ADDRESSING RESOURCE INEQUITIES BETWEEN GOVERNMENTS

PART 4 in a Four-Part Series About Improving Local Government Coordination and Reducing Waste from Local Government Fragmentation

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Local government fragmentation refers to the fact that local governments are broken into many, often overlapping, jurisdictions. In aggregate local governments spend a great deal of money. It is reasonable to ask if the public's interest would be better served by better coordination of government at the local level.

Fiscal disparities between local governments are often evident in public schools that are funded by local property taxes, where certain districts have a higher value of taxable property than others.

In Parts 2 and 3 of this series, we examined information age approaches for improving the financial performance of government through networked enterprises and government as a platform. Taken together, we found that these approaches can improve coordination and provide many services and financial benefits.* However, our analysis did not address one disadvantage of local government fragmentation: resource inequities between local governments, also known as "fiscal disparities." The most well-known example of fiscal disparities is the disparity between school districts. This happens when schools are funded mainly by local property taxes and when some districts have a higher value of taxable property in their boundaries than others. This will result in some children getting a worse education based on where they live.

Fiscal disparities can occur in municipal governments due to the value of taxable property in the jurisdiction relative to the need for public services.

Another example of resource inequities between local government is demonstrated in states where sales taxes are an important source of revenue and are distributed to municipalities based on point of sale. For example, a city that has a large shopping mall might get all the revenue from the associated commerce even though residents of area communities shop at the mall too (and it might absorb externalities associated with the mall, such as traffic, etc.).

* In Part 1, we examined local government consolidation and found little or no potential benefit.

In 2014, Tesla Motor Inc. chose Sparks, Nevada as the site of its new Gigafactory after Nevada offered the largest tax incentives package in the state's history. Research has found that many local economic development incentives can be an ineffective use of public resources.[2]

There are two ways this can lead to suboptimal outcomes across a region.

First is inequality of opportunity for residents in the region. Inequality of opportunity is important because the United States is a democratic country where popular support for our system of government is premised on, in no small part, "the American Dream." Though there is no universally accepted definition of the American Dream, the opportunity for prosperity, success, and upward mobility are part of what the American Dream is generally held to include. If people don't have equitable access to education, public safety, and fundamental services through local government, then it would be hard to argue that they have equitable access to the American Dream. GFOA's *Financial Foundations for Thriving Communities* identifies fair treatment as essential for a thriving community. Without fair treatment, people will likely withhold their support from local government. State constitutional requirements for equitable educational opportunities have provided the legal basis for progress made in addressing fiscal disparities between school districts thus far.[1]

The second suboptimal outcome of fiscal disparities comes when a local government "captures" a disproportionate share of tax resources. This might incentivize a local government to make land use decisions that benefit the individual government but not the region. A great example is the use of financial incentives to lure tax producers across municipal borders. It is obvious enough why the region loses when one city gives a financial incentive to a firm to lure it away from a neighboring city. The less obvious and perhaps worse news is research has found that many local economic development incentives are ineffective.[2] So, incentives given by local governments to private firms in pursuit of regionally dubious goals may be ineffective for their intended purpose. This makes these incentives a doubly ineffective use of public resources. A less obvious example is "fiscal zoning," where local officials use land use regulation to preserve and/or enhance the tax base. This might cause local officials to zone land in a way that benefits the finances of the local government but is detrimental to the region. For instance, one study found that fiscal zoning in California could be linked to a rise in retail jobs but a greater loss of (presumably higher paying) manufacturing jobs.[4]

The American Dream is Alive and Well...In Denmark?

A study by the National Bureau of Economic Research showed that social mobility is greater in countries like Denmark and Canada than in the United States.[3] Changes are needed in the United States to restore equality of opportunity.

In this fourth part of our four-part series on addressing the financial consequences of local government fragmentation, we will focus on fiscal disparities. Like the other parts, we will examine potential solutions along three dimensions:

- **Economization:** Less money is spent in total (assuming that too much was being spent before).
- **Efficiency:** The "per unit" cost of public services declines.
- **Value:** The benefit created by each dollar of public money spent goes up.

Created by the Minnesota Legislature in 1971, the Twin Cities' Fiscal Disparities Program shares tax base from commercial-industrial development in the seven-county metro area. Tax-base sharing spreads the benefits of commercial-industrial growth no matter where the property exists within the metro area.

