

44232-44253

State of Minnesota
In Supreme Court

VILLAGE OF BURNSVILLE and GLEN NORTHRUP,
Plaintiffs-Respondents,

vs.

**CARL ONISCHUK, as Auditor of Dakota County, Minnesota; LOU
McKENNA, as Auditor of Ramsey County, Minnesota; THOMAS
GREEDER, as Auditor of Washington County, Minnesota; OLAF
KAASA, as Finance Director of Hennepin County, Minnesota; and
GEORGE HICKEY, as Auditor of Hennepin County, Minnesota,**
Defendants-Respondents,

and

**CHARLES LEFEBVRE, as Auditor of Anoka County, Minnesota; WIL-
LIAM J. SCHNEIDER, as Auditor of Carver County, Minnesota;
JOSEPH NOTERMANN, as Auditor of Scott County, Minnesota; and
VAL BJORNSON, as Treasurer of the State of Minnesota,**
Defendants-Appellants,

and

METROPOLITAN COUNCIL,
Intervenor Defendant-Appellant.

AMICUS CURIAE BRIEF OF THE CITIZENS LEAGUE

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METROPOLITAN COUNCIL,

Intervenor-Defendant-Appellant.

AMICUS CURIAE BRIEF OF THE CITIZENS LEAGUE¹

¹ The Citizens League is an independent, non-partisan edu-
cational organization working for a better government in
the metropolitan area. Its membership is open to all resi-
dents of the Twin Cities area. The Citizens League has ap-
proximately 3,000 individual members and approximately 500
organizational members, mainly comprised of business firms
of widely varying size, and a number of local foundations.

I.

INTRODUCTION

At a time when a number of other large metropolitan areas in the United States are swiftly deteriorating, Minnesotans are justly proud of their state's reputation as "a good place in which to live."² That reputation rests, at least in part, upon a number of recent evaluations by national research groups, which seek objectively to rank states with respect to the "quality of life" they offer their citizens. These reports are based upon certain

² "Few states exceed Minnesota in the quality and extent of the education offered its citizens; none appears to provide health care of comparable quality. Economic growth has been strong and steady, encompassing the brainpower industries of the electronic era along with traditional farming, milling, and mining. And Minnesota maintains a clear focus of economic and cultural leadership in her Twin Cities, towns whose great industries have resisted the siren call of the national conglomerates.

"Minnesota is a state in which its people can take justifiable pride and, despite a number of shortcomings which we will not ignore, as good a model as one can find in these United States of the successful society." Peirce, The Great Plains States of America, 110 (Norton, 1973).

criteria, such as, for example, living conditions, economic status, education, air quality, government, etc.³

It is common knowledge that many large metropolitan areas in other states have found themselves besieged by numerous and complex fiscal, social and political problems resulting from disorderly urban growth, including uncontrollable increases in the crime rate, forced ghetto living for minorities and the poor, polluted environments of air and water, and general aesthetic despoliation, to name but a few. These metropolitan areas and the states in which they are found, though greatly concerned about their problems, have been frustrated in their attempts to attack the problems.

While the seven-county metropolitan area in Minne-

³ Most recently, the Midwest Research Institute, 425 Volker Blvd., Kansas City, Missouri, published such a report giving high ratings to Minnesota in certain categories comprising an overall evaluation of "quality of life." See Business Week, June 2, 1973 at 73-74 (McGraw-Hill). A report by the Urban Institute, Washington, D.C., has been interpreted as indicating that the Twin Cities metropolitan area ranks first in quality of life of 18 large metropolitan areas studied. See Citizens League News, Oct. 31, 1972.

sota has been generally better off than some other major metropolitan areas, Minnesotans have been equally concerned with these types of problems and have made considerable efforts to prevent the deterioration that inevitably follows from disorderly urban growth. Specifically, the Minnesota Legislature has attempted to face up to the problems arising from the inevitability of urban growth. It has taken steps to re-structure some incentives so that the growth can be orderly and sensible, thereby helping to preserve, or even to improve, the quality of life in Minnesota. Actually, as discussed in Part IV of this brief, infra, the record demonstrates that the Minnesota Legislature has shown national leadership in its activities in this vital area of concern.

