1999, compared with a $1 million property in both 1998 and 1997:

	1999 Class Rates	1999 Tax Capacity	1998 Class Rates	1998 Tax Capacity	1997 Class Rates	1997 Tax Capacity
First $100,000 of value	2.45%	$2,450	2.70%	$2,700	3.00%	$3,000
Value of $100,000-$150,000	2.45%	$1,225	2.70%	$1,350	4.60%	$2,300
Value over $150,000	3.50%	$29,750	4.00%	$34,000	4.60%	$39,100
Total Tax Capacity		$33,425		$38,050		$44,400

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came out nearly a wash in this year's distributions.

St. Paul made the fourth largest contribution to the pool, at $12.0 million—five percent of the shared pool. (Bloomington made the second largest contribution—$23.7 million, or 9.4 percent of the shared pool—and Plymouth the third largest, at $12.9 million.) St. Paul has a relatively low tax base per capita (at $552, 10th lowest among the 60 cities over 9,000 population) and a large population (second in the metro area). So it received back the third largest payout from the tax pool, over three times as much as it contributed—$37.7 million, or 15 percent of the pool.

On a per capita basis, though, St. Paul—with a net gain of $95 per capita—ranked only fifth highest among the 40 large-city net gainers.

The five largest *net* tax-base contributors (that is, losers) to the program in 1999—all Hennepin and Dakota County suburbs—include *Bloomington*, $17.9 million; *Eden Prairie*, $8.8 million; *Minnetonka*, $8.8 million; *Plymouth,* $8.8 million; and *Edina,* $5.3 million. Four of these five cities were also in the top five last year. Edina bumped Eagan to sixth place this year.

The top four net contributors are also the top four on a per capita basis, ranging from *Bloomington* in first place at $205 per capita to *Plymouth* in fourth place at $142. *Edina* ranked 7th on a per capita basis, at $113

In addition to *St. Paul*, at $25.7 million, the other top net gainer cities include *Coon Rapids,* $3.0 million; *Cottage Grove,* $2.6 million; *Richfield,* $2.6 million; and *South St. Paul,* $2.4 million.

The net gainers look different on a per capita basis, although *South St. Paul* (first at $120), *St. Paul* (fifth at $95), *Cottage Grove* (seventh at $86) and *Richfield* (10th at $74) fall among the top 10.

Among the net-gainer cities over 9,000, sharing resulted in tax-base increases ranging from less than one-tenth of a percent in Minneapolis to 23.7 percent in South St. Paul. Fifteen of the 39 net gainer cities showed tax-base increases of 10 percent or more due to sharing. (See table on page 7.)

Among the net loser cities over 9,000 population, sharing resulted in tax-base declines ranging from 1.5 percent in Chanhassen to 13.1 percent in Bloomington. Four cities—Bloomington, Minnetonka, Eden Prairie and Plymouth—lost more than 10 percent of their tax base due to sharing.

On a countywide basis, Hennepin County made by far the largest net contribution of tax base to the program in 1999—$44.6 million, down from last year's amount of $45.4 million. (See table on page 6.) Its net contribution on a per capita basis ($41) was more than 10 times that of the only other net contributor county, Dakota County ($4). Dakota County's net contribution was $1.4 million, down from its contribution of $2.8 million last year. Ramsey County netted the most shared tax base in total dollars ($24.6 million, down from $25.6 million last year). Ramsey ($49) and Anoka ($45) Counties netted the most shared tax base on a per capita basis.

Reducing the gap

The tax-base sharing program significantly reduces the gap in C-I tax base among the wealthier and poorer communities in the metro area.