In the aftermath of the Great Recession, more local governments have recognized that regional collaboration can benefit everyone and is preferable to competing with other local governments for a piece of a stagnant or shrinking economic pie. Hence, regional collaboration for addressing fiscal disparities often must also address economic development. As we review different examples of regional revenue sharing programs in this paper, we will see we how economic development has been addressed by some of these programs.

In the aftermath of the Great Recession, more local governments have recognized that **regional collaboration can benefit everyone** and is preferable to competing with other local governments for a piece of a stagnant or shrinking economic pie.

One of the most comprehensive and enduring solutions to resource inequities between municipal governments is the "Fiscal Disparities Program" in the Twin Cities region of Minnesota. Started in 1971, with the support of a regional body in the Twin Cities area known as the Metropolitan Council, this tax-base sharing program spreads the fiscal benefits of commercial-industrial growth no matter where the property exists within the metro area. It reduces differences in property tax wealth between communities with a lot of commercial-industrial tax base and those with little. These differences show that commercial-industrial development tends to concentrate near regional infrastructure and services, such as highways, wastewater treatment, and transit.

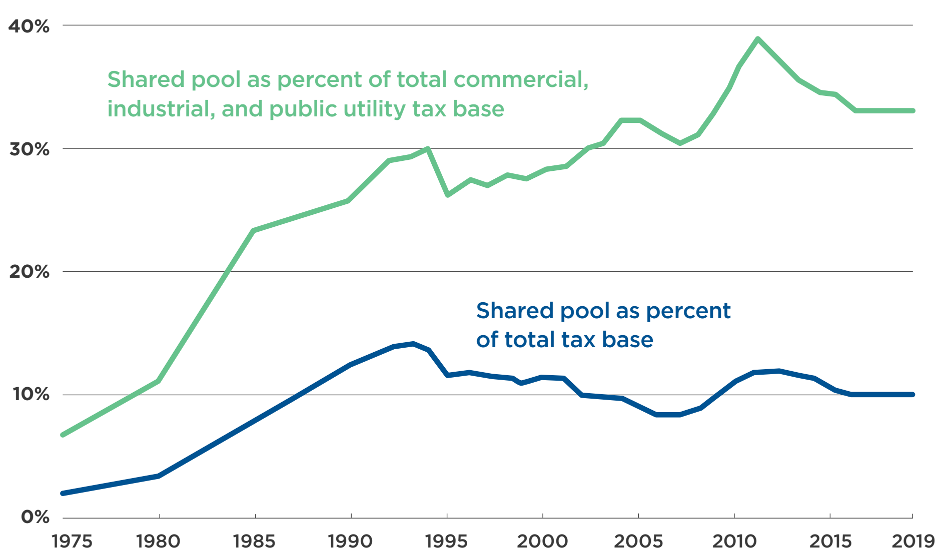
Here's how it works: Local taxing jurisdictions contribute 40% of their growth in commercial, industrial, and public utility property tax base into an areawide, shared pool. Local property tax administrators then distribute the shared pool of tax base. Communities with below-average property tax value per person receive a larger share of the tax base, and those with above-average receive a smaller share.[5]

In 2019, the shared pool represented one-third of the commercial, industrial, and public utility property tax base in the seven-county metro region and 10% of the total tax base. These shares have been fairly consistent over the past 20 years, as Exhibit 1 illustrates. Tax-base sharing narrows the disparities between communities with the largest and the smallest commercial, industrial, and public utility property tax base (on a per capita basis). According to the Metropolitan Council, for communities with over 10,000 people, the difference in disparities is 4-to-1 with tax-base sharing and 11-to-1 without it.[6] Further, a 2012 study found that if, hypothetically, the Fiscal Disparities Program were discontinued, the net contributors to the tax base pool could drop their tax rates by 2.36% to keep the same level of resources while the net recipients would need to increase theirs by 8.04%.[7] This suggests that the program has been effective in reducing fiscal disparities and improving ***value***, on net, because the recipients seem to gain more than the contributors lose.*

There does not seem to be much evidence that the program impacts ***economization***. A 2020 study suggested that eliminating the Fiscal Disparities Program would raise total taxes in the state by about 0.2%, but this was mainly due to specific design features of Minnesota's program and not some economizing effect inherent in reducing fiscal disparities.[8] The 2015 study found that eliminating the program might lower taxes across the region slightly on average.

