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Impact of 'market value' levies increases property taxes on homes

by Bob DeBoer

The Citizens League 2004 Residential Homestead Property Tax Survey reveals that a property tax reform from the mid-1990s that established "market value" levies may be having a greater impact on property tax changes for homeowners than the more sweeping property tax reforms of 2001. Homeowners around the state, and especially in Minneapolis, are feeling the effect of voter-approved "market value" levies, and they appear to be a driving factor behind Minneapolis moving into first place in our annual comparison of taxes in 111 metro communities.

Tracing the history

Minnesota created a preference for lower property taxes on homes by assigning different tax rates to different "classes," or types, of property (for example, businesses, apartments, resorts, cabins and homes). Homes are taxed at the lowest class rate. The state class rate system determines how much revenue local governments receive from different classes of property when they apply local tax rates. The term "local tax rate" represents the portion of property taxes that are raised by the decisions of local elected officials.

Although the state imposes the class rate system, it does not collect property taxes, with the exception of the recently enacted state property tax on business and resort properties, part of the 2001 reform to help fund the state takeover of the K-12 general education levy.

Minnesota's historic preference for keeping property taxes lower on homes than on other types of property has been steadily shrinking over the past 10 years. The biggest single changes for homeowners came as a result of the major property tax overhaul of 2001, but due to the state takeover of the local general education levy and large, one-time property tax cuts that were also part of the reform, it is very difficult to gauge the impacts of all the changes.

Before the property tax reform of 2001, there were several reforms in the 1990s, some of which were part of an effort to bring Minnesota's business property taxes down, and out of the top 10 nationally. One of those changes established "market value" levies for voter referenda that are used to raise taxes for operating schools and to fund initiatives in some cities and counties. These levies are voter-approved and are not subject to the state class rate system, so homes, businesses, apartments and all other classes of property are taxed strictly on market value. The effect has been to remove the benefit homes receive from the class rate system and to treat all properties the same when residents of a community vote for higher taxes to benefit school operations, and in some cases, specific initiatives of their city or county.

Reducing property taxes on businesses should help Minnesota maintain, and hopefully increase, business activity, workforce participation, and growth in personal income. But what hasn't been talked about much, and what is not yet known, is whether the historically low property taxes on Minnesota homes (compared with other states) will change, and whether higher taxes on homes will jeopardize Minnesota's rate of homeownership, currently the highest in the nation.

Market value levies drive tax increases

Overall, from 2003 to 2004, communities across the metro area reduced local property tax

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rates. Only nine out of 111 communities included in the Citizens League survey saw increased total local property tax rates. Tax rates declined widely among all the local levies that are subject to the state class rate system in 2004:

▲ County local tax rates decreased in all seven metro counties.

▲ City or township local tax rates decreased in 90 of 111 communities.

▲ School district local tax rates decreased in 86 of 111 communities.

▲ Intermediate district local tax rates, which are extremely low, decreased in all the communities where it exists.

▲ Special district local tax rates decreased in 103 of 111 communities.

But that doesn't mean that homeowners in all but nine metro communities saw their actual taxes go down because two other factors play a big role in determining whether homeowners pay more in taxes from year to year.

The first big factor is one we have tracked for years at the Citizens League, assessed market value (shown in Tables 1-3 as the Average Value Home). If the market value of your home increases, you pay more in property taxes even when the same local tax rate is applied, so the trade-off between lower rates and higher market value is different for each home.

In 109 of 111 communities, assessed market values rose, on average, by more than 10 percent in 2004. That is part of the reason why 92 out of 111 communities saw property taxes increase on an average value home. The percent increase in taxes stayed largely behind the level of market value increase, exceeding 10 percent in 36 out of 111 communities. The average assessed market values of homes in the metro area varied widely in 2004, from $127,978 in Brooklyn Center to $520,440 in North Oaks.

Even with the strong increases in assessed market values, 19 communities in the metro area survey saw property taxes decrease on an average value home.

The second factor is more recent and is gaining impact: market value levies, which are also local property taxes, but are not subject to the state class rates and do not favor homes.

To discern the impact of market value levies, see Table 2 and the comparison of taxes on a hypothetical $195,000 home, which represents the average assessed market value across all 111 communities. By comparing a theoretical home that was valued at $195,000 in 2003 and 2004, we remove the effect of the market value increase from year-to-year and we can focus on the impact of the local tax rate in relation to the market value levy.

