



Citizens League

Common ground. Common good.



Improving Public Engagement In Minnesota's Local Budgeting Process

January 12, 2017



Common ground. Common good.

Summary

After conducting informal interviews with members of the public and from local units of government, the Citizens League believes that what has become known as the “Truth-in-Taxation” or “TnT” law, requiring a public hearing before local governments finalize their levy each year, no longer meets its original legislative intent, and [may even](#) work against the initial goals of the legislation. There is an opportunity for the public, local units of government and their representatives and legislative leaders to consider new methods to inform and involve citizens in matters related to local government spending and revenue-raising, increasing trust in this process and improving the outcomes.

Stakeholder conversations managed by the Citizens League indicate [support for a move from the current Truth-in-Taxation to a yet-to-be-designed “Truth-in-Budgeting” strategy](#), working closely with all parties involved in the process, as one step to improve local government fiscal decision-making and public trust in government generally.

(Note: This paper should be considered a ‘working draft’ – to spur further input and conversation from stakeholders. It has not been approved by the Citizens League board.)

Report Objectives

This introductory report from the Citizens League covers four areas related to improving taxpayer involvement in the local government spending and budget process known as “Truth-in-Taxation”:

- 1) *Background* on the “Truth-in-Taxation” process, including the original policy objectives and legislative intent of the law;
- 2) *Feedback* obtained from the Citizens League experience engaging a diverse set of Minnesotans in questions related to this Truth-in-Taxation law, including both one-on-one interviews and community meetings;
- 3) An *analysis* of whether Truth-in-Taxation is meeting the objectives of the original law; and
- 4) Potential *recommendations* for improving the local budgeting processes including next steps.

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Citizens League Involvement and Approach

In June 2015, the Citizens League was engaged by the National Association of Industrial and Office Properties (NAIOP) Minnesota chapter to assist them in gathering information about successful citizen involvement in budget and tax decisions.

The Citizens League brought three distinct assets to the project: 1) reputation; 2) neutrality; and 3) engagement skills. Through more than sixty years of policy development, the Citizens League has developed a reputation for building policy on the basis of working on behalf of the common good. This reputation is underscored by the organization's neutrality on outcomes, and its consistent use of its process to engage a wide range of citizen stakeholders. The Citizens League brings no ideological positioning to the table, just the search for common ground and effective solutions.

As a condition for working on the project, the Citizens League required that stakeholders representing a full range of views be invited to participate, and that NAIOP Minnesota, although financially compensating the Citizens League, would not be given any special considerations about the outcome of the project.

In addition to working with local government officials and conducting the focus groups with members of the public about the current process, the effort also explored options for *reforming* the Truth-in-Taxation process into a more meaningful education and involvement opportunity for property taxpayers on local budget and levy setting decisions. The Citizens League focused on these benchmarks for evaluating and improving the TnT law:

1. Enable taxpayers to better understand reasons for local property tax changes and allocate responsibility to the appropriate circumstances and/or level of government;
2. Provide taxpayers with more user-friendly financial information in layman terms and the background necessary to engage local officials in their budget and levy-setting processes;
and
3. Improve the effectiveness of the budget and levy-setting process for all parties involved.

There were three different activities performed by the Citizens League to produce the findings found later in this white paper.

1. Interviews with municipal and county government representatives to get their perspective on Truth-in-Taxation;
2. Research of the Minnesota Truth-in-Taxation law and related ideas for improvement; and
3. Conduct focus groups with Minnesota property taxpayers to find out what they want out of the process.



Background on Truth-in-Taxation

Purpose

Truth-in-Taxation was adopted as state law in Minnesota in 1988. It requires local governments (counties, cities, townships, school districts, and special taxing districts) to inform the public about their proposed property taxes for the coming year and invite public participation in the budgeting process. Prior to 1988, property owners would typically understand their property valuation (and could contest this valuation) but not necessarily the property tax formulas or the relationship between spending decisions and their final taxes. It was also difficult for taxpayers to know the context for local spending decisions or how they could impact this process.

According to the non-partisan House Research Department, “Truth-in-Taxation was enacted with a goal of improving accountability *by focusing taxpayers on the relationship between budget decisions and property taxes, and providing taxpayers with a greater opportunity to become involved in the local government budgeting process.*”ⁱⁱ (Emphasis added)

The annual process sought to provide consistent information to property owners, and played a role in shifting the focus of property tax discussions from the Legislature to local governments, while also increasing general awareness that state aid can play a significant role in how local governments determine levies amounts and resulting rates.