EXHIBIT 1

SHARED TAX POOL AS PERCENT OF THE REGION'S TAX BASE FOR THE TWIN CITIES FISCAL DISPARITIES PROGRAM[9]



About 1/3 of the total commercial, industrial, and public utility property tax base in the seven-county metro region and 10% of the total tax base participants in the Twin Cities Fiscal Disparities Program

*One might consider that there is probably diminishing marginal utility for each tax revenue dollar that a government receives. In other words, a recipient government values the increased tax base more than a contributor government misses it. For example, communities with the most commercial property collect more in taxes than it costs to serve these properties, so the excess can be spent on "extra" services or to reduce other taxes and fees. Recipient cities don't have this advantage.

Finally, the Fiscal Disparities Program is intended to encourage orderly development. This would be an ***efficient*** outcome if it results in: a) cost-effective land use decisions (e.g., not overbuilding commercial/industrial property, locating development in areas where it is less expensive to serve the development); and/or b) reducing the use of economic development incentives by local governments to lure firms from other communities within the region. Unfortunately, there is no quantitative evidence to judge the success of the Fiscal Disparities Program on these criteria. A discussion with a representative of the Metropolitan Council suggested the Fiscal Disparities Program may have a positive impact on these criteria, though.[10] First, the Fiscal Disparities Program may have made people in the region open to thinking regionally about land use and economic development and helped empower the Metropolitan Council to lead on regional solutions. For example, the Metropolitan Council is responsible for regional sewerage services. If development is close to sewer infrastructure, then it will be cheaper to serve. The Metropolitan Council has been able to influence local development decisions to encourage this. Second, there have been anecdotal cases of the Fiscal Disparities Program changing the calculus of local economic development decisions. For instance, officials in Anoka County avoided developing a wetland area, citing the Fiscal Disparities Program as a reason: If the development were elsewhere in the region, Anoka County would still see some financial benefit.

Minnesota has a second version of the Fiscal Disparities Program that was created in 1995, which covers the Iron Range in northeastern Minnesota. However, GFOA was unable to find programs of comparable breadth for municipal governments elsewhere in the country. Two smaller tax-base sharing programs are:

- Created in the early 1970s, a tax-sharing pool in the Meadowlands region of New Jersey compensates cities for inequities created by development restrictions imposed to protect wetlands. This means that some towns can build new developments while others cannot. The towns that can build send revenue* to those that can't build.

- Montgomery County, in Ohio, has an economic development and government equity program, founded in the early 1990s. The program generates grants funded by sales tax revenue. It shares a portion of the growth in municipalities' property and income tax revenues each year (Ohio has local income taxes). However, as of early 2019, no disbursements of shared revenues had been made since 2011 due to continued low growth.[11]

Neither program appears to have been the subject of rigorous evaluation. But given both have survived for decades suggests that enough stakeholders are happy with the programs to keep them in place.

That said, tax-base sharing programs are quite rare, despite any benefits they bring. One reason is complexity. Setting up such a program would be a huge technical and political challenge. Other states have tried to copy Minnesota's program only to fall short of the political support needed.[12] One big political challenge is those communities that would be the net contributors have reason to oppose these programs. This opposition is a reason critics have challenged these programs in court.[13]

The difficulty of creating a comprehensive tax-base sharing program suggests we should consider if there are easier ways to realize some of the same benefits. We described how a tax-base sharing program like Minnesota's impacts economization, efficiency, and value. Next, we will review options that might be more practical† and their implications for economization, efficiency, and value. We'll also highlight key contrasts with the Fiscal Disparities Program.

*This includes a 3% hotel tax and may include a portion of the growth in property tax revenues for communities that can build.

†Note that "practical" is a relative term here. None of these are easy.

Regional Revenue Sharing Tied to Regional Service Sharing

One of the reasons tax-base sharing programs like Minnesota's have not been widely replicated is that the concept does not seem consistent with what GFOA's *Financial Foundations for Thriving Communities* calls "proportional equivalence." This means people must get some benefit out of a system proportional to what they put in it. If they don't, they won't support it.