TABLE 1: 2004 TAXES ON HOMES IN 35 NON-METRO COMMUNITIES*

	$120,000 HOME			AVERAGE VALUE HOME				
Community (School District)	2004 Tax	2004 Rank	2003-04 % change	2004 avg. assessed market value (MV)	2004 Tax	2004 Rank	2003-04 Change in assessed MV (%)	2003-04 Change in tax (%)
Albert Lea (241)	$1,363	15	6.9%	$83,643	$837	29	7.5%	20.4%
Alexandria (206)	$971	34	0.7%	$118,631	$956	27	12.7%	19.5%
Austin (492)	$1,115	24	27.5%	$81,890	$642	32	7.3%	53.0%
Bemidji (31)	$1,643	3	1.7%	$78,735	$949	28	14.0%	18.1%
Brainerd (181)	$988	33	2.2%	$87,515	$620	33	10.2%	20.6%
Buffalo (877)	$1,152	23	3.9%	$165,135	$1,725	9	10.9%	17.6%
Cloquet (94)	$1,661	2	-2.2%	$93,246	$1,208	17	7.4%	7.2%
Duluth (709)	$1,302	20	-1.6%	$110,839	$1,174	19	13.7%	16.7%
Elk River (728)	$1,393	13	2.8%	$179,468	$2,267	1	12.3%	17.7%
Fairmont (2752)	$1,108	25	-1.5%	$77,810	$588	34	6.4%	6.1%
Faribault (656)	$858	35	-6.5%	$131,860	$980	25	11.4%	8.8%
Fergus Falls (544)	$1,025	30	2.9%	$91,528	$693	31	4.7%	11.1%
Hibbing (701)	$1,421	12	-1.6%	$66,983	$498	35	7.3%	2.0%
Hutchinson (423)	$1,793	1	18.6%	$119,200	$1,778	8	8.3%	31.0%
Mankato (77)	$1,077	28	-1.8%	$123,446	$1,119	21	5.9%	6.2%
Marshall (413)	$1,438	11	22.1%	$115,550	$1,371	15	5.9%	32.2%
Monticello (882)	$1,359	16	-------	$151,323	$1,811	6	--------	-------
Moorhead (152)	$1,464	9	-1.2%	$101,542	$1,182	18	6.9%	7.9%
New Ulm (88)	$1,370	14	-5.1%	$99,249	$1,068	23	4.9%	1.0%
North Branch (138)	$1,452	10	-------	$149,779	$1,905	4	--------	-------
North Mankato (77)	$1,096	27	-2.3%	$150,051	$1,464	14	9.1%	9.1%
Northfield (659)	$1,261	21	15.5%	$176,080	$2,024	2	10.8%	29.1%
Otsego (728)	$1,104	26	-------	$169,535	$1,713	10	--------	-------
Owatonna (761)	$1,353	17	1.5%	$128,267	$1,471	13	6.9%	10.4%
Red Wing (256)	$1,639	4	2.1%	$135,053	$1,892	5	9.5%	13.9%
Rochester (535)	$1,331	19	-3.3%	$142,164	$1,646	11	9.1%	7.8%
Sartell (748)	$1,341	18	-------	$152,083	$1,799	7	--------	-------
Sauk Rapids (47)	$1,559	5	-2.8%	$124,891	$1,638	12	6.8%	5.4%
St. Cloud (742	$1,189	22	-0.3%	$123,995	$1,241	16	11.3%	14.9%
St. Michael (885)	$1,031	29	-2.7%	$198,417	$1,947	3	11.9%	11.7%
St. Peter (508)	$1,021	31	-2.4%	$128,616	$1,121	20	11.6%	13.2%
Waseca (829)	$1,486	7	5.0%	$95,751	$1,110	22	8.8%	18.4%
Willmar (347)	$1,465	8	-2.1%	$90,188	$1,008	24	4.6%	4.0%
Winona (861)	$993	32	0.2%	$116,929	$958	26	7.8%	11.4%
Worthington (518)	$1,503	6	0.1%	$76,427	$822	30	2.2%	2.5%
AVERAGES	**$1,292**		**2.2%**		**$1,226**		**9.0%**	**14.1%**

* = Population of 9,000 or more

As stated earlier, only nine out of 111 communities in our survey saw total local tax rates increase, but 17 out of 111 metro communities saw taxes rise on a hypothetical $195,000 from 2003 to 2004. Why? The answer is that out of the 17 communities, 14 had increases in market value levies for school districts, and one—Minneapolis—also had a city market value levy increase. Of those 14 communities, eight actually reduced all local tax rates and any market value rates and still saw property taxes increase on a $195,000 home. For these eight communities, the increases were due entirely to the increase in the voter-approved market value levies to operate schools (see tax rate tables at **www.citizensleague.net**).

The increase in market value levies appears to be the driving reason why Minneapolis, which ranked fifth in 2002 and third in 2003, jumped to the first this year in terms of taxes on a $195,000 home, even after local tax rates for the county, school district and special district were reduced (the city local tax rate went up slightly). Market value tax rates for the school district and the city both increased, and these market value tax rates have a greater comparative "weight" on homes than local tax reductions under the class rate system.

Market value levies also affecting greater Minnesota

The effect of the market value levies is also showing up in the 80 counties outside the metro area. Of the 31 cities with populations greater than 9,000 that the survey tracked in 2003 and 2004, more than half (20 of 31) had an increase in the school market value tax rate. None of the 26

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Viewpoint

Why Minnesotans can't afford to forget the value of citizens

by Sean Kershaw

We're heading into one of the most important legislative sessions in a generation being told that it's all about the money. New taxes. No new taxes. Another $1 billion here. Another $1 billion not here.

Don't be fooled. How we define the problems and opportunities this legislative session determines how we allocate resources to address them.

The miracle that is Minnesota is not just about spending or a list of budgetary line-items. We have a proud 50-year history of investing in the capacity of Minnesotans to be better citizens—educated, hard-working, community-minded producers of commonwealth. We built a strong civic infrastructure of leaders and institutions supported by good budget and policy decisions.

But if we don't talk honestly about the these upcoming spending decisions, and our role in them as non-legislators, I fear we'll have the legislative equivalent of a bitter domestic cat-fight about how much to spend on new shingles—while the foundation slowly crumbles.

The critical question this legislative session is how Minnesota's policies and budget priorities can renew an investment in our civic infrastructure and capacity. The legislative process must help us ask better questions about policy, bring key institutions and leaders to the table, and fund better (more civic) policy solutions.

What are citizens?

Citizens are producers of good government, not passive consumers. Citizens are decision makers and problem-solvers, not complainers and problem-finders. Citizens look out for their own good and the common good. They reach out beyond their segregated "tribes" of ideology, sector, issue and geography. Citizens invest in future generations and sustainable policies, not in their own generous, entitled and short-term retirements. Citizens govern and get things done (ahem!). Citizens also have the responsibility to make good decisions in their workplaces, families, congregations, and communities. They don't pass the buck to the governor, legislators, or future generations.

