

# MINNESOTA Journal

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State tax code changes haven't put a damper on the use of tax increment financing. Read more about it in the Citizens League's annual review of TIF, which begins on page 4.

## Our electricity system: crisis of vision

by Michael Noble

Policymakers generally agree on the goals of Minnesota's electricity system: we should keep it reliable and affordable, and make incremental progress on its environmental problems. After 20 years working on public policy, I know the conventional wisdom that small increments over time add up to real change.

Unfortunately, like so much conventional wisdom, this isn't true.

If you think that the primary challenge facing our electricity system is its heavy environmental consequences, very ambitious change is needed. Currently, nearly all of Minnesota's electricity comes from coal and nuclear and large hydropower, each with intractable environmental consequences. To make a transition from these few resources, we need real vision and real leadership.

Nuclear power has no conventional emissions, but that nagging risk of catastrophe from human error or human malice doesn't go away. Neither does the waste.

Large hydropower has decimated a landscape and a people more than 1,000 miles to our north.

Coal-fired energy is the most polluting industry on the planet, accountable for about two-thirds the acid rain, 40 percent of the mercury that contaminates fish and one-third of the global warming pollution.

This spring, mounting health concerns and a desire to be ahead of the regulatory curve prompted Xcel Energy to announce a bold plan to clean up its metro coal plants. Xcel seeks to modernize its dirtiest coal plant, and raze two others along the Mississippi, replacing them with natural gas. This plan was met with enthu-

siasm from state environmental leaders and from grassroots neighborhood groups because it dramatically reduces pollution, while adding more energy supply. Minnesota should not wait for every coal operator to follow Xcel's voluntary lead, or for Federal action to clean up old coal, but should join several other states that have passed legislation cleaning up all their old coal plants.

Unfortunately, though, carbon dioxide emissions cannot be cleaned up. Because it is produced in massive amounts from the newest and cleanest coal plants as well as the oldest and dirtiest, this global warming pollutant is coal's Achilles' heel.

This June, the Bush administration has admitted that global climate change is an environmental disaster in the making; it's finally time to end the tiresome debate about whether a very serious problem exists. In a new report to the United Nations, the EPA confirms what scientists have been saying for years. <http://www.epa.gov/globalwarming/publications/car/index.html>

Citing concerns that "ecosystems are especially vulnerable" and that "widespread water concerns" will affect all of the United States, the report summarizes dangerous harm to the environment. The findings for the ecology of the Upper Plains and the north woods are grim.

Unfortunately, instead of joining with most nations who are working for reductions in global warming pollution, the administration tells Americans to get used to it. Undoubtedly, with some effort and some dislocation, Minnesota's climate-sensitive businesses like agriculture, snowmobiling, skiing, forestry, fishing, tourism and shipping will adapt to a warmer world.

But what about nature? ME3 has long argued that Minnesota's heritage of lakes, rivers, forests

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and wildlife are under severe threat from global change (<http://www.me3.org/issues/climate>). When affirming the predictions that a massive percentage of Minnesota forests will die from changing temperatures and soil moisture, the administration recommends that we “salvage dead and dying timber and replant species adapted to a changed climate.”

With its emphasis on adapting to the problem, the nation stumbles in the wrong direction. Minnesota and other states can be the bold laboratories of democracy to show there’s a better way.

What is needed is a “Manhattan Project” effort to decarbonize society, making the sustained and orderly transition to new fuels and a new energy economy. Like Jack Kennedy announcing the moonshot, we need a leader to say: “We have begun the historic transition away from fossil fuels. It won’t be quick, it won’t be free, but huge opportunities and excitement await us! No state can go it alone, but those who lead the way will have the ultimate advantage in a world economy seeking this engineering knowledge and these clean technologies.”

Let’s look at three economies already leading the way.

Denmark decided about the same time that Minnesota did (early eighties) that they should get some experience in wind energy. The Danish wind resource wasn’t nearly as good as Minnesota’s. Their manufacturing base was no stronger. Today, Denmark dominates manufacturing of the world’s fastest growing energy source. Minnesota was a U.S. leader in mapping its wind resource, and siting the first major U.S. commercial wind farm of the nineties. Since then, states like Texas and Iowa have passed us in total wind energy produced—using mostly Danish turbines. A Danish firm has now announced its plan to open a wind energy factory in Portland, Oregon. The industry projects 60,000 megawatts of power worldwide in the next five years, \$60 billion in hardware. The people of Denmark had a vision.

Sweden in the early eighties decided that since it was an energy-importing country, it should have the world’s most

efficient buildings. Through engineering, manufacturing and market transformation, the most average and common new house in Sweden is comparable to the efficiency of Minnesota’s best. Swedish housing manufacturing is one of the nation’s most innovative and modern industries, and no Swede would consider buying a home built any other way. The people of Sweden had a vision.

