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**Core City/Suburban Subsidies
(Banovitz Thesis Summarized)**

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APPROVED

BOARD OF DIRECTORS

REPORT TO: Board of Directors

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FROM: Taxation and Finance Committee, Willis Shaw, Chairman

CORE CITY-SUBURBAN SUBSIDIES

Parts of the Banovetz Thesis Summarized

Introduction

Who is subsidizing whom in the Twin Cities area? Are the suburbs parasites feeding on the financial resources of the core cities? Or are the suburbs unfairly being forced to carry the entire burden of the cost of urban expansion and development, while the core cities benefit from the commercial and industrial opportunities provided by the rapidly growing suburban populations?

Opinions on these questions are many and varied. One can find adherents to almost any point of view in this controversy, but almost nothing in the way of objective factual information.

Fortunately, in August, 1963, Dr. James M. Banovetz completed his University of Minnesota doctoral thesis on "Governmental Cost Burdens and Service Benefits in Metropolitan Areas." For the first time, a comprehensive analysis of intergovernmental subsidies in the Twin Cities area has been made.

Not only is the Banovetz thesis the only comprehensive study of intergovernmental subsidization in the Twin Cities area, but it is one of a mere handful ever made anywhere in the United States. Thus, it is a pioneering effort, and Dr. Banovetz deserves high praise for his attempt to shed some light on a controversy where to date there has been only darkness.

Because of the Citizens League's concern with the many problems of intergovernmental relations in Hennepin County and the Twin Cities metropolitan area, the League's Taxation and Finance Committee undertook an extensive review of the Banovetz thesis. While the committee did not verify the findings in the Banovetz thesis, it is impressed by the completeness and objectivity of his work.

Because of the importance of this subject, and the need for a better understanding of the facts by the Legislature, by City Council members in Minneapolis and St. Paul and the suburbs, as well as by the public at large, the committee summarized a part of the Banovetz thesis dealing with inter-municipal subsidies in Hennepin and Ramsey Counties. The committee hopes that, through widespread distribution of this summary by the Citizens League, decision-makers and alert citizens in the Twin Cities area will obtain a better understanding of some of the facts and problems involved when city-suburban tax subsidies are discussed.

Extensive excerpts from the full Banovetz thesis are being published and will shortly be available from the Public Administration Center, University of Minnesota.

The Problem

Banovetz attempted to answer the question "Who is subsidizing whom in the Minneapolis-St. Paul metropolitan area?" More specifically, he tried to determine whether or not the core cities of Minneapolis and St. Paul and their respective suburbs in Hennepin and Ramsey Counties are bearing their proportionate share of the cost of public services in these counties.

The study was concerned only with the relationship of the core cities to their suburban areas, and not with the relationship between the core city and any of its particular suburbs or with relationships between suburbs. The suburban areas of Hennepin and Ramsey Counties, therefore, were treated as single communities. Thus, each county, for analytical purposes, was considered to consist of only two communities, the core city and the suburbs.

Only those governmental services having a potentially major impact on questions of core city-suburban subsidization were analyzed in the report. For the Minneapolis-St. Paul area, there are four: welfare, including public-supported hospitals; education; parks and recreation; and county government, which really covers a variety of programs, including the county highway systems.

These four areas are among those most often cited in discussion regarding subsidization. They are also the areas in which there is the maximum chance for variance between the distributions of tax burdens and service benefits. Furthermore, approximately 67% of all local property taxes collected in Minneapolis, St. Paul and their suburbs were levied for these four purposes during the years covered in the study.

Banovetz' Approach

The approach used in the part of the study summarized here was to try to identify: (a) those communities enjoying the benefits of government services and the amount of benefit each enjoys, and (b) those communities which pay taxes to support the services and the amount paid by each. Any net difference between these two categories would then represent a transfer of benefit or subsidy.¹

The time period covered in the analysis varies for each service function. In each case the period used is the most recent calendar or fiscal year for which data were available to Banovetz. These were: education - fiscal 1962 for both counties; welfare - calendar 1961 for Hennepin County and calendar 1962 for Ramsey County; county services - calendar 1961 for both counties; and parks and recreation - calendar 1960 for both counties (with some exceptions).