Why citizens matter in this debate

This isn't just about what's right. Investing in these civic strategies turns out to be the best way to solve our most important policy and budget challenges. What's good is also good for us. Consider these three enormous policy and budget challenges.

Healthcare: We all have a role in determining what type of health system we need. The Durenberger Citizens' Forum started this process, and we have to continue it. At its worst, our current system blinds people who have coverage from the escalating costs of their own healthcare and lifestyle decisions, as well as the dramatic costs we all pay for not adequately insuring everyone.

A more civic and sustainable approach would reward people to be accountable in their decisions about their health, *and* promote the benefits and long-term savings of adequately covering all Minnesotans. Healthcare costs are the main cause of our budget growth, and will hit us like a train in the next few years. Can the "no new taxes" and the "consider more taxes" communities agree that this issue needs leadership from every sector and a better strategy than simply cutting or funding existing programs? Let's get honest about both individual responsibility and universal coverage.

Education: No amount of funding will close the achievement gap until we change the civic dynamics within schools and bring other institutions to the table. Schools work and children learn when parents, teachers and students are rewarded and encouraged to be active participants (citizens!) in the educational process, not passive clients of a bureaucracy. It can't just be the job of schools to "heal themselves." So far, most calls for more education funding have been tied to few reforms that increase the power of principals, teachers and parents—or the role of outside institutions like businesses and nonprofits. We know what works in education. Tie funding to these reform strategies (choice, site-based management, teacher compensation, small schools). Create real incentives to do the right thing, and have real discussions about the larger role of education, and the costs of not fixing our systems.

Transportation: We will have to spend money (lots of it) to improve access and infrastructure. But we can't build our way out of congestion until citizens are put in the drivers' seat and given more honest pricing choices in their transportation options. (Stay tuned for our upcoming report on transportation pricing!)

Why bother?

These reforms may be difficult, and sometimes costly, but we have no choice. Neither investing in more government or simply cutting government will achieve a better outcome. Unless we create new opportunities to invest in our civic capacity and infrastructure, we won't be able to afford our future. We can't afford to let this session slip by us either! **MJ**

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What do the rankings mean?

To arrive at a constant value for comparing taxes among communities, we computed the average home values for the 111 metro communities with a population greater than 2,500, in non-metro communities with a population greater than 9,000, and in non-metro communities with a population between 4,000 and 9,000. Hypothetical home values of $115,000, $120,000 and $195,000 are used as a way of making a comparison between communities.

The new values were used to recalculate the data from the 2003 survey where the values were $100,000 and $160,000.

A high ranking in this comparison shows that a community pays relatively high taxes per dollar of homestead property—a high tax rate not sufficiently offset by tax relief, such as the market value credit and the taconite credit.

It is important to remember that total property taxes reflect the spending decisions of several layers of local government. High tax rates indicate high government spending—by cities, schools, counties or special districts, like hospital districts or watershed districts—relative to a community's property tax base. Sometimes a particularly high tax rate set by one level of government can pull a community into a high ranking, even if the other levels of government have more moderate tax rates. This comparison does not account for differences in communities' assessment practices.

A community's property tax base can vary depending on several factors: the value of homes; the amount of commercial-industrial property—which adds more tax base per dollar of property value than homestead property; the amount of agricultural homestead property—much of which adds less tax base per dollar of value than residential homestead property; and the amount of tax base available because of tax-increment financing (TIF).