Iceland has announced to the world its decision to be the world’s first hydrogen economy, free of fossil fuels. In fairness, the Icelanders have a good head start with massive amounts of geothermal energy for heating buildings and making electricity. But they are not a wealthy nation, nor do they have engineering and technology superior to ours. But they have decided as a nation that they will use renewable electricity to split water into oxygen and hydrogen. At hydrogen gas stations, they will directly fuel their vehicles, beginning with public buses, and moving to private cars over time. The only tailpipe emission will be droplets of water you can drink.

**No state can go it alone, but those who lead the way will have the ultimate advantage in a world economy seeking this engineering knowledge and these clean technologies.**

The people of Iceland have a vision.

Each of these visions position a country to be competitive in a world where consuming less and doing more is the key. While not all are as “green” as Denmark, Iceland or Sweden, every major European nation has confirmed its intent to begin reductions of greenhouse gas emissions from coal- and oil-combustion.

Instead of debating where to site and how fast to permit new coal plants, Minnesota should embrace a vision. How about this one:

Make Minnesota’s economy the most energy-efficient in the world.

Make Minnesota the most wind-intensive energy society in the world. It will take years to catch up with the Danes, who are getting 15 to 20 percent of their electricity from wind power.

Make it a high priority to figure out how farmers can invest some of their land equity in wind power, and do that in a way that really helps rural folks.

Work with our neighboring states on wind energy transmission, to support the installation of thousands of new megawatts of wind power, say 6,500 megawatts in eight states in our region from 2003 to 2007. (See [www.windonthewires.org](http://www.windonthewires.org) for details!)

Clean up old coal, and give up on new coal, for now. Until the proponents of “clean coal” can put the CO<sub>2</sub> deep in the ground forever, there is no more room in the sky.

Give district energy a rebirth. Like downtown St. Paul, make community energy systems a part of small town renaissance, and big city urban redevelopment. For example, the citizens of Rochester rightfully campaign against a train hauling 100 million tons of coal through town, but instead of nursing along a creaky old municipal coal plant at 30 percent efficiency, why not invest in a 90 percent efficient combined-heat-and-power plant, heating and cooling Rochester’s central business district?

Repeat in 30 towns around the state. Do as many as possible with bio-fuels.

Get dozens, or even hundreds, of combined-cycle combustion gas turbines into factories and hospitals and government buildings, again at 80 to 90 percent cogenerating efficiency.

Do some serious work on the long-term dream: announce a state initiative to show how Minnesota takes a lead role in moving to the clean, pollution-free hydrogen economy. Maybe issue a purchase order for a 100 wind/hydrogen buses by 2010. Little changes won’t add up to a real vision. **MJ**

*Michael Noble is the executive director of Minnesotans for an Energy-Efficient Economy, and has helped organize numerous coalitions to press for the transition to a new energy economy that’s efficient, clean and fair.*

## Bad news about good economic news?

by Lyle Wray

Since early July, several reports have provided a lot of good news concerning the economy of Minnesota and the Twin Cities metropolitan region. The New Economy Index for states, published by the Progressive Policy Institute, ranked Minnesota 13th out of 49 states in readiness for the new, knowledge-based economy. In that report, Minnesota ranked first in the country in the percentage of manufacturing establishments with internet access and second in the percentage of adults with online access. Good news indeed. In a related report from the same source, our metropolitan region ranked 10th in the nation in new economy standing. We ranked fourth in workforce education and fourth in the proportion of managers, professionals and technicians in the total workforce.

These two reports offer a great deal of good news about our current standing and the immediate prospects for the Minnesota economy. Yet the danger is that they will feed complacency and we will fail to move aggressively on issues that need urgent attention, in part, because their solutions can require long lead times.

Let's just take a few examples. The same state index report ranked Minnesota's

state government 26th in the utilization of digital technologies. This almost mirrored a January 2002 report by PriceWaterhouse Coopers ranking Minnesota 33rd in a measure of the most useful state government websites in the country. Around the world, there are massive efforts underway to use e-government to streamline access to government services for citizens and businesses and to cut costs while getting important and strategic things done. At least by these two measures, Minnesota is way behind the curve and we need urgently to catch up.

The second aspect concerns the development of a highly skilled workforce. While Minnesota has among the most skilled workforce in the United States, there are troubling signs on the horizon. Of 43 states included in a report by the Manhattan Institute of Policy Research, Minnesota's graduation rate for African Americans was the second lowest in the nation.

According to a recent report from Minnesota Private College Council, over the next 20 years nearly two-thirds of the growth in the state's youth population will occur in communities and among ethnicities that are not presently doing very well in our schools. As it is, in our core city school districts, only about half of ninth grade students finish high school on time. According to statistics published in early July, one in three high school graduates going on to post secondary education in Minnesota need one or more remedial classes to be able to function. Clearly there is urgent work to be done here.