Components of the Truth-in-Taxation Law

Truth-in-Taxation has three main components:

1. Local governments adopt a *proposed* levy in September before they adopt a final levy for the next year. Generally, the final levy may not exceed the proposed levy.
2. County auditors are required to generate individual notices of proposed taxes for all properties that are taxed based on the proposed levy for each local unit of government. County auditors must send this notice to every property taxpayer, breaking down the property owner’s tax bill by taxing jurisdiction.
3. Each local government must hold a public meeting after the proposed levy is announced, but before the final levy is adopted, to notify citizens and to provide an opportunity for them to voice their opinions about the proposed taxes.

Goals of the Truth-in-Taxation Law

The goals of the original law are important to restate today, as they help guide reaction to the current practice and potential reforms.

1. Increase taxpayer knowledge about local government spending to help engage citizens in the local budgeting process;
2. Provide constructive and timely feedback for local government officials in the budgeting process.
3. Improve trust in government overall; and
4. Improve the connection between tax/spending policy and citizen input.



Perceived Status of Current Truth-in-Taxation Process

Interest in Truth-in-Taxation reform has increased in recent years as key participants at the local, state and taxpayer levels continue to encounter difficulties with the system. Two interrelated issues are at the center of all critiques of the current approach:

1. The [complexity of the property tax system](#) remains a barrier to citizen involvement and meaningful input;
and
2. The TnT [public notice and hearing process](#) remains confusing and frustrating to property taxpayers.

Fundamentally, these issues persist due to ongoing expectations that Truth-in-Taxation should offer more than just information and notification if it is to achieve the original goals of the legislation.

Local governments spend considerable time, effort, and expense on producing the information and presenting at a public hearing. To be fair, Truth-in-Taxation was a significant new requirement for all counties in 1988. Along the way, local governments began to struggle with two elements of the process:

[Preparation and Distribution of Information:](#)

Local governments needed to work quickly in the time between gathering and preparing budget information in order to provide detailed information for every property taxpayer. This information is generally well-received as it provides the key data for each level of government. However, it is not designed to provide context or narrative. It does not provide a useful tool for property taxpayers to check the status of similar properties and contest the value of their property. In summary, while the data was improved, taxpayers lacked the tools that would make analysis of that data more useful.

[Public Hearing Format and Notification Schedule:](#)

The requirement for a public hearing at the end of the budget and levy-setting process has not ensured a meaningful opportunity for property taxpayer involvement. The structure and format of the public hearing is primarily for the purpose of *notification* about proposed taxes, so the main benefit is for those who would like to learn more about overall budget parameters and how the property tax levy was established...not necessarily those who want to engage in a productive or evaluative conversation with local elected officials and staff. Input from taxpayers, while not discouraged, has not been a core element of the hearings.

Over time, the Truth-in-Taxation has become [the default process for involving citizens in local government budgeting and setting tax levels](#). Because of the time, effort and expense to meet state requirements, that we heard from several participants that the Truth-in-Taxation process is in fact [the highest profile activity](#) for the public in many local governments. It was not the intention of the initial Truth-in-Taxation law for this to become the dominant process for citizen engagement.



Our Findings: An Assessment of Truth-in-Taxation's Success

1. The property tax and proposed budget information presented through the current Truth-in-Taxation process is overly complex.
 - Process is heavily focused on individual tax burdens, not budgeting.
 - Information is not standardized and not delivered in user-friendly ways
 - Lacks a narrative and clear benchmarks
 - No context to allow comparisons
 - Difficult to understand the biggest budget driver – compensation
2. Interest in the hearing process, and it's timing, works against the goals of the Truth-in-Taxation law.
 - Citizen participation in the Truth-in-Taxation process is low, which does not necessarily reflect current levels of satisfaction or understanding of government. We found no evidence that links participation in the hearing process with levels of satisfaction or dissatisfaction with government.
 - Timing for Public Hearing is Too Late in the Process. A public hearing was made part of the law so that taxpayers could interact with local officials regarding the level of taxation. *Unfortunately, the public hearing was never designed to really involve citizens in an inclusive dialogue to help determine the final property tax levy.*

The timing of the public hearing is driven by when the information on each property can be produced. That timing has little to do with determining a good opportunity for greater involvement in the decision making process. But since the hearing is required by state law and has a high profile on local government websites, citizens easily mistake TnT as a meaningful opportunity for input about the efficient and a way to propose more effective use of their tax dollars.