- In the 60 metro-area cities with populations above 9,000, the 1999 C-I tax base *after* sharing ranges from a high of $743 per capita in Bloomington to a low of $144 per capita in Mound—a ratio of about five to one. (See table.) *Without* tax-base sharing, the range would be $948 per capita in Bloomington to $64 per capita in East Bethel—a ratio of 15 to one.
- Comparing communities of all sizes in the metro area, the ratio of high to low in C-I tax base per capita *before* sharing is more than 218 to one, with Rogers the highest ($1,527) and San Francisco Twp. the lowest ($7). *After* sharing the range is reduced to 30 to one, with Rogers still the highest ($1,066) and Woodland the lowest ($35).

The sharing also reduces—although less dramatically—disparities among communities in *total* property tax base.

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Disparities

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- In cities over 9,000 population, total property tax base per capita *before* sharing ranges from $1,825 (Edina) to $467 (Columbia Heights)—a ratio of four to one. *After* sharing the high and low cities remain the same, but the ratio is reduced to three to one.

- Among all metro-area communities, the ratio of high to low in total property tax base per capita *before* sharing is 19 to one, with Woodland the highest and Rockford the lowest. *After* sharing the gap is reduced to eight to one; Woodland remains on the top and Landfall on the bottom.

While tax-base sharing reduces disparities in tax base among communities, it does not greatly reorder their tax-base wealth. Since only a portion of tax base is shared, the wealthiest communities before sharing generally remain that way after sharing, as do the poorest communities.

- In the five communities over 9,000 population with the smallest C-I tax base per capita before sharing—*East Bethel, Andover, Mound, Prior Lake and North St. Paul*—only *North St. Paul* moves up to 12th lowest after sharing; the other four remain in the bottom four spots.

Likewise, the wealthiest cities in C-I tax base per capita generally remain that way even after tax-base sharing. The cities over 9,000 population with the highest C-I tax bases per capita *before* sharing—*Bloomington, Golden Valley, Eden Prairie, Edina* and *Minnetonka*—remain among the top 10 *after* sharing.

- The same is true in looking at *total* property tax base per capita. The wealthiest five cities over 9,000 population before sharing remain in the top five after sharing; the poorest five cities before sharing remain among the bottom eight after sharing.

Tax impact

It's important to note that tax-base sharing is only one part—and by no means the most significant part—of a complex state strategy for equalizing revenue-raising capacity among communities. State school aid is by far the most important; state-paid local government aid and disparities aid also play a part. Tax-base sharing is the only

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TWIN CITIES TAX-BASE SHARING BY COUNTIES, 1999

County	Total NTC	C-I NTC	Fiscal Disparities Contribution (from)	Fiscal Disparities Distribution (to)	Net gain or (loss) due to sharing	1997 Population	% Chg in NTC due to sharing	%Chg in C-I due to sharing
Anoka	$184,236,340	$60,293,494	$18,238,094	$32,782,896	$14,544,802	322,682	7.9%	24.1%
Carver	$57,859,668	$16,867,618	$4,690,918	$4,958,977	$268,059	61,377	0.5%	1.6%
Dakota	$293,115,741	$102,729,587	$32,588,385	$31,188,388	($1,399,997)	332,657	-0.5%	-1.4%
Hennepin	$1,170,547,720	$535,902,797	$143,842,697	$99,217,851	($44,624,846)	1,075,907	-3.8%	-8.3%
Ramsey	$347,447,574	$144,105,557	$36,033,193	$60,622,527	$24,589,334	497,423	7.1%	17.1%
Scott	$62,140,761	$16,946,214	$4,756,207	$6,218,949	$1,462,742	75,009	2.4%	8.6%
Washington	$157,533,757	$40,046,676	$12,396,409	$17,556,315	$5,159,906	187,475	3.3%	12.9%
Metro Totals	$2,272,881,561	$916,891,943	$252,545,903	$252,545,903	$0	2,552,530	0.0%	0.0%

See notes on table on page 7.

Tax-base sharing on the Range

The Iron Range tax-base sharing program, established by the 1996 Legislature, is in its second year of operation. Patterned after the metro-area program, it provides for sharing 40 percent of the C-I tax-base growth since 1995 throughout the Range's taconite tax relief area: all of Lake and Cook Counties, much of St. Louis (excluding Duluth) and Itasca Counties and portions of Aitkin, Crow Wing and Koochiching Counties.