A third aspect in need of our attention is the technology economy itself. Minnesota Technology recently issued a report titled: "Our Competitive Nature: Minnesota's Technology Economy." The third conclusion of that report "...confirms the industry concern that we are not creating the next generation of technology and industry leaders rapidly enough." In the summary, the report authors write: "Foolish is the leader who complacently sets aside a positive report on our technol-

ogy economy. Instead we must address our shortcomings and strategize around our strengths. For in a fast-paced, competitive world economy, the region that stands still will merely be a stepping stone for other regions busily implementing their own strategies." Well said indeed.

So what is to be done? Over the past five-plus years Citizens League reports have detailed some key actions we can take to address these issues. We need a state and regional competitiveness strategy to guide investments, rather than the ad hoc way we are doing business today. Second, we need to prime the pump of selective research and development activities using a strategy articulated as the Northstar Research Coalition. This private-public partnership idea has twice passed in the Senate but failed to become law. The Georgia program on which Northstar is loosely based has already invested \$800 million in what is now the fastest growing high technology state in the country.

We also need to get serious about school completion rates for our core cities and low-income students, provide better access to a broader array of post-secondary vocational and college options and make a real public commitment to getting the job done. While sterling individuals have stepped forward with scholarships and others toil hard on core city issues, we need to do much more and we cannot afford to fail.

Getting Minnesota into the top 10 of states successfully using technology and e-government strategies should be a top priority. We have the skilled people who can make us successful. But we do need to make sure that the good news on our economy does not lull us into complacency over the longer term because that would surely lead to a bad news future we want to avoid. **MJ**

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### The Minnesota Journal

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# TIF districts increased in 2001 despite state tax code changes

by J. Trout Lowen

Last year's property taxes reform seems to have done little to dampen municipalities' enthusiasm for tax increment financing as a development tool.

After remaining nearly constant in 2000, the number of tax increment financing, or TIF, districts statewide rose by 78 in 2001, from 1,673 to 1,751. (See table 1, this page) Thirty-six of those new districts sprang up in the seven-county metro area. Outstate, the number of TIF districts rose from 1,098 to 1,140. By comparison, only three new TIF districts were created statewide in 2000.

Municipalities continued to establish new TIF districts despite the likelihood that—as a result of state tax code changes—revenue from existing districts will decline sharply this year, and any new districts will generate significantly less tax increment than in the past.

TIF is a somewhat controversial development tool used by municipalities to help subsidize the cost of redeveloping blighted areas, the creation of low and moderate income housing or for economic

development or jobs. With TIF, the city “captures” increased net tax capacity that results from development within the district and uses the tax increment it generates to pay for certain approved development costs, such as land or building acquisitions, demolition of substandard buildings, utilities, road improvements and housing that would otherwise be paid by the owner, developer or local government.

Two major changes to the state tax code, approved by the Legislature in 2001, are having a significant impact on TIF districts' ability to capture value and generate revenue. Lawmakers compressed property tax rates for commercial and industrial lands—the largest percentage of property in TIF districts—and eliminated the local school tax levy, opting to finance K-12 education costs directly through state aid. Together, the changes are expected to reduce the net TIF tax by up to 40 percent. In 2002, districts are already seeing revenue drop between 25 and 30 percent, according to Joel Michael, an analyst for the state House of Representatives

“I would hate to be looking at a district that is starting out, where one was counting on that cash flow, and now 25 to 30 percent of that has disappeared. That's very problematic,” Waldron says.

research department. The drop in revenue would have been even greater if cities and counties hadn't raised their own 2002 tax levies to make up for some lost state revenue, Michael says.

That 25 to 30 percent drop in revenue is still a huge amount, points out Craig Waldron, outgoing chairman of the League of Minnesota Cities TIF task force, especially for existing districts that were created with a thin financial margin, or for recently created districts that were expecting a larger tax increment to finance development costs.