Unfortunately, by the time the hearing occurs, the local government has completed its budget and cannot meaningfully revisit it. This inevitably leads to frustration and the sense that the local government is not being responsive.

Engagement is muted. Because of the timing of the notice and hearing, the Truth-in-Taxation hearing ends up being an information session to describe the process that has already occurred. Focus group participants and local government representatives agreed that the public hearing was not considered a very effective part of the process for citizen involvement.

3. **The public hearing format discourages discussion and authentic feedback.** A testimony/response discussion-style, rather than a dialogue, rarely satisfies elected officials, local leaders or the members of the public who participate. This is not how citizens seek to interact with their government in the 21st Century – when they are used to having a wide range of opportunities to engage with and interact with government or to voice their opinions. It also provides incomplete feedback to local officials about the nature and breadth of public concerns.

In its worst cases, TnT has become a process that actually discourages future engagement.

- A complicated hearing structure builds frustration.
- Information is difficult to process, and lacks the context needed for true engagement.
- There is little room for feedback that impacts decisions on the current budget and tax levels.

4. **Other concerns about public hearing format included the following:**

- *Public hearings are simply not a comfortable environment for the public.* Most people don't want to attend them. When focus group participants were asked, "What changes, if any, do you think should be explored?" the top response was, "Other ways to weigh in besides public hearings."
- *Public hearings are not a good way to hear from diverse interests in the community.* If your budget represents different neighborhoods, cultural communities, types of businesses, etc. Many people related individual stories that the Truth-in-Taxation took angry citizens and made them even angrier simply because the process didn't allow for authentic interaction, or the ability to address their concerns.
- *The public is used to having multiple formal and informal opportunities for input (not one), and in many different formats.*
- *Many who attend are confused at the purpose of the hearing and think they can contest their property valuation or change budget decisions.* This results in hearing that become an airing of grievances rather than involvement in any decision making process.
- **Date Delivery.** Some focus group participants even perceived the text heavy format as designed to limit public involvement. The complexity, along with the amount of the data without context, was viewed as an impediment to public engagement.



Based on interviews and focus groups there is little evidence that the four primary outcomes of the Truth-in-Taxation law have been achieved.



A New Vision for Public Engagement in the Budget Process

The Citizens League believes that every citizen should be able to receive budget information from their city, county, township, and school district in a way that allows them to meaningfully participate in the budget process AND provide helpful feedback to local elected officials and administrative leaders.

From our work in this project, we believe that citizen participation in the budgeting process needs a new 'vision' that adheres to several basic principles.

1. The information should be delivered through multiple channels, and in multiple formats (online/print/social; graphical/narrative, etc.).
2. The information should provide the context and background behind the issues impacting budget and tax decisions.
3. The information should be delivered at a point in the process (earlier than it is now) that makes the input meaningful and potentially impactful. This allows the participants to better understand local priorities, and offer appropriate feedback at the right time in the process to have an impact on decisions.
4. The process should build trust based on transparency and accountability in governments at all levels – and in the ability of the public to understand the connection between spending decisions and their property taxes.
5. As much as is practical, information delivery should be standardized among different levels of government, allowing easier comparisons and quicker assimilation by the public.





Recommendations

When focus group participants were asked the question: “What do you think about the current budget and taxation process?” the top response was, “Not sufficient. It is time to try something new.” This was an indicator that citizens are looking for new opportunities to participate – and a new process.

1. Local governments should work toward a common, user-friendly strategy for delivering budget information.

The top finding of Citizens League focus groups was that property taxpayers want clear and authentic opportunities to weigh in on local budget decisions other than the Truth-in-Taxation hearing. Authentic involvement was determined to include:

- Earlier involvement when taxpayer input will actually inform decisions; and
- Design a process where public input is more useful for the public and for local officials; and
- Provide meaningful information in easy to understand formats. (See below for recommendations on how to develop and test these formats.) Also provide context for the information.
- The delivery of data should be simpler with a much greater focus on context.