In Chapter 24 of Extra Session Laws 1971, entitled The Metropolitan Development Act⁴ (hereafter "Chapter 24" or "the Act"), the Minnesota Legislature took forthright steps to preserve the quality of life in Minnesota. The Legislature specifically recognized the inevitability of

⁴ Minn. Stat. §§473F.01 to 473F.13 (1971).

urban growth by expressing that two of its objectives were to "provide a way for local governments to share in the resources generated by the growth of the area" and to "establish incentives for all parts of the area to work for the growth of the area as a whole..." (emphasis added; Section 1 of the Act). The Legislature also stated objectives designed to maintain and improve the quality of life in Minnesota, and particularly in the metropolitan area, even while the area is yet being developed. This is evidenced by its expressed intent to "increase the likelihood of orderly urban development...", to "encourage protection of the environment," to protect flood plains, and to preserve "land for parks and open spaces" (Section 1 of the Act).

In spite of the obviously worthwhile intent of the Legislature, the Trial Court held the Act to be unconstitutional. In the Memorandum supporting its decision (Appellants' Joint Brief A-20), the Court expressed concern that Chapter 24 "imposes a tax on some districts for the benefit of others." This conclusion overlooks the fact that the Act is specifically designed to benefit citizens

in all districts within the metropolitan area—not just citizens in some "districts" at the expense of citizens in other "districts."

While the existence of approximately 300 separate governmental taxing units or "entities" in the metropolitan area is recognized, we cannot overlook the fact that while such entities were independently established, they now are circumscribed by what may essentially be described as boundaries which artificially separate groups of people who do not have significant differences between them. For example, a typical resident of Richfield is not readily distinguishable from a typical resident of neighboring Bloomington, either on the basis of language differences or on the basis of any other identifiable criteria which the law would recognize as legally relevant. The numerous jurisdictions in the metropolitan area, be they municipalities, school districts or counties, are much alike and are almost totally interrelated and interdependent upon one another. The citizens who live within each of these jurisdictions are more accurately described as indigenous to the metropolitan area rather than to the individual

jurisdictions artificially defined by lines on a map established by geographic accident. Illustrative of the blurring of boundary lines in metropolitan areas is the image that comes to mind when one thinks of the "New York City" area. One hardly considers it of any great significance that New York City is comprised of five different boroughs (and counties). We automatically identify residents of either Queens or the Bronx, for example, to be "New Yorkers."

Unlike the situation that prevailed in the Minneapolis and St. Paul area in past decades, and unlike the situation that has always prevailed in rural Minnesota, a municipality in the metropolitan area today does not govern an urban community which is independent and self-contained. Furthermore, most citizens from each of our metropolitan communities now claim equal "rights" in and "possession" of the following (to name only a few), regardless of whether located in their "community" or not:

- (a) The Minnesota Vikings in Bloomington,
- (b) The Guthrie Theater in Minneapolis.
- (c) Interstate Freeways 94, 494, 694, 35W and 35E in many metropolitan area communities.

- (d) The Como Park Zoo in St. Paul and the Minnesota Zoological Garden to be located in Dakota County.
- (e) The IDS Tower in Minneapolis.
- (f) The State Fair Grounds in Falcon Heights and St. Paul.
- (g) Southdale Shopping Center in Edina.
- (h) Lake Calhoun, Lake Harriet and Lake of the Isles in Minneapolis.
- (i) The Arts and Sciences Center in St. Paul.

It no longer makes sense, if it ever did, that the advantages and disadvantages of urban growth and development should be analyzed strictly in terms of historical and geographical accident, i.e., where new commercial-industrial growth happens ultimately to occur within the artificial grids of a map.

This amicus curiae brief shall seek to illustrate (a) how the quality of life of all citizens in the metropolitan area will be benefited equally by orderly urban growth facilitated through the mechanism employed by Chapter 24, (b) how Chapter 24 will effectively tend to reduce the adverse effects of urban growth upon all metropolitan citizens without impairing the rights of local governments to make their own decisions, and (c) how

Chapter 24 represents an innovation which serves as another example of Minnesota's national leadership in sound, effective government. Each of these points is designed to establish the proposition that Chapter 24--rather than benefiting one "taxing district" at the expense of another--has as its purpose, and does in fact, benefit all citizens in the metropolitan area equally regardless of the "taxing district" in which they might happen to live. Therefore, since the "tax imposed [by the Act]...pertains to the district taxed and...it was imposed and apportioned ...with reference...[to a] special interest on the part of such district in the purpose to be accomplished," the Act does not violate the uniformity clause of the Minnesota Constitution. Cf. Village of Robbinsdale v. County of Hennepin, 199 Minn. 203 at 207, 271 N.W. 491 (1937).

