

MINNESOTA • REVENUE

**SURVEY ON COSTS OF TRUTH-IN-TAXATION
IMPLEMENTATION**

PROPERTY TAX DIVISION

March 2008

TRUTH-IN-TAXATION SURVEY RESULTS

EXECUTIVE SUMMARY

The 2007 Legislature expressed strong interest in gaining more information about the costs of, and participation in, Truth-in-Taxation (TNT). Although no study was mandated, the Department of Revenue conducted the following survey in order to give local governments an opportunity to provide feedback to the Department and to the Legislature. 66 counties, 218 cities, and 168 school districts responded to the survey.

It is estimated that 3,341 citizens attended the TNT hearings statewide. Overall attendance was greatest at the county and large city levels, though per-capita attendance was highest in small cities. There were, on average, more local government officials in attendance at TNT hearings than citizens at all levels of local government. Participation through channels outside of the TNT hearings (such as e-mail, phone, and drop-in visits) appears to have been similarly low. Attendees who spoke at hearings were more likely to be interested in property valuation than in local government budget or levy decisions.

The costs to local government for adhering to the TNT process requirements were estimated at \$3,491,895. This figure is comprised of the reported costs of respondent jurisdictions as well as extrapolation to account for non-respondents. Of this total, approximately \$295,892 was spent statewide on the statutorily required publication and advertisement of TNT hearings; \$376,062 to hold hearings; \$841,987 to disseminate and gather budget and levy information; \$1,870,374 to prepare and mail parcel-specific notices; and \$107,581 on other miscellaneous expenses. The survey results suggest that non-mandated expenses accounted for almost as much expenditure as statutorily-required expenses.

Many aspects of the TNT process were deemed more burdensome than valuable by local officials and citizens. One notable exception was the parcel-specific notice, which was deemed more valuable than burdensome by cities and school districts. Despite the perceived burden of the TNT requirements, many jurisdictions used methods that were not statutorily required to disseminate and gather information.

COSTS AND PARTICIPATION AS A TAXING JURISDICTION SUBJECT TO TNT REQUIREMENTS

PARTICIPATION IN THE 2007 TNT HEARINGS (FOR TAXES PAYABLE IN 2008)

The responding jurisdictions reported a total attendance of 2,103 for the 2007 TNT hearings. Extrapolation of this rate of attendance, based on the population levels of responding and non-responding jurisdictions, yields an estimated 3,341 citizen attendees to TNT hearings statewide. At every level of local government the average number of government employees and officials attending the meeting was higher than citizen turnout. Turnout was highest at county and large city hearings. However, per capita turnout was significantly higher in small cities where 2.8 citizens per thousand residents attended, compared to 0.3, 0.8, and 0.3 citizens for county, large city, and school district hearings, respectively. In absolute terms, the average number of citizens attending was 9.8 for counties, 8.7 for large cities, 3.8 for small cities, and 2.4 for school districts. These averages balance jurisdictions with little or no turnout and those that drew large numbers. The distribution was as follows:

**Table 1
Distribution of Citizen Attendance by Jurisdiction Type**

Citizen Attendance	Counties	Large Cities	Small Cities	School Districts	Total
0	6	18	31	49	98
1 to 5	22	50	42	60	152
6 to 10	13	16	7	5	28
11 to 20	11	6	5	2	13
21 and higher	7	9	3	3	15

Overall, attendance was deemed typical to slightly higher by local government officials than statewide attendance in 2007.

For citizens that spoke at hearings, comments more frequently addressed property valuation than levy or budget concerns at the county and large city levels. Officials reported that citizens at the small city and school district hearings typically addressed budget and levy concerns more frequently than property valuation. However, valuation comments and questions appear to be prevalent at TNT hearings in all levels of government.

Local governments made varying levels of use of television and the internet so that the TNT hearings could be accessible to the greater public. Tables 2 and 3 list rates of television and internet use for the broadcast of TNT hearings.

Table 2
Percent of Governments Broadcasting Hearings on Television

County	Large Cities	Small Cities	School Districts	Total
10.2%	60.6%	6.8%	12.2%	23.1%

Table 3
Percent of Governments Posting Hearings Online

County	Large Cities	Small Cities	School Districts	Total
6.8%	17.4%	2.3%	1.5%	6.5%