Members of the Louisville, Kentucky, fire department march down the street during the Pegasus Parade in May 2019. Fire protection is an example of a service that taxpayers are willing to fund because the benefit is presumably worth more than the amount of taxes being paid.

To illustrate, an experiment known as the public goods game asks participants to contribute money to a common pool. The experimenter then multiplies (e.g., 2x or 3x) the amount of money in the pool and divides it out evenly. Even though the lowest contributor realizes greater relative gain than everyone else, the multiplier means that everyone gets more than they put in, so everyone continues to participate. This would be similar to citizens paying taxes to their local government for a service like fire protection. These services benefit everyone in the community and are presumably worth more to taxpayers than the amount of taxes they paid. Even people who don't pay taxes benefit from these services, but taxpayers continue to fund them because taxpayers still receive sufficient benefit.

In a variation on the game, the experimenter eliminates the multiplier. This means that when the pooled money is divided evenly among the contributors, the lowest contributors gain, but the highest contributors lose. The highest contributors tend to quit the game and then the system collapses. A tax-base sharing program like Minnesota's is a lot like the public goods game with a low (or no) multiplier. Hence, a regional approach could be more attractive if it provides clearer benefits to everyone. As the game illustrates, people who contribute fewer resources to the pool could benefit proportionately more; however, the people who contribute more resources must benefit too.

The Denver Art Museum is one of approximately 300 organizations funded by the Scientific and Cultural Facilities District.

Another reason programs like Minnesota's haven't been widely replicated is that they are largely state-mandated and administered.[14] GFOA's *Financial Foundations for Thriving Communities* points out that arrangements that are created locally are more likely to attract support.[15]

A good example of regional initiative that sidesteps the pitfalls described above is the Scientific and Cultural Facilities District (SCFD) in the Denver, Colorado, region. It covers the City/County of Denver and five surrounding counties. This district provides tax support for cultural, scientific, and art programs and institutions, many of which are in the City of Denver but are used by people outside of the city. Local residents and officials put the creation of the district on the ballot. The public vote to approve the district and its regional taxing power is remarkable for two reasons. First, the vote took place in 1988 during an economic downturn. Second, most of the cultural facilities were in Denver. This meant that people in the surrounding counties were voting to send their tax money to Denver. These voters probably valued the services provided by Denver enough to support the services with taxes. It is notable that SCFD does not just serve the cultural tastes of the well-to-do. The SCFD supports thousands of arts and cultural programs for underserved populations, including children at or below the poverty level, the elderly, and people with disabilities. Similar districts have been created by St. Louis, Pittsburgh, Kansas City, and Salt Lake City.[16]

Clearly, cultural districts are not the answer to all challenges posed to local governments from fragmentation and fiscal disparities. However, the lesson they offer has broader implications: A regional approach to revenue sharing can get support if it offers benefit to all involved. Examples of services that might have regionwide benefit include transit, wastewater treatment, water supplies, stormwater, economic development, recreation facilities (besides cultural facilities), and affordable housing.[17]

Boyce Park is one of the 106 organizations funded by the Allegheny Regional Asset District (RAD). RAD uses half of the proceeds of the 1% Allegheny County Sales and Use Tax to provide grants to libraries, parks and trails, arts and cultural organizations, regional attractions, sports and civic facilities and public transit.

Pittsburgh's regional arrangement is notable because: a) the tax money generated by the regional body goes to a wide array of communities' assets (such as libraries and transit as well as cultural and recreation);[18] b) part of the revenue generated by the regional taxing power is distributed back to the constituent municipalities in a way that benefits municipalities that are poorer in terms of market value per capita.[19] Hence, the regional arrangement provides benefits to all local governments that participate by building community assets across the region and provides direct financial support to municipalities with fewer resources (though the amount of revenue shared is less than in the Minnesota model).