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TABLE 2: 2004 TAXES ON HOMES IN 111 METROPOLITAN COMMUNITIES

	$195,000 HOME			AVERAGE VALUE HOME				
Community (school district)	2004 tax	2004 rank	2003-04 % change	2004 Avg. assessed market value (MV)	2004 tax	2004 rank	2003-04 change in assessed MV(%)	2003-04 change in tax (%)
ANOKA COUNTY								
Andover (11)	$1,864	86	-15.0%	$207,757	$2,010	67	11.7%	-3.0%
Anoka (11)	$2,107	64	-14.2%	$151,905	$1,559	99	12.2%	-1.9%
Blaine (11)	$1,991	76	-14.3%	$168,775	$1,673	93	13.7%	-0.3%
Burns Twp (15)	$1,382	110	-6.3%	$219,005	$1,598	97	11.9%	7.8%
Centerville (12)	$2,454	17	-5.6%	$182,756	$2,277	51	11.9%	7.5%
Circle Pines (12)	$2,365	30	-1.1%	$151,902	$1,760	86	11.4%	12.9%
Columbia Hts (13)	$2,146	56	1.4%	$129,839	$1,304	111	11.7%	17.5%
Columbus Twp (831)	$1,983	78	-11.1%	$201,901	$2,066	65	11.3%	0.9%
Coon Rapids (11)	$1,936	81	-12.5%	$152,889	$1,438	107	12.0%	0.0%
East Bethel (15)	$1,721	98	-6.2%	$175,075	$1,507	103	12.4%	8.3%
Fridley (14)	$2,022	73	-10.9%	$152,137	$1,496	104	12.2%	2.0%
Ham Lake (11)	$1,710	100	-16.0%	$217,984	$1,956	71	11.8%	-3.9%
Lino Lakes (12)	$2,196	49	-6.4%	$218,517	$2,506	38	11.5%	6.2%
Linwood Twp (831)	$1,732	96	-18.3%	$178,374	$1,553	100	14.0%	-4.6%
Oak Grove (15)	$1,812	90	-7.0%	$196,304	$1,827	82	10.7%	5.1%
Ramsey (11)	$2,035	72	-13.3%	$190,313	$1,977	68	11.2%	-1.8%
Spring Lake Park (16)	$2,317	35	-6.8%	$144,707	$1,623	96	11.6%	6.1%
St. Francis (15)	$1,802	92	-13.0%	$160,295	$1,415	109	12.0%	-0.4%
CARVER COUNTY								
Chanhassen (112)	$2,679	9	-5.4%	$270,324	$3,858	10	10.4%	5.7%
Chaska (112)	$2,293	37	-1.6%	$209,342	$2,489	39	12.0%	22.6%
Norwood Young America (108)	$2,392	21	4.2%	$130,854	$1,482	105	10.3%	18.6%
Victoria (112)	$2,691	8	-4.6%	$298,152	$4,311	9	10.4%	6.4%
Waconia (110)	$2,127	62	-10.2%	$194,709	$2,123	61	14.8%	5.5%
Watertown (111)	$2,243	43	-2.4%	$157,902	$1,746	89	14.4%	15.0%
DAKOTA COUNTY								
Apple Valley (196)	$2,090	66	-7.4%	$202,341	$2,182	57	11.2%	4.9%
Burnsville (191)	$1,990	77	-10.5%	$190,744	$1,938	72	11.5%	1.7%
Eagan (196)	$1,882	85	-7.4%	$212,303	$2,082	64	11.9%	5.9%
Farmington (192)	$2,052	70	-10.2%	$179,474	$1,859	79	12.5%	3.2%
Hastings (200)	$2,287	38	14.3%	$171,265	$1,964	70	12.0%	32.0%
Inver Grove Hts (199)	$1,812	91	-10.2%	$202,100	$1,891	77	12.4%	3.2%
Lakeville (194)	$2,004	74	-1.5%	$233,059	$2,467	40	12.2%	12.6%
Mendota Hts (197)	$1,512	108	-6.5%	$280,726	$2,340	46	10.4%	5.4%
Ravenna Twp (200)	$1,613	103	17.7%	$224,899	$1,917	74	10.2%	32.0%
Rosemount (196)	$2,333	33	-8.8%	$208,455	$2,520	37	14.2%	6.3%
S. St. Paul (996)	$2,284	39	4.2%	$140,102	$1,536	101	12.6%	21.5%
W. St. Paul (197)	$1,797	93	-1.3%	$162,064	$1,431	108	12.1%	7.6%
HENNEPIN COUNTY								
Bloomington (271)	$2,202	48	1.1%	$198,155	$2,243	52	11.8%	15.3%
Brooklyn Center (279)	$2,806	3	-13.1%	$127,978	$1,714	90	12.5%	-0.9%
Brooklyn Park (279)	$2,557	12	-15.7%	$163,964	$2,091	63	15.7%	-0.5%
Champlin (11)	$2,283	40	-13.5%	$186,963	$2,174	58	13.3%	-0.2%
Corcoran (877)	$2,388	23	-3.3%	$256,781	$3,263	14	12.8%	10.8%
Crystal (281)	$2,672	10	0.4%	$140,946	$1,828	81	12.9%	16.4%
Dayton (11)	$2,379	27	-17.4%	$218,846	$2,715	28	13.0%	-4.9%
Deephaven (276)	$2,158	53	-7.9%	$472,947	$5,713	2	12.8%	4.6%
Eden Prairie (272)	$2,155	54	-8.4%	$283,440	$3,301	13	12.4%	4.7%
Edina (273)	$2,204	47	-6.2%	$315,587	$3,798	11	12.1%	6.7%
Excelsior (276)	$2,448	19	-8.1%	$249,496	$3,236	15	12.8%	5.4%
Golden Valley (281)	$2,770	5	-0.5%	$212,347	$3,049	18	12.5%	13.6%
Greenfield (883)	$2,358	31	-6.5%	$274,709	$3,474	12	13.7%	8.1%
Hassan Twp (728)	$2,083	68	-1.7%	$253,053	$2,814	21	13.7%	13.9%
Hopkins (270)	$2,742	6	-2.8%	$169,904	$2,341	45	12.0%	10.9%
Independence (879)	$2,513	15	-5.5%	$355,060	$4,881	6	14.2%	9.4%
Maple Grove (279)	$2,332	34	-16.3%	$216,570	$2,632	34	12.5%	-4.2%
Medina (278)	$1,682	101	-9.0%	$463,134	$4,462	8	12.0%	2.9%
Minneapolis (991)	$2,904	1	-1.2%	$154,447	$2,222	54	13.4%	14.5%
Minnetonka (270)	$2,224	44	-4.5%	$257,213	$3,053	17	11.7%	8.3%
Minnetrista (277)	$1,951	80	-12.3%	$413,916	$4,560	7	9.3%	-2.4%
Mound (277)	$2,161	52	-7.6%	$207,059	$2,318	49	14.0%	7.7%

Property taxes *from page 4*

TABLE 2: 2004 TAXES ON HOMES IN 111 METROPOLITAN COMMUNITIES, cont.