APPROXIMATE COUNTS OF E-MAILS, PHONE CALLS, AND DROP-IN VISITORS RELATING TO TNT LEVIES AND BUDGET

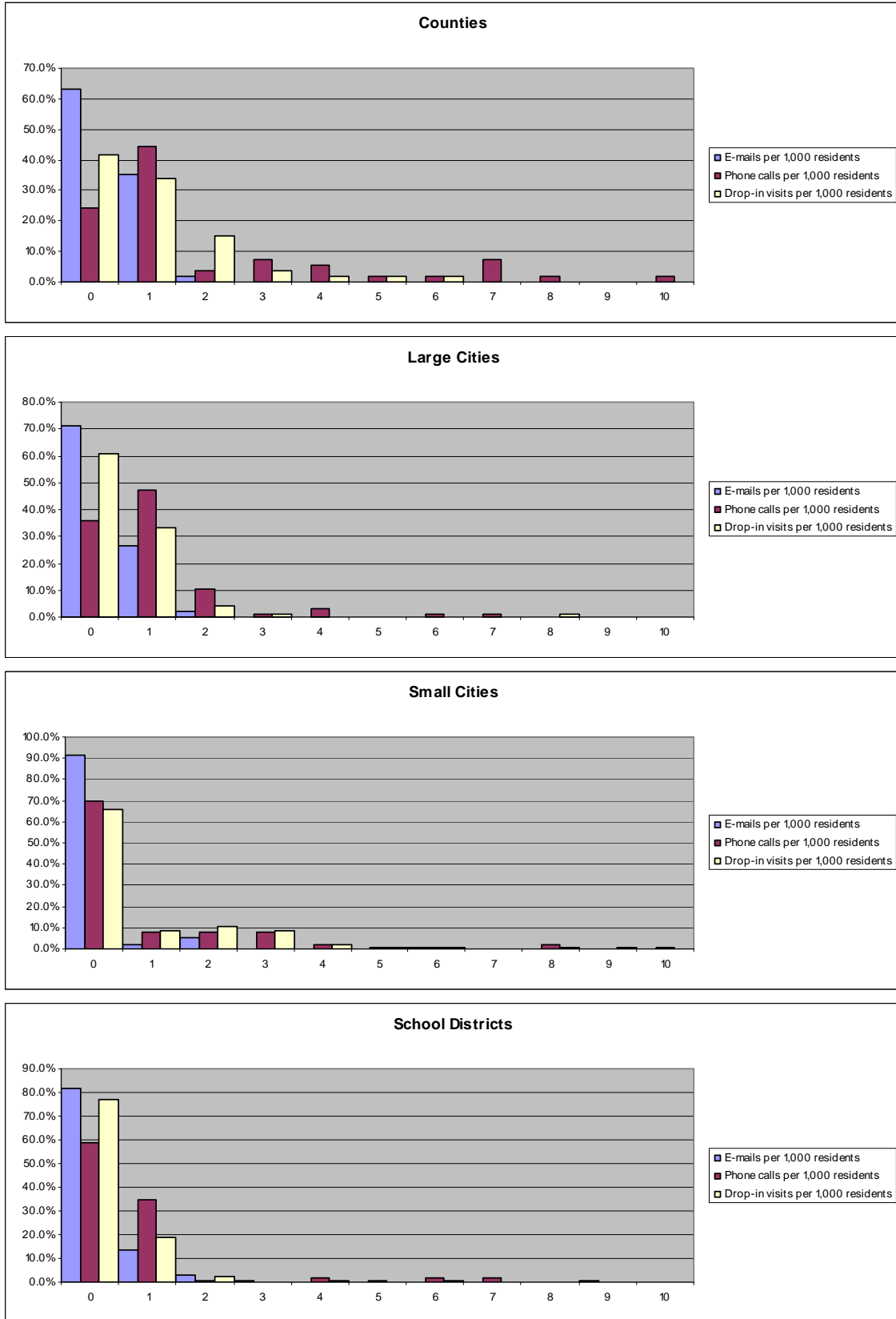
Citizens wishing to discuss the TNT levies and budget outside of the hearing most commonly phoned or visited government officials. Typically fewer than 5 citizens per 1,000 residents of any jurisdiction directly contacted government officials outside of the TNT hearing regarding budget/levy issues.

Table 4
Distribution of Number of Emails, Phone Calls, and Visitors Regarding TNT per 1,000 residents

	Counties			Large Cities		
	Emails	Phone calls	Visitors	Emails	Phone calls	Visitors
0	63.0%	24.1%	41.5%	71.4%	36.1%	60.6%
0 to 1	35.2%	44.4%	34.0%	26.5%	47.4%	33.3%
1 to 2	1.9%	3.7%	15.1%	2.0%	10.3%	4.0%
2 to 3	0.0%	7.4%	3.8%	0.0%	1.0%	1.0%
3 to 4	0.0%	5.6%	1.9%	0.0%	3.1%	0.0%
4 or more	0.0%	14.8%	3.8%	0.0%	2.1%	1.0%

	Small Cities			School Districts		
	Emails	Phone calls	Visitors	Emails	Phone calls	Visitors
0	91.7%	69.9%	66.0%	81.7%	59.1%	77.2%
0 to 1	1.9%	7.8%	8.7%	13.5%	34.6%	18.9%
1 to 2	5.6%	7.8%	10.7%	3.2%	0.8%	2.4%
2 to 3	0.0%	7.8%	8.7%	0.8%	0.0%	0.0%
3 to 4	0.0%	1.9%	1.9%	0.0%	1.6%	0.8%
4 or more	0.9%	4.9%	3.9%	0.8%	3.9%	0.8%

