

Draft

Tax Revenue Proposals

Sames - Governor / House / Senate

83.9 m	Liquor Sales Tax
18.6 m	Car Rental Tax
38.6 m	Car Lease Tax
41.03 m	Streamline Sales Tax

Near Sames - Governor / House / Senate

40.2 – 62.5 m	Abusive Tax Shelters
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Other

<u>Governor</u>	<u>House</u>	<u>Senate</u>	
3 m	--	230 m	Corporate Avoidance
9 m	8.4 m	--	Gambling Tax
97 m	217.6 m	--	Budget Shifts
139 m	112.3 m	--	Property Tax
380 m	?	--	Cigarette Tax
--	--	196.7 m	State Property Tax
--	--	886.5 m	Temp. 4 th Bracket/AMT/MJST

Projected Property Taxes Payable in 2006
Compared to Estimated Property Taxes Payable in 2005

Statewide

	Market Value				Tax Capacity				Net Tax			
	Pay 2005	Pay 2006	Difference	Pct Chg	Pay 2005	Pay 2006	Difference	Pct Chg	Pay 2005	Pay 2006	Difference	Pct Chg
Res Homestead	248,373,430	276,106,790	27,733,360	11.2%	2,497,571	2,779,291	281,720	11.3%	2,645,584	2,862,021	216,437	8.2%
Res Nonhomestd	20,838,199	24,048,609	3,210,410	15.4%	224,772	259,679	34,907	15.5%	267,372	296,426	29,054	10.9%
Apartments	17,894,273	18,757,973	863,700	4.8%	223,678	234,475	10,796	4.8%	274,453	276,225	1,771	0.6%
Seasonal Rec	14,563,312	16,927,842	2,364,530	16.2%	147,436	171,470	24,034	16.3%	173,133	190,189	17,056	9.9%
New Construction	0	10,644,600	10,644,600	0.0%	0	121,493	121,493	0.0%	0	147,148	147,148	0.0%
C/I First tier	8,656,262	9,012,097	355,835	4.1%	129,844	135,181	5,338	4.1%	228,996	228,553	-442	-0.2%
C/I Second tier	45,087,357	48,307,410	3,220,053	7.1%	901,747	966,148	64,401	7.1%	1,550,967	1,584,229	33,262	2.1%
Public Utility	7,008,401	7,218,819	210,418	3.0%	139,777	143,961	4,184	3.0%	217,780	214,466	-3,314	-1.5%
Ag hstd: House	9,870,573	11,006,165	1,135,592	11.5%	98,768	110,168	11,401	11.5%	81,937	89,032	7,095	8.7%
Ag hstd: Land	27,080,358	29,964,763	2,884,405	10.7%	167,684	188,756	21,072	12.6%	130,312	139,861	9,549	7.3%
Ag Nonhomestd	12,500,529	14,170,591	1,670,062	13.4%	125,005	141,706	16,701	13.4%	115,779	124,311	8,532	7.4%
Total	411,872,693	466,165,659	54,292,966	13.2%	4,656,282	5,252,328	596,046	12.8%	5,686,313	6,152,461	466,148	8.2%

Tax Capacity Spread Levies

	Pay 2005	Pay 2006	Difference	Pct Chg
County	1,870,210	1,980,289	110,079	5.9%
School	918,964	994,645	75,681	8.2%
City/Town	1,370,866	1,481,378	110,511	8.1%
Special Dist	192,180	210,614	18,434	9.6%
Total	4,352,221	4,666,925	314,704	7.2%

Market Value Spread Levies

	Pay 2005	Pay 2006	Difference	Pct Chg
County	2,467	2,477	11	0.4%
School	409,284	506,866	97,582	23.8%
City/Town	21,736	25,564	3,828	17.6%
Special Dist	0	0	0	0.0%
Total	433,487	534,908	101,421	23.4%

Tax Rates

	Pay 2005	Pay 2006	Pay 2005	Pay 2006
	NTC	NTC	MV	MV
County	44.99	41.99	0.007	0.006
School	22.11	21.09	1.141	1.250
City/Town	32.98	31.41	0.061	0.063
Special Dist	4.62	4.47	0.000	0.000
Total	104.70	98.97	1.209	1.319

Tax Base

	Pay 2005	Pay 2006	Difference	Pct Chg
Tax Capacity:	4,656,282	5,252,328	596,046	12.8%
TIF Value	235,631	257,266	21,635	9.2%
FD Contribution:	263,660	279,248	15,588	5.9%
Taxable Value:	4,156,991	4,715,815	558,823	13.4%
FD Distribution:	263,664	279,330	15,667	5.9%

Homestead Property Tax Examples

	Pay 2005	Pay 2006	Difference	Pct Chg
Low Value:	119,900	133,300	1,136	9.4%
Average Value:	179,700	199,800	1,888	8.5%
High Value:	239,600	266,300	2,641	8.0%

Projected Property Taxes Payable in 2006 Compared to Estimated Property Taxes Payable in 2005

Metro Area

	Market Value				Tax Capacity				Net Tax			
	Pay 2005	Pay 2006	Difference	Pct Chg	Pay 2005	Pay 2006	Difference	Pct Chg	Pay 2005	Pay 2006	Difference	Pct Chg
Res Homestead	169,148,772	188,871,138	19,722,366	11.7%	1,705,189	1,906,499	201,310	11.8%	1,858,910	2,016,730	157,820	8.5%
Res Nonhomestd	13,568,355	16,003,694	2,435,339	17.9%	147,531	174,219	26,688	18.1%	174,863	197,826	22,963	13.1%
Apartments	14,491,911	15,133,869	641,957	4.4%	181,149	189,173	8,024	4.4%	220,541	220,565	24	0.0%
Seasonal Rec	384,402	428,081	43,678	11.4%	4,346	4,840	494	11.4%	5,077	5,378	301	5.9%
New Construction	0	5,821,770	5,821,770	0.0%	0	68,323	68,323	0.0%	0	82,589	82,589	0.0%
C/I First tier	3,738,307	3,902,870	164,563	4.4%	56,075	58,543	2,468	4.4%	98,026	97,640	-386	-0.4%
C/I Second tier	35,264,819	37,674,181	2,409,361	6.8%	705,296	753,484	48,187	6.8%	1,215,303	1,235,266	19,963	1.6%
Public Utility	2,403,937	2,476,055	72,118	3.0%	47,975	49,408	1,433	3.0%	79,996	78,441	-1,555	-1.9%
Ag hstd: House	1,177,821	1,310,122	132,301	11.2%	11,848	13,193	1,346	11.4%	10,083	10,960	877	8.7%
Ag hstd: Land	1,253,025	1,400,308	147,282	11.8%	7,462	8,432	970	13.0%	4,495	4,858	363	8.1%
Ag Nonhomestd	836,527	948,461	111,934	13.4%	8,365	9,485	1,119	13.4%	7,462	7,981	519	7.0%
Total	242,267,877	273,970,548	31,702,670	13.1%	2,875,235	3,235,598	360,363	12.5%	3,674,756	3,958,235	283,479	7.7%

Tax Capacity Spread Levies

	Pay 2005	Pay 2006	Difference	Pct Chg
County	949,246	1,000,962	51,716	5.4%
School	562,351	610,582	48,231	8.6%
City/Town	845,751	915,871	70,121	8.3%
Special Dist	162,879	178,860	15,980	9.8%
Total	2,520,227	2,706,275	186,048	7.4%

