

#1

**OFFICIAL STATEMENT DATED OCTOBER 19, 2004**

**NEW ISSUE**

**RATING: Moody's: Aa1  
Standard & Poor's: AAA  
Fitch's: AAA**

In the opinion of Dorsey & Whitney LLP, Minneapolis, Minnesota, bond counsel, according to present federal and Minnesota laws, regulations, rulings and decisions, the interest to be paid on the Bonds is not includable in gross income of the recipient for federal income tax purposes or in taxable net income of individuals, estates or trusts for Minnesota income tax purposes; is subject to Minnesota franchise taxes imposed on corporations and financial institutions; is not an item of tax preference includable in alternative minimum taxable income for purposes of the federal alternative minimum tax applicable to all taxpayers or the Minnesota alternative minimum tax applicable to individuals, estates and trusts; and is includable in adjusted current earnings of corporations in determining alternative minimum taxable income for purposes of federal and Minnesota alternative minimum taxes. For a discussion of tax matters see "Tax Exemption and Collateral Tax Matters" herein.

**\$391,880,000**  
**STATE OF MINNESOTA**  
**General Obligation**  
**State Bonds**

**Dated: November 1, 2004**

**Due: November 1, as shown below**

<u>Year</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>	<u>CUSIP 604128</u>	<u>Year</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>	<u>CUSIP 604128</u>
2005	\$10,775,000	3.00%	1.80 %	7P7	2015	\$22,150,000	5.00%	3.52%	7Z5
2006	27,515,000	3.75	1.909	7Q5	2016	10,775,000	5.00	3.59	8A9
2007	28,890,000	5.00	2.04	7R3	2017	10,775,000	5.00	3.67	8B7
2008	28,885,000	5.00	2.33	7S1	2018	10,775,000	5.00	3.75	8C5
2009	33,360,000	5.00	2.65	7T9	2019	10,775,000	5.00	3.82	8D3
2010	28,820,000	5.00	2.85	7U6	2020	10,775,000	5.00	3.91	8E1
2011	28,760,000	5.00	3.02	7V4	2021	10,775,000	5.00	3.99	8F8
2012	28,685,000	5.00	3.17	7W2	2022	10,775,000	5.00	4.08	8G6
2013	28,585,000	5.00	3.32	7X0	2023	10,775,000	5.00	4.16	8H4
2014	28,480,000	5.00	3.42	7Y8	2024	10,775,000	5.00	4.24	8J0

(Plus accrued interest from November 1, 2004)

The Bonds comprise \$180,000,000 General Obligation State Various Purpose Bonds, \$40,000,000 General Obligation State Trunk Highway Bonds, and \$171,880,000 General Obligation State Refunding Bonds.

**THE BONDS ARE GENERAL OBLIGATIONS OF THE STATE AND THE FULL FAITH AND CREDIT AND TAXING POWERS OF THE STATE ARE IRREVOCABLY PLEDGED FOR THE PAYMENT OF THE BONDS AND INTEREST THEREON WHEN DUE.**

The Bonds maturing after November 1, 2014 will be subject to redemption and prepayment by the State as provided herein.

**Form and Payment:**

The Bonds will be available to the purchasers in book entry form only, and initially will be registered in the name of Cede & Co., nominee of The Depository Trust Company, New York, New York, which will act as securities depository for the Bonds.

The Bonds are offered by the State subject to the legal opinions of Dorsey & Whitney LLP, bond counsel, as to the validity of the Bonds and tax exemption, and of the State Attorney General as to the validity of the Bonds. Delivery will be made on or about November 1, 2004.

This cover page contains certain information for quick reference only. It is *not* a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

bondholders should consult their tax advisors with respect to collateral tax consequences and applicable state and local tax rules in states other than Minnesota.

#### LEGAL OPINIONS

Legal matters incident to the authorization, issuance and sale of the Bonds will be passed upon by Dorsey & Whitney LLP, bond counsel, and the State Attorney General. Only Dorsey & Whitney LLP will offer an opinion as to tax-exemption. The form of legal opinion to be issued by Dorsey & Whitney LLP with respect to the Bonds is set forth in Appendix K.