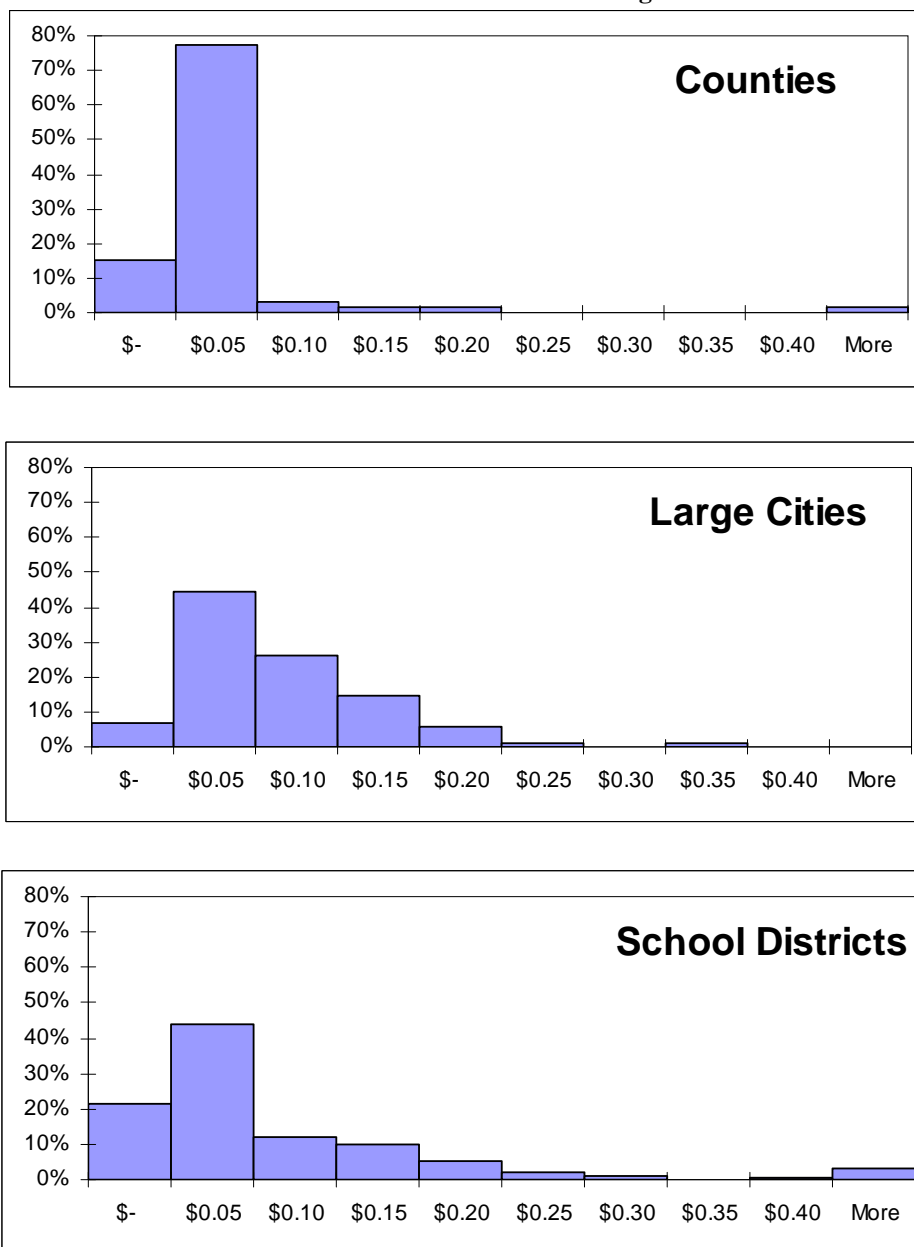
Figure 1
Public participation by contact method (per thousand)



THE COSTS OF STATUTORILY-REQUIRED PUBLICATION AND ADVERTISEMENT OF TNT HEARINGS

The total cost incurred by local governments for publication and advertisement of TNT hearings was reported at \$186,223 for responding jurisdictions. Using the same population-based extrapolation method as above, the statewide costs to both responding and non-responding jurisdictions yields an estimated total cost of \$295,892. Small cities are exempt from this advertising requirement. The average cost of publication and advertisement was about \$0.04 per capita. However, estimates of this per capita cost ranged from \$0.00 to \$1.00. Counties tended to have the lowest per capita costs, and school districts the highest..

Figure 2
Per capita cost of statutorily required publication and advertisement of TNT hearings



THE COSTS OF HOLDING TNT HEARINGS

The total cost incurred by local governments for holding TNT hearings was reported at \$236,679 for responding jurisdictions. Extrapolation yields an estimated total cost of \$376,062 for all hearings within the state. The average cost of the hearings was about \$0.10 per capita, though this cost varied significantly by jurisdiction. Again, counties tended to have the lowest per capita costs, averaging about \$0.04 per capita, while small cities reported the highest costs for the hearings, averaging about \$0.21 per capita.