Insofar as possible, the procedures used in arriving at the figures tended to bias the results in favor of Minneapolis and St. Paul. When arbitrary methodological assumptions had to be made, those alternatives favorable to the core cities were uniformly chosen so that, in the final figures, any error would be an overstatement of the subsidies paid by the core cities to the suburbs or an understatement of subsidies that have been paid by the suburbs to the core cities.

¹ In the only other study of this nature conducted to date, a California legislative commission found that suburban areas of California counties subsidize the rural areas, but that the amount of such subsidization is not significant enough to pose any problems. Report of the Senate Interim Committee on State and Local Taxation, Part VII: Fiscal Problems of Urban Growth in California. California Legislature,

Most Favorable to Cities

The figures contained in this summary represent, with noted exceptions, one of several approaches used by Banovetz in his thesis, the approach that comes closest to representing the governmental situation existing in 1960-1962, the period covered in the study.

Under this approach, the governmental services studied were considered to be each community's responsibility. Hence, to the extent a core city is paying for services enjoyed by suburbanites, or vice versa, there arises a subsidy.

Under other approaches examined by Banovetz, for example, considering the same governmental services to be countywide responsibilities, the results are different.

While this summary does not consider those other approaches and their results in detail, it should be noted that under none of the other approaches examined by Banovetz do the core cities fare as well as under the approach summarized here. In other words, when assumptions are used other than the ones considered in this summary, subsidies are found by Banovetz to run in greater amounts from the suburbs to the core cities.

Chart I

TOTAL SERVICES (OR BENEFITS) MEASURED IN STUDY

	<u>Hennepin County</u> (Mpls. & Suburbs)	<u>Ramsey County</u> (St. Paul & Suburbs)
	(All figures in thousands of dollars)	
Education (1962)	81,782	34,887
Welfare	18,353 (1961)	11,552 (1962)
County Services (1961)	11,167	7,053
Parks & Recreation (1960)	<u>4,852</u>	<u>1,968</u>
	116,154	55,460

Chart I shows the totals expended for all the services considered in the Banovetz study in Hennepin County, including Minneapolis, and in Ramsey County, including St. Paul.

Banovetz's Conclusions

The question "Who is subsidizing whom" in the Minneapolis-St. Paul metropolitan area can best be answered by saying that no conclusive evidence can be found to support charges that either the core cities of Minneapolis and St. Paul, nor their suburbs in Hennepin and Ramsey Counties, respectively, are subsidizing the other to any appreciable extent. In Hennepin County, either Minneapolis or the suburbs could be subsidizing the other, but, in either event, it is unlikely that the subsidy exceeds a million dollars per year out of a total of \$116,154,000 expended for all services considered in the study.

In Ramsey County, St. Paul appears to be subsidizing its suburbs, possibly by as much as \$1.7 million per year, out of a total of \$55,460,000 expended for services, but not even this conclusion can be given unqualified acceptance.

It is possible that the two core cities did at one time provide substantial subsidies in the form of public services to their suburban neighbors, but, if so, these subsidies have been reduced by the continuous growth and increasing governmental maturity of the developing suburban communities. If this trend has, in fact, existed in the past, there is every reason to believe that existing core city subsidies, if any, will soon be eliminated, if not actually offset by a tendency toward suburban subsidies of their former core city benefactors.

The evidence clearly indicates that contemporary charges and counter-charges of subsidy in the area are ill-founded. Besides inflaming the divisive forces already existing in the metropolitan area, such charges serve only to hamper further the inter-governmental coordination and cooperation that is so vital if successful solutions are to be found to the communities' common problems.

When the subsidies in education, welfare, county services and parks and recreation discussed separately in this summary are combined, Minneapolis is shown to be providing a subsidy to its suburbs in Hennepin County of less than \$600,000 per year. St. Paul provides its suburbs in Ramsey County with a larger subsidy -- roughly \$1.7 million per year. Data supporting these figures are compiled in the following chart.