#### FINANCIAL ADVISOR

The State has retained Public Financial Management of Minneapolis, Minnesota, as financial advisor (the "Financial Advisor") in connection with the refunding portion of the Bonds. The Financial Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading for our own account, or distributing municipal securities or other public securities.

#### FINANCIAL INFORMATION

General financial information relating to the State is set forth in the Official Statement Supplement, which comprises pages 17 through 51 and Appendices A through K, and is a part of this Official Statement.

#### LITIGATION

There is not now pending or threatened any litigation seeking to restrain or enjoin the sale, issuance, execution or delivery of the Bonds, or in any manner questioning or affecting the validity of the Bonds or the proceedings or authority pursuant to which they are to be issued and sold.

While at any given time, including the present, there are numerous civil actions pending against the State, which could, if determined adversely to the State, affect the State's expenditures, and, in some cases, its revenues, the State Attorney General is of the opinion that, except for the actions described in Note 22 to the State Financial Statements for the Fiscal Year Ended June 30, 2003, set forth in Appendix A and additional actions, if any, discussed in the paragraphs below, no pending actions are likely to have a material adverse effect in excess of \$10 million on the State's expenditures or revenues during the Current Biennium.

The following is a discussion of developments regarding the actions described in the referenced Note 22 that occurred and are subsequent to the date of the financial statements contained in Appendix A, and a description of additional actions that have been initiated against the State since the date of the financial statements contained in Appendix A and are material for purposes of this Official Statement.

#### **Items described in Note 22 to State Financial Statements for the Fiscal Year Ended June 30, 2003.**

1. *Tort Claims.* The Tort Claims appropriations for the Fiscal Year ending June 30, 2004 is \$761,000 and for the Fiscal Year ending June 30, 2005 is also \$761,000.

2. *AT&T Corp. v. Commissioner of Revenue.* Minnesota Tax Court and Minnesota Supreme Court. The Tax Court upheld the Commissioner of Revenue's denial of the refund claim on January 7, 2004, and plaintiff appealed the tax court's decision to the Minnesota Supreme Court. This case was settled and the Minnesota Supreme Court dismissed the appeal on June 8, 2004.

3. *Austin, et al. v. Goodno.* Ramsey County District Court. On February 27, 2004, the district court issued a ruling favorable to the plaintiffs that requires the Minnesota Department of Human Services to, among other things, obtain the United States Department of Agriculture's approval before implementing any amendments to MFIP. The Minnesota Department of Human Services appealed the ruling of the district court to the Minnesota Court of Appeals and the matter is still pending before the Minnesota Court of Appeals. On February 27, 2004, the Court ruled in plaintiffs' favor on cross-motions for summary judgment. DHS appealed to the Court of Appeals with argument on October 7, 2004.

4. *Automatic Merchandising Council, et al., v. Commissioner of Revenue, et al.*, Ramsey County District Court, the Minnesota Court of Appeals, and the Minnesota Supreme Court. The Minnesota Supreme Court affirmed the decision of the Minnesota Court of Appeals on June 24, 2004.

5. *Council of Independent Tobacco Manufacturers of America, et al., v. The State of Minnesota, et al.* Ramsey County District Court and Minnesota Court of Appeals. Plaintiffs have appealed the district court's upholding of the statute to the Minnesota Court of Appeals. The appeal is currently pending before the Minnesota Court of Appeals and a decision is expected by mid-September of 2005. On September 23, 2004, Plaintiffs filed a petition for review in the Minnesota Supreme Court, which is pending. The fee will generate an estimated \$12.9 million over the current biennium. If the Supreme Court accepts review, it will likely issue a decision in the fall of 2005.