Figure 3
Per capita cost of holding the TNT hearings

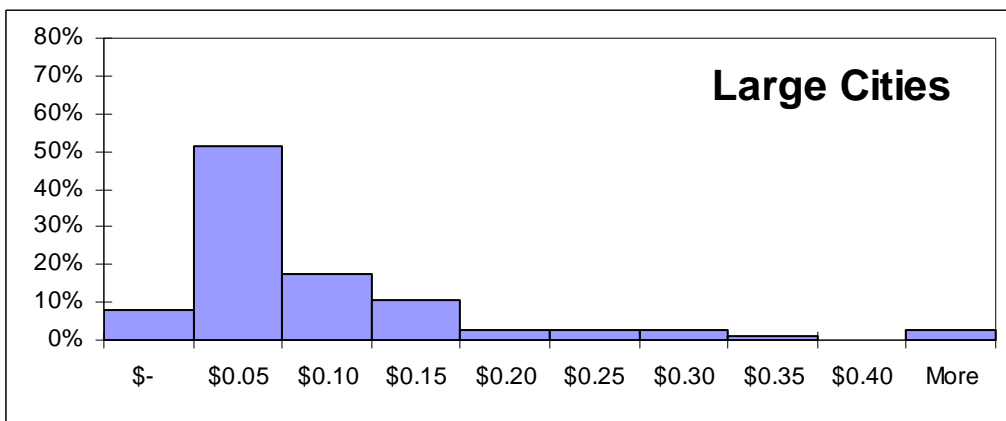
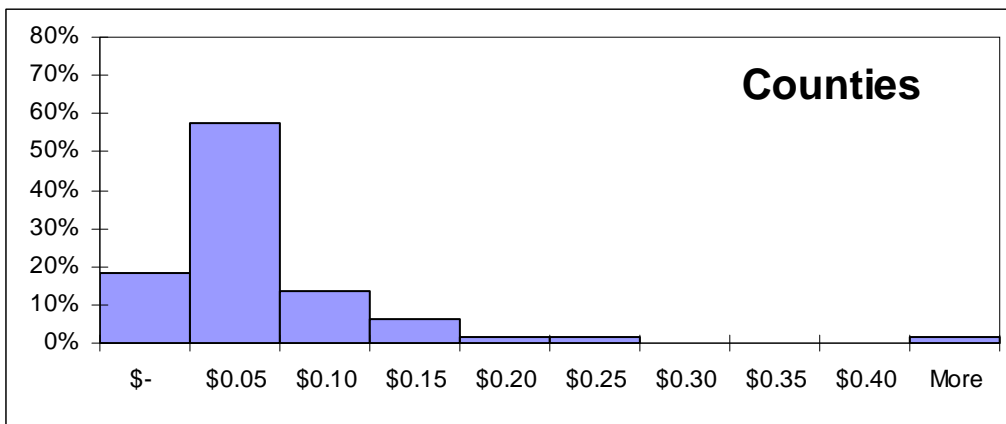
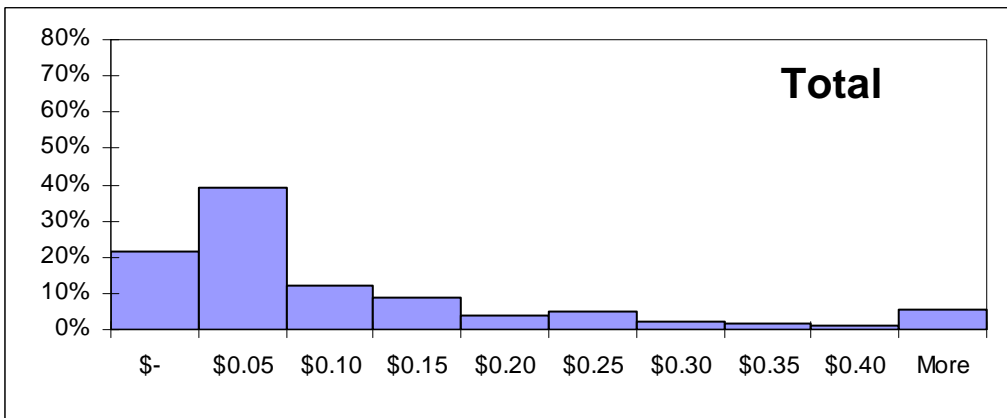
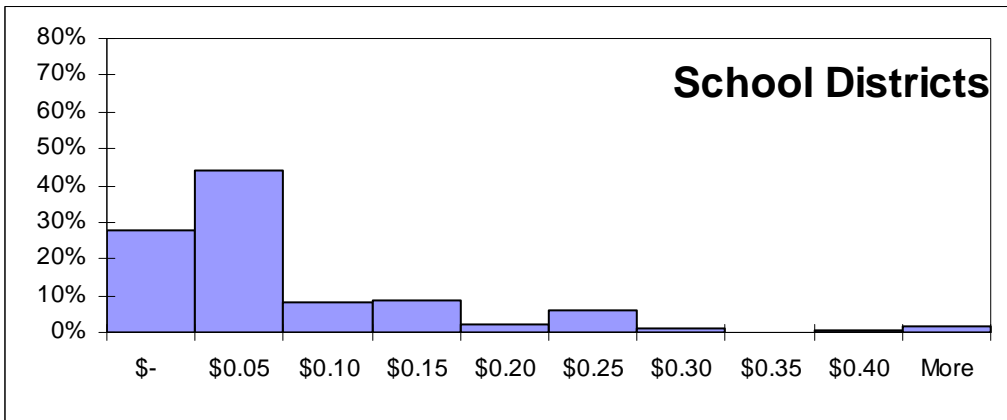
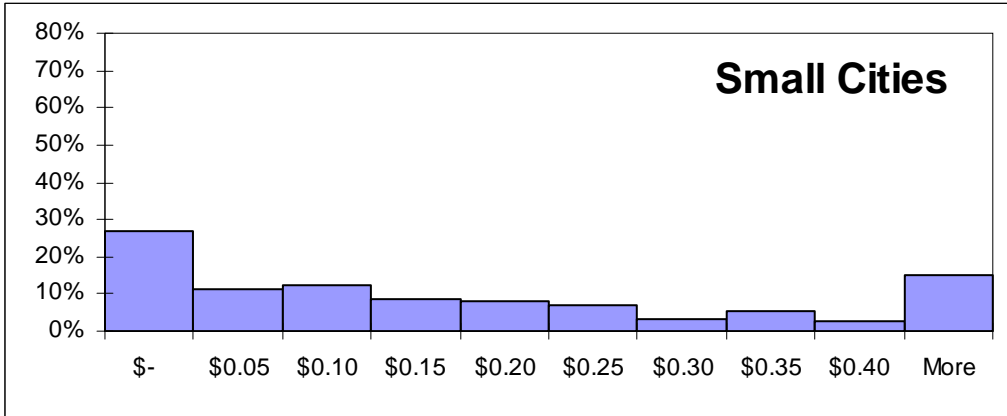