Citizens express frustration with the presentation of information that fails to help them understand levy decisions or give them meaningful input about the efficient and effective use of their tax dollars. *This includes the differences between the levy itself (how the money is raised), and the decisions that lead to the budget (how the money is spent).*

Both local government officials and citizens agreed with the goal of creating a better narrative to explain the proposed budget, including both detail tax impacts and broader tax and spending considerations. While people in the focus groups generally liked the property-specific data on their property tax notices, the accompanying dense text and unclear instructions in the notice detracted from the impact of the data. The process would be improved if:

- There is an easy-to-follow narrative to explain the numbers that is more consistent among taxing jurisdictions.
- There is greater opportunity for citizen input as substantial budget decisions are made and more clarity where Truth-in-Taxation fits in that process.
- Diverse communication platforms – including text, visuals and interactive modules – should be used to reflect modern methods of citizen engagement.

2. Organizations like the League of Minnesota Cities and the Association of Minnesota Counties should cooperatively and regularly seek out and publish best practices for citizen engagement in budgeting processes. This should include working with interested parties to increase recognition of local governments that commit to improving these processes.

An increasing number of cities are interested in improving the information process during the budgeting process. The City of Excelsior and Dakota County were specifically mentioned for trying new methods of presenting budget information to citizens that were well-received. For example, Excelsior’s calendar of all fiscal-related meetings helps citizens identify better opportunities for taxpayer involvement earlier in the process.

Leadership from county and city associations would help to raise the legitimacy and visibility of any unit of government trying new methods, as well as provide a more structured means of evaluating strategies to determine and publish best practices.

3. Reform the Truth-in-Taxation process to become a “Truth-in-Budgeting” process.

The Citizens League has spent the last decade exploring and testing what it would take to get more authentic citizen involvement in government processes. The Citizens League is concerned that Truth-in-Taxation is fundamentally designed to communicate the impact of decisions already made rather than allow citizens to provide meaningful input into the decision making process as local governments prepare budgets.

After 25 years, the Citizens League believes it is time to carefully and collaboratively re-evaluate Truth-in-Taxation and develop and encourage processes that better match timing, content and the structure of decision making.

This suggests a blend of state direction and local choice about the timing, purpose and expectations for the process.

- State policy makers should explore different approaches for the type of information to be provided and the format that could provide better context around the property tax information and the Truth-in-Taxation process.
- Local government should provide improved “context” for their budget information that helps to explain the background/trends/connections between specific budget numbers. Local governments can also work with citizens and community organizations to determine what information and engagement strategies might work best in their communities.

The time for taxpayer engagement should coincide with the actual budgeting process and deliberations and should not occur so late in the year.

The intent of the feedback was that the interaction needed to be much more accessible and understandable, including how the information was prepared and delivered.

As previously stated, a primary concern identified by focus group participants was process-related. They want different opportunities to weigh in on local government budgeting than the public hearing that is currently required by Truth-in-Taxation. This call for change is in agreement with a recommendation from the 2012 Legislative Property Tax Working Group. One of that group’s recommendations was:

The Citizens League has tested an approach in some cities where the local government provides some parameters and context around specific budget issues. In the case of Edina, city residents had some influence on policy changes through a separate input process led by the City (and involving the Citizens League) to make city amenities like parks/golf more self-supporting.

Outreach/engagement efforts around specific issues or questions such as Edina’s are more likely to get property taxpayers involved in the larger budget questions over time. Only a small amount of people will initially get involved in “the budget” as a whole. Most people get into the process through self-interest or opportunity in a more specific area of interest.

Determining how the state can encourage and support an approach is a potential new opportunity for discussion and legislation. What information, in what format, should be provided? When should the information be provided? What process should be used to give taxpayers meaningful opportunities for input? These are all important questions as we examine this issue.

This suggests that State law should be amended to provide information and opportunities for input during the time budget decisions are being made, rather than only a public hearing at the time final levies are set. This could be structured as a trade-off, where a local government is able to phase out the Truth-in-Taxation public hearing as they develop involvement opportunities in some budget areas.

Appendix

Background information from interviews available upon request.

ⁱ MN Statutes 275.065. Also: http://www.revenue.state.mn.us/local_gov/prop_tax_admin/Pages/tnt.aspx

ⁱⁱ <http://www.house.leg.state.mn.us/hrd/issinfo/TnT.aspx?src=21>