Chart II

COMBINED SUBSIDIES PAID BY MINNEAPOLIS AND ST. PAUL
Alternative I

(All figures in thousands of dollars)

<u>Service</u>	<u>Minneapolis</u>	<u>St. Paul</u>
Welfare ^a	\$ (1,841) (1961)	\$ (847) (1962)
County Services (1961)	1,966	1,770
Parks & Recreation (1960)	<u>44</u>	<u>147</u>
Sub-Total ^a	\$ 169	\$ 1,070
Education (1962)	<u>405</u>	<u>600</u>
Total ^a	<u>\$ 574</u>	<u>\$ 1,670</u>

^a Figures in brackets represent subsidies received by the core cities from the suburbs; all the other figures represent subsidies paid by the core cities to the suburbs.

To place these findings in their proper context, several qualifications need to be made.

First, to a considerable extent the subsidies exist only because education is included among the services studied. Without education, the amount of the subsidy

provided by the core cities would have been reduced to less than \$170,000 in Hennepin County and to \$1.1 million in Ramsey County.

The exclusion of education could be justified on either of two grounds. First, corporate income taxes were excluded from the total of taxes paid for educational purposes. Had they been included, it is probable that the subsidy would have been completely eliminated. Second, the subsidies exist only because of the equalizing effect of the state income tax and school aid systems. Such subsidies were intended by the State Legislature as a means of equalizing the fiscal resources of the state's school districts. These subsidies, thus, result from public policy established by a representative governing institution, the State Legislature.

The second qualification relates to the treatment accorded county highway expenditures. Chart II reports the consequences of treating highway costs as indirect benefit services with benefits allocated according to population distribution. If, instead, these costs are classified as unmeasurable services and benefits from them are allocated between core cities and suburbs on the basis of their respective assessed valuations, then the subsidies would more closely approximate the figures presented in the following chart (also see Pages 10 and 11):

CHART III

COMBINED SUBSIDIES PAID BY MINNEAPOLIS AND ST. PAUL

Alternative II

(All figures in thousands of dollars)

<u>Service</u>	<u>Minneapolis</u>	<u>St. Paul</u>
Welfare ^a	\$ (1,841) (1961)	\$ (847) (1962)
County Services (1961)	372	269
Parks & Recreation (1960)	<u>44</u>	<u>147</u>
Sub-Total ^a	\$ (1,425)	\$ (431)
Education (1962)	<u>405</u>	<u>600</u>
Total ^a	<u>\$ (1,020)</u>	<u>\$ 169</u>

^a Figures in brackets represent subsidies received by the core cities from the suburbs; all the other figures represent subsidies paid by the core cities to the suburbs.

Under this alternative method of treating county highway expenditures, the suburbs of Hennepin County are actually subsidizing Minneapolis by approximately \$1 million, while St. Paul is paying a subsidy of approximately \$200,000 to its suburbs in Ramsey County each year.

If education subsidies are deleted from these figures, then it appears that Minneapolis has been receiving almost \$1.5 million a year from its suburbs and St. Paul almost \$500,000 per year from suburban Ramsey County.

Governmental Services Excluded from Study

Services excluded from the study include the following:

1. Local Roads. Consideration of local municipal expenditures for street maintenance was excluded because: (a) measurement of highway benefits present almost insurmountable obstacles; (b) virtually all arterial streets and all highways in Minnesota communities are constructed and maintained partially with federal, state or county funds, thus offsetting the expense incurred locally in providing street maintenance service to non-residents; and (c) a great part of the local tax dollar spent for this purpose is devoted strictly to local or residential streets.

2. Local Police and Fire Protection. With the exception of those services provided by the County Sheriffs' offices, there were no agreements under which these services were exchanged between the core cities and the suburbs in the study area. Thus, they did not entail any direct subsidies.

3. Utility Services. Since these services are especially adapted to financing through user charges, subsidies are not necessary under any system of cost allocation; Banovetz said, and can and should be avoided.