	$195,000 HOME			AVERAGE VALUE HOME				
Community (school district)	2004 tax	2004 rank	2003-04 % change	2004 Avg. assessed market value (MV)	2004 tax	2004 rank	2003-04 change in assessed MV(%)	2003-04 change in tax (%)
New Hope (281)	$2,821	2	-0.6%	$165,178	$2,333	48	12.2%	13.7%
Orono (278)	$1,725	97	-8.7%	$519,833	$5,122	4	14.5%	5.5%
Osseo (279)	$2,371	29	-15.8%	$147,262	$1,693	91	12.1%	-4.7%
Plymouth (284)	$2,066	69	-3.8%	$247,590	$2,723	27	10.3%	7.8%
Richfield (280)	$2,311	36	-1.8%	$155,441	$1,767	85	11.8%	12.5%
Robbinsdale (281)	$2,709	7	-1.4%	$134,511	$1,753	87	12.1%	13.2%
Rogers(728)	$2,561	11	-4.5%	$210,407	$2,793	22	9.3%	5.7%
Shorewood (276)	$2,387	24	-7.2%	$374,491	$4,928	5	13.3%	6.6%
St. Anthony (282)	$2,794	4	7.3%	$172,309	$2,426	42	12.3%	23.2%
St. Louis Pk (283)	$2,500	16	-3.5%	$174,469	$2,198	55	12.4%	10.7%
Wayzata (284)	$2,130	61	-4.5%	$484,419	$5,779	1	12.8%	8.1%
RAMSEY COUNTY								
Arden Hills (621)	$2,140	57	7.3%	$228,408	$2,570	35	11.6%	21.7%
Falcon Hts (623)	$2,088	67	-2.7%	$201,105	$2,165	59	11.5%	10.6%
Lauderdale (623)	$2,390	22	4.9%	$131,918	$1,363	110	12.4%	11.5%
Little Canada (623)	$2,155	55	-2.9%	$169,690	$1,827	83	13.2%	12.8%
Maplewood (622)	$2,449	18	-9.0%	$173,940	$2,145	60	12.4%	4.1%
Mounds View (621)	$2,546	13	11.1%	$152,890	$1,915	76	11.6%	27.7%
New Brighton (621)	$2,382	25	7.0%	$191,625	$2,334	47	11.5%	21.6%
North Oaks (621)	$1,851	87	7.9%	$520,440	$5,466	3	10.2%	18.0%
N. St. Paul (622)	$2,245	42	-8.8%	$152,826	$1,679	92	12.5%	4.8%
Roseville (623)	$2,135	58	0.5%	$178,867	$1,928	73	11.2%	14.3%
Shoreview (621)	$2,212	46	5.9%	$205,311	$2,348	44	12.0%	20.9%
St. Paul (625)	$2,357	32	-5.0%	$138,860	$1,571	98	13.8%	11.2%
Vadnais Hts (624)	$2,124	63	-3.8%	$193,381	$2,103	62	10.7%	8.5%
White Bear Lk (624)	$2,191	50	-4.9%	$170,151	$1,864	78	12.1%	9.0%
White Bear Twp (624)	$2,133	59	-4.6%	$207,512	$2,294	50	13.1%	10.3%
SCOTT COUNTY								
Belle Plaine (716)	$2,098	65	-5.1%	$150,361	$1,533	102	14.9%	12.6%
Cedar Lake Twp (721)	$1,561	106	0.2%	$277,355	$2,378	43	15.1%	18.1%
Credit River Twp (719)	$1,715	99	-6.0%	$288,097	$2,712	29	15.8%	11.6%
Jordan (717)	$2,275	41	-9.8%	$156,460	$1,752	88	16.1%	7.6%
New Market Twp (194)	$1,733	95	-8.9%	$301,995	$2,888	20	13.2%	5.4%
Prior Lake (719)	$2,404	20	-7.9%	$221,931	$2,787	24	12.5%	5.4%
Savage (191)	$2,381	26	-3.4%	$216,057	$2,679	30	10.7%	8.5%
Shakopee (720)	$1,927	82	-7.3%	$185,473	$1,814	84	12.6%	6.9%
Spring Lake Twp (719)	$1,831	89	-6.5%	$266,801	$2,642	33	13.9%	8.8%
WASHINGTON COUNTY								
Afton (834)	$1,625	102	-15.2%	$305,343	$2,755	26	12.5%	-2.1%
Bayport (834)	$2,047	71	-11.2%	$184,451	$1,916	75	13.1%	2.7%
Cottage Grove (833)	$2,374	28	-6.8%	$170,967	$2,036	66	12.5%	6.9%
Forest Lake (831)	$1,741	94	-11.5%	$203,518	$1,834	80	12.3%	1.8%
Grant (832)	$1,494	109	-11.6%	$363,330	$3,105	16	12.5%	2.1%
Hugo (624)	$1,979	79	-5.5%	$212,914	$2,195	56	11.4%	7.3%
Lake Elmo (834)	$1,596	105	-17.0%	$312,239	$2,780	25	13.5%	-3.0%
Mahtomedi (832)	$1,921	83	-9.2%	$257,763	$2,659	32	13.1%	4.8%
May Twp (834)	$1,514	107	-11.7%	$326,709	$2,788	23	12.8%	2.2%
New Scandia Twp (831)	$1,904	84	-8.5%	$241,563	$2,448	41	10.8%	3.3%
Newport (833)	$2,515	14	-7.0%	$158,160	$1,969	69	12.5%	6.7%
Oak Park Hts (834)	$1,841	88	-13.2%	$177,987	$1,648	95	11.6%	-1.1%
Oakdale (622)	$2,003	75	-11.6%	$167,313	$1,666	94	12.1%	1.1%
St. Paul Park (833)	$2,214	45	-4.8%	$136,786	$1,442	106	12.6%	10.2%
Stillwater (834)	$2,133	60	-10.9%	$203,249	$2,239	53	12.3%	2.1%
Stillwater Twp (834)	$1,606	104	-14.2%	$326,324	$2,938	19	12.2%	-1.3%
W. Lakeland Twp (834)	$1,266	111	-16.9%	$346,747	$2,540	36	11.0%	-4.7%
Woodbury (833)	$2,184	51	-10.6%	$231,825	$2,667	31	12.6%	2.6%
AVERAGES	**$2,138**				**$2,428**		**12.3%**	**7.5%**

Source: Minnesota Department of Revenue; calculations by the Citizens League

Rankings, continued

Average-value homes. We calculated the average estimated market value for each community and compared taxes on these average-value homes. This analysis gives a better sense of what homeowners in various communities actually pay in property taxes. But because the analysis reflects differences in tax rates and differences in value, a high ranking can mean that a community either has a high average home value, a high tax rate, or both.