Figure 3 (continued)
Per capita cost of holding the TNT hearings



OTHER WAYS IN WHICH BUDGET AND LEVY INFORMATION WAS DISSEMINATED/GATHERED

In addition to disseminating budget and levy information through channels required by statute, local governments reported using the methods in the table below. As one would expect, large cities report a higher rate of information dissemination by low marginal cost means (ie, websites,) than counties, small cities or school districts. However they also use high marginal cost methods (such as newsletters,) more frequently as well.

**Table 5
Other ways in which budget and levy information was disseminated**

	County	Large City	Small City	School District	Total
None	12%	0%	22%	0%	7%
Television	8%	55%	14%	6%	19%
Newsletter	6%	41%	18%	3%	16%
Website	31%	54%	18%	16%	27%
Budget Meetings/Workshops	17%	37%	21%	0%	16%
Radio	5%	7%	3%	0%	3%
Published Minutes	0%	0%	3%	0%	1%
Handouts	0%	0%	2%	0%	0%
Word of Mouth/Informal Discussion	5%	0%	0%	0%	1%
Board/Council Meetings	8%	0%	11%	8%	7%
Other Meetings	0%	0%	0%	4%	1%
Other	2%	2%	0%	2%	2%

Government officials were also asked to list the methods they used to gather citizen comments and feedback regarding the budget and levy process. The results are presented below.

**Table 6
Other ways in which budget and levy information was gathered from citizens**

	County	Large City	Small City	School District	Total
None	17%	8%	33%	0%	13%
Suggestion Box	2%	4%	3%	1%	2%
Budget Meetings/Workshops	14%	34%	12%	0%	13%
Letters	8%	9%	3%	0%	4%
Phone	9%	16%	2%	4%	7%
Email	3%	21%	3%	2%	7%
Board/Council Meetings	14%	24%	30%	12%	19%
Word of Mouth/Informal Discussion	17%	14%	11%	2%	9%
E-Comments	5%	1%	0%	0%	1%
Other Meetings	0%	0%	0%	4%	2%
Survey	5%	8%	4%	2%	4%
Other	5%	7%	0%	2%	3%

The total cost incurred by local governments for gathering and disseminating budget and levy information beyond those means required by statute was reported to be \$529,914 for responding jurisdictions. Extrapolation yields an estimated statewide total cost of \$841,987.