Certain special services providing areawide benefits, such as the Metropolitan Airports Commission and the Metropolitan Mosquito Control District, were also excluded from the study.

In other words, only those governmental services of major impact to the final results during the period studied were included in the study. If the excluded services had been included, the results of the relatively small dollar amounts involved in connection with the excluded services would probably have been modified, but it is very unlikely that they would have been altered substantially, Banovetz believed.

Education

No core city-suburban subsidies result directly from the provision of elementary and secondary education in either metropolitan county. The school districts servicing the core cities of Minneapolis and St. Paul both have boundaries coterminous with those of the municipal governments. The core city school districts are permitted under state law to charge tuition fees high enough to recover all costs incurred in educating suburban pupils transported to core city schools.

Although direct subsidies are nonexistent, the possibility of indirect subsidies exists because of the system of state school aids used in Minnesota. The most important aspect of the Minnesota aid system is the foundation aid program, which combines so-called basic and equalization grants to each school district. Amounts received by individual school districts in the two counties during fiscal 1962 varied from a low of \$100 per pupil unit² in average daily attendance (ADA) in Minneapolis and St. Paul to a high of \$226 per pupil unit in ADA in Osseo.

Almost ninety per cent of the funds used in the foundation aid program in fiscal 1962 came from state income tax receipts. These receipts were, in turn, traced

² A "pupil unit" is counted for each elementary school child enrolled in a school district. High school pupils each are counted as $1\frac{1}{2}$ pupil units and kindergarten children each are counted as $\frac{1}{2}$ pupil units.

to the locality from which they were paid. Since income tax payments in Minneapolis and St. Paul exceeded the state aids received by those cities' school districts, and since the suburban income tax payments were less than those communities' state aids, a subsidy of the suburbs by the core cities existed during the 1962 fiscal year. These figures are presented in Chart IV. They show that Minneapolis provided a subsidy of \$405,000 to its suburbs in Hennepin County and St. Paul provided a subsidy of \$600,000 to its suburbs in Ramsey County.

These findings are subject to one major qualification. Corporate income taxes were not included in computing the tax payments of the core cities and suburbs in the metropolitan area. Practical difficulties, including the absence of any relationship between corporate tax situs and the geographic area in which the corporate profits were earned, make meaningful allocation of such taxes impossible. If such taxes could have been allocated, the subsidies might have been eliminated, since suburban income taxes might then have equaled the suburban share of the state school aids. The deletion of corporate taxes thus maximized core city subsidies.

Chart IV
SUBSIDIES IN EDUCATION (FISCAL 1962)
(All figures in thousands of dollars)

<u>Item</u>	<u>Mpls.</u>	<u>Suburban Hennepin</u>	<u>St. Paul</u>	<u>Suburban Ramsey</u>
Value of Education Benefits	\$33,531	\$48,251	\$19,718	\$15,169
Less: Local Tax Payments	23,954	29,285	14,637	7,744
Less: Federal Aid & Non- Resident Tuition	<u>728</u>	<u>563</u>	<u>330</u>	<u>340</u>
Balance: State Aids ^a	\$ 8,849	\$18,403	\$ 4,751	\$ 7,085
Less: State Aids from Non- Income Tax Sources	<u>\$ 1,048</u>	<u>\$ 2,181</u>	<u>563</u>	<u>840</u>
Balance: Income Tax State Aids	\$ 7,801	\$16,222	\$ 4,188	\$ 6,245
Less: Income Tax Payments by Individuals	<u>\$21,122</u>	<u>\$15,570</u>	<u>\$12,312</u>	<u>\$ 4,661</u>
Balance	-\$13,321	\$ 652	-\$8,124	\$ 1,584
Net Transfers: Mpls. to Suburbs	1,389	405		984
Net Transfers: St. Paul to Suburbs ^b	<u></u>	<u>247</u>	<u>847</u>	<u>600</u>
Balance: Transferred out of Study Area ^b	\$11,932	-0-	\$ 7,277	-0-

^a These figures represent the state aids to which the school districts were entitled during the fiscal 1962, not the districts' actual receipts. The figures differ because of the state's time schedule for making aid payments.