Here's how regional revenue and service sharing compares against our criteria for addressing the financial problems of local government fragmentation:

- **Efficiency.** Services that work best on a regional basis are often those with economies of scale that aren't achievable by smaller governments (e.g., capital-intensive services like transit or wastewater treatment). Regionalizing these services should reduce the per unit cost.
- **Economization.** To the extent regionalization eliminates duplication of services between local governments, it would result in economization.
- **Value.** Taxpayers should get better value from regionalizing services where there is little value in local differentiation of the service. For instance, not many communities differ in their preference for cleaning wastewater. Also, less well-off communities would likely benefit disproportionately from regionalized services, assuming the service is funded by a tax that is based on an ability to pay (e.g., property tax).
- **Key contrasts with tax-base sharing.** Regionalized services would not have the same benefits for curbing inefficient development patterns unless the service was meant to accomplish that (e.g., regional economic development). Also, less well-off communities only have their fiscal disparities reduced *along the dimension of the service that is regionalized*. Tax-base sharing addresses fiscal disparities more broadly and provides resources to the less well-off cities *to make local decisions* about how to allocate those resources. Pittsburgh's regional arrangement, however, shows that it is possible to have a hybrid of the two.

The planned Wood Haven Technology Park—a 109-acre site developed in partnership between the City of Roanoke, Roanoke County and the City of Salem—illustrates the benefits of shared costs and revenues among local governments.

Taming Development Incentives

One reason offered in support of tax-base sharing programs is that they remove some of the incentive for local governments to engage in inefficient development practices, such as economic development incentives that lure firms from other locations within the same region. The potential development inefficiencies, from a regional perspective, are obvious. Additionally, empirical research suggests that 25% or less of the jobs that received incentives owe their existence in the local area to the incentive. In other words, more than 75% of the new jobs would have been created locally without an added incentive. For this reason and others, most incentives are all cost and no benefit.[20] Therefore, it is generally good to tame these incentives.

Regional economic development arrangements are a way to do this. A regional approach to economic development makes sense because job creation is the number one goal of most of development projects and job markets are regional.

The Montgomery County example, cited earlier, takes it a step further by sharing tax revenues associated with new economic development. There could be other, similar opportunities. In Virginia, the Roanoke Regional Partnership was founded to reduce competition between local governments and has facilitated agreements between member local governments to share revenues from economic development.[21] The Partnership allows local governments in the region to combine their assets (e.g., open land, capital to finance development) to support a project that benefits all. To illustrate, the City of Roanoke, Roanoke County, and the City of Salem worked together to build a 109-acre business park. Costs and revenues from the project were proportionally divided amongst the participants.

Large businesses benefit an entire region. If the jurisdiction that hosts the business gets all the tax revenue, it may lead to financial imbalance in the region because the costs to serve the business often spill over onto other jurisdictions (e.g., increase wear on roads, more demands on schools, etc.). A regional approach to economic development and tax sharing, as occurred in Roanoke, can compensate jurisdictions in the region proportionately with their contributions to supporting it (i.e., land, development capital, housing the increased population, etc.). This is fair to all while helping to keep the region vital and reducing or eliminating the burden placed on local government from having to compete with other local governments in the region for new development.

Finally, we should note that are other ways to improve the use of local development incentives outside the scope of this paper and local government fragmentation.[22] Here's how taming development incentives compares against our criteria for addressing the financial problems of local government fragmentation:

- **Efficiency.** This strategy would not have much impact on the per unit cost of public services.
- **Economization.** Taming development incentives would likely have a big impact on economization. First, local governments would spend less on these incentives. Second, new development requires new government services (more parks, fire, etc.). It is not uncommon for the costs of new development to outweigh the benefit over a long period when one must factor in maintenance and replacement of public infrastructure. This is especially the case for less dense development patterns.[23]
- **Value.** Ideally, limiting the use of development incentives would limit them to cases where they are likely to achieve positive outcomes. That would increase value to the taxpayer.
- **Key contrasts with tax-base sharing.** This strategy would not necessarily result in a direct benefit for less well-off communities, but if it were part of a regional approach to economic development, like in Montgomery County or Roanoke, it could. There could be direct benefit from sharing in revenues from development and indirect benefit from reducing the need for less well-off communities to "compete" with others for development opportunities through the use of incentives. Given what we know about local incentives, competing in this way is wasteful because: a) incentives are often ineffective; b) firms base their location decisions on criteria that less well-off communities might often perform poorly on.

A regional approach to economic development and tax sharing can compensate jurisdictions in the region proportionately with their contributions to supporting it.

Redistributive State-Shared Revenue

States could share revenue with their local governments in a way that benefits less well-off communities. An example is where states collect tax revenues where the taxes are generated proportionally or progressively relative to taxpayers' income or wealth. The revenues are then distributed back to local governments based on a characteristic unrelated to taxpayer income/wealth. For example, a state income tax would typically draw the most revenue from communities with wealthier residents, but it could be distributed back to communities on a per capita basis.