Market Value Spread Levies

	Pay 2005	Pay 2006	Difference	Pct Chg
County	1,982	1,993	11	0.5%
School	307,290	368,536	61,246	19.9%
City/Town	20,008	23,605	3,597	18.0%
Special Dist	0	0	0	0.0%
Total	329,280	394,134	64,854	19.7%

Tax Rates

	Pay 2005	Pay 2006	Pay 2005	Pay 2006
	NTC	NTC	MV	MV
County	39.15	36.36	0.008	0.007
School	23.20	22.18	1.281	1.359
City/Town	34.89	33.27	0.083	0.087
Special Dist	6.72	6.50	0.000	0.000
Total	103.95	98.32	1.373	1.453

Tax Base

	Pay 2005	Pay 2006	Difference	Pct Chg
Tax Capacity:	2,875,235	3,235,598	360,363	12.5%
TIF Value	189,422	206,426	17,004	9.0%
FD Contribution:	261,412	276,530	15,118	5.8%
Taxable Value:	2,424,401	2,752,642	328,241	13.5%
FD Distribution:	261,414	276,611	15,196	5.8%

Homestead Property Tax Examples

	Pay 2005	Pay 2006	Difference	Pct Chg
Low Value:	149,200	166,600	140	9.2%
Average Value:	223,600	249,700	210	8.5%
High Value:	298,100	332,900	280	8.2%

Projected Property Taxes Payable in 2006
Compared to Estimated Property Taxes Payable in 2005

Greater Minnesota

	Market Value				Tax Capacity				Net Tax			
	Pay 2005	Pay 2006	Difference	Pct Chg	Pay 2005	Pay 2006	Difference	Pct Chg	Pay 2005	Pay 2006	Difference	Pct Chg
Res Homestead	79,224,658	87,235,653	8,010,995	10.1%	792,382	872,792	80,410	10.1%	786,675	845,291	58,616	7.5%
Res Nonhomestd	7,269,844	8,044,915	775,071	10.7%	77,241	85,460	8,219	10.6%	92,509	98,600	6,091	6.6%
Apartments	3,402,362	3,624,105	221,743	6.5%	42,530	45,301	2,772	6.5%	53,912	55,660	1,747	3.2%
Seasonal Rec	14,178,910	16,499,761	2,320,852	16.4%	143,090	166,630	23,540	16.5%	168,056	184,811	16,755	10.0%
New Construction	0	4,822,831	4,822,831	0.0%	0	53,170	53,170	0.0%	0	64,559	64,559	0.0%
C/I First tier	4,917,955	5,109,227	191,272	3.9%	73,769	76,638	2,869	3.9%	130,969	130,913	-56	0.0%
C/I Second tier	9,822,538	10,633,230	810,692	8.3%	196,451	212,665	16,214	8.3%	335,663	348,963	13,299	4.0%
Public Utility	4,604,463	4,742,764	138,300	3.0%	91,802	94,553	2,751	3.0%	137,784	136,025	-1,759	-1.3%
Ag hstd: House	8,692,752	9,696,042	1,003,290	11.5%	86,920	96,975	10,055	11.6%	71,854	78,072	6,218	8.7%
Ag hstd: Land	25,827,333	28,564,455	2,737,122	10.6%	160,222	180,325	20,102	12.5%	125,817	135,002	9,186	7.3%
Ag Nonhomestd	11,664,002	13,222,130	1,558,128	13.4%	116,640	132,221	15,581	13.4%	108,317	116,330	8,013	7.4%
Total	169,604,816	192,195,111	22,590,295	13.3%	1,781,047	2,016,730	235,683	13.2%	2,011,557	2,194,226	182,669	9.1%

Tax Capacity Spread Levies

	Pay 2005	Pay 2006	Difference	Pct Chg
County	920,964	979,327	58,362	6.3%
School	356,613	384,063	27,449	7.7%
City/Town	525,116	565,507	40,391	7.7%
Special Dist	29,301	31,754	2,453	8.4%
Total	1,831,994	1,960,650	128,656	7.0%

Market Value Spread Levies

	Pay 2005	Pay 2006	Difference	Pct Chg
County	484	484	0	0.0%
School	101,994	138,330	36,336	35.6%
City/Town	1,729	1,959	231	13.3%
Special Dist	0	0	0	0.0%
Total	104,207	140,774	36,567	35.1%

Tax Rates

	Pay 2005	Pay 2006	Pay 2005	Pay 2006
	NTC	NTC	MV	MV
County	53.16	49.89	0.004	0.004
School	20.58	19.57	0.858	1.030
City/Town	30.31	28.81	0.015	0.015
Special Dist	1.69	1.62	0.000	0.000
Total	105.75	99.88	0.877	1.048