None of the analyses account for the special targeted property-tax refund intended to help offset large increases in taxes since homeowners must individually apply for that refund. Also not factored is the circuit breaker refund, which is dependent on homeowner incomes.

What do those school district numbers mean?

Each community in the property tax survey is associated with a school district (listed in parentheses) since school taxes are a key part of total property taxes. For example, the top metro and nonmetro cities are listed as Andover (11) and Albert Lea (241). That means the property tax figures used for Andover are for the portion of the city located in school district 11.

Some cities are located entirely in one school district. Others are split among two or even three districts. We chose which district to associate with each community by choosing the one with the highest number of non-agricultural residential homesteads.

Property taxes continued on page 7

OnBalance

Views From Around the State

State lawmakers should debate the fate of smoke-filled rooms, editors agree, and the budget battle begins

"To allow smoking in public places like bars and restaurants, or not allow it," that is the question Duluth residents have been mulling for years. Now it's time for the state's lawmakers to take up debate on a statewide ban on smoke-filled rooms when they return to the Capitol in January, suggests the **Duluth News Tribune** (11/20). "Let's have the debate, and have it this session. Several of the nation's largest states have led the way, and Minnesota can't ignore this issue any longer. … Minnesota is one of the few places where a mere handful of communities … have enacted bans while state lawmakers appear to have looked the other way," the paper continued. "Minnesota should have a level playing field so that cities such as Duluth are surrounded by nearby communities that lure business away from city establishments. … It's a health issue, which almost goes without saying in these discussions of justified or unjustified individual 'rights.' Who has the right to endanger someone else's health – someone like a waiter serving in a restaurant? Health trumps rights every time."

The **Rochester Post-Bulletin** (11/30) agrees. "Ban smoking statewide," declares the paper. "Some opponents to a statewide ban also contend it is a violation of individual rights to tell business owners what customers can and can't do on private property," the paper admits. "But, as we've stated in this space before, the state or municipality's responsibility to protect its residents from toxins – whether they're contained in meat, water or cigarette smoke—far outweighs an individuals right to conduct business as he or she pleases."

The **Fergus Falls Daily Journal** (11/12) is more tentative in its support of a statewide indoor smoking ban. Any legislation that is passed should focus on employee health, rather than on restricting smokers' choices, the paper urges. "Although we do not think a government should force social and lifestyle choices on its citizens, we do agree with those that argue that second-hand smoke in bars and restaurants is harmful to the establishments' employees," writes the paper. "The governor may be willing to sign a smoking ban into law, but we would urge that that ban be one that is carefully focused on protecting workers rather than removing choices for the public at large."

"[Gov. Tim] Pawlenty said he would support a smoking ban if the Legislature passes one, even if some in his party oppose it. Thank you, governor!" lauds the **West Central Tribune** (11/12). "[Senate Majority Leader Dean] Johnson said there is interest in a statewide ban to provide a level playing field for all. Thank you, senator! The scientific evidence is clear—secondhand smoke kills. A smoky bar has 50 times more cancer-causing particles in the indoor air than a city street filled with diesel truck fumes. Indoor air ventilation systems do not adequately exchange the air quickly enough to eliminate the cancer-causing chemicals. …It's time for the non-smoking silent majority to start speaking up—the louder the better."

Isn't there room for compromise, asks the **Worthington Daily Globe** (12/2). "A blanket smoking ban remains a tough sell" warns the paper. "House Speaker Steve Sviggum, himself a non-smoker who stands in opposition of a ban, was correct when he said recently that smoking bans intrude on personal lives. … That is true. Banning smoking in bars, where smokers naturally congregate seems extreme. But then again, without public bans of some kind, smokers' smoke will continue intruding into non-smokers' personal space with damaging results."

The **Bemidji Pioneer** (12/9) calls on Gov. Pawlenty to "explore all options" to address the state's growing budget crisis. The 2006-2007 budget is projected to be between $700 million and $1.4 billion in the red—depending on what political party you're affiliated with and whether you account for inflation. "It's a figure clearly out of reach from simply using budget reserve dollars or trimming spending here and there," the paper argues. … "Solving the current budget dilemma will call for innovative solutions—requiring that all options be put on the table and thoroughly explored. Many Minnesotans who were asked to 'share the pain' the last time would quickly argue that some shared more than others, and this time want a careful mix that strengthens the quality of life we enjoy, not diminish it."

The rising cost of health care is to blame for the budget crisis, according to the **Rochester Post-Bulletin** (12/4). Health care already eats up a significant portion of the state's resources—and in the next 15 years it is expected to consume 85 percent of the state's budget. So what can be done? The paper dismisses solutions such as cutting benefits, raising taxes, restricting access to state health programs and putting the squeeze on providers. "The real fix is a big picture change. The presidential election was a failed chance to develop a mandate for a national solution to health-care cost escalation, but that doesn't mean President Bush can't pick up the baton," urges the paper. "In the near term Minnesota needs to find a solution that pays dividends right now. Somehow, the Legislature and Pawlenty need to find a way that protects the vulnerable, isn't a blatant cost shift, but also doesn't ask taxpayers to write unsustainable checks."

The **West Central Tribune** (12/3) warns that the governor's handling of the budget crisis will have lingering effects. "There are no more $1 billion tobacco endowment piggy banks to raid. With the governor's no-tax pledge meaning no new revenues, fixing this $1.4 billion deficit will require a lot of budget cuts. If the state budget is balanced with all cuts in addition to recent trends of growing property taxes, mortgaging our state's education legacy, a declining transportation system and skimping on critical government services, Minnesota's future will suffer in the long term as well as Pawlenty's legacy," warns the paper. "It is something for the governor to think about." **MJ**

Property taxes *from page 5*

from page 5

counties currently assess market value tax levies and only one city out of three total (Northfield) saw an increase in its city market value tax rate.