Per capita distribution of a tax on wealth or income would tend to benefit less well-off communities on average. The funding relationship between states and school districts provides a model for more precision in providing resources to less well-off communities.[24] Many state funding formulas provide more funding for students from low-income households (32 states). Some state funding formulas consider the costs associated with the school districts and the communities they serve, apart from the costs associated with individual students. They may provide more resources based on the concentration of students in a district from low-income households, for example (23 states).* This could provide a precedent for targeting state-shared revenue to communities that need more support.

It is worth noting that state revenue sharing with school districts often uses a formula that calculates a baseline amount of money needed to educate a child. One might question if it is possible (or even desirable) to calculate a

The Twin Cities' Metropolitan Fiscal Disparities program requires all communities in the Minneapolis-St. Paul region to contribute 40% of the growth in their commercial/industrial tax base to a regional pool, which is then redistributed according to need. The seven-county region is home to more than 180 cities and townships and more than 60 school districts.

*Nine states do neither option described here.

baseline for municipal services given that municipalities typically provide a diverse array of services. That said, it seems feasible that states could develop a municipal revenue-sharing model that benefits less well-off communities without establishing baseline service requirements.

Lastly, under a state revenue-sharing arrangement with schools, communities have the option to raise taxes on themselves to provide better services than provided for by state funding.* This provides for a degree of local control.

A practical drawback to state shared revenues is that some state governments have proven unwilling or unable to distribute revenue to local governments during economic downturns. Hence, state shared revenue might introduce more uncertainty and risk into local budgets.

Here's how redistributive state-shared revenue compares against our criteria for addressing the financial problems of local government fragmentation:

- **Efficiency.** This strategy would not have much impact on the per unit cost of public services.
- **Economization.** There doesn't appear to be evidence that this strategy would reduce government spending. There is evidence that it might increase total spending because it would reduce the "price" of local services by providing an external subsidy.[25]
- **Value.** This strategy should provide some net increase in total taxpayer value across the region. The net recipients of tax revenues would likely place a higher marginal value on the additional tax dollar received than the net contributors would place on the dollar they lose.[26]
- **Key contrasts with tax-base sharing.** This strategy has none of the efficiency-enhancing impacts of tax-base sharing. Its redistributive effect would depend on how extensively the strategy is applied. Simple per capita distribution of state-shared revenues is common for municipal governments, suggesting that it is more practical. However, its practicality is tied to its narrow scope. For instance, the net contributors may be willing to accept the state collecting income tax and redistributing it on a per capita basis. However, if the state tried to redistribute property taxes similarly, there would likely be more resistance.

State shared revenue might introduce **more uncertainty and risk** into local budgets.

*Though there may be requirements for voter approval to raise taxes in some states.

We conclude with the table below that compares all four models described in this paper.

Tax-base sharing: Share tax base on a regional basis to redistribute revenue to communities with fewer resources.

Economization	Efficiency	Value
No impact	Promising *More cost-effective land use decisions*	Positive evidence *Reduces fiscal disparities between communities*

Regional revenue sharing tied to regional services sharing: Service with regional economies of scale are provided regionally and funded regionally.

Economization	Efficiency	Value
Promising *May help reduce duplication of services*	Positive evidence *Per unit costs can be reduced*	Promising *May benefit all communities but benefit less well-off communities more*

Taming development incentives: Economic development incentives can exacerbate some of the problems of fragmentation.

Economization	Efficiency	Value
Positive evidence *Would reduce the use of ineffective incentives*	No impact	Positive evidence *With less money spent on ineffective incentives, relative benefit from all money spent on incentives would be greater*

Redistributive state-shared revenue: Use state government's taxing power to share revenue with local governments in the state in a way that benefits less well-off communities.

Economization	Efficiency	Value
Questionable *May incentivize greater total public sector spending*	No impact	Positive evidence *Should provide a net increase in total taxpayer value across the region*

END NOTES

[1] Personal interview with Tammy Kolbe, Associated Professor, College of Education and Social Services, University of Vermont.