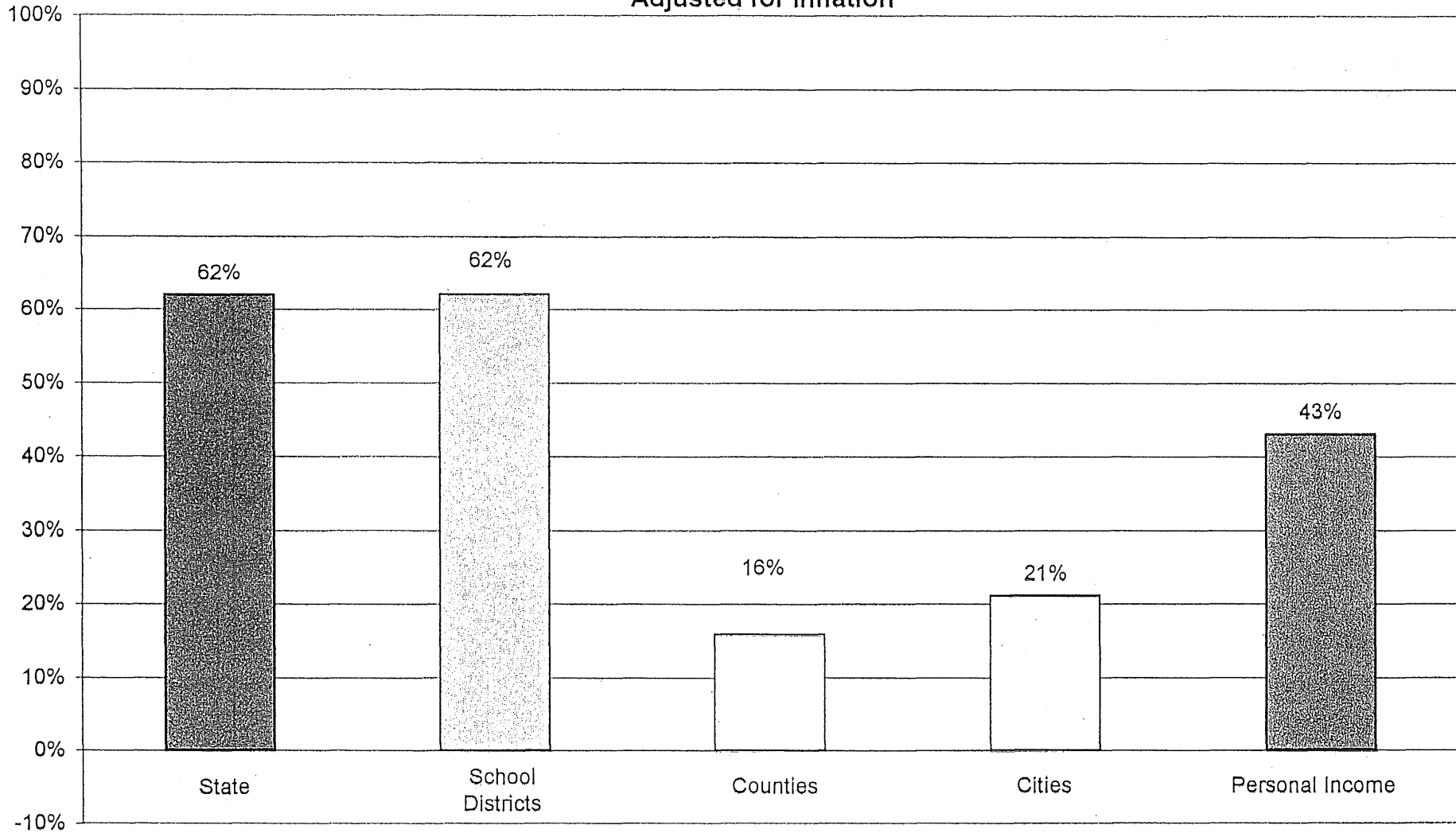
Tax Base

	Pay 2005	Pay 2006	Difference	Pct Chg
Tax Capacity:	1,781,047	2,016,730	235,683	13.2%
TIF Value	46,209	50,840	4,631	10.0%
FD Contribution:	2,248	2,718	470	20.9%
Taxable Value:	1,732,590	1,963,173	230,582	13.3%
FD Distribution:	2,249	2,719	470	20.9%

Homestead Property Tax Examples

	Pay 2005	Pay 2006	Difference	Pct Chg
Low Value:	84,500	93,000	671	738
Average Value:	126,600	139,500	1,191	1,293
High Value:	168,800	185,900	1,713	1,847

Percentage Change in Government Expenditures 1990-2003 Adjusted for Inflation

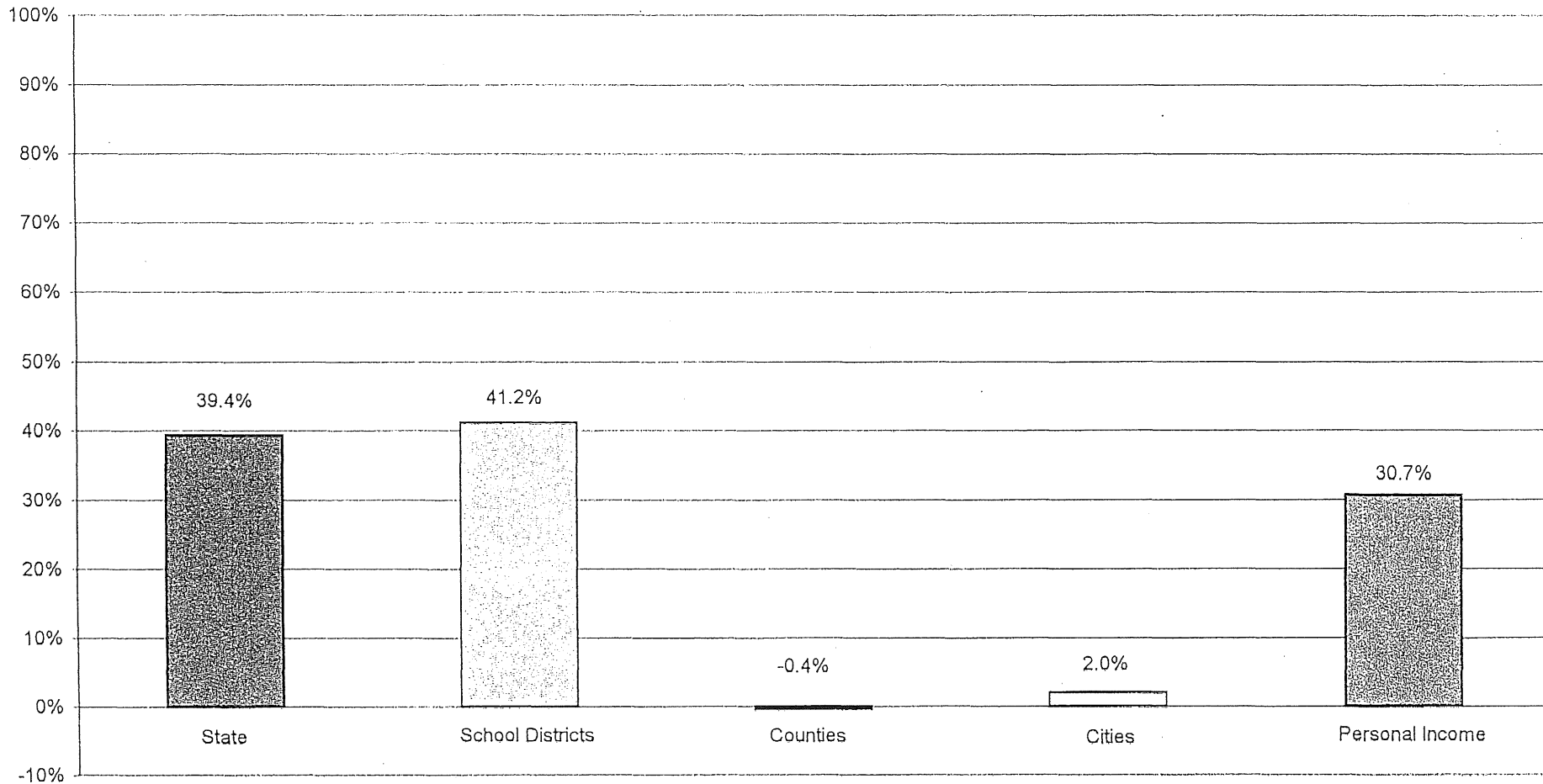


Prepared by A. Neumann
April 15, 2005

Data Sources: MN Depts. of Finance and Education, State Auditor and State Demographer.
State, county and school district numbers not adjusted for takeovers.

Senate Counsel, Research and Fiscal Analysis

Percentage Change in Government Expenditures Per Capita in Inflation Adjusted Dollars 1990-2003



Data Sources: Mn. Depts. of Finance and Education; State Auditor and State Demographer
State, county and school district numbers not adjusted for takeovers.