In greater Minnesota in 2004, slightly more than half of the cities saw taxes increase on homes valued at $120,000, the average value of a home for non-metro cities with populations greater than 9,000 (see Table 1). Of the 16 cities that saw taxes increase, 11 had increases in market value levies. Total local tax rates—property taxed through the state class rate system—actually decreased in eight of 11 cities that had market value increases, but the weight of the market value levy increases more than offset decreases in the local tax rates.

The relative change between Waseca and Willmar illustrates what happens when a significant market value tax rate increase occurs. After ranking 11th on the average value home comparison in 2003, Waseca's city, county and school district all significantly reduced local tax rates in 2004. But the first year of a school "market value" tax levy added about $200 to property taxes on a $120,000 home and Waseca moved up in the rankings from 11th in 2003 to seventh in 2004. Willmar, where local tax rates at the city, school district and special district all increased, actually dropped from seventh to eighth behind Waseca, however Willmar had no market value tax increases.

In these largest 31 non-metro cities, increases in market value were usually significant, but much more uneven than the metro area with 11 of 31 cities experiencing increases of more than 10 percent. Nineteen of the 31 cities had tax increases greater than 10 percent on the average value home (see Table 1). The average market values in these cities ranged from $66,983 in Hibbing to $198,417 in St. Michael.

In 2004, our group of non-metro cities with populations greater than 9,000 expanded from 31 to 35, and now includes Sartell, North Branch, Monticello and Otsego. Hutchinson had the highest tax on a $120,000 home out of the 35 non-metro cities, moving up from fifth in 2003. Hutchinson had a large increase in its voter-approved market value tax rate, but county and city local tax rates also increased.

TABLE 3: 2004 TAXES ON HOMES IN 50 NON-METRO COMMUNITIES*

County	Community (School District)	$115,000 HOME 2004 Tax	2004 Rank	AVERAGE VALUE HOME 2004 avg. assessed market value	2004 Tax	2004 Rank
Becker	Detroit Lakes (22)	$1,219	32	$107,697	$1,118	33
Beltrami	Northern Twp (31)	$1,326	23	$126,609	$1,498	16
Carlton	Thomson Twp (99)	$1,451	17	$127,496	$1,649	12
Chippewa	Montevideo (129)	$1,775	5	$66,234	$873	41
Chisago	Wyoming Twp (831)	$1,097	38	$201,904	$2,207	1
Cottonwood	Windom (177)	$1,728	6	$68,251	$881	40
Crow Wing	Baxter (181)	$900	46	$148,915	$1,276	27
Crow Wing	1st Assessment Unorg (181)	$560	50	$149,688	$841	42
Dodge	Kasson (204)	$1,285	28	$121,322	$1,376	21
Douglas	La Grand Twp (206)	$764	48	$174,594	$1,353	24
Douglas	Alexandria Twp (206)	$702	49	$169,243	$1,209	31
Goodhue/Wabasha	Lake City (813)	$1,040	39	$121,305	$1,118	34
Houston	La Crescent (300)	$1,259	30	$128,570	$1,452	17
Isanti	Cambridge (911)	$1,618	12	$130,880	$1,893	3
Isanti	Isanti (911)	$1,537	15	$122,162	$1,656	11
Itasca	Grand Rapids (318)	$1,680	11	$96,766	$1,355	22
Koochiching	International Falls (361)	$1,188	34	$59,130	$445	48
Koochiching	Unorganized #98 (363)	$941	44	$56,504	$290	50
Le Sueur	Le Sueur (2397)	$1,231	31	$116,012	$1,245	29
Le Sueur/Scott	New Prague (721)	$1,330	22	$156,386	$1,943	2
McLeod	Glencoe (2859)	$1,485	16	$109,882	$1,402	18
Meeker	Litchfield (465)	$1,317	24	$97,126	$1,054	36
Mille Lacs/Sherburne	Princeton (477)	$1,683	10	$111,888	$1,628	13
Morrison	Little Falls (482)	$1,436	19	$88,918	$1,026	37
Olmsted	Stewartville (534)	$1,310	25	$131,446	$1,551	15
Olmsted	Byron (531)	$1,288	27	$135,320	$1,581	14
Olmsted	Marion Twp (535)	$1,012	40	$143,406	$1,354	23
Pennington	Thief River Falls (564)	$2,009	3	$65,291	$989	38
Pipestone	Pipestone (2689)	$2,066	2	$54,603	$805	43
Polk	Crookston (593)	$2,133	1	$58,518	$918	39
Polk	East Grand Forks (595)	$1,695	7	$98,041	$1,390	20
Redwood	Redwood Falls (2897)	$1,694	8	$87,524	$1,200	32
Rock	Luverne (2184)	$1,174	35	$74,199	$627	45
Sherburne	Big Lake (727)	$1,289	26	$140,440	$1,657	10
Sherburne	Big Lake Twp (727)	$995	41	$188,966	$1,875	5
Sherburne	Livonia Twp (728)	$975	43	$192,788	$1,887	4
Sherburne	Becker Twp (726)	$901	45	$190,894	$1,741	8
Sherburne	Baldwin Twp (477)	$775	47	$162,550	$1,249	28
St. Louis	Chisholm (695)	$1,856	4	$54,341	$534	47
St. Louis	Rice Lake Twp (709)	$1,396	20	$115,320	$1,401	19
St. Louis	Hermantown (700)	$1,270	29	$149,838	$1,767	7
St. Louis	Virginia (706)	$1,157	36	$62,492	$327	49
Stearns	Sauk Centre (743)	$1,687	9	$96,197	$1,350	25
Stearns	Waite Park (742)	$1,352	21	$112,331	$1,312	26
Stearns	St. Joseph (742)	$1,195	33	$117,957	$1,236	30
Stevens	Morris (769)	$1,592	13	$83,624	$1,056	35
Wadena	Wadena (2155)	$1,589	14	$65,840	$759	44
Watonwan	St. James (840)	$1,449	18	$61,571	$616	46
Wright	Delano (879)	$1,121	37	$170,889	$1,847	6
Wright	Albertville (885)	$977	42	$174,587	$1,675	9
AVERAGES		**$1,330**			**$1,270**	

