EXISTING FISCAL POLICY

(Also known as "The Rules of The Game" and "The Facts of Life")

* Housing grouped by income — ess diff Mpls + suburban area or TCA as a whole

* Fairly large number of fairly small governmental units

[illegible] — loz sites for Ind, commercl, high + low res random — not fit govt pattern

* A preference for making fiscal decisions at This local level

Beyond fiscal: * only tax what plugs loz w/in unit borders!!

* Continued dependence on The property tax — 2 Aspects
— toward $400 mill/yr
— up 9+% a year
— annl incr = add'l 1¢ ea biennium to hold rates still

state policy keep u/p for state

THE CONSEQUENCES

* Increasing concentration of valuations in relatively few local units — market — shpg ctrs compl & ann — elec gen plants; Plng — maj implic 69 leg — mkt centers; zoning
* Growing disparity between fiscal resources and service needs — cf 60-68 trends; The "too far north" line
* A continuing pressure on local officials to do things that are 'profitable' for the local unit... though many of these are harmful to the environment and to orderly planning and development — ~~flood plains~~ aesthetics — area parks

coming in housing now — Q

= McHarg on TV re local offcls + open space

NEW OBJECTIVES ... AND A CHALLENGE

* To introduce incentives <u>also</u> to work for orderly development and protection of the environment ... and for the growth of the area as a whole

key: not to replace the others entirely

* To retain, meanwhile, a desirable pattern of strong local units
* To hold down the rise in the cost of government

(keep a useful pressure on to hold down mill rates

THE BASIC ALTERNATIVES

Reject alt spread dev evenly — all units of eesty gov't path

* A State or metropolitan unit (whether new or formed by consolidation) to levy the tax and distribute money to local units — eg Mpls writs which

Back to Wilbur: Give "local units" ~~or spread all dev't into units, regdless + solely for fiscal purposes~~

* A new approach, permitting local units to reach the valuations in the area even if not located within their own borders — This what here to talk @ ... show how work

THE NEW APPROACH: Step 1

Essential idea: Rev coll for svcs ve people, not lor –
Already in inc + sales (67) – Here, just breaking tie btw
lor bldgs + coll of prop

* Choose the base (classifications) – policy dec for leg
  - All … including residential?
  - Commercial/Industrial only?

    Choose CI – lrg res local key pol control, as seen later

* Establish the valuation for whichever base is chosen: How many dollars?

Assessor reports this

Step 2

* Decide what part of this base to share

- Growth only (or a % ~~part~~ of it)
- Existing base, as well (or a % ~~part~~ of it)

Step 3

* Exclude from local units the dollars of valuation to be shared

* Assign these contributions to the area-wide pool

  - Choose an "administrative auditor" for the purpose

Step 4

* Re-distribute the dollars of valuation <u>from</u> the pool to the local units

- Decide, first, on what basis this distribution is to be made —
Population?

Step 5

* Each local unit then can calculate ~~s~~ its base

    - Its own 'local' base — from categories of valuation not pooled — prop plup lor w/in

plus - Its share of the areawide pool — vals not plup lor w/in — but legally fully a part

* Note the proportion each part is of the total — 10%, eg

Step 6

* Each local unit determines, as now, for itself, how much it wants to spend

* Deduct non-tax revenues, state aids, etc

* Arrive at dollar tax levy required from base. (Note local officials are still responsive to homeowners re: increases in residential mill rate – not going to be able to do anything to "AV" vals not do to own homeown – voters

Step 7

* Calculate local mill rate

- Recall the proportion the local base represents, in this unit, of its total base – 90%
- Apply this proportion to the dollar levy
- Apply this resulting figure for the 'local levy' to the 'local base' – what % of value need to take in taxes to raise rev
- Derive the local mill rate

req'd for svcs

eg 300 mills = 30% (on tv)

Step 8

* Calculate areawide mill rate

  - Add together, from all local units, the dollars to fall on the areawide base

from our unit, the ven 10% in dollars

  - Apply this total dollar levy against the total valuation in the areawide base

  - Derive the areawide mill rate

Step 9

* Calculate tax on individual property
  - Recall, for a given local unit, what proportion of its base is 'local' and what 'areawide'
    90-10
  - Divide valuation of individual property in same proportion
  - Apply local mill rate to local portion
  - Apply areawide rate to areawide portion
  - Calculate dollar tax

Step 10

* Distribute receipts to units
    - Taxpayer pays county treasurer
    - County sends state treasurer revenues from levy on area-wide base
    - State sends checks to local units