Prepared by A. Neumann
4-15-05
Senate Counsel, Research and Fiscal Analysis

HANDOUT #4

E-12 FY 2006-2007 Budget

Property Tax Levy Tracking -- February Forecast Base
2005 Session, Conference Committee
(\$ in thousands)

	FY 2002 Pay 2001 Certified	FY 2003 Pay 2002 Certified	FY 2004 Pay 2003 Certified	FY 2005 Pay 2004 Certified	FY 2006 Pay 2005 Cert. Est.	FY 2007 Pay 2006 Cert. Est.	FY 2008 Pay 2007 Cert. Est.	FY 2009 Pay 2008 Cert. Est.
101								
102 Abatement Adjustment-Initial	1,378.4	1,417.1	3,187.9	1,854.0	2,645.3	2,805.5	2,862.9	2,710.7
103 Abatement Change	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
104 Abatement Interest	78.1	205.7	289.7	1,424.4	32.1	32.7	33.4	34.1
105 Abatement Final Adjustment	0.0	(512.4)	0.0	0.0	(112.0)	0.0	0.0	0.0
106 Abatement Carryover	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
107 Abatement Advance	(154.9)	(936.2)	(1,553.1)	(32.0)	279.8	279.8	279.8	279.8
108 Net Offset Adjustment	0.0	311.9	21.4	354.1	356.1	0.0	0.0	0.0
109								
110 Total -- General Fund	1,880,798.9	496,051.4	634,554.2	714,613.3	754,336.8	894,567.2	958,577.4	1,050,719.1
111								
112 COMMUNITY SERVICE FUND								
113								
114 Basic Community Education	19,218.2	31,245.4	33,640.5	33,715.0	35,000.5	36,216.2	36,627.1	37,043.1
115 Early Childhood Family Education	20,984.0	22,084.2	22,179.9	22,130.5	22,130.1	22,135.0	22,135.0	22,135.0
116 ECFE Home Visiting	513.1	528.9	534.1	537.5	539.1	547.0	552.0	558.0
117 Community Education Grandfather	595.1	528.3	525.4	0.0	0.0	0.0	0.0	0.0
118 School Age Care/Extended Day	5,753.4	6,645.9	7,749.9	8,099.0	8,893.3	11,312.3	12,455.7	13,708.9
119 Adults with Disabilities	669.0	669.0	643.4	670.0	670.0	670.0	670.0	670.0
120 Other Community Ed	0.0	24.4	19.3	34.6	51.7	54.3	57.0	59.8
121								
122 Limit Adjustment	436.1	422.2	632.3	1,058.8	1,023.6	682.2	1,173.9	1,357.5
123 Community Education Excess Fund Balance	0.0	0.0	0.0	(5,226.2)	(879.3)	(675.1)	(553.0)	(497.1)
124 ECFE Excess Fund Balance	0.0	0.0	0.0	(896.3)	(360.6)	(272.0)	(23.1)	(95.1)
125 Abatement Adjustment	99.6	33.5	184.5	192.3	93.6	166.4	171.2	169.6
126 Abatement Change	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
126 Carry-Over Abatement Adjustment	0.0	27.4	0.0	0.3	0.0	0.0	0.0	0.0
127 Advance Abatement Adjustment	(0.4)	(16.1)	106.1	(24.9)	(0.9)	(0.9)	(0.9)	(0.9)
128 Net Offset Adjustment	0.0	(271.8)	(57.0)	(78.9)	(95.3)	0.0	0.0	0.0
129								
130 Total -- Community Service Fund	48,268.1	61,921.3	66,158.4	60,211.7	67,065.8	70,835.4	73,264.9	75,108.8
131								
132 DEBT SERVICE FUND								
133								
134 Basic Debt Levy or Max Effort	470,750.6	501,047.8	529,201.3	557,095.6	581,797.6	598,339.6	620,723.3	646,112.8
135 Debt Equalization (Fund 7)	(25,878.9)	(32,141.2)	(37,426.9)	(29,293.6)	(25,050.8)	(24,553.9)	(22,641.8)	(21,811.0)
136 Additional Maximum Effort	0.0	2,591.2	2,156.7	2,200.5	2,217.7	2,200.0	2,200.0	2,200.0
137 Maximum Effort Rate Reduction	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
138								
139 Fund Transfer, ISD 883, Rockford	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
140 Acoustics Consideration, Review and Comment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
141 Ice Arena Construction Deficit, ISD 256, Red Wing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
142								
143 Energy Loan	2,579.2	2,035.5	1,642.9	1,702.5	1,725.6	1,800.0	2,000.0	2,200.0
144 Lease Purchase (Fund 7)	36,693.1	38,254.6	41,698.9	39,592.8	38,401.8	39,000.0	40,000.0	42,000.0
145 Alternative Facilities Health and Safety Offset	0.0	0.0	0.0	4,356.8	8,222.8	10,142.8	11,742.8	13,342.8
146 Alternative Facilities Debt	35,327.1	43,709.6	59,429.5	54,359.1	57,922.3	63,714.5	68,811.7	72,940.4
147 Alternative Facilities Debt Aid (Fund 7)	(16,456.2)	(16,456.2)	(17,279.0)	(17,279.0)	(17,279.0)	(17,279.0)	(17,279.0)	(17,279.0)
148 Adjustment for Alternative Aid	0.0	(838.7)	0.0	0.0	0.0	0.0	0.0	0.0
149 Adjust for Taconite on Bonds	0.0	(4,501.7)	(5,061.3)	(5,189.8)	(5,086.1)	(5,080.0)	(5,070.0)	(5,060.0)
150								
151 Facilities	5,933.1	6,376.3	5,622.8	6,950.7	6,683.2	6,700.0	6,900.0	7,000.0
152 Equipment	3,466.1	2,148.7	1,904.3	27.8	42.1	40.0	38.0	36.0
153 Secondary Cooperative Facilities Debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
154								
155 Limit Adjustment	(895.2)	(175.0)	16.4	(61.2)	(481.0)	0.0	0.0	0.0
156 Abatement Adjustment (Final and Intermediate)	1,153.0	1,718.9	5,950.3	4,754.2	2,522.5	2,904.6	2,938.0	2,849.8
157 Abatement Changes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
158 Reconcile for Abatements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
159 Abatement Carry-over	482.5	622.9	0.0	121.7	0.0	0.0	0.0	0.0
160 Abatement Advance	(53.4)	268.2	909.5	(265.8)	(23.6)	(23.6)	(23.6)	(23.6)
161								
162 Reduction for Debt Excess	(23,726.8)	(34,387.8)	(14,508.7)	(28,195.5)	(24,562.6)	(25,000.0)	(25,000.0)	(25,000.0)
163								
164 Total -- Debt Service Fund	489,374.2	510,273.1	574,256.7	590,876.8	627,052.5	652,905.0	685,339.4	719,508.2
165								
166 Total School District Levies	2,418,441.2	1,068,245.8	1,274,969.3	1,365,701.8	1,448,455.1	1,618,307.6	1,717,181.7	1,845,336.1
167								
168								
169 Subtotal -- Operating Levies	1,929,067.0	557,972.7	700,712.6	774,825.0	821,402.6	965,402.6	1,031,842.3	1,125,827.9
170 Subtotal -- Non-Operating Levies	489,374.2	510,273.1	574,256.7	590,876.8	627,052.5	652,905.0	685,339.4	719,508.2
171								
172 Statutory Operating Debt	50.4	49.7	18.8	0.0	0.0	0.0	0.0	0.0
173								
174 GRAND TOTAL LEVIES	2,418,491.6	1,068,295.5	1,274,988.1	1,365,701.8	1,448,455.3	1,618,307.6	1,717,181.7	1,845,336.1
175 Change from Prior Year	136,367.1	(1,350,196.1)	206,692.6	90,713.7	82,753.5	169,852.3	98,874.1	128,154.4
176 Percent Change from Prior Year	6.0%	-55.8%	19.3%	7.1%	6.1%	11.7%	6.1%	7.5%
177								
178								
179 HACA	13,468.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
180 Education Homestead Credit	404,102.4	806.0	111.0	6.0	0.0	0.0	0.0	0.0
181 Education Agricultural Credit	55,116.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
182 Market Value Homestead Credit	0.0	68,860.0	68,531.0	67,982.0	59,557.0	58,032.0	56,226.0	54,381.0
183 Market Value Agriculture Credit	0.0	3,854.0	5,879.0	5,209.0	5,316.0	5,316.0	5,316.0	5,316.0
184 Other Credits	12,290.9	8,351.0	9,003.0	9,195.0	9,420.0	9,454.0	9,490.0	9,528.0
185 CREDITS SUBTOTAL	484,978.2	81,871.0	83,524.0	82,392.0	74,293.0	72,802.0	71,032.0	69,225.0
186								
187 TOTAL CERTIFIED LEVIES (Post Credits)*	1,933,513.4	986,424.5	1,191,464.1	1,283,309.8	1,374,162.3	1,545,505.6	1,646,149.7	1,776,111.1
188 Change from Prior Year	128,898.5	(947,088.9)	205,039.6	91,845.7	90,852.5	171,343.3	100,644.1	129,961.4
189 Percent Change from Prior Year	7.1%	-49.0%	20.8%	7.7%	7.1%	12.5%	6.5%	7.9%
190								
191 Change from Base								
192 Percent Change from Base								
193								
194								
195 TOTAL CERTIFIED K-12 LEVIES (Post Credits)*	1,885,245.3	924,503.2	1,125,305.7	1,223,098.1	1,307,096.3	1,474,670.2	1,572,884.8	1,701,002.3
196 Change from Prior Year	124,555.5	(960,742.1)	200,802.5	97,792.4	83,998.2	167,573.9	98,214.6	128,117.5
197 Percent Change from Prior Year	7.1%	-51.0%	21.7%	8.7%	6.9%	12.8%	6.7%	8.1%
198								