^b As these figures indicate, Minneapolis and St. Paul taxpayers devote over half of their income tax school aid payments to equalization subsidies provided to school districts located outside Hennepin and Ramsey Counties. It is interesting to note, however, that when total property and income tax payments for educational purposes are aggregated, taxpayers in the suburbs of Hennepin and Ramsey Counties still pay approximately \$30.00 per capita more than their core city counterparts.

Welfare

Like education, welfare is a local service financed through a combination of property tax revenues and intergovernmental grants and aids. Unlike education, however, it is impossible to measure indirect subsidies that might have resulted from welfare grant-in-aid programs. The funds used in such programs cannot be traced back to the taxpaying source with any degree of accuracy and precision. As a result, considerations of subsidy must be restricted to that portion of each welfare program financed by property taxes.

All welfare programs in Ramsey County and most of those in Hennepin County are provided on a county-wide basis by the respective county welfare departments and are financed by grants-in-aid and by county-wide property tax levies. Subsidies exist to the extent that any community's property tax contribution is more or less than the amount of welfare benefits its citizens receive.

The welfare department in each county is completely responsible for the categorical aid programs (old age assistance, aid to the blind, aid to the disabled, and aid to dependent children); child welfare services (including adoptions, foster and boarding home care, guardianship, protection and maternity care for unwed mothers); and miscellaneous other services, such as nursing homes and certain kinds of other institutional care. The Ramsey County Welfare Department also handles all responsibility for poor (maintenance) relief programs, including aid to both the economically and medically indigent.

Chart V

SUBSIDIES IN WELFARE

(All figures in thousands of dollars)

	<u>H e n n e p i n C o u n t y</u>			<u>R a m s e y C o u n t y</u>		
	(Calendar 1961)			(Calendar 1962)		
	<u>Total</u>	<u>Mpls.</u>	<u>Suburbs</u>	<u>Total</u>	<u>St. Paul</u>	<u>Suburbs</u>
A. Value of Benefits Received From:						
Categorical Aids	\$ 9,209	\$7,818	\$ 1,391	\$ 3,209	\$ 2,905	\$ 304
Poor Relief	3,208	2,989	219	2,519	2,411	108
Child Welfare	1,736	1,476	260	907	834	73
Hospital Care	<u>4,200</u>	<u>3,949</u>	<u>251</u>	<u>4,917</u>	<u>4,477</u>	<u>440</u>
Total Benefits Rec'd	\$18,353	\$16,232	\$ 2,121	\$11,552	\$10,627	\$ 925
B. Local Tax Payments	<u>\$18,353</u>	<u>\$14,391</u>	<u>\$ 3,962</u>	<u>\$11,552</u>	<u>\$ 9,780</u>	<u>\$1,772</u>
C. Subsidy Paid			<u>\$ 1,841</u>			<u>\$ 847</u>
Subsidy Received		<u>\$ 1,841</u>			<u>\$ 847</u>	

In Hennepin County, however, the township system of poor relief is employed and responsibility for financing and administering these functions is borne by individual municipalities and unincorporated townships.³ State imposed residence requirements governing eligibility for such aid effectively eliminates subsidies in these areas in Hennepin County.⁴

Benefits for county welfare program in both counties were allocated between core city and suburbs by residential location of the welfare recipients. Thus, for each welfare program in each county, the ratio of suburban to core city residents receiving benefits under that program was used to apportion its property tax financed benefits between the city and suburbs. When the aggregate amount of benefits received by each entity for all such programs is compared with that entity's welfare tax contribution, a measure of welfare subsidy paid or received is obtained. This data is present in Chart V.

As indicated in the chart, the suburbs provide significant subsidies to the core cities in the field of welfare. In Hennepin County, the suburbs, in 1961, provided subsidies of nearly two million dollars to the City of Minneapolis. In Ramsey County in 1962, the suburbs provided the City of St. Paul with a subsidy of close to a million dollars.