The program has not been without controversy, legislators on the east and west sides of the Range debating the fairness and benefits of both tax-base sharing and the long-standing taconite tax-relief program. That program shares production taxes paid by taconite producers among communities on the Range, in lieu of property taxes on taconite facilities. Despite at least one proposal, no changes have been made to the program.

In 1999 tax year the Range program has a shared tax-base pool of $450,078, or an increase of two percent from last year's pool. That amounts to about 1.3 percent of the area's C-I tax base of $33.5 million. On a county basis, three of the seven counties involved in the program were net losers in tax base: Lake County was the biggest net loser, with a net contribution of $79,618; Cook County was next, with a net contribution of $14,950; and Crow Wing County was third, with a net contribution of $632.

In a change from last year, Itasca County, which had been a net loser, became the program's biggest winner this year, with a net gain in tax base of $47,370, followed by St. Louis County, at $42,591. Koochiching was a tiny winner, pulling in a net gain of $64.

St. Louis County generated by far the largest contribution to the program ($245,537, or 55 percent of the shared pool), but also received back the largest distribution ($288,128, or 64 percent). Lake County generated the second largest contribution this year and Itasca County the third.

Looking at individual communities, Virginia was easily the largest net gainer, with a net gain of tax base of $35,012, followed by Eveleth, $20,484; Grand Rapids, $16,697; Mt. Iron, $10,932; and Silver Bay, $8,533.

The top five net losers in tax base were Two Harbors, with a net loss in tax base of $52,971; Ely, $44,353; Beaver Bay Twp., $16,128; Silver Creek Township, $11,058; Lake Creek Unorganized, $10,254.

Disparities

Continued from page 6

a strategy, though, that relies on communities directly sharing their property wealth, rather than on redistributing funds collected by the state. It's also the only strategy that is strictly regional. In some communities tax-base sharing plays a more important role in reducing disparities in revenue-raising capability than local government aid or disparities aid.

Because of the importance of these other strategies, it's difficult to isolate the impact of tax-base sharing on the actual taxes paid by home-owners or business property in any one community. Because the state already equalizes the majority of school taxes—thus accounting for differences in tax base—the impact of tax-base sharing on school taxes is small. Since school taxes make up about half of total property taxes, the impact on total taxes in any individual community is less than might be expected. The impact of tax-base sharing on city taxes and county taxes, though, is quite direct. If a city or county is a net gainer in tax base, the city or county tax rate will be lower than without the sharing program. Likewise, if a city or county is a net loser in tax base, the city or county tax rate will be higher than without the sharing program.

Dana Schroeder is editor of the Minnesota Journal. *Steve Hinze of the Minnesota House of Representatives Research Department supplied the data for this analysis.*