*TIF continued on page 5*

## Table 1: Tax Increment Financing for metro counties with nonmetro and statewide totals, taxes payable in 2001

COUNTY	Number of Districts	TIF Net Tax Capacity (\$)	Total Net Tax Capacity (\$)	TIF Net Tax Capacity % of NTC	Net TIF Tax (\$)	TIF NTC Per District (\$)	Net TIF Tax per District (\$)	# of cities w/ TIF dist.
ANOKA	77	16,511,684	199,977,788	8.26%	18,133,685	214,437	235,502	14
CARVER	17	11,208,500	60,304,835	18.59%	14,564,573	659,324	856,740	8
DAKOTA	52	16,436,792	339,421,607	4.84%	17,218,866	316,092	331,132	12
HENNEPIN	259	125,165,793	1,310,177,237	9.55%	156,608,427	483,266	604,666	29
RAMSEY	137	39,274,107	406,088,551	9.67%	47,320,341	286,672	345,404	14
SCOTT	29	4,011,113	64,912,515	6.18%	4,373,216	138,314	150,801	6
WASHINGTON	40	8,114,827	153,094,065	5.30%	9,016,575	202,871	225,414	15
<b>METRO</b>								
TOTAL	611	\$220,722,816	\$2,733,976,598	8.1%	\$267,235,683	\$361,248	\$437,374	98
<b>NON-METRO</b>								
TOTAL	1,140	\$51,214,152	\$1,525,163,724	3.4%	\$65,706,922	\$44,925	\$57,537	320
<b>STATEWIDE</b>								
TOTAL	1,751	\$271,936,968	\$4,259,140,322	6.4%	\$332,942,605	\$155,304	\$190,144	418

All figures are for 2001

Includes only districts with captured value. A complete table of nonmetro counties is available at [www.citizensleague.net](http://www.citizensleague.net)



**TIF district:** a geographic area where tax revenue generated by the net tax capacity is “captured” and paid to the tax increment financing authority, rather than to the city, county or state. TIF districts exist for a limited amount of time, generally 10 to 25 years, and are created for a specific purpose, such as economic development or the redevelopment of blighted areas. Once the district expires, tax revenue is returned to the general tax levy.

**Market value:** the value used to determine the tax capacity.

**Tax capacity:** the value to which the tax rates apply. It varies from property to property depending on how the property is classified. Minnesota has multiple property classes, including residential or commercial.

**Total net tax capacity:** total tax capacity of all the property in the city, before any deduction for tax increment financing districts, fiscal disparities, or municipal power line deductions.

**TIF net tax capacity:** the amount of the municipality’s tax capacity that is set aside in TIF districts. It is the captured value.

**Net TIF tax:** the portion of tax revenue generated by a TIF district that the district receives to finance development costs. The amount of net tax is calculated using the tax rate in effect the year the district was created, or the current year’s tax rate, depending on which is greater. MJ

“I would hate to be looking at a district that is starting out, where one was counting on that cash flow, and now 25 to 30 percent of that has disappeared. That’s very problematic,” Waldron says.

Given the changes, TIF is “becoming less and less of a usable development tool all the time,” he adds.

So what explains the increase in the number of TIF districts?

Waldron isn’t sure. “That’s more than I was expecting.”

Joel Michael believes municipalities will continue to use TIF as long as they can reap some benefit. While TIF districts are supposed to be used as an incentive to redevelop blighted areas or areas with “severe development hurdles,” the rules governing TIF aren’t that strict, Michael

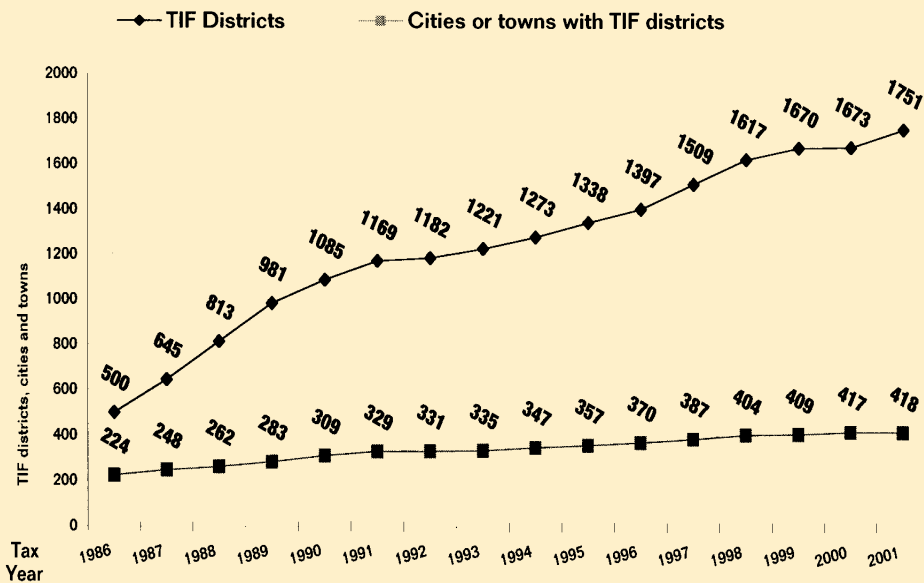
explains. He adds that TIF is often used as an enticement to attract development from neighboring communities rather than to address blight.

The number of TIF districts created is more a factor of how active the real estate market is, Michael theorizes. “When the real estate market is very active, in other words, there’s lots of investment going on in real estate, more TIF districts will be created,” he says.