Other County Services

Other services provided by the two metropolitan counties include the county highway program; public safety including the sheriff and civil defense offices; correctional institutions; courts; natural resources, including agricultural extension, lake improvements, and weed control programs; such general services as the county assessor, treasurer, auditor, coroner, register of deeds, surveyor, and veterans' service office, general government operations, including public buildings, elections, purchasing, and county commissioner expense; and certain miscellaneous functions, such as county libraries and, in Ramsey County, rural health nurses.

With the exception of those services, such as the county libraries, for which no taxes were levied against property in the core cities, all of the above functions are included in Banovetz' analysis.

Beneficiaries for some of these services were directly identified and thus were allocated between core cities and suburbs. For example, benefits from county probation offices were distributed in accordance with the residential location of the persons on probation. The cost of maintaining the county jails was allocated according to the percentage of persons incarcerated in them by each community's police force. Such services are labeled "direct benefit services" in Chart VI.

³Hennepin County's Welfare Department does bear half the cost of assistance to those medically indigent from both Minneapolis and the suburbs who are treated at the University of Minnesota Medical Center. The other half of the cost is borne by the state.

⁴The transfer of Minneapolis General Hospital to Hennepin County in 1964 undoubtedly will change these results.

For other services, an estimate of the probable allocation of benefits was made. These were services for which a direct measure of benefit was not possible either because necessary data was not available or because the nature of the service itself did not lend itself to such an analysis. For example, benefits from court services could have been measured if adequate data regarding the residential location of the persons using them had been available. In the absence of such data, benefits were allocated in accordance with the distribution of population. Chart VI labels these services "indirect benefit services."

Chart VI

SUBSIDIES IN COUNTY SERVICES
Highways treated as Indirect Benefit Services^a
(All figures in thousands of dollars)
(Calendar 1961)

	<u>H e n n e p i n C o u n t y</u>			<u>R a m s e y C o u n t y</u>		
	<u>Total</u>	<u>Mpls.</u>	<u>Suburbs</u>	<u>Total</u>	<u>St. Paul</u>	<u>Suburbs</u>
A Value of Benefits Received From:						
Direct Benefit Services	\$1,830	\$1,059	\$ 771	\$2,027	\$1,322	\$ 705
Indirect Benefit Services	6,919	2,785	4,134	3,564	1,316	2,248
Unmeasurable Services	<u>2,418</u>	<u>1,606</u>	<u>812</u>	<u>1,462</u>	<u>1,153</u>	<u>309</u>
Total Benefits Received	11,167	5,450	5,717	7,053	3,791	3,262
B. Local Tax Pay- ment	<u>\$11,167</u>	<u>\$7,416</u>	<u>\$3,751</u>	<u>\$7,053</u>	<u>\$5,561</u>	<u>\$1,492</u>
C. Subsidy Paid		<u>\$1,966</u>			<u>\$1,770</u>	
Subsidy Received		<u>\$1,966</u>				<u>\$1,770</u>

^a This chart excludes county welfare programs and the park and recreation program of Ramsey County, considered elsewhere in the study and in this summary.

Finally, some county services were not amenable to either direct measurers or to indirect estimates of benefit allocation. The expenses incurred by county boards are in this category. These are labeled "unmeasurable services" in Chart VI. Their impact on the findings was neutralized by allocating them between core cities and suburbs in accordance with the ratios of assessed valuation in each county.

Chart VI, then, shows the results of the cost benefit analysis for the two counties for the year 1961. It shows Minneapolis subsidizing its Hennepin County suburbs in the amount of approximately two million dollars and St. Paul subsidizing Ramsey County suburbs in almost the same amount.

These findings, however, require further qualification. Most of the subsidies shown in Chart VI stemmed from the method used to apportion benefits from the county highway programs. In each county, the highway department alone disbursed approximately one-third of all county funds, excluding welfare. Yet, largely because two different groups of people are benefited by highway expenditures -- those who drive on the highways and those whose property is made more accessible by them -- no generally acceptable method of allocating highway benefits has yet been devised. Consequently, such outlays in this study had to be treated as either indirect benefit services or as unmeasurable services.