II.

IN THE ABSENCE OF CHAPTER 24, THE TWIN
CITIES METROPOLITAN AREA WILL CONTINUE
TO EXPERIENCE FORMS OF URBAN GROWTH
WHICH WILL RESULT IN SEVERE ADVERSE CON-
SEQUENCES TO THE QUALITY OF LIFE OF ALL
ITS CITIZENS

Unfortunately, many local governmental decisions which significantly affect the future pattern of development of the entire metropolitan area have been made, prior to the enactment of Chapter 24, solely on the basis of the likely impact of those decisions upon the property tax base of those local governments making the decisions, and not upon the "merits" of the individual proposals. This results not from governmental malevolence but rather because of the existing financial incentives inherited from an earlier time when a "municipality" typically contained a whole, definable urban community. For example, because of a need for property tax monies, a locality may be reluctant to permit large tracts of land within its borders to remain as tax-free open space. The governmental offi-

cials of that community may individually prefer that the open space be preserved, but as an official body they know that such open space will be used by residents from throughout the metropolitan area as well as from their own community. They also know that the community itself will receive nothing in return for its metropolitan altruism. Thus, there is little incentive for the local community to forego tax-producing developments in its available open space.

Take another example: A local community may insist upon locating as many interchanges on freeways running through it as it can possibly get. It does so in the realization that tax-producing commercial developments are attracted to freeway interchanges. It also realizes that it will receive no part of tax revenues generated from developments located near interchanges in other jurisdictions within the metropolitan area. Thus the competition for freeway interchanges is "on," and the overall disadvantages to the entire metropolitan community drop down on the list of priorities to be considered by the local community decision-makers. The adverse side-effects stemming from too many interchanges, such as hazards to

driver safety and substantial increases in the cost of freeway construction, are ignored.

Quite clearly, absent Chapter 24, the financial incentives are structured to worsen, rather than better, the quality of life for all citizens in the metropolitan area. Without Chapter 24, local governments in the Twin Cities area are unwilling captives of the local property tax structure—compelled to make decisions and take actions calculated to increase their tax base, without significant regard for orderly urban development, either in their own communities or in the metropolitan area. It was precisely because of such undesirable side-effects of the winner-take-all property tax system in the metropolitan area that the Legislature adopted Chapter 24. Under the Act, a governmental taxing unit will have at least some incentive to preserve open space or to agree to more safe and economical freeway construction, knowing that it still will benefit to some extent from commercial-industrial tax base even if it is located elsewhere in the metropolitan area. Chapter 24 serves to reduce some of the concern about where future growth in tax base in the metropolitan area will

take place. In return for a contribution of a percentage of additional commercial-industrial valuation to a metropolitan pool of valuations, each local government equally receives an assurance that it will get now and in the future—regardless of what its financial circumstances may be now or then—an adequate amount of growth in its own tax base from its guaranteed share of the overall pool of metropolitan valuations. This guarantee is made to all "taxing districts" equally and none is favored over another. It is in this manner that the financial incentives are partially re-structured so as to enable jurisdictions to give due consideration to orderly urban growth and maintenance of a high quality of life for all citizens in the metropolitan area.

III.

NOT ONLY DOES CHAPTER 24 SERVE MODESTLY
TO RE-STRUCTURE FINANCIAL INCENTIVES SO
AS TO ENCOURAGE MAINTENANCE OF A HIGH
QUALITY OF LIFE, BUT IT DOES SO WITH-
OUT NECESSARILY IMPOSING ADDITIONAL
STATE RESTRICTIONS ON THE RIGHT OF EACH
LOCAL GOVERNMENT TO MAKE ITS OWN DECI-
SIONS ON TAXATION AND SPENDING ISSUES.

State legislatures and local governments have struggled for years to come up with a solution to the problems of re-orienting fiscal incentives to achieve fiscal equity and to preserve or to enhance the quality of life while at the same time permitting orderly urban growth. Most, if not all, of the proposed solutions have involved potential or actual interference with the powers of local government units to make decisions as to how their own tax money is to be raised and how their tax money, once raised, is to be spent. The mechanism employed by Chapter 24 is unique because it is designed to reach the elusive goals without the feared interference with the powers of local

governmental units.⁵

Several other approaches to solving this problem have been considered, but none of them has been able to re-structure incentives without, at the same time, removing some of the rights of each local government to make its own decisions on how it would tax its residents or how it would spend their money.

