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THE MINNESOTA FISCAL DISPARITIES LAW

A problem common to many metropolitan areas is the existence of a large number of governmental units. Frequently, these units depend upon the local property tax as a substantial, if not the major, source of their revenue. Their property-tax jurisdiction has traditionally coincided with their own boundaries. Thus, although a unit is located in a metropolitan area, it is dependent for its property-tax revenue upon a limited slice of the total tax base in the area. There is resulting pressure for each unit to develop and maintain a property-tax base within its boundaries which is large enough to provide its residents with an acceptable level of governmental services at an acceptable tax rate. In seeking to develop an adequate local tax base, governmental officials are naturally tempted to make decisions differently from the way in which they might be made without this sort of fiscal compulsion. They may seek to discourage low- and moderate-income residential development; to develop public utilities and other facilities in an effort to encourage commercial-industrial development which may never in fact occur; to encourage the commercial-industrial development of land which is best suited for park or recreational use; or to exert pressure upon regional and state governmental agencies to develop transportation, sewage, recreational, and other major facilities in a way that will tend to encourage commercial-industrial development within their own boundaries.

Thus the local property-tax system tends to frustrate the planning process in metropolitan areas. This is not, however, the only undesirable consequence of the system. Inevitably, some local governmental units do better than others in the competition

historic, geographic, political, economic and social factors. Also, success tends to breed success. The development of a substantial tax base makes it possible to maintain a given level of services with a relatively low tax rate, which tends to encourage the development of an even larger tax base. The gulf between rich and poor governmental units is therefore widened. The emergence of these "fiscal disparities" means that some governmental units can raise substantially more revenue per capita (or per pupil) at a given tax rate than can their neighbors. Therefore, the system produces inequality of tax burden and governmental services within a single metropolitan area in addition to placing a severe handicap on the planning process.

During the late 1960's, state legislators, local governmental officials, and citizens in the Minneapolis-St. Paul metropolitan area became increasingly conscious of the fiscal disparities which existed in that area and their fiscal and planning consequences.[1/] In 1968 a committee to study the problem was formed by the Citizens League, a private organization of citizens devoted to the study of public issues in the Minneapolis-St. Paul area and the State of Minnesota. Then, early in the 1969 state legislative session, the Chairman of the Metropolitan and Urban Affairs Committee of the House of Representatives appointed a subcommittee to study the problem under the leadership of Representative Charles R. Weaver of Anoka. In March 1969, the Citizens League committee proposed the adoption of a plan under which a percentage of the future increase in commercial-industrial valuation in each municipality and town within the metropolitan area would be reallocated among all of the municipalities and towns in the area in proportion to population.[2/]

[1/] As used in this article and in the Fiscal Disparities Law, "metropolitan area" refers to the area embraced by the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington.

This plan was endorsed by the Weaver subcommittee and passed by the House of Representatives. The legislative session ended before the bill could receive full consideration in the Senate.

In the next (1971) legislative session, the House of Representatives passed essentially the same bill as it had passed in 1969. In hearings before the Senate Urban Affairs Committee, the bill received the support of the Metropolitan Council, an agency which the legislature had created in 1967 to coordinate planning and development in the metropolitan area.[3/] Upon the Council's suggestion, the allocation formula was amended in the Senate committee to reflect the relative "fiscal capacities" of the recipient municipalities as well as their relative populations. For this purpose, fiscal capacity was defined as the per capita market value of taxable real property. With this amendment and others, the bill was passed by the Senate committee and, on the last day of the regular session, by the Senate. It then died because insufficient time remained for the amended bill to be repassed by the House of Representatives. The amended bill was reintroduced during a special session in the summer of 1971 and was passed by both Houses.[4/] On July 23, 1971,

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[3/] See MINN. STAT. Ch. 473B (1974).