In Chart VI, county highway expenditures were considered indirect benefit services. Benefits were treated as being received solely by the community in which the expenditures were made, even though both city dwellers and suburbanites use county highways located in each other's area, and both groups benefit from the freer flow of traffic. On balance, since a considerably greater portion of county highway money is spent in suburban areas, this method heavily weighted the results in favor of the core cities.

If county highway expenditures had been treated as unmeasurable services, the subsidies noted in Chart VI would have disappeared. While the core cities would still have been subsidizing their suburbs, even if county highway costs had been spread between core cities and suburbs simply on the basis of assessed valuation, the amount of the subsidy in either county would have been reduced to less than half a million dollars. (In Hennepin County the total subsidy for county services becomes \$372,000 and in Ramsey County \$269,000.)

Parks and Recreation

It is generally agreed that the core cities have provided their suburbs with subsidies in the park and recreation field in the Minneapolis-St. Paul metropolitan area, even though there have been no systematic attempts to verify or measure them. With the exception of some swimming, picnic and golf facilities provided by Ramsey County, and of the major park facilities financed by the Hennepin County Park Reserve District, all park and recreation programs in the two counties are provided by municipal governments.

The allocation of benefits from park and recreation programs in the study area required four steps: (1) Determining which park and recreational programs were most likely to provide subsidies, (2) computing the cost of operating those facilities and programs, (3) apportioning the benefits from them, and (4) comparing the value of the benefits each community received with the supporting contributions each made.

Recreation programs were easily handled. Officials of both core cities reported that there was not a consequential number of suburbanites participating in or benefiting from the recreation programs financed by their communities. Minneapolis for example, has made periodic attempts to limit participation in its organized recreation programs to residents of the city and employees of firms located in the city. Such attempts have always been abandoned as futile, because so few other persons attempted to become involved in the programs.

Suburban communities spent so little on recreation in 1960, the study year, that any subsidies would have been too small to measure.

Thus, no subsidies of any kind were discovered in the recreation field.

Chart VII

SUBSIDIES IN PARK AND RECREATION PROGRAMS (CALENDAR 1960)
 (All figures in thousands of dollars)

<u>Kind of Program</u>	<u>H e n n e p i n C o u n t y</u>				<u>R a m s e y C o u n t y</u>			
	<u>Total</u>	<u>County</u>	<u>Mpls.</u>	<u>Suburbs</u>	<u>Total</u>	<u>County</u>	<u>St. Paul</u>	<u>Suburbs</u>
A. Distribution of Benefits								
Metropolitan Parks	\$ 673	\$156	\$ 347	\$ 170	\$ 422	\$ 230	\$ 150	\$ 42
County Parks					300	30	174	96
Hennepin Co. Park Reserve District	370	66	130	174				
Local Parks/Recreation	<u>3,809</u>	<u>380</u>	<u>2,246</u>	<u>1,183</u>	<u>1,246</u>	<u>124</u>	<u>1,038</u>	<u>84</u>
Sub-Total	\$4,852	<u>\$602</u>	\$2,723	\$1,527	\$1,968	<u>\$ 384</u>	\$1,362	\$ 222
Distribution of County Benefits	<u>- - -</u>		<u>\$ 400</u>	<u>\$ 202</u>	<u>- - -</u>		<u>\$ 303</u>	<u>\$ 81</u>
Total Benefits	\$4,852		\$3,123	\$1,729	\$1,968		\$1,665	\$ 303
B. Local Tax Payments	<u>\$4,852</u>		<u>\$3,167</u>	<u>\$1,685</u>	<u>\$1,698</u>		<u>\$1,812</u>	<u>\$ 156</u>
C. Subsidies Paid			<u>\$ 44</u>				<u>\$ 147</u>	
Subsidies Received				<u>\$ 44</u>				<u>\$ 147</u>

Parks, however, presented a different problem; it is park financing that has generally been acknowledged as a source of subsidies. To measure such subsidies, all parks were first divided into categories: metropolitan and non-metropolitan. Subsidies were considered likely to occur only in connection with metropolitan-type parks. These are parks which, as defined and identified by the Twin Cities Metropolitan Planning Commission, provided:

- "1. ...recreation opportunities developed specifically for the metropolitan area's needs.
- "2. ...for recreation interests which cannot be or are not normally satisfied in local parks.
- "3. ...large parcels of open space as a land use element."⁵

Parks meeting this definition in the study area in 1960 were: Minneapolis -- Calhoun, Cedar Lake, Harriet, Lake of the Isles, Theodore Wirth, Nokomis, Hiawatha, and Minnehaha Parks; St. Paul -- Como, Highland and Phalen Parks; Suburban Hennepin -- Morris Baker Park. These were the parks studied for potential subsidies.

Complete cost figures for those parks were readily obtainable from the park departments of Minneapolis and St. Paul and from the Hennepin County Park Reserve District. Data concerning park use or benefit were not available, however, for any of the parks, except Como and Morris Baker. For the other parks, benefits were assigned according to the following formula: 10% of the cost of operating each park was assumed to represent a benefit enjoyed generally by the entire area (county) in which it is located⁶ and the remaining 90% was assumed to benefit those persons living within a fixed radius (usually 5 miles) of the park itself.

Benefits for any given park were thus allocated between Minneapolis, St. Paul, Suburban Hennepin, Suburban Ramsey, and other communities outside the study area. Within each county, those park costs representing the 10% general benefit and the share of the 90% benefits enjoyed by non-county residents were spread over the tax base of the entire county.⁷

Benefits from expenditures on land acquired by the Hennepin County Park Reserve District for future development into metropolitan-type parks were apportioned in accordance with the park use data compiled in Morris Baker Park.⁸ Benefits

⁵Twin Cities Metropolitan Planning Commission, Metropolitan Parks - An Initial Investigation. Metropolitan Planning Report Number Ten, April 1961, p. 4.

⁶The 10% rule was also applied to Como and Morris Baker Parks, leaving 90% of the cost of those parks to be apportioned in accordance with the user data. This 10% rule was used to account for the general benefits which all metropolitan parks provide to the broader socio-economic area, benefits such as needed visual relief in the urban landscape and reduced congestion in other parks.

⁷Spreading such costs over the county tax base tended to increase considerably the share of metropolitan park costs attributed to the suburbs in this analysis. It thus tended to maximize the subsidy paid by the core cities.

⁸Beginning in 1965 Hennepin County suburban and rural residents will be taxed for \$8,000,000 in park acquisition bonds issued by the Park Reserve District pursuant to permissive legislation enacted in 1963.

from the Ramsey County golf and picnic facilities were assigned on a per capita basis over the entire county. Those county swimming beaches located within two miles of St. Paul were assumed to benefit the city and the suburbs equally, while all those beyond the two miles were assumed to benefit only the suburbs. Such assumptions are admittedly very arbitrary, but other equally plausible assumptions would not have significantly altered the findings.

The results of this analysis are presented in Chart VII. Little or no subsidy was found in Hennepin County where the figures produced a net transfer of benefit from Minneapolis to suburbs of only \$44,000. A significantly greater subsidy was found in Ramsey County where St. Paul subsidized the suburbs in 1960 by approximately \$147,000.

A close examination of metropolitan park operating costs explains these unexpected results and does so without casting adverse reflections on the validity of the methodology used to apportion benefits. The total cost of operating metropolitan park facilities in Minneapolis was only \$673,000 in 1960. St. Paul, in the same year, spent \$422,000 on its metropolitan parks. Since it can hardly be disputed that at least 50% of the use of the core cities' metropolitan parks is attributable to their residents, the maximum total subsidy could not have been greater than \$350,000 in Hennepin County and \$210,000 in Ramsey County.

Any use by core city residents in excess of the 50% figure would further reduce these subsidies as would any amount spent by the Hennepin County Park Reserve District for Minneapolisans' use of Morris Baker Park. When viewed in this context, the amount of the subsidies existing appears reasonable indeed.