TIF districts looking for a way to make up lost revenue will have another problem on their hands. Lawmakers had originally set aside \$200 million in grant funds as a safety net to help TIF districts that fall short. But that fund was eliminated in the

*TIF continued on page 6*

## Number of TIF districts with captured value and number of cities and towns with TIF districts, 1986-2001



**Table 2: Change in tax increment financing from tax year 2000 to tax year 2001**

	2001 TIF Districts	Percent Change	2001 TIF Net Tax Capacity	Change in TIF NTC	Percent Change	2001 Total Net Tax Capacity	Change in Total NTC from 2000	Percent Change	2001 TIF Net Tax	Change in Net TIF Tax	Percent Change
METRO	611	6.26%	\$220,722,816	\$30,385,580	15.96%	\$2,733,976,598	\$296,837,868	12.18%	\$267,235,683	\$22,899,026	9.37
NON-METRO	1,140	3.83%	\$51,214,152	\$4,542,185	9.73%	\$1,525,163,724	\$127,516,598	9.12%	\$65,706,922	\$5,071,143	8.36
STATEWIDE	1,751	4.66%	\$271,936,968	\$34,928,765	14.74%	\$4,259,140,322	\$424,354,466	11.07%	\$332,942,605	\$27,970,169	9.17

### Table 3: Metro and nonmetro cities with tax increment net tax capacity over \$1 million, taxes payable 2001

	2001 TIF Net Tax (\$)	2000 TIF Net Tax Capacity (\$)	Percent Change Capacity TIF NTC	TIF Net Tax Capacity from 2000	Rank of TIF NTC % of NTC	Net TIF Tax (\$)	Number of Districts	TIF NTC per District (\$)	Net TIF tax per District (\$)
ANOKA COUNTY									
ANDOVER	1,090,460	975,339	11.80%	5.75%	51	1,159,961	3	363,487	386,654
ANOKA	2,434,838	1,992,928	22.17%	17.78%	26	2,745,126	38	11,613	915,042
BLAINE	1,586,901	1,402,365	13.16%	4.35%	36	1,897,650	7	226,700	271,093
COLUMBIA HEIGHTS	1,070,332	971,992	10.12%	10.23%	52	1,193,358	8	133,792	149,170
COON RAPIDS	2,983,295	2,545,719	17.19%	6.19%	19	3,271,353	23	129,708	142,233
FRIDLEY	3,274,625	2,475,455	32.28%	10.98%	18	3,156,955	14	233,902	225,497
RAMSEY	2,764,500	2,179,390	26.85%	18.08%	22	3,052,986	4	691,125	763,247
BENTON COUNTY									
SAUK RAPIDS	1,198,491	1,012,068	18.42%	21.31%	48	1,925,407	8	149,811	240,676
BLUE EARTH COUNTY									
MANKATO	1,470,966	1,694,479	-13.19%	6.17%	40	1,721,780	16	91,935	107,611
CARVER COUNTY									
CHANHASSEN	5,920,832	5,087,790	16.37%	21.68%	8	7,990,540	7	845,833	1,141,506
CHASKA	4,743,474	4,408,029	7.61%	26.37%	9	5,858,399	3	1,581,158	1,952,800
DAKOTA COUNTY									
APPLE VALLEY	1,550,719	1,073,521	44.45%	3.83%	38	1,701,027	7	221,531	243,004
BURNSVILLE	4,344,028	3,823,528	13.61%	6.26%	11	4,455,275	8	543,004	556,909
FARMINGTON	1,091,826	888,634	22.87%	12.88%	50	1,293,210	17	64,225	76,071
INVER GROVE HT	2,723,743	2,380,252	14.43%	10.01%	24	2,782,624	9	302,638	309,180
LAKEVILLE	1,836,856	1,695,186	8.36%	4.80%	32	1,877,729	10	183,686	187,773
MENDOTA HEIGHTS	2,095,145	1,847,078	13.43%	11.13%	29	1,970,827	2	1,047,573	985,414
SOUTH ST PAUL	1,519,305	1,220,717	24.46%	12.51%	39	1,769,976	2	759,653	884,988
HENNEPIN COUNTY									
BLOOMINGTON	14,360,998	12,886,100	11.45%	9.29%	3	16,048,723	10	1,436,100	1,604,872
BROOKLYN CENTER	3,296,624	2,533,878	30.10%	14.04%	17	4,288,675	4	824,156	1,072,169
BROOKLYN PARK	9,331,322	7,882,833	18.38%	17.67%	4	12,461,687	13	717,794	958,591
CHAMPLIN	2,706,578	2,375,189	13.95%	18.15%	25	2,903,033	4	676,645	725,758
CRYSTAL	1,438,771	1,258,222	14.35%	9.80%	41	1,700,123	6	239,795	283,354
EDINA	8,559,204	7,087,107	20.77%	8.59%	5	9,474,948	4	2,139,801	2,368,737
GOLDEN VALLEY	3,418,430	4,430,295	-22.84%	9.63%	15	4,009,183	2	1,709,215	2,004,592