6. *AARM et al. v. Goodno, Masterman, et al. v. Goodno et al.* U.S. District Court. The parties reached a settlement in the *Masterman* lawsuit in late June of 2004. On August 18, 2004, the court issued a ruling on four motions in the *AARM* case. As to the State, the court denied plaintiff's motion for injunction and dismissed some of plaintiff's claims pursuant to the State's motion to dismiss. The parties are engaged in discovery and exploring whether settlement may be possible.

7. *Northern States Power Co., d/b/a Xcel Energy, Inc. v. Minnesota Metropolitan Council, Minnesota Department of Transportation, et al.* Hennepin County District Court. The Minnesota Supreme Court dismissed Xcel Energy's appeal on August 4, 2004.

8. *Rukavina, et al. v. Pawlenty, et al.*, Ramsey County District Court and Minnesota Court of Appeals. The Minnesota Court of Appeals affirmed the District Court's decision on the legality of the Commissioner's unallotment of funds from the Minnesota Minerals 21st Century Fund and determined that the individual and legislator plaintiffs lacked standing, but reversed the District Court's determinations that an association of counties and municipalities did not have standing. Plaintiffs filed a petition for review, which is pending.

9. *Sprint Spectrum LP, Sprint Communications Company, LP, and United Telephone Company of Minnesota v. Comm'r of Revenue*, Minn. Tax Court Nos. 7299, 7308, 7309; and *XO Communications, Inc. v. Comm'r of Revenue*, Minn. Tax Court Nos. 7430 & 7442. The Supreme Court reversed the Tax Court in *Sprint* on April 1, 2004, holding that *Sprint* was entitled to the refunds claimed, in an amount to be determined following audit of its claims. The *XO* case was then remanded to the Tax Court by the Supreme Court, following the *Sprint* decision. The parties in *XO* stipulated to have the case remanded to the Commissioner to audit the refund claims and the Tax Court entered judgment on July 6, 2004. In addition, Qwest Communication, which had a similar refund claim in excess of \$25.5 million denied by the Tax Court, and which decision was affirmed by an evenly divided Supreme Court in 2002, has asked the Tax Court to reopen the judgment in its case in light of *Sprint*. Qwest Communication's claim was settled and dismissed on August 13, 2004.

#### **New Actions and Items.**

A. *Union Pacific Railroad Co. & Soo Line Railroad Co. v. Salomone, et al.* Federal District Court. No. CV 04-924 JRT/JSM. Plaintiffs, two railroad common carriers, challenge the imposition of Minnesota's sales and use tax on their purchase and use in Minnesota of diesel fuel for locomotives and off-road vehicles. Plaintiffs allege that the tax is discriminatory under the Railroad Revitalization and Regulatory Reform Act of 1976 ("4 R Act") because their principal competitors, motor carriers, airlines, and barges, are not taxed under the same regime or pay little or no tax. The plaintiff's are seeking declaratory and injunctive relief prohibiting enforcement and collection of the tax. A determination in plaintiffs' favor could result in revenue collection losses in excess of \$10 million when applied to plaintiffs and other railroad common carriers operating in Minnesota.

B. *Hutchinson Technology, Inc. v. Commissioner of Revenue*, Tax Ct. Nos. 7398-R & 7504-R. The Tax Court held: (1) that Hutchinson Technology's wholly-owned FSC subsidiary qualified as a foreign operating corporation under Minn. Stat. § 290.01, subd. 6b; (2) that Hutchinson Technology was not entitled to the dividend received deduction provided under Minn. Stat. § 290.21, subd. 4(a)(1); and (3) that Hutchinson Technology was entitled to the reduction of income for fees received under Minn. Stat. § 290.01, subd. 19(11) (1994). All three issues are currently before the Minnesota Supreme Court. If

the Supreme Court rules in favor of the taxpayer on all three of these issues, the Revenue Department estimates a potential revenue loss over the Current Biennium of approximately \$117 million. A Supreme Court decision on these issues is expected in late spring - early summer 2005.