One possible approach is that the State could merge all units of local government located in the seven-county metropolitan area into one large unit of local government. Under this approach, it would not make any difference where property tax base were located within the metropolitan area because all property would be located within the borders of the same unit of government. This approach would not only remove the right of each local government to make its own decisions on taxation, but would ipso facto abolish the rights of smaller areas of population to deal at all with taxation or spending functions.

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Nenno, Housing in Metropolitan Areas: Roles and Responsibilities of Five Key Actors (Nat'l Assn. of Housing and Redevelopment Officials, Wash., D.C., 1973) at 46-47.

Arguments may be made that any one or more other approaches may be desirable at some time in one form or another for a variety of public policy purposes. Yet, the Minnesota Legislature, as the duly elected representatives of all the people of the State, set as one of its goals in Chapter 24 to operate "within and through the existing system of local governments and local decision making" and, at the same time, "[t]o provide a way for local governments to share in the resources generated by the growth of the area...." (Sections 1(4) and 1(1) of the Act).

Significantly, the United States Supreme Court has just recently transferred from the judiciary to the state legislatures the responsibility to seek solutions to fiscal disparities problems. See San Antonio Independent School District v. Rodriguez, ___ U.S. ___, 93 S.Ct. 1278, 36 L.Ed.2d 16 (March 21, 1973). The Court in Rodriguez referred to the enormous complexities in resolving per-pupil expenditure disparities among districts as follows:

"The consideration and initiation of fundamental reforms with respect to state taxation and education are matters reserved for the legislative processes of the various States, and we do no violence to the values of federalism and separation of powers by staying

our hand. **** [T]he ultimate solutions must come from the lawmakers and from the democratic pressures of those who elect them" (emphasis added; 93 Sup. Ct. at 1309, 1310)

Interestingly, too, the Court in Rodriguez recognized the proposition that a state may desire to place a high priority on preserving local control over taxation and spending decisions and thereby seek to avoid statewide solutions to financial problems which result in increasing state control over local policies (93 Sup.Ct. at 1306-1307).

The Minnesota Legislature not only has anticipated the challenge of Rodriguez, it also has formulated at least a partial answer to the dilemma of solving fiscal disparities without abrogating the fiscal autonomy of local units of government. The vehicle which the Minnesota Legislature introduced to move toward the goal of ultimate fiscal fairness is, of course, the new concept of base-sharing (Section 8 of the Act).⁶

⁶ See Appendix for a step-by-step explanation of base-sharing as explained by the Act's chief sponsor, Charles R. Weaver, in an article written for State Government magazine.

IV.

CHAPTER 24 HAS BEEN WIDELY ACCLAIMED
NATIONALLY AS ONE OF THE MOST INNOVA-
TIVE AND CREATIVE ATTEMPTS THAT HAS
YET BEEN DEvised TO ATTACK UNDESIRABLE
FISCAL DISPARITIES

Minnesotans are proud of the highly competent persons produced by their state who have achieved national recognition in the Congress of the United States, on the United States Supreme Court, and in many other spheres of national influence. Many Minnesotans are also proud of the exciting innovations which their legislature has produced for emulation by other states in the nation. The Metropolitan Council is frequently cited as one such example of successful innovation. Another example is the innovative and nationally recognized Minnesota Metropolitan State College which provides higher education for many who formerly were unable to obtain it and does so in ways that were not formerly available.

Chapter 24 is still another example of legislative ingenuity and innovation which has been recognized through-

out the nation as just one of a series of ingenious Minnesota solutions to complex governmental problems. A great amount of national attention both preceded and followed the passage of Chapter 24 by the Minnesota Legislature. The outcome of this appeal will very likely have ramifications in other metropolitan areas which have looked to Minnesota as a leader in its efforts to find a solution to the pervasive problems of accommodating urban growth to the preservation and improvement of the quality of life.