E-12 FY 2006-2007 Budget

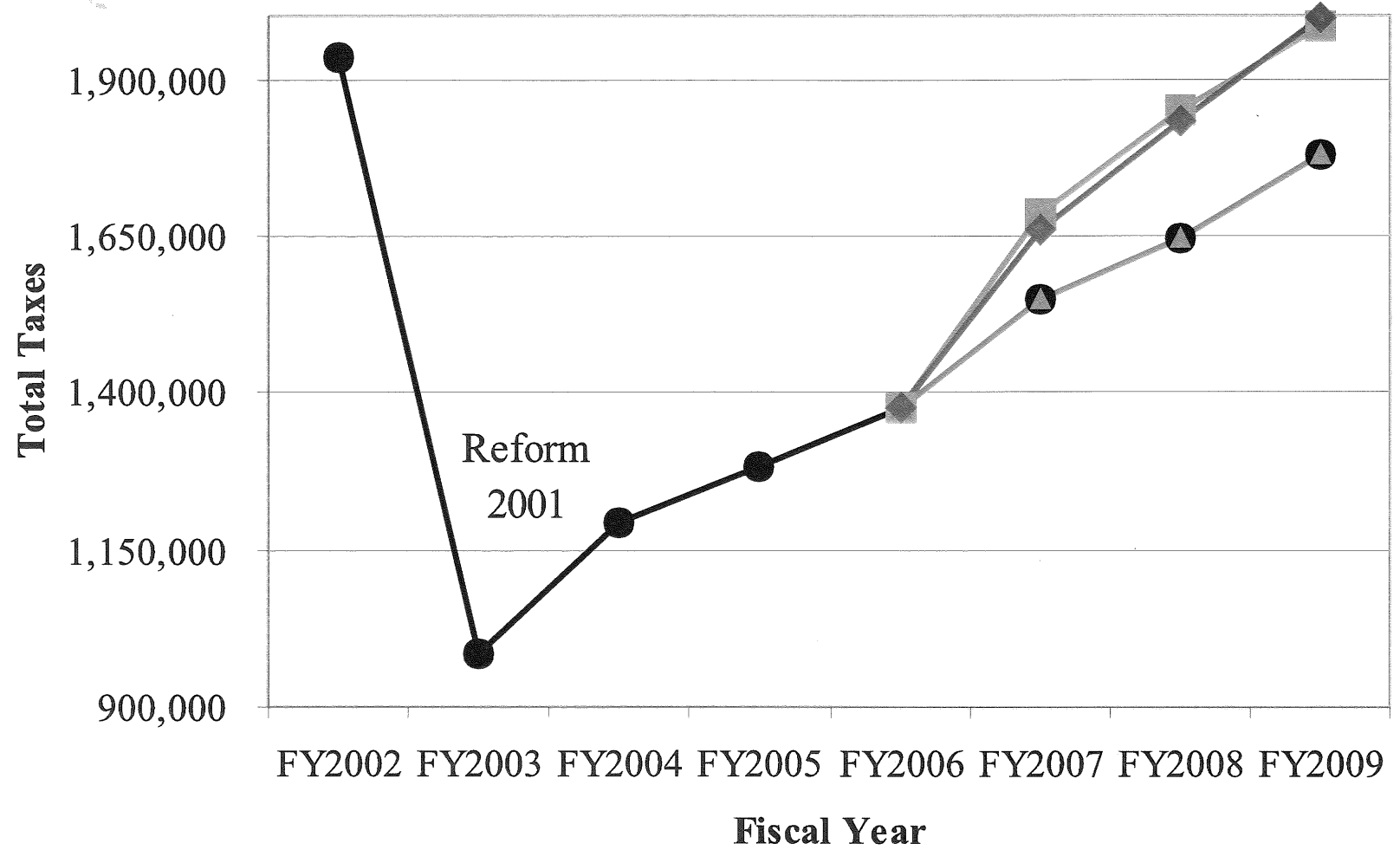
Property Tax Levy Tracking -- HF 872 & SF 2267

2005 Session, Conference Committee

(\$ in thousands)