HOPKINS	2,227,083	1,670,794	33.29%	12.50%	27	2,711,547	14	159,077	193,682
MAPLE GROVE	3,964,429	3,637,833	8.98%	6.76%	13	4,991,335	8	495,554	623,917
MINNEAPOLIS	53,826,102	47,706,427	12.83%	14.82%	1	72,286,979	75	717,681	963,826
MINNETONKA	3,688,017	2,683,278	37.44%	3.82%	14	4,001,707	5	737,603	800,341
NEW HOPE	1,041,691	889,372	17.13%	5.53%	53	1,322,058	7	148,813	188,865
RICHFIELD	4,217,239	3,761,748	12.11%	15.81%	12	5,052,712	17	248,073	297,218
ROBBINSDALE	1,394,190	1,207,662	15.45%	16.79%	43	1,638,815	24	58,091	68,284
ROGERS	2,144,264	1,256,135	70.70%	31.01%	28	2,414,735	8	268,033	301,842
ST LOUIS PARK	4,549,124	3,850,766	18.14%	8.07%	10	5,416,267	7	649,875	773,752
WAYZATA	1,733,524	1,547,145	12.05%	13.20%	34	1,957,825	6	288,921	326,304
LYON COUNTY									
MARSHALL	1,211,383	2,255,308	-46.29%	14.40%	47	1,489,890	9	134,598	165,543
OLMSTED COUNTY									
ROCHESTER	3,398,771	2,922,937	16.28%	5.02%	16	4,324,039	11	308,979	393,094
RAMSEY COUNTY									
MOUNDS VIEW	1,966,944	1,645,539	19.53%	23.16%	30	2,473,099	5	393,389	494,620
NEW BRIGHTON	2,795,904	2,421,517	15.46%	14.90%	21	3,261,631	23	121,561	141,810
ROSEVILLE	8,049,057	7,008,689	14.84%	16.05%	6	8,687,011	15	536,604	579,134
SHOREVIEW	1,582,429	1,380,894	14.59%	6.26%	37	1,545,134	5	316,486	309,027
ST PAUL	18,731,528	14,363,837	30.41%	10.34%	2	24,805,558	18	1,040,640	1,378,087
VADNAIS HEIGHTS	1,896,415	1,330,599	42.52%	12.76%	31	2,018,610	18	105,356	112,145
WHITE BEAR LK	1,227,154	1,114,354	10.12%	6.09%	45	1,354,988	21	58,436	64,523
WHITE BEAR Twp	1,213,983	1,012,056	19.95%	11.03%	46	1,266,968	11	110,362	115,179
ST LOUIS COUNTY									
DULUTH	6,971,005	6,541,636	6.56%	16.01%	7	9,709,183	17	410,059	571,128
SCOTT COUNTY									
SAVAGE	1,415,364	1,617,266	-12.48%	7.77%	42	1,577,238	5	283,073	315,448
SHAKOPEE	1,801,828	1,211,989	48.67%	6.95%	33	1,741,413	3	600,609	580,471
STEARNS COUNTY									
ST CLOUD	2,760,706	2,635,869	4.74%	7.15%	23	3,398,639	18	153,373	188,813
WAITE PARK	1,265,855	997,233	26.94%	17.30%	44	1,297,290	3	421,952	432,430
WASHINGTON COUNTY									
OAKDALE	2,937,625	2,531,457	16.04%	13.88%	20	3,073,499	11	267,057	279,409
STILLWATER	1,654,791	1,577,363	4.91%	11.27%	35	2,000,996	5	330,958	400,199
WRIGHT COUNTY									
BUFFALO	1,164,673	1,000,080	16.46%	17.03%	49	1,272,074	5	232,935	254,415

A complete list of tax capacity for all counties is available at [www.citizensleague.net](http://www.citizensleague.net)

last legislative session as part of the deficit reduction package.

“That’s your safety net and it’s gone,” Waldron warns.

Currently, some districts are drawing on surpluses to make up lost revenue, but Michael speculates that the legislature will likely have to address the issue in the near

future, as more cities and counties come looking to the state for relief. **MJ**

*J. Trout Lowen is editor of the Minnesota Journal.*

For expanded TIF coverage, see our statewide TIF tables online at [www.citizensleague.net](http://www.citizensleague.net)

## Some TIF highlights

by J. Trout Lowen

Tax increment financing has undergone some changes in the past year as a result of changes to the state tax code. But the impact of those changes won’t be fully assessable until the 2002 figures are reported. Below are a few highlights from 2001. For more specific numbers, or for numbers specifically about your community, see the tables on the accompanying pages.