[4/] The Senate vote was 34-31 and the House vote was 83-39. The distribution of voting by geographic area was as follows:

		Senate		House	
		Yea	Nay	Yea	Nay
1.	Cities of Minneapolis and St. Paul	15 (100%)	0 (0%)	23 (88%)	3 (12%)
2.	Metropolitan area outside the Cities of Minneapolis and St. Paul	4 (25%)	12 (75%)	18 (62%)	11 (38%)
3.	Nonmetropolitan area	15 (44%)	19 (56%)	42 (63%)	25 (37%)
	TOTALS	34	31	83	39

the bill was approved by the Governor.[5/]

The metropolitan area to which the Law applies consists of seven counties, approximately 190 municipalities and 60 school districts, and numerous special-purpose governmental units. Its population in 1974 was slightly over 2 million, which represented a little more than one-half the population of the state. Approximately 36% of the metropolitan-area population resided in the central cities of Minneapolis and St. Paul.

The Law provides that in each year[6/] an amount equal to 40% of the post-1971 increase in the assessed valuation of commercial-industrial property in each municipality shall be allocated to an area-wide tax base. (The subject of the allocation is a number rather than specific parcels of property.) The area-wide tax base is then reallocated among the municipalities (and the other local governmental units which levy property taxes within them) on the basis of population and fiscal capacity.[7/] Municipalities with relatively large populations and small fiscal capacities will

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[5/] Minn. Ex. Sess. Laws 1971, Ch. 24 (codified at MINN. STAT. Ch. 473F (1974)). Sections 473F.12 and 473F.13 of the codified law establish a separate formula for the distribution of moneys to certain municipalities in the metropolitan area. This formula has never been funded by the legislature and its validity was not challenged in the litigation described in this article. Of the terms defined in § 473F.02, those defined in subdivisions 9, 11, 16, 17, 18, 19 and 20 pertain exclusively to the formula established by §§ 473F.12 and 473F.13.

[6/] Under its terms, the Law was to have taken effect with taxes assessed in 1972 for payment in 1973. As a result of the litigation described in this article, however, the Law was first implemented with respect to taxes assessed in 1974 for payment in 1975.

[7/] The allocation of area-wide tax base to each municipality is determined by computing an area-wide tax base distribution index for the municipality (reflecting its population and fiscal capacity), computing the proportion which its index bears to the sum of the indices of all municipalities, and multiplying this proportion by the area-wide tax base. MINN. STAT. § 473F.07,

receive greater allocations of tax base than will municipalities with relatively small populations and high fiscal capacities. As a consequence, every local governmental unit is permitted to share the tax benefits in every year of the growth in commercial-industrial valuation within the metropolitan area even though the growth within the unit's own boundaries during that year has been relatively small or even nonexistent.

After the allocations to and from the area-wide tax base are determined, the "taxable value" of each governmental unit is computed. Taxable value equals the assessed valuation of all property located in the governmental unit, less the allocation from the unit to the area-wide tax base, plus the allocation to the unit from the area-wide tax base.[8] The tax levy of each governmental unit within the area is then paid from two sources. Part of the levy is paid from the area-wide tax base (the "area-wide portion of the levy") and the remainder is paid from the local tax base (the "local portion of the levy"). The area-wide portion of the levy is computed by dividing the allocation from the area-wide tax base by taxable value and multiplying the resulting fraction by the total levy.[9] The local portion of the levy is merely the difference between the total levy and the area-wide portion of the levy.[10]

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[8] MINN. STAT. § 473F.08, Subd. 2(a) and (b) (1974).

[9] MINN. STAT. § 473F.08, Subd. 3(a) (1974).

[10] MINN. STAT. § 473F.08, Subd. 3(b) (1974).

The tax rate of each governmental unit which applies to all taxable property within its boundaries except commercial-industrial property (the "local tax rate") is determined by dividing the local portion of the levy by the assessed valuation of property within the unit less the allocation from the unit to the area-wide tax base.[11/] The calculation of the tax rate for commercial-industrial property in each governmental unit is slightly more complex. An area-wide tax rate is determined by dividing the sum of the area-wide portion of the levies of all governmental units by the area-wide tax base.[12/] This rate is applied to a portion of the assessed valuation of each parcel of commercial-industrial property.[13/] The portion of the assessed valuation of each parcel within a particular municipality to which the area-wide tax rate applies is equal to a fraction, the numerator of which is 40% of the increase in assessed valuation of commercial-industrial property within the municipality since 1971 and the denominator of which is the total current assessed valuation of commercial-industrial property within the municipality. The remaining portion of the assessed valuation of each parcel is subject to the local tax rate.