[2] Timothy J. Bartik. "Making Sense of Incentives: Taming Business Incentives to Promote Prosperity." W.E. Upjohn Institute. 2019.

[3] Raj Chetty, Nathaniel Hendren, Patrick Kline, and Emmanuel Saez. "Where Is The Land Of Opportunity? The Geography Of Intergenerational Mobility In The United States" National Bureau of Economic Research Working Paper Series. Working Paper 19843. January 2014.

[4] Daria Burnes, David Neumark, Michelle J. White. "Fiscal Zoning and Sales Taxes: Do Higher Sales Taxes Lead To More Retailing And Less Manufacturing?" Working Paper 16932. National Bureau of Economic Research. April 2011.

[5] Description in this paragraph based on description provided by "Fiscal Disparities: Tax-Base Sharing in the Metro Area." Metropolitan Council. https://metrocouncil.org/Communities/Planning/Local-Planning-Assistance/Fiscal-Disparities.asp

[6] "Fiscal Disparities: Tax-Base Sharing in the Metro Area." Metropolitan Council. https://metrocouncil.org/Communities/Planning/Local-Planning-Assistance/Fiscal-Disparities.aspx

[7] "Study of the Metropolitan Area Fiscal Disparities Program." Prepared for the Minnesota Department of Revenue by TischlerBise. February 13, 2012.

[8] "Minnesota's Fiscal Disparities Programs." Prepared for MN House Research by Jared Swanson and Steve Hinze, Legislative Analysts. February 2020. To illustrate, one reason this study was projected an increase in taxes is because the State of Minnesota contributes some resources to the pool. The study assumed that if the program ended, this contribution from the state would be lost and local governments would need to make up the difference with local taxes.

[9] Graph adapted from: https://metrocouncil.org/Communities/Planning/Local-Planning-Assistance/Fiscal-Disparities.aspx

[10] Personal interview with Debra Detrick, Planning Analyst, Metropolitan Council. May 15, 2020.

[11] John Bush. "How Montgomery County ED/GE funding drives economic development." Dayton Business Journal. February 11, 2019.

[12] Paul Gilje, traces the history of the Minnesota program from its inception until 2020, describes failed legislation in Detroit, Sacramento, and Des Moines. Gilje also describes other examples where there was some level of local interest but did not get to the point of proposed legislation. See: Paul Gilje, "How Could You Do This? 50 Years of Property Tax-Base Sharing in Minnesota". Center for Policy Design.

[13] Justin Marlowe. "Can An Old Tax Tool Teach Us New Tricks?: Fiscal Equalization Offers Three Lessons in Local Tax Policy and Regional Prosperity." *Governing*. February 2018.

[14] See endnote 12. The "failed legislation" met its end in state capitals.

[15] For an international perspective on the challenges presented to centrally created and administered regional revenue sharing arrangements, see: "Achieving Levelling-Up" November 2020. www.lipsit.ac.uk

[16] Information in this paragraph is from: Jane Hansberry. "Denver's Scientific and Cultural Facilities District: A Case Study in Regionalism." *Government Finance Review*. December 2000.

[17] Based on a list of services that have been successfully regionalized in the Twin Cities area.

[18] https://www.radworkshere.org/pages/our-impact

[19] https://www.alleghenyinstitute.org/municipalities-share-of-rad-tax-revenue/

[20] Timothy J. Bartik. "Making Sense of Incentives: Taming Business Incentives to Promote Prosperity." W.E. Upjohn Institute. 2019

[21] Information on the Roanoke Regional Partnership is from: Stephanie D. Davis and Meghan Z. Gough. "Deepening Interlocal Partnerships: The Case of Revenue-Sharing Infrastructure Agreements." *State and Local Government Review*. Special Issue. 2020

[22] Timothy J. Bartik. "Reforming Economic Development Incentives." *Government Finance Review*. April 2020.

[23] Charles L. Marohn. *Strong Towns: A Bottom-Up Revolution to Rebuild American Prosperity*. Wiley. 2019.

[24] Data in this paragraph from: funded.edbuild.org

[25] J. Edwin Benton. "The Effects of Changes in Federal Aid on State and Local Government Spending." *Publius: The Journal of Federalism*, Volume 22, Issue 1, Winter 1992, Pages 71–82.

[26] This is called "declining marginal utility of income and wealth" in economics.

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