TIF net tax capacity increased statewide in 2001 by 14.7 percent, driven in part by an increase in number of TIF districts, from 1,673 the previous year to 1,751 in 2001. Rising property values also contributed to the increase. Thirty-six of the 78 new districts created were in the metro area.

The number of communities in the state with tax increment net tax capacity of more than \$1 million increased from 48 to 53. Joining the list were Andover and Columbia Heights in Anoka County, Farmington in Dakota County, the Hennepin County city of New Hope, and Waite Park in Stearns County.

Total net tax capacity rose statewide by 11 percent to \$4,259,140,322. Net tax capacity increased 12.1 percent in the metro, slightly more than the 9.1 percent growth for nonmetro counties. TIF net tax capacity as a percentage of the total net tax capacity increased only slightly statewide, from 6.2 percent in 2000 to 6.4 percent in 2001.

The average net tax capacity of TIF districts climbed between 2000 and 2001, from \$331,021 in to \$361,248 in the metro, and from \$42,505 to \$44,925 among nonmetro counties.

The lists of top 20 cities and towns with the greatest percentage their tax base tied up in TIF saw some significant shifting in 2001. In the metro, Brooklyn Center, Wayzata and Newport climbed on to the list, replacing Jordan, Golden Valley and Belle Plaine. The Top 20 list of nonmetro cities saw six new additions: Renville, Fosston, Biwabik, Beaver Bay, Maynard and Meire Grove. Dropping off were Gaylord, Freeman, Pine Island, Pillager, Preston and New London. **MJ**

**Table 4: Top 20 metro and top 20 non-metro cities Ranked by the percentage of tax base tied up in TIF districts**

Rank	City	County	TIF Net Tax Capacity % of NTC	Net TIF Tax (\$)	Number of Districts	Net TIF Tax per District (\$)
<b>METRO CITIES</b>						
1	LANDFALL	Washington	58.22%	86,905	1	86,905
2	ROGERS	Hennepin	31.01%	2,414,735	8	301,842
3	CHASKA	Carver	26.37%	5,858,399	3	1,952,800
4	MOUNDS VIEW	Ramsey	23.16%	2,473,099	5	494,620
5	CHANHASSEN	Carver	21.68%	7,990,540	7	1,141,506
6	CHAMPLIN	Hennepin	18.15%	2,903,033	4	725,758
7	RAMSEY	Anoka	18.08%	3,052,986	4	763,247
8	ANOKA	Anoka	17.78%	2,745,126	3	915,042
9	BROOKLYN PARK	Hennepin	17.67%	12,461,687	13	958,591
10	MAPLE PLAIN	Hennepin	16.82%	394,957	5	78,991
11	ROBBINSDALE	Hennepin	16.79%	1,638,815	24	68,284
12	ROSEVILLE	Ramsey	16.05%	8,687,011	15	579,134
13	RICHFIELD	Hennepin	15.81%	5,052,712	17	297,218
14	OSSEO	Hennepin	15.26%	494,009	7	70,573
15	NEW BRIGHTON	Ramsey	14.90%	3,261,631	23	141,810
16	MINNEAPOLIS	Hennepin	14.82%	72,286,979	75	963,826
17	BROOKLYN CENTER	Hennepin	14.04%	4,288,675	4	1,072,169
18	OAKDALE	Washington	13.88%	3,073,499	11	279,409
19	WAYZATA	Hennepin	13.20%	1,957,825	6	326,304
20	NEWPORT	Washington	12.89%	592,949	2	296,475
<b>NONMETRO CITIES</b>						
1	CLAREMONT	Dodge	36.20%	98,156	1	98,156
2	CLONTARF	Swift	33.19%	125,745	2	62,873
3	RUSH CITY	Chisago	30.18%	366,970	5	73,394
4	DUNDAS	Rice	28.65%	158,341	2	79,171
5	RENVILLE	Renville	28.33%	212,611	9	23,623
6	FOSSTON	Pope	27.06%	216,543	4	54,136
7	PELICAN RAPIDS	Otter Tail	25.49%	348,305	5	69,661
8	BIWABIK	St. Louis	24.55%	119,814	3	39,938
9	ST CLAIR	Blue Earth	23.58%	75,545	1	75,545
10	BEAVER BAY	Lake	23.51%	56,814	1	56,814
11	AVON	Stearns	23.40%	217,217	2	108,609
12	BROOTEN	Stearns	23.31%	88,727	2	44,364
13	TORNING	Swift	23.09%	125,573	3	41,858
14	MAYNARD	Chippewa	22.70%	45,188	3	15,063
15	LAKESIDE	Cottonwood	21.79%	159,251	1	159,251
16	SAUK CENTRE	Stearns	21.37%	444,954	6	74,159
17	SAUK RAPIDS	Benton	21.31%	1,925,407	8	240,676
18	JENKINS	Crow Wing	21.07%	46,696	1	46,696
19	BROOKS	Red Lake	20.91%	11,577	1	11,577
20	MEIRE GROVE	Stearns	20.78%	11,799	1	11,799

# TakeNote

Policy Tidbits

July is heating up and so is debate on a number of metro area issues.