The Law is administered by the county auditors in the metropolitan area with the assistance of the State Department of Revenue. Each commercial-industrial taxpayer is billed on a single tax statement for both the area-wide tax and the local

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[11/] MINN. STAT. § 473F.08, Subd. 4 (1974).

[12/] MINN. STAT. § 473F.08, Subd. 5 (1974).

[13/] MINN. STAT. § 473F.08, Subd. 6 (1974).

tax. The area-wide tax collections are channeled through the county treasurers to the state treasurer and are then redistributed through the county treasurers to the local governmental units in the same manner as are local taxes.

Since the statutory formulas are rather complex, it may be helpful to summarize several salient features of the Law. First, the amount of the allocation to the area-wide tax base from each municipality in any particular year will reflect a netting of the effect since 1971 of construction, demolition, appreciation and depreciation of commercial-industrial property. Second, the area-wide tax rate is imposed upon a proportion of the assessed valuation of each parcel of commercial-industrial property located in a municipality which has experienced a net increase in commercial-industrial assessed valuation since 1971. This proportion will vary among municipalities, since it is computed as the proportion that the allocation from the municipality to the area-wide tax base bears to total commercial-industrial assessed valuation within the municipality. No distinction is made in imposing the area-wide tax between valuation which existed before 1971 and that which arises after 1971. Consequently, there is no discrimination between "old" and "new" property. Third, the portion of the assessed valuation of each parcel which is subject to the area-wide tax rate is <u>not</u> subject to the local tax rates of the governmental units in which it is located. As a result, no portion of any parcel is subject to double taxation. Fourth, <u>every</u> governmental unit in the metropolitan area which levies a property tax will share to some degree in the allocation of tax base from the area-wide tax base. The amount allocated to each municipality is also allocated to any other governmental unit which levies property taxes and embraces all of

municipal governmental unit embraces less than all of the territory within the municipality, it will receive a share of the valuation assigned to the municipality in proportion to the assessed valuation of residential property within the municipality which is also within the overlapping nonmunicipal governmental unit. Fifth, the Law does not create an opportunity for any governmental unit to draw increased tax levies solely from the area-wide tax base. The proportion of the total levy of a governmental unit to be paid from the area-wide tax base is fixed by statutory formula. The amount of its levy to be paid from the area-wide tax base can therefore be increased only by an increase in its total levy. For example, if a governmental unit is entitled to receive 5% of its total levy from the area-wide tax base in a particular year, it can increase the amount of its levy to be paid from the area-wide tax base by $5 only if it increases its total levy by $100 and thereby increases the burden upon its local tax base by $95.

In February 1972, an action was commenced in Dakota County district court against the county auditors of the seven counties in the metropolitan area and the state treasurer for the purpose of obtaining a declaratory judgment that the Law violates the equal protection clause of the fourteenth amendment to the federal constitution and the uniformity clause of the Minnesota constitution.[14/] The action was brought by the village of Burnsville, a "third-tier" suburban Dakota county community in a rapidly developing area south of Minneapolis, and a taxpayer-official of Burnsville. The Metropolitan Council intervened in the action to assist in defending the validity of the Law.

14/ The federal equal protection clause provides that no state shall "deny to any person within its jurisdiction the

The plaintiffs argued that the Law does not create a metropolitan taxing district, that its effect is therefore to require local governmental units in the metropolitan area to impose a tax upon property located within their respective boundaries for distribution to other units, and that this procedure is unconstitutional because the benefits arising from the operation of the Law allegedly are not distributed in a manner which is reasonably related to the burdens imposed. It was also argued that, even if a metropolitan taxing district were created, the Law violates the Minnesota uniformity clause because a tax is imposed throughout the metropolitan area to raise revenues for distribution to and expenditure by the individual governmental units within the area for local, rather than metropolitan, purposes.[15/]