Figure 4
Per capita costs of information gathering/dissemination

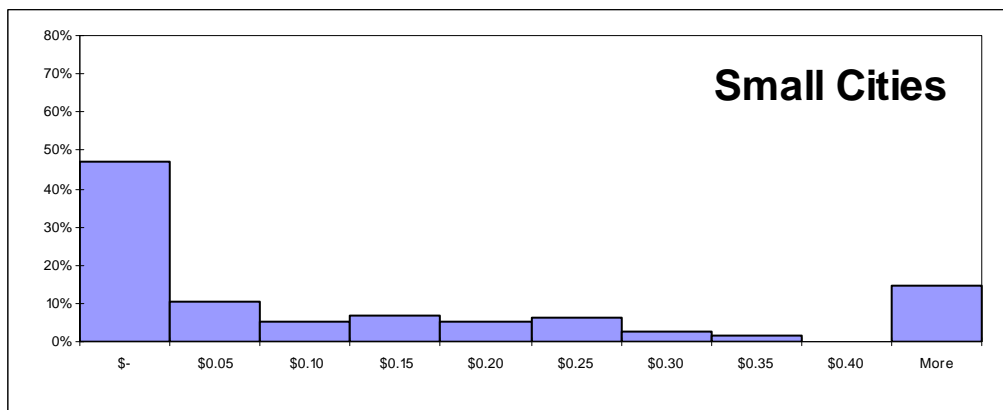
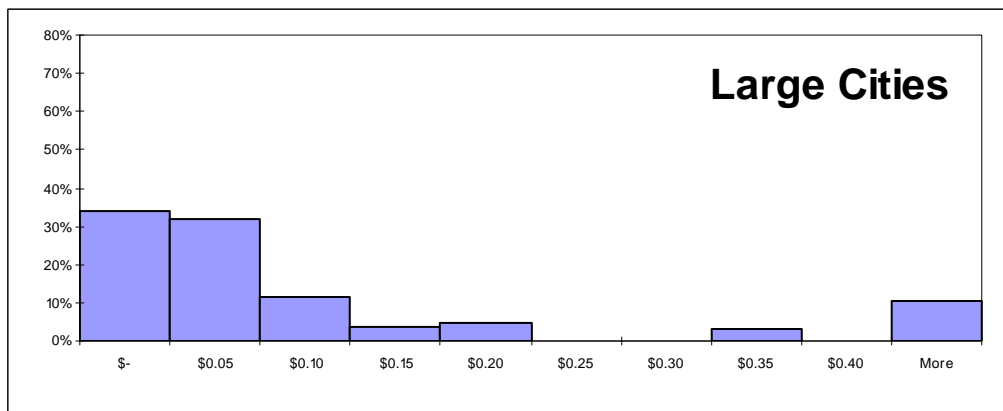
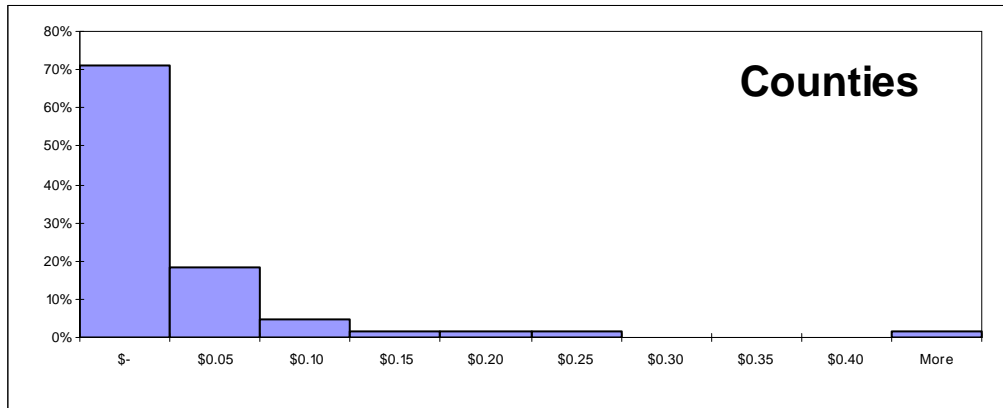
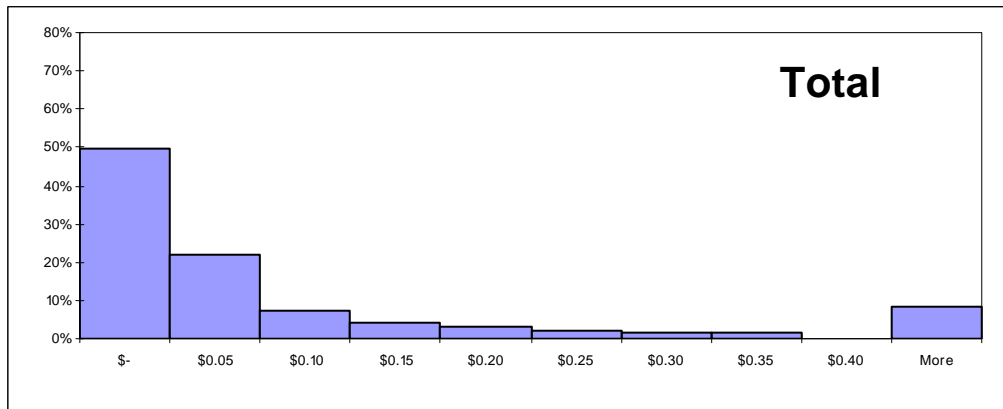
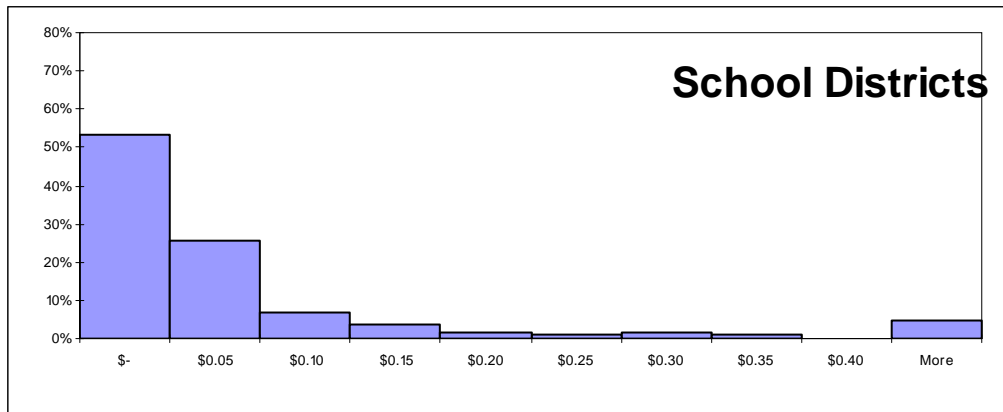