**More than 200 residents took part** in a community dialogue in June sponsored by the Metropolitan Council to discuss Blueprint 2030, an action plan for shaping the region's future growth and development.

Traffic congestion topped many participants' list of concerns. About 90 percent believed traffic congestion has increased in the past year. And nearly all supported multi-ple solutions to reduce congestion, including roads, transit, and linking transportation to land use.

Citizens' views of the metro area's natural environment were mixed. Residents in North St. Paul and Minneapolis said they thought the natural environment was getting worse, while those in Maple Grove and Apple Valley thought it was staying the same. Most participants agreed it was "very important" to preserve the remaining significant natural resources, and 60 to 90 percent supported paying more to do so.

Rising housing costs were also a concern, and more than 75 percent said there was a demand for lifecycle housing in their community, and most agreed the market was not meeting that demand. Read more about Blueprint 2030 at [www.metrocouncil.org](http://www.metrocouncil.org).

—J. Trout Lowen

**The Progressive Policy Institute** recently released its "2002 State New Economy Index" and Minnesota did not rank well in several categories, particularly those involving the use of technology. Here are some of the categories and Minnesota's rankings: Aggregated Globalization, 29; Digital Government, 26; Online Agriculture, 24; Broadband Telecommunications, 24. However, Minnesota ranked second in the percentage of adults with Internet access and first in Online Manufacturers. View the rankings at [www.neweconomyindex.org](http://www.neweconomyindex.org) —Scott McMahon

**Foster Care Explodes.** The number of children in foster care jumped from 302,000 in 1980 to 565,000 in 2001, driven in part by the crack cocaine epidemic of the late 80s and early 90s. The percentage of children in foster care by race or ethnicity are: African American 38%; Caucasian 35%; Hispanic 15%; unknown 9%; Native American 2%;

and Asian and Pacific Islander 1%. The average age of a child in foster care is 10. To read more about this, go to [www.usatoday.com/news/nation/2002/06/14/rilya.htm](http://www.usatoday.com/news/nation/2002/06/14/rilya.htm) —Lyle Wray

**According to the National Center for Education Statistics**, the number of American adults enrolled in part-time degree-granting institutions is on the rise. The number of full-time students aged 25 to 34 increased 17 percent from 2000 to 2001. The number of part-time students in that age group increased 22 percent. One explanation for the increase is the growth in "managers and related jobs." The Bureau of Labor Statistics indicated that manager positions increased 14 percent between 2000 and 2001, and "professionals and related jobs" increased 26 percent.—S.M.

**Nearly one in three of Minnesotans** entering public post-secondary students need remedial classes. *USA Today* reported in the July 5 issue that 31.7 percent of Minnesota's graduating class of 2000 going on to post-secondary education needed at least one remedial course, down from 32.1 percent for the class of 1999. One in three is a damning number if high school graduation is held up as a basic assurance of core skills.—L. W.

**"Huge potential to develop online public services."** So reads the headline on an article in *The New Straits Times*, (June 19, 2002) from Kuala Lumpur, Malaysia. The article touted e-government as a powerful means to transform public service delivery by empowering individual citizens, creating seamless government, generating efficiencies and cre-

ating new models of service delivery. One of the great promises of e-government is connecting services across government departments to provide a convenient and coherent face to citizens. Minnesota could use a jump-start from media attention on this critical development in public services. Read more at [www.emedia.com.my/Current\\_News/NST/](http://www.emedia.com.my/Current_News/NST/) —L. W.

**Dirty driving.** According to a report by the Union of Concerned Scientists, Minnesota's school buses are some of the dirtiest in the Midwest. Based on their analysis of emissions of particulates, smog-forming pollution and greenhouse gases from the average school bus in 2002, Minnesota received a below-average grade of C minus, along with Iowa and Nebraska. Wisconsin and Michigan got Cs, and Illinois and Indiana both earned a B minus. —S.M.

**You talking to me?** The Minnesota Department of Transportation has launched its new telephone Traveler Information Service, 511, using advanced voice recognition technology. Travelers speak in response to questions and do not need push buttons to select choices. This voice recognition technology is showing cost savings of up to 80 percent over staffed lines and has a very high accuracy rate. On the front end of an e-government service, it can be very helpful in reducing the so-called digital divide if all you need for access is a regular or mobile telephone line. Visit the MnDOT online at: [www.511mn.org](http://www.511mn.org).—L. W.

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