The defendants[16/] contended that the Law did create a metropolitan taxing district and that the legislature could validly create such a district for the purpose of raising revenues for distribution to and expenditure by its constituent local governmental units. Alternatively, the defendants argued that even if a metropolitan taxing district had not been created, the Law satisfied constitutional requirements because a reasonable

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[15/] These were the issues that consumed most of the time and attention of the parties and the courts. The plaintiffs also argued that the Law is invalid for other reasons, including its treatment of governmental units lying partly within and partly without the metropolitan area, its treatment of tax delinquencies, and the fact that it does not apply to the entire state. The defendants questioned the standing of the plaintiffs to bring the declaratory judgment action, and the Minnesota Supreme Court ultimately held that the village lacked standing but that its taxpayer-official satisfied standing requirements.

[16/] Some of the defendant county auditors did not participate in the defense of the Law. The term "defendants" refers

relationship existed between the tax burdens imposed upon local governmental units and the benefits which accrued to them.

The case was tried to the district court in June 1972. The court heard testimony concerning fiscal disparities and their consequences, as well as the anticipated effect of the Law upon them, from a former chairman of the Metropolitan Council, a suburban school superintendent, a former suburban mayor, the secretary of the Minnesota Municipal Commission, a professor of economics at the University of Minnesota, and the director of comprehensive planning of the Metropolitan Council. Several other witnesses testified about the mechanical operation of the Law.

In January 1973 the district court held that the Law violated the Minnesota uniformity clause and therefore was invalid. The principal findings of the court were that a metropolitan taxing district had not been established and that the effect of the Law was to compel "taxpayers of some taxing districts to contribute towards relieving the public burden of other taxing districts within the seven county metropolitan area." In a memorandum attached to its decision, the court stated that the Law "imposes a tax on some districts for the benefit of others."

The defendants filed an appeal with the Minnesota Supreme Court, and the case was argued in that Court in September 1973. The arguments in the Supreme Court were substantially the same as those which had been made in the district court. On September 13, 1974, the Supreme Court filed its decision in which it reversed the district court's decision and sustained the validity of the Law.[17/] The

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17/ Village of Burnsville v. Onischuk, _____ Minn. _____, 222 N.W.2d 523 (1974). The Court divided 4-3 in the decision. Justices Todd and Scott did not participate in the consideration or decision of the case. Chief Justice Sheran also did not

plaintiffs then filed an appeal with the United States Supreme Court which was summarily dismissed on February 18, 1975 "for want of a substantial federal question."[18/]

It may not be entirely clear whether the Minnesota Supreme Court decided if the Law creates a metropolitan taxing district.[19/] It may also be unimportant whether the issue was decided or how it was decided, since the Court clearly did hold that the Law is valid, even if a metropolitan taxing district were not created, on the ground that the Law establishes a "reasonable relationship" between the burdens and benefits which accrue to taxpayers within the local governmental units in the metropolitan area.

In holding that the Law establishes a reasonable relationship between benefits and burdens, the Court in effect recognized that the calculation of relative burdens and benefits must involve more than a comparison of the allocations of area-wide tax base to and from a unit in a particular year. Other factors must be considered in making such a calculation for a highly-interdependent metropolitan area. Among the factors noted by the Court are the adverse

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18/ _____ U.S. _____, 95 S. Ct. 1109, 43 L. Ed. 2d 388 (1975). The plaintiffs argued in the jurisdictional statement supporting their appeal to the United States Supreme Court that the Law violates the "one man, one vote" principle of the equal protection clause, as well as the due process clause, in that it allegedly permits governmental units to levy taxes upon property located outside their boundaries, and that the Law otherwise violates the equal protection clause because its taxation and distribution formulas are allegedly arbitrary. In their motion to dismiss the appeal, the defendants contended, inter alia, that these issues had not been raised in the state courts.