COMPARISONS FOR TWIN CITIES TAX-BASE SHARING, 1999#

Metro community above 9,000 population	Total NTC**	Net (loss) or gain due to sharing*	% change in NTC after sharing	C-I*** per cap. before sharing	C-I per cap. after sharing
Andover	$14,642,371	$1,622,422	11.1%	$72	$144
Anoka	$11,464,021	$911,904	8.0%	$266	$317
Apple Valley	$32,374,928	$1,516,471	4.7%	$158	$193
Arden Hills	$11,081,787	($848,691)	-7.7%	$612	$525
Blaine	$28,082,426	$1,448,983	5.2%	$279	$312
Bloomington	$136,739,616	($17,882,118)	-13.1%	$948	$743
Brooklyn Center	$20,447,773	$537,407	2.6%	$390	$409
Brooklyn Park	$43,439,862	$1,376,929	3.2%	$293	$315
Burnsville	$60,003,508	($4,076,376)	-6.8%	$492	$421
Champlin	$11,568,024	$1,641,396	14.2%	$110	$191
Chanhassen	$22,648,751	($342,853)	-1.5%	$420	$399
Chaska	$15,262,779	($1,323,553)	-8.7%	$504	$415
Columbia Heights	$8,724,775	$2,021,585	23.2%	$128	$236
Coon Rapids	$39,397,077	$3,026,715	7.7%	$244	$293
Cottage Grove	$15,835,562	$2,588,618	16.3%	$113	$199
Crystal	$12,375,583	$1,979,510	16.0%	$149	$233
Eagan	$67,001,057	($4,902,779)	-7.3%	$500	$417
East Bethel	$5,089,258	$899,736	17.7%	$64	$157
Eden Prairie	$83,002,342	($8,783,590)	-10.6%	$720	$542
Edina	$86,002,132	($5,312,249)	-6.2%	$678	$565
Farmington	$6,386,325	$659,108	10.3%	$144	$212
Fridley	$25,532,599	($1,396,353)	-5.5%	$508	$459
Golden Valley	$29,600,220	($2,474,439)	-8.4%	$746	$628
Ham Lake	$7,926,477	$597,923	7.5%	$138	$189
Hastings	$10,017,972	$1,229,267	12.3%	$165	$236
Hopkins	$14,807,857	$238,524	1.6%	$389	$403
Inver Grove Heights city	$21,506,287	$747,688	3.5%	$252	$279
Lakeville	$29,396,010	$1,037,538	3.5%	$182	$210
Lino Lakes	$10,059,634	$917,990	9.1%	$102	$165
Little Canada	$7,014,924	$173,694	2.5%	$296	$314
Maple Grove	$43,044,128	($668,817)	-1.6%	$317	$302
Maplewood	$35,969,670	($2,657,840)	-7.4%	$588	$512
Mendota Heights	$15,994,748	($1,133,415)	-7.1%	$504	$400
Minneapolis	$311,666,126	$134,197	0.0%	$473	$474
Minnetonka	$80,598,641	($8,778,914)	-10.9%	$665	$497
Mound	$6,774,697	$685,600	10.1%	$74	$144
Mounds View	$6,950,145	$941,692	13.5%	$196	$269
New Brighton	$16,177,786	$1,024,168	6.3%	$218	$263
New Hope	$16,534,031	$220,912	1.3%	$337	$348
North St. Paul	$5,988,117	$1,395,390	23.3%	$101	$211
Oakdale	$15,975,861	$1,528,208	9.6%	$184	$244
Plymouth	$87,425,915	($8,755,705)	-10.0%	$621	$479
Prior Lake	$11,110,780	$784,414	7.1%	$99	$154
Ramsey	$11,832,988	$1,021,950	8.6%	$161	$220
Richfield	$21,943,069	$2,562,904	11.7%	$198	$272
Robbinsdale	$7,175,372	$1,398,853	19.5%	$125	$224
Rosemount	$11,419,859	($273,257)	-2.4%	$355	$333
Roseville	$41,115,246	($3,867,727)	-9.4%	$664	$550
St. Louis Park	$48,706,721	($1,560,340)	-3.2%	$537	$501
St. Paul	$148,869,726	$25,690,477	17.3%	$235	$331
Savage	$13,070,747	$499,859	3.8%	$179	$210
Shakopee	$17,602,482	($1,452,994)	-8.3%	$637	$542
Shoreview	$21,455,981	$632,529	2.9%	$180	$204
South St. Paul+	$10,256,666	$2,435,080	23.7%	$161	$281
Stillwater	$12,265,064	$19,479	0.2%	$256	$258
Vadnais Heights	$11,963,200	($464,860)	-3.9%	$369	$334
West St. Paul	$13,634,105	$770,197	5.6%	$241	$281
White Bear Lake	$16,508,038	$1,602,926	9.7%	$183	$245
White Bear Twp.	$8,895,520	$282,509	3.2%	$190	$216
Woodbury	$39,688,549	($1,324,493)	-3.3%	$326	$289

\# Population figures are Metropolitan Council estimates for 1997.

