

Group offers new LGA perspective

Plan would give to taxpayers, giving cities confidence that poorest residents have safety net

By Dan Linehan

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MANKATO — What would change if, instead of giving state aid to poorer cities, counties and school districts, you just gave it to poorer people?

First, taxes would rise and people would get mad. Those who couldn't afford the sudden hike would get subsidies, but the tax statements of others would cause serious sticker shock. North Mankato's levy, for example, would rise by 37.5 percent if it rose dollar- for- dollar for losses in local government aid alone (LGA represents only about 14 percent of property tax credits).

Minnesota Taxpayers Association Executive Director Mark Haveman asked about 15 civic and business leaders Wednesday at a Greater Mankato Growth- organized discussion whether paying more property taxes is actually a bad thing. The association bills itself as a non-partisan tax policy research group.

"It would be obnoxious and raise a lot of ire," Haveman said. Not that it would be a bad thing.

"People should embrace their anger," he said.

Not to get too "powdered wig" on us, as he put it, but Haveman said that's how it's supposed to work in a democracy — public officials are supposed to be held accountable for tax increases.

That's not how it works now, he argues. For the accountability part, the case is pretty obvious.

Back when local governments had to hold so- called " truth-in-taxation" hearings on the budget every year, very few people would attend. The nine people who showed up at Mankato's hearing in 2006 were seen as an unusually high turnout.

City councils, county boards and school boards typically say this means citizens think they're doing a good job, though Haveman

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getting a good deal

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believes it might be more complicated.

Local government aid subsidizes city services, so that residents are paying a lot less than the true cost of their police officers, roadway engineers and administrators.

In other words, yes, residents are getting a great deal on their taxes — but other people are helping foot the bill.

A key figure cited by the association: Households in the Minnesota River Valley area pay 2.21 percent of their income in property taxes, about 41 percent less than the metro area.

“A lot of Minnesotans in Greater Minnesota are getting a good deal on property taxes,” he said.

That extra money, Haveman said, has led governments to spend more money than they would otherwise simply based on their needs. The association’s research shows cities that receive LGA spend more money on employee health benefits, for example. To prevent land-poor cities from butchering their budgets, the association’s plan is to use the state’s pre-existing refund program to pay residents whose (newly raised) tax burden takes up too large a chunk of their income. The idea is that cities will levy with the knowledge that their poorest residents have a safety net.

After a 90-minute talk filled with numbers, charts and tax philosophy, attendee and Weilage Corporation owner Scott Weilage half-joked that only the government could confuse what is essentially a simple question of spending exceeding revenue.

Weilage agreed with pretty much everyone at the gathering that education and human services are the real cost drivers in the budget.

He also liked the idea of cities being less dependent on the state for their operating revenues.

North Mankato Mayor Mark Dehen and Mankato City Manager Pat Hentges defended LGA, saying the state should look elsewhere for cuts. The entire LGA program, if cut, would only solve about 9 percent of the \$5 billion budget deficit.