19/ The Court did discuss the issue and the authorities bearing on it, and referred to the metropolitan area as "the district" at two points in its opinion. See 222 N.W.2d at 528-529, 532. However, the plaintiffs argued in their petition for rehearing that the Court had not decided the issue.

effect of tax-base competition upon the planning process; the "high degree of mobility and political, social, and economic interdependence" within the metropolitan area; the tendency for residents of the metropolitan area to use facilities in governmental units other than those in which they live and work and to which they pay taxes; and the tendency of commercial-industrial development within a metropolitan area to produce property tax revenues in excess of the additional fiscal burdens which they impose upon the governmental units in which they happen to locate.[20/]

In essence, therefore, the Court evaluated relative benefits and burdens arising from the operation of the Law in complete recognition of the complex relationships which exist among local governmental units within a metropolitan area. The trial record established that the location of a governmental unit within a metropolitan area has an important effect upon development within the unit, upon the burden of providing services to businesses and residents within the unit, upon opportunities for the utilization of resources and facilities in neighboring governmental units, and upon the feasibility of locating commercial-industrial development in units other than those where employees and customers reside. The Court concluded in light of this record that the legislature had reasonably balanced benefits and burdens in providing for the sharing of growth in commercial-industrial tax valuation on a metropolitan basis.

[20/] 222 N.W.2d at 532.

Although the Court did not mention it, there is one other factor which may have been important in deciding that the legislative balance between benefit and burden in this case was a reasonable one. The Law establishes a formula applicable on a nondiscretionary and nondiscriminatory basis to all of the governmental units in the metropolitan area over the indefinite future. Under these circumstances the risk of discrimination in the treatment of a particular governmental unit would seem to be minimal. This is therefore not a case in which the legislature has identified one or more governmental units to bear a unique burden or receive a special benefit. If that had been done, the Court might have been inclined to inquire more closely into the reasonableness of the legislative balance.

It is true that even in this case certain portions of the metropolitan area are likely to contribute more tax-base to the area-wide tax base than they will receive in return over the next few years. Yet there was evidence at trial that many municipalities experience a common cycle of development and redevelopment over periods of many years. The Law should therefore function as an "insurance policy" which guarantees to all governmental units in the metropolitan area that they will participate in the tax revenues generated by future commercial-industrial growth within the area on a continuing and regular basis, regardless of growth trends within their own boundaries.[21/]

[21/] In the spring of 1975, taxpayers in Anoka and Scott Counties instituted district court proceedings to review their property tax liabilities under Minn. Stat. Ch. 278 (1974), wholly or partly on the ground that the Law violates the federal and state constitutions. At this time it is not clear to what extent these taxpayers are

The Law has been applied in only one tax year (taxes assessed in 1974 for payment in 1975), reflecting growth in commercial-industrial valuation from 1971 to 1974. Since one of the principal purposes of the Law is to reallocate commercial-industrial growth as it occurs over a period of many years, it is difficult to draw meaningful conclusions as to its success on the basis of one year's experience reflecting three years' growth. However, the following statistical summary of the first year's results may be of interest to those who wish to draw tentative conclusions about the Law as a remedy for the fiscal disparities problem.

The statistics are based upon the experience of the 38 municipalities in the metropolitan area which had 1974 populations in excess of 10,000. In 1974 these 38 municipalities accounted for 82.2% of the population of the metropolitan area, 88.3% of its commercial-industrial assessed valuation (by location), 82.6% of the allocations to the area-wide tax base, and 82.3% of the allocations from the area-wide tax base.

Of the 38 municipalities, 18 were net contributors to the area-wide tax base[22/] and 20 were net recipients.[23/]

22/ A "net contributor" is a municipality whose allocation to the area-wide tax base exceeded its allocation from the area-wide tax base. The 18 municipalities in this category were Blaine, Bloomington, Burnsville, Cottage Grove, Eagan, Edina, Fridley, Golden Valley, Hopkins, Inver Grove Heights, Lakeville, Maplewood, Minnetonka, New Hope, Plymouth, Roseville, Shoreview and West St. Paul.