Figure 4 (continued)
Per capita costs of information gathering/dissemination

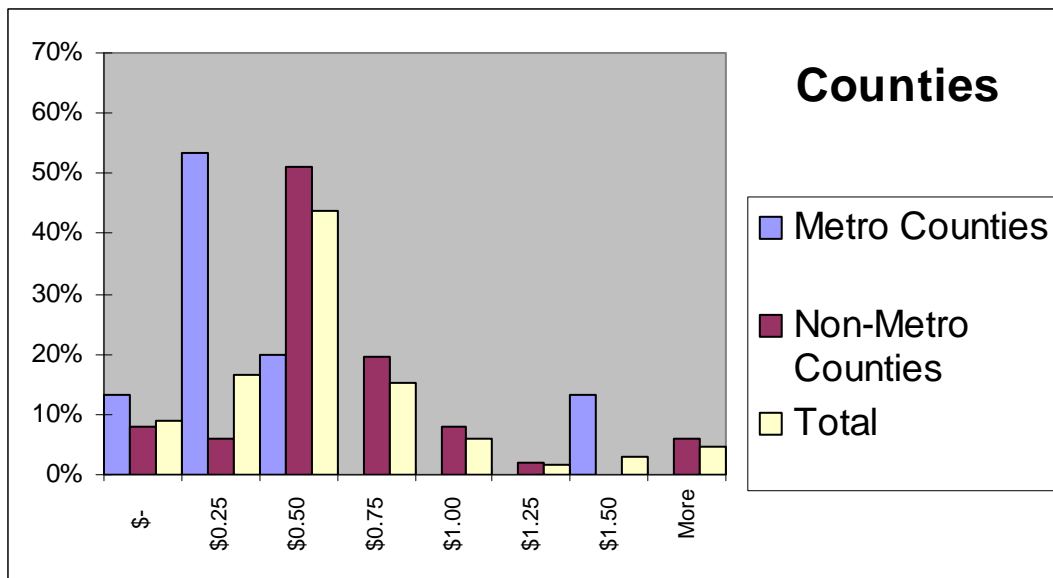


COUNTY COSTS AS ADMINISTRATORS OF TRUTH-IN-TAXATION

THE COST OF PREPARATION AND MAILING OF TNT NOTICES

The county respondents estimate that they mailed a total of 1,845,577 notices in 2007. The total cost for respondent counties (before allocation of expenses to local governments) was \$1,177,141 or an estimated \$1,870,374 statewide. The average per capita cost for preparation and mailing of notices was \$0.56. The distribution is displayed in figure 5 below. Economies of scale appear to exist in the more populous metro counties as they face a lower per capita cost for the preparation and mailing of TNT notices.

Figure 5
Per capita costs of preparation and mailing of TNT notices

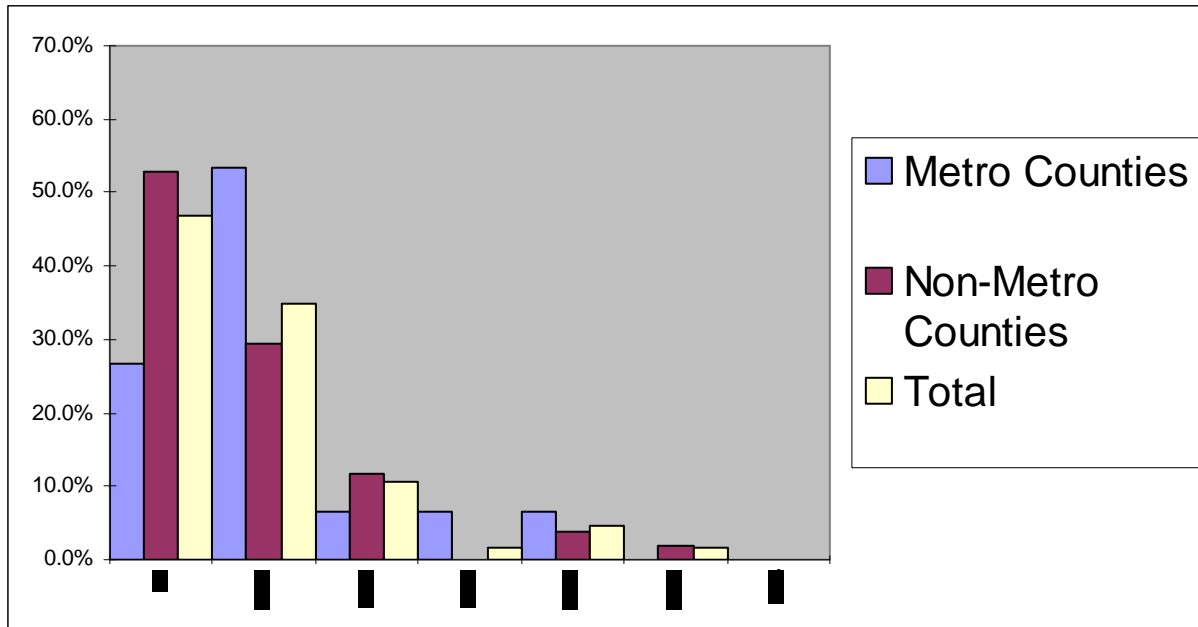


The allocation of preparation and mailing costs averages 46% to the county, and 27% percent each to the cities and school districts. Some counties allocate costs evenly among the three levels of government, at the other extreme some counties incur the whole cost of distribution of the parcel specific notices.

OTHER ADMINISTRATIVE COSTS TO COUNTIES

Total administrative costs to counties not included in the above category totaled \$67,707 for respondents (\$107,581 statewide). These expenses include dealing with confused taxpayers, coordinating the scheduling of the TNT hearings, and the cost of resending corrected parcel-specific notices, as well as other miscellaneous administrative tasks.

Figure 6
Other county administrative costs
(per capita)



STAFF TIME DEDICATED TO THE TNT PROCESS

The vast majority of counties' staff hours dedicated to the TNT process were regular staff hours. A few jurisdictions reported as high as 30% of TNT dedicated staff hours as overtime hours. The percentage of seasonal staff hours dedicated to the TNT process was minimal.