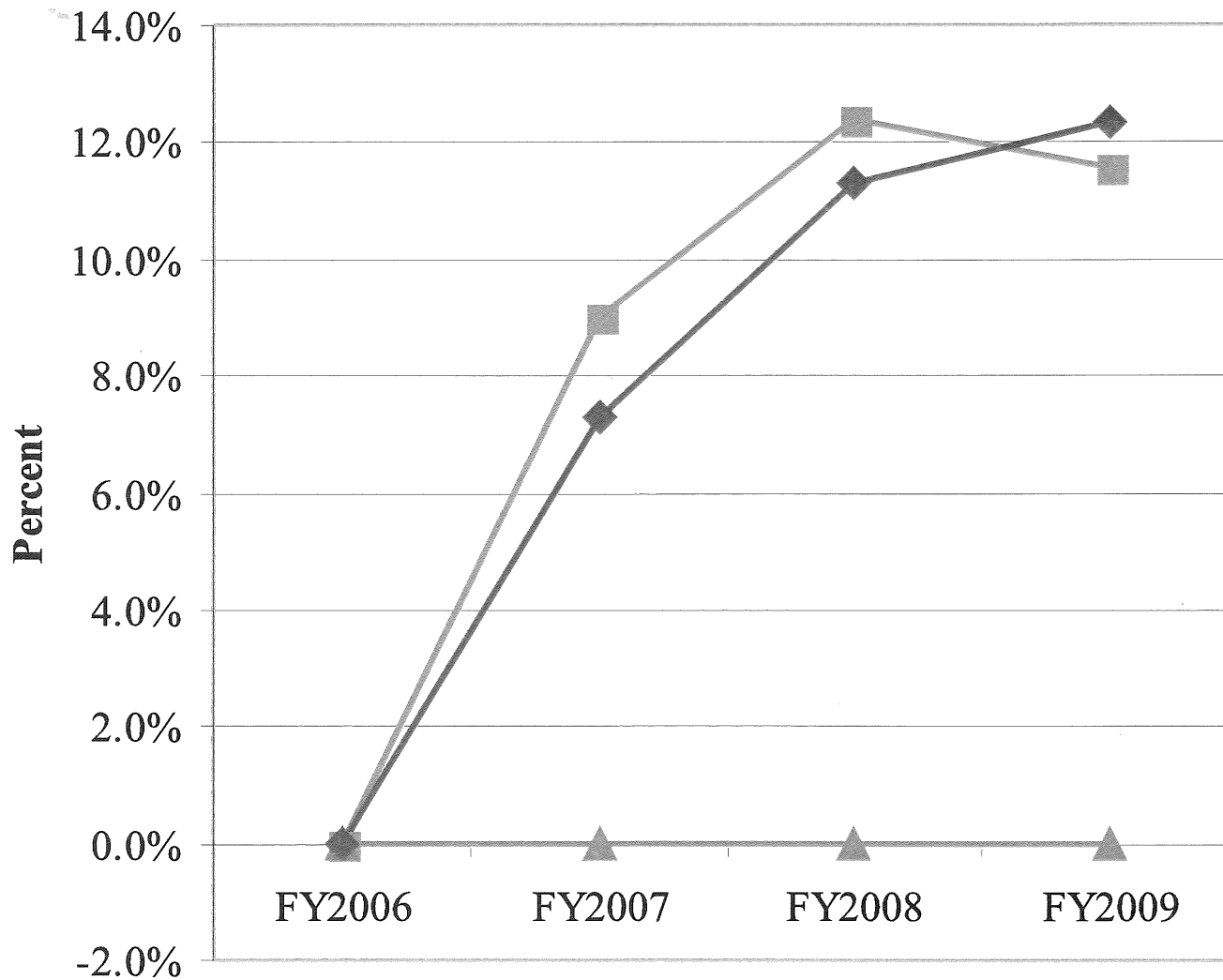
	FY 2007 Pay 2006 Cert. Est.	Gov's Rec FY 2007 Pay 2006 Cert. Est.	Difference Gov's Rec - Cur. Law Pay 2006	Senate FY 2007 Pay 2006 Cert. Est.	Difference Senate - Cur. Law Pay 2006	House FY 2007 Pay 2006 Cert. Est.	Difference House - Cur. Law Pay 2006	Difference Senate- Gov's Rec Pay 2006	FY 2008 Pay 2007 Cert. Est.	Gov's Rec FY 2008 Pay 2007 Cert. Est.	Difference Gov's Rec - Cur. Law Pay 2007	Senate FY 2008 Pay 2007 Cert. Est.	Difference Senate - Cur. Law Pay 2007	House FY 2008 Pay 2007 Cert. Est.	Difference House - Cur. Law Pay 2007	Difference Senate- Gov's Rec Pay 2007	FY 2009 Pay 2008 Cert. Est.	Gov's Rec FY 2009 Pay 2008 Cert. Est.	Difference Gov's Rec - Cur. Law Pay 2008	Senate FY 2009 Pay 2008 Cert. Est.	Difference Senate - Cur. Law Pay 2008	House FY 2009 Pay 2007 Cert. Est.	Difference House - Cur. Law Pay 2008
192 Percent Change from Base		9.0%		0.0%		7.3%				12.4%		0.0%		11.3%				11.6%		0.0%		12.3%	
193																							
194																							
195 TOTAL CERTIFIED K-12 LEVIES (Post Credits)*	1,474,670.2	1,613,886.0	139,215.8	1,474,670.2	(0.0)	1,583,651.7	108,981.5	(139,215.8)	1,572,884.8	1,777,033.4	204,148.6	1,572,884.8	0.0	1,754,924.2	182,039.4	(204,148.6)	1,701,002.3	1,906,406.4	205,404.1	1,701,002.3	0.0	1,916,715.2	215,712.9
196 Change from Prior Year	167,573.9	306,789.7		167,573.9		276,555.4			98,214.6	163,147.4		98,214.6		171,272.5			128,117.5	129,373.0		128,117.5		161,791.0	
197 Percent Change from Prior Year	12.8%	23.5%		12.8%		21.2%			6.7%	10.1%		6.7%		10.8%			8.1%	7.3%		8.1%		9.2%	
198																							
199 Change from Base		139,216		(0)		108,982				204,149		0		182,039				205,404		0		215,713	
200 Percent Change from Base		9.4%		0.0%		7.4%				13.0%		0.0%		11.6%				12.1%		0.0%		12.7%	
201																							
202 **Does not include tax adjustments																							

E-12 Property Taxes FY01-FY09



● Base Law ■ Governor ▲ Senate ◆ House

Property Tax Percent Change From Base FY 2006-2009



■ Governor ▲ Senate ◆ House

#7

children and see to it that they receive the attention needed. Progress has been slow but fairly steady and there are now local and national organizations of parents and professionals working to recognize and work with children with special gifts as we do with children with disabilities.

A significant advance was made in Minnesota by the 1993 legislative session, in the omnibus K-12 education bill with a provision for staff development funding in school districts where gifted and talented students are identified and challenged with appropriate programs. Parents who have reason to feel one or more of their children have special gifts, whether academic, mechanical, or performing (art, music, drama, athletic) should associate with an interest group and encourage use of the new legislation in the local school district.

Minnesota Council for the Gifted and Talented is a non-profit organization of parents and professionals devoted to promoting better understanding and educational services for gifted and talented children.



Education Funding Has Come Full Circle

6-2-94

In the early years of this century education and other local government costs were all financed by the property tax. As needs developed and property taxes went up, protests grew. When the depression of the 30s hit property tax default was extensive. Local

From: Elmer Andersen, author
Book: Views

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government was in crisis. It was then that many states introduced the sales tax on the theory that those with money to spend could pay a tax.

In Minnesota. Gov. Floyd B. Olson opted for the income tax with the promise that it would be reserved for education. It was enacted and for 20 years, into the fifties, it was dedicated to education support. During that period Minnesota's splendid system of elementary, secondary and higher education was built. As income tax revenue grew, as well as other costs, particularly welfare, attacks on the income tax dedication grew. A key welfare policy decision was that indigent older people should be provided medical care which was interpreted to include doctor prescribed nursing home care. That spawned the nursing home industry which now receives about 60% of the total welfare budget. Finally, income tax revenue went into the general revenue fund and a heavier school burden fell back on property.