23/ A "net recipient" is a municipality whose allocation from the area-wide tax base exceeded its allocation to the area-wide tax base. The 20 municipalities in this category were Anoka, Apple Valley, Brooklyn Center, Brooklyn Park, Columbia Heights, Coon Rapids, Crystal, Hastings, Minneapolis,

The net contributors accounted for 24.7% of the population of the metropolitan area, 33.0% of its commercial-industrial assessed valuation (by location), 52.6% of the allocations to the area-wide tax base, and 21.5% of the allocations from the area-wide tax base. Thus, these municipalities made a net contribution to the area-wide tax base which equaled 31.1% (52.6% - 21.5%) of the area-wide tax base. The net recipients accounted for 57.5% of the population of the metropolitan area, 55.3% of its commercial-industrial assessed valuation (by location), 30.0% of the allocations to the area-wide tax base, and 60.7% of the allocations from the area-wide tax base. Thus, these municipalities received a net allocation from the area-wide tax base which equaled 30.7% (60.7% - 30.0%) of the area-wide tax base.

The taxable value of the net contributors was reduced by 2.1% as a result of the Law. Thus, their average municipal tax rate (weighted for their relative taxable values) was increased in that proportion. The figures for individual municipalities ranged from 0.1% (Cottage Grove) to 9.2% (Inver Grove Heights). The median figure was 1.8%.

The taxable value of the net recipients was increased by 1.3% as a result of the Law, and their (weighted) average municipal tax rate was therefore reduced in the same proportion. The figures for individual municipalities ranged from 0.1% (Brooklyn Park) to 4.1% (Oakdale and Stillwater). The figures for Minneapolis and St. Paul were 0.8% and 1.9%, respectively. The median figure was 2.0%.

The commercial-industrial assessed valuation included within the taxable values of the net contributors was reduced

by 6.3% as a result of the Law. The figures for individual municipalities ranged from 0.4% (Cottage Grove) to 22.2% (Inver Grove Heights). The median figure was 5.5%.

The commercial-industrial assessed valuation included within the taxable values of the net recipients was increased by 3.7% as a result of the Law. The figures for individual municipalities ranged from 0.4% (Brooklyn Park) to 36.4% (Oakdale). The figures for Minneapolis and St. Paul were 1.9% and 4.7%, respectively. The median figure was 10.1%.

The commercial-industrial assessed valuation per capita included within the taxable values of the net contributors following the application of the Law ranged from $330 (Shoreview) to $1,934 (Golden Valley). The median figure was $1,180. For the net contributors as a group the figure was $1,232; it would have been $1,315 in the absence of the Law. The corresponding figure for the metropolitan area was $1,005. Thus, even after the Law was applied, the figure for the net contributors as a group was 22.6% greater than that for the entire area. Eight of the 18 net contributors had commercial-industrial assessed valuations per capita after the application of the Law which were lower than the corresponding figure for the area.[24/] Each of these eight but one[25/] would have had a per capita valuation substantially lower than that of the area in the absence of the Law. Each of the eight but two[26/] suffered a percentage reduction in commercial-industrial assessed valuation as a result of the Law which was less than that suffered by the 18 net contributors

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24/ The eight were Blaine ($465); Cottage Grove ($782); Inver Grove Heights ($968); Lakeville ($572); Minnetonka ($599); New Hope ($677); Shoreview; and West St. Paul ($623).

25/ Inver Grove Heights, for which the figure would have

as a group (6.3%), and each of the eight but one[27] suffered a percentage reduction in taxable value as a result of the Law which was less than that suffered by the 18 net contributors as a group (2.1%). All but two[28] of the eight had commercial-industrial assessed valuations per capita after the application of the Law of not less than $572, which exceeded that of all but six[29] of the 20 net recipients.

The commercial-industrial assessed valuation per capita included within the taxable values of the net recipients following the application of the Law ranged from $314 (Mounds View) to $1,369 (Minneapolis). The figure for St. Paul was $1,066. The median figure was $458. For the net recipients as a group the figure was $1,003; it would have been $967 in the absence of the Law. Since the corresponding figure for the metropolitan area was $1,005, the application of the Law essentially brought the group of net recipients up to the average level of the area. Three of the 20 net recipients had commercial-industrial assessed valuations per capita after the application of the Law which were greater than the corresponding figure for the area.[30] Each of the three would have had a per capita valuation greater than that of the area in the absence of the Law, and two of them[31] would have had per capita valuations

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[27] Inver Grove Heights (9.2%).