* The net gain or loss is the difference between the amount of tax base a community contributes to the sharing pool and the amount it recieves back from the pool.

** NTC is the total net tax capacity—a community's total valuion as computed for tax purposes—for taxes payable in 1999. This figure includes value in tax-increment finance districts.

***C-I is commercial-industrial net tax capacity. This figure includes value in tax-increment finance districts.

\+ South St. Paul began contributing for the first time in 1992, as the result of a 1991 law change. Its contribution is 40 percent of its C-I growth since the 1989 assessment year.

Sources: Minnesota Department of Revenue, Minnesota House Research Department

Virginia school district pays up on graduate warranty

Make sure you keep the receipt. In previous reports, the Citizens League has said that K-12 schools should be held financially accountable for any remedial education that takes place after high school graduation. Virginia is going one big step further and considering implementation of this notion on a statewide basis.

The impetus for such action is modeled on a program in the Hanover County public schools. The District provides every graduate with a C average a two-year warranty; if an employer or higher education institution finds that remedial work is needed, the district will pick up the cost of additional courses.

One qualification: Hanover is a relatively affluent suburb of Richmond, Virginia, and student achievement in the district is high. But since 1994, the district has paid 14 claims averaging $400.
—Ron Wirtz

Take Note

Public affairs tidbits suitable for anyone's Valentine.

The national map of population growth is a dead ringer for the national map of temperature—the one showing that huge bowl of cold dropping from Montana south through Missouri and northeast up to New England. All the growing states lie south of that line: the famous "sunbelt."

All but one. Confounding everything, smack at the top of the coldest part of that no-growth bowl, is a state that has been growing steadily: Minnesota.

This is not because a lot of people think it's fun to ski on flat land. It's because over a long period of time private action and public policy have combined to build here a metropolitan area in which people really want to live—cold or not.
—Ted Kolderie.

Continental divide. From 1995-96 to 1996-97, a total of 29 states saw their poverty rates decrease and 21 states experienced a poverty rate increase. In Minnesota, the percentage of people in poverty increased by 0.2 percent.

What's perhaps most curious about the trend is its geographical layout. Of the 26 states east of the Mississippi River, 73 percent (19 states) saw their poverty rates decline or stay the same, compared with only 42 percent (10 states) of the 24 states west of the big river.*—R.W.*

The dog ate my comprehensive plan. When the clock struck 1999, more than a 130 local communities in the Twin Cities region were under legislative mandate to have completed their comprehensive plans for future community growth and development.

According to the Metropolitan Council, only about 30 communities met the deadline, while more than 100 had to ask for extensions to submit their plan sometime in the coming year. The Council noted, "In many cases, the public participation process has taken longer than communities anticipated."*—R.W.*

Shotgun, anyone? Over the last three-and-a-half decades, teenage pregnancies have declined more than 10 percent nationwide and the rate of pregnancy among teens has dropped even more.

But while total teen births from 1960 to 1996 have declined by 50,000, births to unmarried teens has negated any gains and arguably created much more difficult problems. From 1960 to 1996, births to unmarried teenagers increased more than 400 percent, from 87,000 to 376,000. In 1960, only 16 percent of births to teens were nonmarital; by 1996, that figure had skyrocketed to 76 percent.*—R.W.*

Every so often something creates just that little doubt about that push to "get kids' test scores up."

At South High in Minneapolis, apparently, almost all the remaining secondary vocational program have now disappeared. These are the "manual arts" programs that give kids something active to do. They have been cashed out to produce more English teachers, who will, hopefully, get kids to pass the reading tests.