Almost one year before Chapter 24 was signed into law, its progress as a legislative bill already was being monitored across the nation. The Advisory Commission on Intergovernmental Relations (ACIR), a federally-chartered body with representatives from federal, state and local governments, specializing in state-local fiscal developments, highlighted the fiscal disparities bill⁷ in a nationally circulated newsletter.⁸ In June 1971, when the

⁷ H. Journal, May 16, 1969, at 90-91.

⁸ Share the Growth, ACIR Interchange, Advisory Comm. on Intergovernmental Relations, Wash., D.C., (No. 70-2, August, 1970).

Minnesota Legislature was nearing passage of the Act, the pending legislation was singled out by the executive director of the National Municipal League, a non-profit educational association which stimulates local and state governmental improvement, in a Toledo, Ohio, address as "one of the most imaginative approaches" to the problem of fiscal disparities.⁹

Reaction upon passage of Chapter 24 was almost immediate. On July 24, 1971, nine days after the Minnesota Legislature took final action, the Minnesota Legislature was praised in an editorial in the Milwaukee Journal for its "[e]xciting, imaginative leadership toward resolving the central city vs. suburbs dichotomy in metropolitan areas...."¹⁰ In its September 1971 newsletter¹¹ the Advisory Commission on Intergovernmental Relations stated

⁹ Solving Municipal Problems, The Greater Toledo Municipal League (July 1971), p. 4.

¹⁰ Good Example from Minnesota, Milwaukee Journal, July 24, 1971 at 10.

¹¹ Share-The-Growth a Reality, ACIR Interchange, Advisory Comm. on Intergovernmental Relations, Washington, D.C. (No. 71-4, Sept. 24, 1971) at 1.

that it was "delighted" to report passage of Chapter 24. It followed up this report with a detailed account of the Act in its 1971 Annual Report, and called the Act "[p]erhaps the most ingenious and promising way to deal with the bedrock problem of fiscal disparities in metropolitan areas...."¹²

An editorial in the National Civic Review, the journal of the National Municipal League, referred to the law as "[u]nquestionably...the most innovative--yet realistic--attack to date [September, 1971] on the fundamental fiscal problems of a metropolitan area."¹³ The editorial went on to say that if other states were to follow the lead of Minnesota and adopt measures for sharing tax base among local jurisdictions, a much stronger case could be made for federal revenue sharing since, it argued, the state should begin to "put its own fiscal house in order" as a prerequisite for receiving a share of federal revenues."¹⁴

¹² Federalism in 1971: The Crisis Continues, 13th Annual Rep., Advisory Comm. on Intergov't. Relations, Wash., D.C., February 1972, at 19.

¹³ Tax Base Sharing, 60 Nat'l Civic Review 424-425 (Nat'l Municipal League, Sept. 1971).

¹⁴ Ibid.

The First Biennial Report on National Growth prepared by the Domestic Council Committee on National Growth under the Chairmanship of George Romney, then Secretary of the Department of Housing and Urban Development, and submitted by the President to Congress in February 1972 called the Act an "innovative step" and said it will lessen inter-municipal competition for tax base in metropolitan areas and "also may help break down the barriers which have been created between central cities and their suburbs...."¹⁵

By mid-1972, several other organizations had featured the Act in their nationally-circulated publications, including the National Urban Coalition,¹⁶ the National League of Cities,¹⁷ Department of Housing and Urban Development,¹⁸

¹⁵ Report on National Growth 1972 (Gov't Printing Office, February 1972) at 50.

¹⁶ Minnesota's Metropolitan Tax Pool, 5 City 49 (Nat'l Urban Coalition, Wash., D.C. 1971) at 49-50.

¹⁷ Minnesota Adopts Unique Metropolitan Area Tax Base Sharing Plan, 9 Nation's Cities 41 (Nat'l League of Cities, Wash., D.C., Sept. 1971).

¹⁸ State Tax-Sharing Plan, II HUD Challenge 3 (Dept. of Housing and Urban Development, Wash., D.C., Oct. 1971).

