

March 26, 2008

TESTIMONY ON SENATE FILE 1950

Chairman Bakk, Members of the Committee:

I am Bob DeBoer, Director of Policy Development for the Citizens League. The Citizens League is a non-partisan, member-led, public policy organization founded in 1952 that seeks to frame and propose solutions to public problems.

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Support TIF Consideration

The Citizens League supports the consideration of Tax Increment Financing in Senate File 1950 to help fund Phase II of the Mall of America. Although we cannot judge whether or not a subsidy is required for the project to proceed, we do think that TIF is the proper mechanism to consider.

Oppose FD Use

In light of last year's proposal to generate revenues from the fiscal disparities pool to subsidize Phase II, the Citizens League wants to go on record as strongly opposed to any attempt to use fiscal disparities as an economic development subsidy.

Fiscal disparities is part of the underlying fiscal structure that has supported the success of the Twin Cities metro area for the last 30 years.

Currently, fiscal disparities reduces the disparity in commercial-industrial property wealth between communities from about 15-1 to about 4-1, so those communities with high amounts of C/I still have as much as four times as much CI property wealth as those with the least (when some outliers are eliminated)

To have a development not be part of fiscal disparities is to make the following statement: this particular development does not benefit from being part of the region. I don't think that statement can be made.

Increase FD Rates

Last year's proposal would have raised taxes on all other commercial-industrial properties in the metro region by actually increasing tax rates to fund phase II.

The precedent this would set would be extremely bad policy. Making – in some cases – competitors pay to subsidize a development to compete with them would begin the cycle of widespread requests. On what basis would others be rejected?

Exempt From FD

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Just as bad, but in a different way, is the idea to exempt a development from the fiscal disparities pool. This would actually spread the effect beyond C/I property and on to homeowners and other types of property.

Funding Options Besides TIF

If a determination is made that this development is of such regional or statewide importance and a local mechanism, such as TIF or property tax abatement, is not sufficient or too much of a burden on the local government, then state bonding should be considered as another way to fund the project.

The Iron Range also has a fiscal disparities pool that was created in 1995 and includes parts of St. Louis, Cook, Lake, Crow Wing, and Itasca County.

So if we look at that pool instead, the equivalent example this year would be the \$30 million for infrastructure for a steel plant in Itasca County that is currently in the bonding bill. We think that would be very bad policy to use the Iron Range fiscal disparities pool to subsidize the infrastructure for the steel plant.

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