Here and there a few folks do dissent from the orthodoxy about "standards," warning that the push for "scores" will actually narrow the scope of what kids know and are able to do. We should maybe not ignore those voices entirely.*—T.K.*

One of the biggest local concerns over the Y2K bug concerns potential power outages during Minnesota's freezing winters. But people in the southwestern part of the country won't have to worry about the air conditioning turning off, thanks to the slow-moving nature of government.

The Hoover Dam is the major power supplier for southern California, Nevada, Colorado and Arizona, but Y2K will have virtually no impact on dam operations and power generation. Completed in the mid-1930s, dam operations were controlled for decades by manual switches. It was only in the 1980s that officials began debating computerization of the dam's operation. It took more than a decade to create and approve a modernization plan and several more years to implement it. As a result, computers have been installed just within the last few years—all of which are already Y2K-proof.*—R.W.*

Milwaukee's new superintendent of schools was pretty unhappy about voucher schools and charter schools taking students away from his district schools, when he spoke at Mankato State's winter conference recently. Superintendent Alan Brown, in fact, described at some length his efforts to suppress both those options created by the state for students.

He also said the Milwaukee schools were "a mess" when he arrived. He talked about what he's trying to do to make them better. And, admitting he'd never said this in public, Brown said the presence of those voucher and charter programs is making it easier for him to get the changes the district needs. Understand: He's against those programs, though.*—T.K.*

When the Livable Communities Act passed in 1995, it was widely praised for finally addressing the affordable housing crisis in the Twin Cities. Not so fast, says a recent Center for Urban Studies report, because affordable housing goals in each community have failed to consider future population increases.

While the total number of affordable housing units in the metro region will increase in coming years, the report's authors argue that population increases will prevent any relative increase in the supply of affordable housing. There will be more affordable units, they point out, but more people looking for them, as well.

They note that if Metropolitan Council population projections are met and if affordable housing goals are achieved by each community, the relative amount of affordable housing units (as a percentage of all units) would decrease by 12 percent over the next 15 years. The report adds that continuing the status quo would produce better results in increasing the affordable housing supply.*—R.W.*

"Take Note" contributors include Minnesota Journal *and Citizens League staff members.*

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PERIODICALS
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Citizens League Matters

February 16, 1999 News for Citizens League Members

Welcome

New and returning members

Elizabeth Bergman
Terence Fruth
Phil Gersmehl
Debbie Gottel
Nancy and Seth Hoyt
James A. Klein
Marvin R. McNeff
Robert and Deborah Montgomery
Gen Olson
Jerry Podkopacz
Marianne Remedios
Beth Rice
John Roberts
Diane Sprague
Joe Sullivan
Eric Utne
Marcia Wattson
Katie White

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The Citizens League promotes the public interest in Minnesota by involving citizens in identifying and framing critical public policy choices, forging recommendations and advocating their adoption.

The Citizens League is an open membership organization. Suggested dues for membership are $50 for individuals and $75 for families. Please call 338-0791 for more information about membership.

Help Wanted:
Training Tomorrow's Workforce

The League is sponsoring a half-day conference designed to increase public awareness about the importance of workforce training and to generate new ideas for redesigning the state's workforce training system. In the recent report, *Help Wanted: More Opportunities Than People*, the League argued that it's time to rethink the design and expected outcomes of training programs. This conference will showcase some innovative programs and bring together policy makers, business and community leaders, and social welfare advocates to hear from legislative leaders about where Minnesota is heading.

Friday, March 12 / 8:30 a.m. - 12:30 p.m. / Sheraton Midway

Help Wanted: More Opportunities Than People Steve Keefe, co-chair, will start the day with an overview of the League's report.

Innovative Approaches from Elsewhere

• *Arizona Industry Clusters* •

Bob Breault, Chair, Greater Tucson Economic Council and CEO, Breault Optics Research, will discuss the relationship between industry clusters and workforce development in Tucson.

• *Massachusetts "Skills Plus+"* •

Paul Rezuke, Manager, Field Operations, Massachusetts Division of Employment & Training will discuss the "Skills Plus+" voucher program for welfare-to-work participants.