Chamber of Commerce of the United States,¹⁹ and the Council of State Governments.²⁰ In addition, the Act received special attention in a variety of metropolitan areas, including Columbus, Ohio,²¹ Washington, D.C.,²² Kansas City, Missouri,²³ and Detroit, Michigan, where the Act was referred to as opening a "new fiscal vista."²⁴

A variety of benefits of the Act have been mentioned in national publications:

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- 19 Twin Cities Metropolitan Council Anticipates and Supplies Orderly Urban Growth, Case Study No. 20, Urban Action Clearinghouse (Chamber of Commerce of the U.S., Wash., D.C., Aug. 1971) at 9.
 - 20 Weaver, The Minnesota Approach to Solving Urban Fiscal Disparity, State Government (Council of State Governments, Lexington, Ky., Spring, 1972) at 100-105.
 - 21 Unique Tax Base-Sharing Plan Adopted in Minnesota to Help Local Governments, Information Bull. 72-11 (Ohio Public Expenditure Council, Columbus, Ohio, June, 1972).
 - 22 Cassidy, Sharing the Area Wealth, D.C. Gazette (Wash., D.C., Jan. 12, 1972).
 - 23 Baumgardner, Comments Sought on Fiscal Disparities Plan, reMARC (Mid-American Regional Council, Kansas City, Mo., May, 1973) at 2.
 - 24 Twin Cities Area Tax Base Opens New Fiscal Vista, Region (Metropolitan Fund, Inc., Detroit, Mich., Sept.-Oct. 1971) at 1.

~~—The Act assists in environmental preservation—~~The Conservation Foundation, a non-profit association headquartered in Washington, D.C., featured the Act in its October 1971 newsletter,²⁵ suggesting that the Act would, among other advantages, reduce competition for industry, which is carried on by municipalities "in disregard of the dangers of unsound development and environmental degradation."

~~—The Act assists in metropolitan planning—~~Columnist Edmund Faltermayer, writing in Life magazine, said that the type of Development Guide adopted by the Twin Cities Metropolitan Council, which calls for a few large major centers in the seven-county metropolitan area "would be sabotaged [elsewhere] as each suburb scrambled to get for itself a center and the property tax revenues it would bring."²⁶ Chapter 24, Faltermayer noted, enables a municipality to obtain some tax benefits even if a center is not located within its corporate limits.

25 A New Fiscal Device, CF Letter, A Report on Environmental Issues, (The Conservation Fdn., Wash., D.C., Oct. 1971) at 11.

26 "Metro" Government, Twin Cities-Style, Life (Jan. 21, 1972) at 28.

--The Act reduces urban-suburban conflict--An editorial in Fortune Magazine, stressing ways to make the property tax more workable, cited the Act as "especially beneficial to metropolitan regions...preserving the central cities' rightful stake in the economic growth of the surrounding area and reducing the temptation of business to flee to the suburbs merely to escape taxes."²⁷

--The Act helps to reduce the mismatch between resources and needs--The Ohio Public Expenditure Council devoted an entire informational bulletin²⁸ to a discussion of the Act and its potential for providing assistance to communities whose growth in tax base would not otherwise grow fast enough to offset needed increases in revenues.

--The Act helps ease the acceptance of financially assisted housing development--The National Association of Housing and Redevelopment officials, in a 1973 research

²⁷ Cordtz, A Word for the Property Tax, Fortune (May, 1972) at 112.

²⁸ Unique Tax Base-Sharing Plan Adopted in Minnesota to Help Local Governments, Information Bull. 72-11 (Ohio Public Expenditure Council, Columbus, Ohio, June, 1972).

report,²⁹ discussed favorably the advantages that would accrue from the Act. Since the allocation of tax base from the pooled tax base depends in part on the receiving communities' population, such communities would likely re-evaluate their existing reluctance to permit low or medium-income housing for the traditional reason that such housing does not pay its own way. The result should be a more even distribution of various priced housing throughout the metropolitan area.

Each of the above advantages of the Act insures to the benefit of all citizens in the metropolitan area regardless of the "taxing district" in which they may happen to live.

V.

CONCLUSION

In considering the constitutionality of Chapter 24, this Court should consider the direction given by the United States Supreme Court in Rodriguez, supra, that it

²⁹ Nenno, Housing in Metropolitan Areas: Roles and Responsibilities of Five Key Actors, (Nat'l Assn. of Housing and Redevelopment Officials, Wash., D.C., 1973) at 46-47.

is the state legislatures which must find the solutions to the fiscal disparities problems that have plagued the states. The Minnesota Legislature anticipated that direction and has produced a nationally acclaimed piece of legislation. The Act not only re-structures financial incentives so as to improve equally the quality of life for all the citizens of the metropolitan area, but also accomplishes its goal in a manner carefully preserving to local units of government their taxing and spending powers. Most significantly, the legislation seeks to benefit equally all taxpayers in the metropolitan area regardless of where in this unified geographic area they might happen to live. For all of these reasons, this Court should hold Chapter 24 to be consistent with the literal requirements of, and completely in accord with the spirit of, the uniformity provisions of the Minne-

sota Constitution and the equal protection clause of the
United States Constitution.

