

September 21, 1971

### Administrative Auditor's Responsibilities

Although some of the language in the bill referring to the administrative auditor might seem to indicate quite a bit of work on his part, actually it is just not that extensive.

- I. His first job is to determine for each municipality in the metropolitan area, its percentage share of the areawide tax base.

This step is worked out totally independent of the process of tax base sharing. Here is what happens:

- \* The Metropolitan Council reports estimates of current population to the State Auditor. The Department of Taxation reports correct market value of real property to the State Auditor. The State Auditor then calculates fiscal capacity of each municipality in the metropolitan area and average fiscal capacity for all municipalities in the metropolitan area. He calculates fiscal capacity by dividing a municipality's market value of real property by its population. He calculates average fiscal capacity by dividing the total market value of real property in the metropolitan area by the total population of the metropolitan area.

The state Auditor then submits his figures to the administrative auditor, which will be the fiscal capacity for each municipality, the average fiscal capacity for all municipalities, and the population of each municipality.

- \* Using the figures supplied by the State Auditor, the administrative auditor proceeds to calculate each municipality's percentage share of the areawide tax base. That takes place in a two-step process:

--In the first step, the administrative auditor calculates what the law calls a "distribution index" for each municipality. The distribution index might also be called an adjusted population figure because, in effect, the administrative auditor will adjust a municipality's population based on whether its fiscal capacity is above or below average fiscal capacity for all municipalities in the metropolitan area. The law requires him to use this formula for calculating the distribution index:

$$\left( \begin{array}{l} \text{Municipality's} \\ \text{Population} \end{array} \right) \times \left( \frac{\text{average fiscal} \\ \text{capacity for all} \\ \text{municipalities}}{\text{this municipality's} \\ \text{fiscal capacity}} \right) \times (2)$$

Example:

$$\text{Municipality "A"} \quad (10,000) \times \left(\frac{6,000}{5,000}\right) \times (2) = 24,000$$

or

$$\text{Municipality "B"} \quad (10,000) \times \left(\frac{6,000}{7,000}\right) \times (2) = 17,143$$

Thus, the distribution index for one municipality will be 24,000 and for the other municipality, 17,143, even though both have identical populations.

The law further provides that in no event shall the distribution index figure be lower than the population of a community. If this occurs, then its distribution index figure shall be increased to its population. For example:

$$\text{Municipality "C"} \quad (10,000) \times \left(\frac{6,000}{15,000}\right) \times (2) = 8,000$$

In such a case the law would require that the distribution index for that municipality be 10,000, not 8,000.

--In the second step, the administrative auditor adds together the distribution indexes for all municipalities in the metropolitan area, arrives at a total and then calculates the percentage which each municipality's distribution index bears to the total. The resulting percentage represents each municipality's percentage share of the areawide tax base.

2. The administrative auditor's second job is to determine the size of the areawide tax base. He does this by receiving from each county auditor the growth in commercial-industrial valuation in each municipality over 1971. He adds all of the growth together for all municipalities and takes 40 percent of the total. The result is the areawide tax base.
3. He then apportions the areawide tax base as determined in step two among all municipalities in the metropolitan area according to the percentages derived in step one. He then informs each county auditor of the amounts for municipalities in his county.
4. The administrative auditor receives from the various county auditors the dollar levies on the areawide tax base as calculated for each taxing district. He proceeds to add these levies together for the entire metropolitan area and arrives at the total dollar levy on the areawide tax base. He then calculates the tax rate in mills by dividing the total dollar levy by the areawide tax base. He reports this tax rate back to the individual county auditors. This completes his responsibilities.