[28] Blaine and Shoreview.

[29] The six net recipients that had commercial-industrial assessed valuations per capita in excess of $572 after the application of the Law were Anoka ($832), Brooklyn Center ($818), Minneapolis ($1,369), St. Louis Park ($1,276), St. Paul ($1,066), and South St. Paul ($783). Of these six, four realized increases in taxable value as a result of the Law which did not exceed 0.8%. (The two exceptions were St. Paul (1.9%) and South St. Paul (3.6%)).

substantially greater than the per capita valuation of the area in the absence of the Law. Moreover, two of the three received percentage increases in commercial-industrial assessed valuation as a result of the Law which were substantially less than the increase of the 20 net recipients as a group (3.7%).[32] and percentage increases in taxable value as a result of the Law which were less than the increase of the 20 net recipients as a group (1.3%).[33]

The application of the Law reduced the growth in commercial-industrial assessed valuation for the 18 net contributors over the period 1971-1974 from 36.2% of the 1971 valuation to 27.7% of that valuation, or by 23.6%. The reduction in growth for individual municipalities (as a percentage of the growth they would have experienced in the absence of the Law) ranged from 1.6% (Cottage Grove) to 31.6% (Inver Grove Heights). The median figure was 23.8%. Despite these reductions, 13 of the 18 net contributors achieved increases in commercial-industrial assessed valuation per capita of more than $205, after the application of the Law, which exceeded the increase achieved by any of the 20 net recipients after the application of the Law.[34]

The application of the Law increased the growth in commercial-industrial assessed valuation for the 20 net recipients over the period 1971-1974 from 10.0% of the 1971 valuation to 14.1% of that valuation, or by 41.2%. The increase in growth for individual municipalities (as a percentage of the growth they would have experienced in the absence of the

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[32] Minneapolis (1.9%) and St. Louis Park (1.4%). The figure for St. Paul was 4.7%.

[33] Minneapolis (0.8%) and St. Louis Park (0.4%). The figure for St. Paul was 1.9%.

Law) ranged from 1.2% (Brooklyn Park) to 514.6% (Richfield).[35] The figures for Minneapolis and St. Paul were 25.6% and 83.4%, respectively. The median figure was 42.2%.

The fiscal capacity of the net contributors as a group in 1974 was 18.6% greater than the fiscal capacity of the metropolitan area.[36] The fiscal capacities of individual municipalities within this group ranged from 60.5% (Blaine) to 183.7% (Edina) of the fiscal capacity of the area. Of the 18 net contributors, eight had fiscal capacities which were lower than that of the area.[37] However, of the eight, all but two[38] suffered reductions in taxable value as a result of the application of the Fiscal Disparities Law which were lower than the reduction suffered by the net contributors as a group (2.1%).

The fiscal capacity of the net recipients as a group in 1974 was 9.5% less than the fiscal capacity of the metropolitan area.[39] The fiscal capacities of individual municipalities within this group ranged from 61.7% (Mounds View) to 118.3% (St. Louis Park) of the fiscal capacity of the area. The figures for Minneapolis and St. Paul were 97.6% and 89.7%,

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[35] In addition, two municipalities (South St. Paul and Stillwater) received allocations from the area-wide tax base which substantially more than offset net reductions in commercial-industrial valuation which occurred within their own boundaries during the period 1971-1974.

[36] The fiscal capacity of the net contributors was $11,035 of taxable market value per capita, while that of the area was $9,297.

[37] The eight were Blaine; Cottage Grove (85.1%); Fridley (98.3%); Inver Grove Heights (87.5%); Lakeville (84.8%); New Hope (89.0%); Shoreview (97.1%); and West St. Paul (98.1%).

[38] Fridley (2.7%) and Inver Grove Heights (9.2%).

[39] The fiscal capacity of the net recipients was $8,414

respectively. One of the 20 municipalities within this group (St. Louis Park) had a fiscal capacity greater than that of the area. However, St. Louis Park realized an increase in its taxable value as a result of the application of the

Law (0.4%) which was considerably less than that of the net recipients as a group (1.3%).

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July 1, 1975