C. *Polaris Industries, Inc. v. Commissioner of Revenue*, Tax Ct. No. 7694-R. The primary issue in this corporate franchise tax case is whether a payment of \$58,050,860, made by the Appellant to settle a patent and trade secrets infringement lawsuit, is a non-business expense allocable to Minnesota, Appellant's domicile, or a business expense subject to apportionment. The statute in question is Minn. Stat. § 290.17, subd. 1(b). A decision in the Appellant's favor would result in a potential revenue loss for the Current Biennium well in excess of \$10 million, since there are other cases pending before the Department of Revenue involving the same legal issue.

#### **CONTINUING DISCLOSURE**

The Commissioner, in the order authorizing and ordering the issuance of the Bonds, has covenanted and agreed on behalf of the State, for the benefit of the holders of the Bonds from time to time, to comply with the provisions of Securities and Exchange Commission Regulation, 17 C.F.R. Section 240.15c2-12, paragraph (b)(5); and, for this purpose, to provide to nationally recognized securities repositories and any Minnesota state information depository, annual financial information of the type included in this Official Statement, including audited financial statements, and notice of the occurrence of events which materially affect the terms, payment, security, rating or tax status of the Bonds. The State is the only "obligated person" in respect of the Bonds within the meaning of paragraph (b)(5). A description of the Commissioner's undertaking is set forth in Appendix I.

#### **UNDERWRITING**

The Commissioner acting on behalf of the State has sold the Bonds at public sale to Citigroup Global Markets, Inc. as Underwriters, for a price of \$430,884,158.25 and accrued interest, with the Bonds to bear interest at the rates set forth on the cover page of this Official Statement.

The Underwriters have advised the Commissioner that they will offer the Bonds to the public at the initial public offering prices set forth on the cover page of this Official Statement, and that after the Bonds are released for sale to the public, the offering prices and other selling terms may from time to time be varied by the Underwriters.

#### **RATINGS**

The Bonds described herein have been rated "Aa1" by Moody's Investors Service, Inc., "AAA" by Standard and Poor's Ratings Group, and "AAA" by Fitch Ratings. The ratings reflect only the views of these services. For an explanation of the ratings as described by those services see Appendix J. These bond ratings are subject to change or withdrawal by the rating agencies at any time. Therefore, after the date hereof investors should not assume that such ratings are still in effect. A revision or withdrawal of the ratings may have an adverse effect on the market price of the Bonds.

#### **AUTHORIZATION OF OFFICIAL STATEMENT**

The State has prepared and delivered this Official Statement to the Underwriters of the Bonds and has authorized the Underwriters to use it in connection with the offering and sale of the Bonds to investors.

Peggy S. Ingison  
Commissioner of Finance  
State of Minnesota

#2

## Comparison of Local Sales Tax Provisions in the House and Senate bills

Article/section	Political subdivision(s)	New tax or change to existing	Authorized rate	Projects funded	Referendum Required?	Bonding authority?	Expiration date	Meets House General Requirements	Additional Comments
<b>House General Provision:</b>									
Art. 7, sec. 35	Cities outside metro area	New Tax	½ of 1 %	Projects of “regional significance”	Yes, for each individual project	Up to amount included in referendum	Earlier of 12 years or when specified revenues are raised		Total tax cannot exceed ½ of 1 % so cannot be imposed in cities with existing taxes
<b>Other House Provisions:</b>									
Art. 7, sec. 34	1 <sup>st</sup> class cities	New Tax	½ of 1 %	General purposes	Yes, to impose	No	None	No	LGA amount reduced based on a portion of revenues that could be raised under this authority
Art. 7, sec. 41	Rochester	Modify use of existing tax	-	<b>No additional funding</b> – existing allowed revenues can be used for more generic student/ community facilities	None	None	No Change from current law	No	Changes also included in other Rochester provision
Art. 7, sec. 44	Mankato	Change expiration date of existing	-	<b>Continues to fund debt repayments and capital improvements</b> to airport and civic center; eliminates current use for operating expenses	No	No	December 31, 2018; currently expires when \$29.5 million raised	No (no referendum)	Senate has similar provision (Senate. Art. 7, sec. 26 and 43) which allows continued spending on operations; requires a reverse referendum
Art. 7, sec. 45	St Cloud, St. Joseph, Waite Park, Sartell, and St. Augusta	Replaces existing tax in some cities which expires 12/31/2005 New tax in St. Joseph and Waite Park	½ of 1%	<b>At least \$900,000 annually up to \$30 million</b> to regional library under joint powers <b>Remainder</b> to other projects in each city approved by referenda	Held 2004 in St. Cloud and St. Joseph; 2003 in Waite Park; 1999 in Sartell; next general in others	\$30 million for regional library, undetermined amount for other projects	When sufficient revenue raise, but no later than 11 years	No (some referenda held before 2004 or didn't include library project)	Senate has similar provision (Senate Art. 7, sec. 47). Include Sauk Rapids; allows Waite Park and Sartell to fund library, even though not in the referendum. Expires after 17 years in St. cloud, 20 years all other cities.