We have now come full circle to another time of property tax crisis and education standards struggling for survival. A logical support for education is income tax because of the direct connection between the two. There is a real question if income tax revenues can be increased enough by economic growth. It would be interesting to have a survey made of the percentage of state and local government expense carried by corporate and other categories of taxpayers now as compared to twenty years ago. If it was disclosed that business or any other segment of the economy was paying less than its previous share, some adjustment would be suggested. The popular political promise of no increase in taxes and reduced spending will not be possible much longer.

Long term health care (nursing home provision) for the indigent, is not the only, but a big factor in Minnesota's increased government cost. People live longer, need nursing home care, which is

expensive, and more and more families look to the government to foot the bill. Divesting of assets to qualify for government paid nursing home care has become a legal and financial specialty. It is the enormous budget concern of a national health care system. Few, if any, states provide as does Minnesota.

Our property tax system is at crisis, education support is suffering, government costs are not going to decline nor even be contained unless people are willing to take less in direct payment. Maybe it's time to have a state commission on Tax Reform and Government Benefit Review.



Strategy Needed For Minnesota Agriculture

11-24-94

Recent events in Minnesota agriculture against a report of national trends suggests we need a strategy for this important Minnesota industry. Who can forget the foreclosure sales that put families off their land after a series of drought years led banks to deny further credit. Now we have a banner crop year and prices tumble making it tougher for the survivors to get the return needed to balance the lean years.

Nationally, the alarming news is that the number of farms has fallen to the smallest number since the Civil War. Furthermore, large corporate farms are taking over the industry. In 1992, 2% of the farms, with sales of \$500,000 or more produced 46% of the

Gov's 5/20/05 Press Conference				
	FY 06	FY07	Biennium	Diff
Aid	6,004,628	6,008,214	12,012,842	
	225,495	502,196	727,691	
Subtotal Aid	6,230,123	6,510,410	12,740,533	730,158
Shifts	(70,038)	(28,968)	(99,006)	(96,539)
<u>Total Aid</u>	6,160,085	6,481,442	12,641,527	633,619
Levy	1,374,162	1,684,706	3,058,869	139,201
<u>Total Revenue</u>	7,534,247	8,166,148	15,700,396	772,820
Difference Senate Minus Gov Press Conf				
Aid				184,444
Levy				(139,201)
Revenue				45,244

	February Base FY 06	FY07	Biennium	
Aid	6,004,628	6,008,214	12,012,842	
Shifts	(687)	(1,780)	(2,467)	
<u>Total Aid</u>	6,003,941	6,006,434	12,010,375	
Levy	1,374,162	1,545,506	2,919,668	
<u>Total Revenue</u>	7,378,103	7,551,940	14,930,043	

	Gov's Rec FY 06	FY07	Biennium	Diff
Aid	6,080,313	6,324,583	12,404,896	392,054
Shifts	(70,038)	(28,968)	(99,006)	(96,539)
<u>Total Aid</u>	6,010,275	6,295,615	12,305,890	295,515
Levy	1,374,162	1,684,706	3,058,869	139,201
<u>Total Revenue</u>	7,384,437	7,980,321	15,364,759	434,716

	Senate FY 06	FY07	Biennium	Diff
Aid*	6,298,345	6,532,125	12,830,470	817,628
Shifts	593	(2,625)	(2,032)	435
<u>Total Aid</u>	6,298,938	6,529,501	12,828,438	818,063
Levy	1,374,162	1,545,506	2,919,668	(0)
<u>Total Revenue</u>	7,673,100	8,075,006	15,748,106	818,063

*Senate aid includes \$20.9 million in deferred maintenance aid from Senate Tax Bill

	House FY 06	FY07	Biennium	Diff
Aid	6,157,737	6,402,846	12,560,583	547,741
Shifts	(188,806)	(31,322)	(220,128)	(217,661)
<u>Total Aid</u>	5,968,931	6,371,524	12,340,455	330,080
Levy	1,374,162	1,657,863	3,032,025	112,357
<u>Total Revenue</u>	7,343,093	8,029,387	15,372,480	442,437

16A.152 Budget reserve and cash flow accounts.

Subd. 2. Additional revenues; priority. (a) If on the basis of a forecast of general fund revenues and expenditures, the commissioner of finance determines that there will be a positive unrestricted budgetary general fund balance at the close of the biennium, the commissioner of finance must allocate money to the following accounts and purposes in priority order:

(1) the cash flow account established in subdivision 1 until that account reaches \$350,000,000;

(2) the budget reserve account established in subdivision 1a until that account reaches \$653,000,000;

(3) the amount necessary to increase the aid payment schedule for school district aids and credits payments in section 127A.45 to not more than 90 percent; and

(4) the amount necessary to restore all or a portion of the net aid reductions under section 127A.441 and to reduce the property tax revenue recognition shift under section 123B.75, subdivision 5, paragraph (c), and Laws 2003, First Special Session chapter 9, article 5, section 34, as amended by Laws 2003, First Special Session chapter 23, section 20, by the same amount.

(b) The amounts necessary to meet the requirements of this section are appropriated from the general fund within two weeks after the forecast is released or, in the case of transfers under paragraph (a), clauses (3) and (4), as necessary to meet the appropriations schedules otherwise established in statute.

(c) To the extent that a positive unrestricted budgetary general fund balance is projected, appropriations under this section must be made before any transfer is made under section 16A.1522.

(d) The commissioner of finance shall certify the total dollar amount of the reductions under paragraph (a), clauses (3) and (4), to the commissioner of education. The commissioner of education shall increase the aid payment percentage and reduce the property tax shift percentage by these amounts and apply those reductions to the current fiscal year and thereafter.

BUYING BACK THE SHIFTS BY FISCAL YEAR

Dollars in 000s

As of May 2005

	FY 2005	FY 2006	FY 2007	FY 2008
Property Tax Recognition Shift	393,243.0	419,302.1	453,997.8	470,516.1
Aid Payment Shift (Based on Cur Law E-12 Spending)	342,380.0	341,880.0	339,794.0	337,720.7
Total Shift Buyback	735,623.0	761,182.1	793,791.8	808,236.8

2005 LEGISLATIVE SESSION, COMPARISON OF EDUCATION SHIFTS

Governor's Rec, House, Senate
\$ in 000s

	School Payment Shift			Property Tax Recognition Shift			Total Shift Changes			Grand Total
	FY 2005	FY 2006	FY 2007	FY 2005	FY 2006	FY 2007	FY 2005	FY 2006	FY 2007	
Forecast Buy-Backs										
November 04 Fcst	117,900	(553)	(902)	0	0	0	117,900	(553)	(902)	116,445
February 05 Fcst	147,613	(134)	(878)	0	0	0	147,613	(134)	(878)	146,601
Total	265,513	(687)	(1,780)	0	0	0	265,513	(687)	(1,780)	263,046
Governor's Budget Recs										
Governor's Rec	0	0	0	0	(72,325)	(28,602)	0	(72,325)	(28,602)	(100,927)
Gov's Supplemental Rec	0	0	0		2,974	1,414	0	2,974	1,414	4,388
Subtotal, Governor	0	0	0	0	(69,351)	(27,188)	0	(69,351)	(27,188)	(96,539)
Governor + Forecasts	265,513	(687)	(1,780)	0	(69,351)	(27,188)	265,513	(70,038)	(28,968)	166,507
Senate Bills										
SF 1879 (Structural Bill)	0	0	0	0	0	0	0	0	0	0
SF 2267 (Senate K-12 Bill)	0	0	0	0	1,280	(845)	0	1,280	(845)	435
SF 2277 (ECFE Bill)	0	0	0	0	0	0	0	0	0	0
Subtotal, Senate	0	0	0	0	1,280	(845)	0	1,280	(845)	435
Senate + Forecasts	265,513	(687)	(1,780)	0	1,280	(845)	265,513	593	(2,625)	263,481