Respectfully submitted,

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STEPS IN TAX BASE SHARING

1. Determine net growth in commercial-industrial assessed valuation in each community in the metropolitan area over 1971. Take 40 percent of the result. This is the amount of assessed valuation which each community will share with the entire metropolitan area.

Example: (Edenvale Village)

1972 commercial-industrial value: \$40 million

1971 commercial-industrial value: 35 million

net growth: \$ 5 million

40 percent of net growth: \$ 2 million

Thus, Edenvale contributes \$2 million to the metropolitan pool of valuations, with the remaining \$38 million of the \$40 million staying local. The \$2 million represents 1/20th of Edenvale's total commercial-industrial valuation. So 1/20th of every piece of commercial-industrial property in Edenvale becomes part of the metropolitan pool of valuations, and the remaining 19/20ths remains local.

2. Add together each community's contribution to the metropolitan pool of valuations to arrive at the total metropolitan pool, and then divide the metropolitan pool among all communities. (The law provides that each community's share shall be based essentially on its population except that communities with assessed valuation below the metropolitan average per capita will receive a slightly larger per capita share and those communities with above average valuation, a slightly smaller share.)

Example: Assume the metropolitan pool of valuation totals \$250 million and that under the formula for sharing Edenvale is entitled to receive \$3 million. Thus, Edenvale is a net gainer, contributing \$2 million and receiving \$3 million, for a gain of \$1 million.

3. Determine each community's official assessed valuation for purposes of levying taxes. This is the sum of adding (a) all residential value, (b) all commercial-industrial value, except 40 percent of the growth, and (c) the community's share of the areawide tax base.

Example: Assume Edenvale has \$60 million in residential valuation

\$ 60 million residential

+38 million commercial-industrial, exclusive of 40 percent of the growth

\$ 98 million total "local valuation"

+ 3 million (share of the metropolitan pool)

\$101 million (total official assessed valuation)

4. Community determines the amount of dollars it wants to levy on its official assessed valuation. (In Minnesota each community certifies this dollar levy to a county official called the County Auditor.)

Example: Assume Edenvale decides to levy a tax of \$5 million on its assessed valuation of \$101 million.

5. The dollar tax levy is divided by the County Auditor in two parts: (a) that which will be raised on the local portion of the assessed valuation and (b) that which will be raised on the metropolitan pool of valuations. The levy is divided in the same proportion as the community's share of the metropolitan pool bears to the local valuation.

Example:

	Valuation	Dollar Levy
Local	\$ 98 million	\$4,851,500
Areawide	3 million	148,500
Total	\$101 million	\$5,000,000

6. The local levy is divided by the local valuation to arrive at the local tax rate.

Example: $\frac{\$ 4,851,500 \text{ levy}}{\$98,000,000 \text{ valuation}} = 4.95 \text{ percent (49.5 mills)}$

7. The other part of each community's levy, that is, the levy which will be raised on the metropolitan pool of valuations, is added together with the comparable levies from every other community to arrive at the total dollar levy on the metropolitan pool of valuations.

Example: \$ 148,500 levy by Edenvale on the metropolitan pool
+10,000,000 total levies of all other communities on the metropolitan pool
\$10,148,500 total levy on the metropolitan pool of valuations

8. The total levy on the metropolitan pool of valuations is divided by the total value of the metropolitan pool to arrive at the areawide tax rate.

Example: $\frac{\$ 10,148,500 \text{ levy}}{\$250,000,000 \text{ value}} = 4.06 \text{ percent (40.6 mills)}$

9. The tax rates as determined in steps 6 and 8 above are applied to each piece of property. All residential property has the tax rate as determined in step 6. For commercial-industrial property, the "local" valuation takes the rate in step 6, and the "areawide" valuation takes the rate in step 8.

Example: Returning to step 1, we see that in Edenvale 1/20th of each piece of commercial-industrial property takes the areawide rate and 19/20ths the local rate.