Article/section	Political subdivision(s)	New tax or change to existing	Authorized rate	Projects funded	Referendum Required?	Bonding authority?	Expiration date	Meets House General Requirements	Additional Comments
Art. 7, sec. 46	Bemidji	New tax	½ of 1%	No \$ limit – parks, open space, and trail system	Held November 5, 2002	Up to \$9.826 million	Sufficient revenues raised to fund projects	No (referendum held in 2002)	Senate has similar provision (Senate Art. 7, sec. 40)
Art. 7, sec. 48	Rochester	Modify use of existing tax	-	For highway and higher education/community projects	None	As needed for highway projects	December 31, 2014	No (no referendum)	Senate has similar provision (Senate Art. 7, sec. 28 and 29). allows up to \$40 million more in bonding for the authorized projects
<b>Senate Provisions with no comparable House provision:</b>									
Senate Art. 7, sec. 27	Hermantown	Modifies existing	Additional ½ of 1%	\$13 million - city hall; public works facility; major roads; sewer interceptor	General or special election	Up to \$13 million more	Raised \$13 million plus bond costs	No	Would exceed the ½ of 1 % limit in general provision, allows a special election
Senate Art. 7, sec. 30-32	Proctor	Modifies existing	Additional ½ of 1%	No \$ limit - city streets, public utilities, sidewalks, bikeways and trails	General or special election	Up to \$7.2 million more	Sufficient revenues raised to fund projects	No	Would exceed the ½ of 1 % limit in general provision, allows a special election
Senate Art. 7, Sec. 37	Albert Lea	New tax	½ of 1%	\$15 million – lake improvement projects	Next general or special	None	Earlier of 10 years or \$15 million raised	Probably	Qualifies if referendum held at general election
Senate Art. 7, sec. 38	Baxter	New tax	½ of 1% \$20 on M.V.	\$15 million – water and waste water facilities, fire substation, A bridge	Next general	Up to \$15 million	When \$15 million plus bond costs raised	Maybe	Depends on if projects meet “regional” test
Senate Art. 7, sec. 39	Beaver Bay	New tax	1%	\$1.5 million – community center debt, recreational facilities, water and sewer, fire equipment, streets	Next general or special	None	When \$1.5 million is raised	Probably not	Some projects do not look like they would meet “regional” test; referendum must be held at general election
Senate Art. 7, sec. 41	Cloquet	New tax	½ of 1% \$20 on M.V.	No \$ limit – specific park improvements, ice arena debt service, infrastructure for industrial park; closing landfill	Next general	Up to \$7 million	Earlier of 14 years or sufficient funds raised	Probably not	Some projects do not look like they would meet “regional” test;