2005 LEGISLATIVE SESSION, COMPARISON OF EDUCATION SHIFTS

Governor's Rec, House, Senate
\$ in 000s

	School Payment Shift			Property Tax Recognition Shift			Total Shift Changes			Grand Total
	FY 2005	FY 2006	FY 2007	FY 2005	FY 2006	FY 2007	FY 2005	FY 2006	FY 2007	
<u>House Bill</u>										
HF 872 (Educ Finance)	0	(138,000)	0	0	(50,119)	(29,542)	0	(188,119)	(29,542)	(217,661)
House + Forecasts	265,513	(138,687)	(1,780)	0	(50,119)	(29,542)	265,513	(188,806)	(31,322)	45,385
<u>Governor's May 20, 2005 Press Conference</u>										
Press Conference	0	0	0	0	(69,351)	(27,188)	0	(69,351)	(27,188)	(96,539)
Press Conference + Forecast	0	0	0	0	(69,351)	(27,188)	0	(69,351)	(27,188)	(96,539)

STAR TRIBUNE
Wed. May 25

#10

Education funding

Senate plan is still strongest

As lawmakers begin a special session, it is encouraging that Gov. Tim Pawlenty agrees that Minnesota schools need more support. To that end, he substantially increased his K-12 spending plan — from a 2.5 percent hike each year of the biennium up to 4.5 each year. He also deserves credit for opening the door to a new revenue source — an additional tax on cigarettes which he prefers to call a “health care impact fee.”

That’s significant movement in the right direction, and it brings the governor and Senate much closer than they were earlier in the session. Overall, the state now spends more than \$11 billion on public schools. In addition to that total, the Senate recommends about \$800 million in new spending, while the House and governor range between \$600 and \$750 million. All also agree on developing some type of alternative teacher pay program.

However, the major hangup continues to be a basic philosophical and political difference about *how* to fund an increase. Although Pawlenty puts more money in the schools pot, he is still wedded to raising those funds with a combination of increased property taxes and delayed state payments to districts. Shifting the costs to the local level chips away at district-to-district equity and at the state’s commitment to funding a major share of school costs. Delaying payments to districts postpones fixing the state budget permanently.

The Senate plan is preferable. It calls for the state to fully pay for the increase by raising new revenue. Financially strapped school districts need an infusion of new funds from the state, not just the ability to raise

local property taxes.

As part of the negotiations to settle on budget targets, the governor set out four conditions and required the Senate to choose two. The two that involved public education should quickly be dismissed. First, after being mostly silent during the session about it, he resurrected the possibility of tax-supported vouchers for private schools under the “choice” label. That proposal, made earlier in the session, did not make it out of committee, so it is a mystery why he would attempt to fold it back into the mix at this point.

Second, Pawlenty suggested that the state ban teacher strikes during the school year. The objective, he says, is to make sure that children are not prevented from learning while adults are working through the collective bargaining process. Perhaps the lengthy, Crosby-Ironton strike makes him think there might be appetite for taking away teachers’ right to strike.

But that too, is the wrong approach. Striking is not something that either side takes lightly, a fact that Minnesota’s record demonstrates. In 20 years, this state has had only a few teacher strikes among more than 300 school districts. To borrow the governor’s preferred style of framing issues, this state doesn’t have a teacher strike problem, it has a state education funding problem.

Weakening unions will not drive more dollars into Minnesota classrooms. That will only happen when the Senate, House and governor agree to a transparent K-12 finance package that sends truly additional, newly generated state funds to schools.

Growth in per-pupil spending on K-12 education, 1997 to 2002

Adjusted for inflation

United States average: 16.8%

Faster than U.S. average

1 Wyoming	29.6%
2 Vermont	28.9%
3 South Dakota	28.3%
4 California	27.5%
5 New Mexico	27.1%
6 Louisiana	26.0%
7 North Dakota	25.0%
8 South Carolina	24.1%
9 Ohio	22.5%
10 Georgia	22.4%
11 Massachusetts	22.3%
12 Illinois	22.3%
13 New York	21.6%
14 Missouri	19.7%
15 Idaho	19.7%
16 Alabama	19.2%
17 Mississippi	19.0%
18 Arkansas	18.7%
19 Tennessee	18.1%
20 New Hampshire	18.0%
21 North Carolina	17.8%
22 Oklahoma	17.6%
23 Maine	17.2%
24 Virginia	17.1%
25 Colorado	16.9%
26 Delaware	16.9%

Slower than U.S. average

27 Nebraska	15.6%
28 Montana	15.0%
29 West Virginia	14.8%
30 Utah	14.5%
31 Texas	14.3%
32 Iowa	14.2%
33 Arizona	13.7%
34 Wisconsin	13.5%
35 Kansas	13.2%
36 Maryland	12.5%
37 Indiana	12.3%
38 Kentucky	12.2%
39 Oregon	12.1%
40 Hawaii	12.1%
41 Connecticut	11.5%
42 Rhode Island	10.9%
43 Michigan	10.8%
44 Pennsylvania	10.3%
45 Minnesota	9.4%
46 New Jersey	7.8%
47 Washington	6.8%
48 Nevada	6.0%
49 Alaska	4.1%
50 Florida	3.5%

Sources: Rockefeller Institute analysis of data from the U.S. Bureau of the Census and the U.S. Bureau of Labor Statistics.

Property tax recognition shift

- In 2003 the Governor recommended (Senate concurred) establishing a shift allowing districts to recognize levy revenue early. We simultaneously created a one-time aid reduction. Original savings was \$230m but every year new property taxes are authorized (through referendum process or new policies to create additional levy authority) revenue is forward shifted and aid savings is created.

Therefore when the Governor creates \$147m in Pay06 levies, he also creates approximately \$100 m in aid savings in FY06. Further, when the Turbo Charged proposal is eliminated, it creates approximately \$5m in levy and generates aid savings of \$2.3m.

(Statutory cites: 123B.75, subd 5 for the early recognition. 127A.441 for the aid reduction associated with the early levy recognition.)

- Two shifts –the other is a payment shift. This shift delayed aid payments to districts from a 90/10 schedule to an 80/20 schedule.
- In 2004, the legislature passed (Senate Initiative) an automatic buy back of both shifts we had done in the previous two sessions. This buys back the shifts as we create future surpluses. First call on the money is the payment shift, then the recognition shift. In the Nov 04 forecast (based on this language) we bought back \$118 m (nearly 2%) of the payment shift schedule (about \$62 m) for every percent. So, the payment schedule is improved. However, the Governor's budget creates the new levy and with it re-shifts over \$100 m on the recognition shift.

In the end, we bought back \$118 m on one shift and re-shifted \$100 m on the other -- nearly a wash.