Breakout Sessions: Innovative Local Programs

Breakout #1 - Youth & At-Risk Students

• *Anoka High School "Quality Center"* •

Bill Mittlefehldt, Quality Center Team Leader, and **Greg Linder**, Technical Training Specialist with Hoffman Enclosures, will discuss Anoka High's school-to-work program.

• *College of St. Catherine's Access & Success* •

Joan Demeules, Access and Success Coordinator, will outline the many on-campus and community-based resources offered to help single-parent students.

Breakout #2: Industry Collaborations

• *Printing & Graphic Arts Advanced* • *Technical Education Center*

Raymond Bohn, Center Department Chair at Dunwoody Institute, and **Monica Murphy,** VP of Sales for Japs-Olson Co. will discuss the unique training partnership between the Printing Industry of MN and Dunwoody.

• *MDES/MnSCU Skills Analysis Project* • *with the MN High Technology Association*

Dick Westerlund, MN High Technology Association Committee Chair and University College Client Manager, and **Dan Faas,** from the MN Dept. of Economic Security, will discuss an innovative new state program that helps businesses properly identify and match skill needs.

The Workforce Investment Act Challenges & Opportunities for Minnesota

Senator Roger Moe (DFL-Erskine), MN State Senate Majority Leader and **Rep. Dan McElroy** (R-Burnsville), Chair, House Jobs & Economic Development Finance Committee, will discuss current legislation relating to workforce development and training, and provide insights on redesigning worker training programs to produce better outcomes for workers and employers.

Special thanks to the conference sponsors listed on the other side.

MIND-OPENER POLICY FORUMS

$pending $marter

The February Mind-Opener series is looking at the different opportunities presented by the state's continued economic good fortune. Join us to find out how Minnesota can "spend smarter."

Tuesday, February 9

JOHN BRANDL

Dean, Humphrey Institute of Public Affairs

Mr. Brandl began the series by making the case for an overhaul of the state's tax and budget structure to minimize the impact of the ups and downs of economic cycles and to build quality, cost and equity into state programs.

Tuesday, February 16

JIM KOPPEL

Executive Director, Children's Defense Fund - MN

Mr. Koppel will discuss ways the state could spend or invest more money on various public programs.

Tuesday, February 23

REP. STEVE SVIGGUM (R-KENYON)

Speaker of the MN House of Representatives

Rep. Sviggum will give an overview of propsed tax cuts and reasons why this is the smartest way to "spend" money.

NEXT SERIES
New Visions for the Region

Governor Ventura has appointed leaders for most of the state departments and agencies that will shape the course of his administration. In March the League will feature some of those leaders and ask them to share their vision for the metropolitan region. Depending on timing and availability, we hope to hear from five of Ventura's new team: Metropolitan Council chair **Ted Mondale**, Health Commissioner **Jan Malcolm**, Human Services Commissioner **Michael O'Keefe**, State Planning Commissioner **Dean Barkley** and Transportation Commissioner **Elwyn Tinklenberg**. Dates, speakers and topics will be announced soon. Watch your mail for the details.

The Mind-Opener meetings are at the University Club of St. Paul, 420 Summit Avenue from 7:30 to 8:30 a.m.

Cost for Mind-Opener meetings is $10 for League members and $15 for non-members. For more information, please call 338-0791. Audio tapes of Mind-Opener meetings are also available at a cost of $8.

THANK YOU SPONSORS

Thank you to the following for their support of the League conference, *Training Tomorrow's Workforce.*

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Annual report and membership brochures available

League members should have received the FY 1998 Annual Report by now. If you have not received the report, or would like extra copies, please contact the League office. The League also has a new, updated membership brochure. If you know of prospective members please forward their names to the office. Or better yet, get some League membership brochures from the office and give them to your friends, family and colleagues.

www.citizensleague.net