* = Population from 3,920 to 8,999

Fifty communities added

The 2004 survey also marks the beginning of a broader look at property taxes throughout Minnesota as we establish the baseline year of data for residential homestead property taxes in 50 non-metro communities with populations between 4,000 and 9,000 (see Table 3). This is a widely divergent group which includes old regional centers that are not growing, and fast-growing rural residential areas. The average assessed market values in these 50 communities ranged from $54,301 in Chisholm, St. Louis County, to $201,904 in Wyoming Township, Chisago County. Not surprisingly, the regional centers (Crookston, Pipestone, Thief River Falls, Chisholm and Montevideo) that are not experiencing growth have much lower average market values and the highest taxes on a hypothetical $115,000 home, which represents the average assessed market value across those 50 communities. **MJ**

For detailed tables on the rate changes and the amounts raised by each component of the property tax, visit **www.citizensleague.net.**

TakeNote Policy Tidbits

Chicago is getting creative at raising money. Faced with a $220 million budget deficit in 2005, the city has turned for help to online auctioneer E-bay.com, reported the *Chicago Sun Times*. The Chicago Department of Cultural Affairs, which has seen its funding dwindle for the past several years, is sponsoring the auction. Items include the original marquee signs from the Chicago Theater, membership in the Meat-of-the-Month Club, a tour of the University of Chicago dinosaur lab, a decommissioned parking meter and artwork by dozens of local artists. Other items were auctioned off in early December: the chance to dye the Chicago River green for St. Patrick's Day sold for $7,600 and a tour of the rooftop garden of the Chicago City Hall—guided by Mayor Richard Daley—sold for $5,100. The Department of Cultural Affairs expected to make at least $250,000 on the auction by the time the sale wrapped up Dec. 21.

Couples in Maricopa County, Ariz., can now file for divorce online. A Superior Court website, called E-court, walks applicants through the required documents one question at a time and ensures that they are prepared for a hearing in Family Court. Once the paperwork is complete, applicants can print their records and schedule a hearing as early as the following day. Arizona requires a 60-day "cooling off" period between filing for divorce and finalizing a divorce, but the E-court can cut down the amount of time couples wait for a hearing. "For someone in the system, it's the worst time of their life," said Family Court Judge Norman J. Davis. "Their kids are in limbo. Their finances are reeling, or they're not really sure what they can count on tomorrow. And all the emotions they go through: if you put a confused, protracted litigation in their path with complex rules of civil litigation, you can destroy what's left of the family relationships." **www.azcentral.com**

Community and family factors influence whether youth become involved in violent activities, according to a new report by the Center of Adolescent Health and Development. According to a national study on adolescent health, both boys and girls were less likely to be involved in violent behavior when they felt connected to their school, family and adults outside their immediate family; felt safe in their neighborhoods; spent time with and were able to discuss problems with their parents; and believed that their parents had high expectations for their school performance. Individual factors mattered, too.

Adolescents who were religious or who had a high grade-point average were also less likely to be involved in violent behavior. Adolescents who perceived prejudice among students at school, those who had a friend or family member who attempted or committed suicide and boys who had access to a firearm at home were more likely to be involved with violence. For more information, visit **www.allaboutkids.umn.edu**

Metropolitan economies are the engines of U.S. economic growth. In 2003, U.S metros accounted for 85.4 percent of the nation's Gross Domestic Product and 88.6 percent of labor income. That's according to the U.S. Conference of Mayors, which released its sixth annual "Metro Economies" report in October. The report also shows cause for concern: U.S. metropolitan areas employed 109 million workers in 2003, accounting for 84 percent of total national employment. Ninety percent of the nation's job growth through 2005 will occur within metro areas, but 13 of the 20 largest metros saw zero or negative job growth in 2003. **www.usmayors.com**

Is Mississippi more generous than Minnesota? The Catalogue for Philanthropy thinks so. In November, the Boston-based organization released a Generosity Index that listed Mississippi as the most generous state in the union. Minnesota ranked 45th. The Generosity Index is calculated by ranking states both in order of wealth (the "having rank") and in order of giving (the "giving rank"). The difference between those numbers determines the rankings: Minnesota was 12 in having and 37th in giving, giving the state a Generosity Index score of –25. Critics are quick to point out that the index only counts charitable giving that was itemized on income tax returns and that it doesn't take into consideration the needs of the state relative to the amount that is given. **www.catalogueforphilanthropy.org**

Speaking of rankings … the United Health Foundation ranked Minnesota as the healthiest state in the nation, a position the state has held for nine of the 15 years that the ranking has been calculated. The Institute for Women's Policy Research ranked Minnesota as the third best economy for women, second for women's health and well-being and 17th for women in politics. The Morgan Quitno America's Safest Cities award ranked Minneapolis as the 25th most dangerous city in the United States; St. Paul ranked 99th. Both cities improved from last year; St. Paul by a greater margin than Minneapolis. The Minneapolis-St. Paul metropolitan area is the 139th most dangerous metro area of the 252 metro regions included in the report. The safest city? Honolulu. **www.morganquitno.com** **MJ**

Take Note compiled by Citizens League staff.

PERIODICALS

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