Table 7
Total Costs

		Before admin. cost allocation	After admin. cost allocation
County	Respondents	\$1,442,450.14	\$ 806,794.00
	Extrapolation	\$2,291,926.53	\$1,281,924.78
	Per Capita	\$ 0.35	\$ 0.19
Large City	Respondents	\$ 375,286.00	Combined Cities
	Extrapolation	\$ 596,296.48	
	Total Costs per capita	\$ 0.18	
Small City	Respondents	\$ 52,976.00	\$ 746,090.07
	Extrapolation	\$ 84,174.21	\$1,185,471.57
	Total Costs per capita	\$ 0.40	\$ 0.36
School District	Respondents	\$ 326,952.11	\$ 644,780.18
	Extrapolation	\$ 519,498.18	\$1,024,499.05
	Total Costs per capita	\$ 0.13	\$ 0.25
Total	Respondents	\$2,197,664.25	\$2,197,664.25
	Extrapolation	\$3,491,895.40	\$3,491,895.40
	Per Capita	\$ 0.25	\$ 0.25

METHODOLOGY

Statewide estimates were extrapolated by multiplying the respondents' per capita averages times the population of the non-respondents.

VALUE AND BURDEN OF PROCESS

All jurisdictions had a large number of respondents who felt that no aspect of the TNT process was beneficial to either taxpayers or local government officials. At the county level a common benefit cited for local government officials was the opportunity it provided to find and correct errors in valuation, addresses, etc. At other levels of government the most commonly cited beneficial aspect of the TNT process was the parcel-specific notice. Additionally, some respondents cited the opportunity to explain the budget/levy process as a benefit.

The tasks that were most frequently identified as time-consuming or in need of improvement were preparing and proofing values and rates, collecting data from other entities, advertising through newspapers, scheduling of hearings (conflicts with other local governments), and the hearing itself (many respondents felt the hearing should be dropped due to low attendance). Variations on these themes appeared at all levels of government and many respondents stressed that all aspects of the TNT process were overly time-consuming and should be dropped.

Counties see less value and more burden in the parcel-specific notice than do other jurisdictions. Parcel-specific notices aside, all other components of the TNT process are viewed as more burdensome than beneficial.

Table 8
Perceived significance of the value of TNT component processes
(1 = least, 5 = most significant)

	Counties	Large Cities	Small Cities	School Districts	Total
TNT parcel-specific notices	3.1	3.9	3.7	3.4	3.6
TNT published advertisement	1.6	2.3	2.6	2.1	2.2
TNT hearings	1.5	2.5	2.5	1.8	2.1
Spring/summer budget hearings	2.0	2.9	2.3	2.2	2.4
Other	2.4	3.0	1.8	3.0	2.5

Table 9
Perceived significance of the burden of TNT component processes
(1 = least, 5 = most significant)

	Counties	Large Cities	Small Cities	School Districts	Total
TNT parcel-specific notices	4.4	2.2	2.3	2.4	2.6
TNT published advertisement	2.3	2.4	2.5	2.4	2.4
TNT hearings	3.7	3.5	3.2	3.6	3.5
Spring/summer budget hearings	3.1	3.4	3.3	3.2	3.3
Other	3.3	2.4	2.3	2.0	2.6

There were no predominant suggestions as to what opportunities are available for increasing taxpayer involvement. Some respondents suggested some type of rescheduling of hearings, mailing of notices, etc (both moving them forward and backward on the calendar). A relatively popular suggestion was to hold open forums and/or make more of an effort to reach out to taxpayers in setting and prioritizing the budget. There were a variety of proposed approaches to accomplish this goal, though the most common sentiment was that taxpayers are as engaged as they are willing or able to be, and that government cannot be expected to 'mandate' taxpayer participation.

The vast majority of constraints on creating greater taxpayer involvement boiled down to either a lack of taxpayer interest or a lack of government resources. Respondents stated they did not have the time or money for further outreach. Additionally, their calendars are already too crowded to accommodate many changes to the TNT process. Again, respondents stated that taxpayers are provided many opportunities to engage in the budgeting process but are either apathetic or uninformed about how the system works. Many respondents stated that taxpayers only show interest in valuation and their tax bill, not governmental budgets.

Another frequent response was that the TNT process (and hearings) should be eliminated rather than reformed. Of the reforms that were proposed, the most common could be categorized as suggestions for education and outreach. Many respondents state that taxpayers simply do not understand the property tax system and more must be done to remedy this. Specific suggestions include fact sheets included with parcel specific notices, educational DVDs, online tools to understand the role of valuation and levies in determining one's tax bill, and increased use of the internet to both reduce mailing costs and to engage taxpayers on their computers rather than expect physical attendance at TNT hearings.

The most common suggestions for improving the parcel-specific notice involved adding additional emphasis in the mailing that the purpose of the TNT hearing/notice is not valuation. Suggestions on implementing this ranged from including fact sheets with notices, to making the blurb about the purpose of the mailing stand out more. Several counties suggested removing the 'percent change' field on the notice, arguing it was misleading as the change is often due to factors other than levy changes. A similar suggestion was to show the 'percent change' in levies for each level of government, as well as provide a breakout of the special taxing districts rather than grouping them all as 'other.' Some counties would prefer to make the parcel-specific notice available online-only to avoid mass mailings. Other suggestions include overhauling how proposed referenda are dealt with, displaying the market value credit, and not sending the notice to non-resident property owners.