Article/section	Political subdivision(s)	New tax or change to existing	Authorized rate	Projects funded	Referendum Required?	Bonding authority?	Expiration date	Meets House General Requirements	Additional Comments
Senate Art. 7, sec. 42	Clearwater	New tax	½ of 1%	No \$ limit – parks, trails, open space, community and recreation center	Next general or special	Up to \$3 million	Sufficient revenues raised to fund projects	Maybe	Depends on if projects meet “regional” test and referendum is held at general election
Senate Art. 7, sec. 44	Medford	New tax	½ of 1%	Up to \$5 million for wastewater treatment improvements	Next general election	Up to \$5 million	Earlier of 20 years or when \$5 million is raised	Maybe	Depends on if project meets the “regional” test
Senate Art. 7, sec. 45	Park Rapids	New tax	<del>½ of</del> 1%	No \$ limit 2/3 of community center; water, sewer, storm sewer, streets, water tower and well, trunk Hwy. 34, park improvements	Next general or special	Yes – no limit in bill	Earlier of July 1, 2023 or when revenues sufficient to pay bonds	Probably not	At least some projects may not meet the “regional” test
Senate Art. 7, sec. 49	Waseca	New tax	½ of 1%	No \$ limit – water quality and lake improvements; community center improvements, industrial incubator, and downtown improvements	Next general	Up to \$1.82 million	Earlier of 10 years or sufficient revenues raised	Probably not	At least some projects may not meet the “regional” test
Senate Art. 7, sec. 50	Willmar	New tax	½ of 1%	No \$ limit - airport/industrial park; trails; connection between Blue Line and Civic Center; purchase of part of regional treatment center	Held November 2, 2004	Up to \$8 million	7 years or sufficient funds for project	Maybe	Depends on if projects meet the “regional” test
Senate Art. 7, sec. 51	Winona	New tax	½ of 1% \$20 on M.V.	No \$ limit – transportation, cultural, or library projects	Next general election	Up to \$20 million	Later of 15 years or sufficient funds raised	Maybe	Depends on if projects meet the “regional” test
Senate Art. 21, sec. 11	Mower County	New tax	½ of 1%	No \$ limit – County criminal justice center	Next general or special	Yes – no limit in bill	When sufficient funds are raised for the project	No	General provision only applies to cities

Article/s ection	Political subdivision(s)	New tax or change to existing	Authorized rate	Projects funded	Referendum Required?	Bonding authority?	Expiration date	Meets House General Requirements	Additional Comments
Senate Art. 21 Sec. 12	Worthington	New tax	½ of 1% \$20 on M.V.	\$4.6 million – multipurpose community/senior center with swimming pool; Memorial Auditorium renovations	Next general or special	Up to \$7.8 million	Earlier of 10 years or \$7.8 million plus bond costs raised	Maybe	Depends on if projects meet the “regional” test and if referendum is held at the general election

Test For regional Significance in House General Provision:

- The following automatically qualify as regional projects – lake improvement projects from a watershed plan; collector and arterial roads and bridges connected or adjacent to a state highway; rails overpasses and crossing improvements on roads connected or adjacent to a state highway; and any projected fund through a joint powers agreement if no one city provides 80 percent of the project funding;
- The following projects are regional if 20 percent of the users or 20 percent of the direct benefit accrue to persons or businesses located outside of the city:
  - convention or civic center
  - regional airport
  - regional library, history center, or arts center;
  - parks, trails, regional recreation centers, and open space;
  - flood control or protection;
  - wastewater project to mitigate water pollution; and
  - regional government center or jail owned and operated by two or more local jurisdictions.

House Research Department  
June 13, 2005

# Research Department

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# Minnesota House of Representatives

#3

June 13, 2005

TO: Representative Morrie Lanning

FROM: Pat Dalton, <sup>PQD</sup>Legislative Analyst

RE: Local sales taxes and the relationship with state aids

Currently 20 states have general authority for cities to impose a local sales tax. Another four states allow certain types or sizes of cities to impose a local sales tax. Many of the states that allow a general sales tax require that the revenues raised be used for specified purposes such as roads.

States that permit a general authority to impose a local sales tax usually do not provide much general purpose aid to local governments. States seem to follow one of two philosophies as it relates to state-local fiscal relations:

- The state tries to equalize resources available to local governments to provide necessary services ( Minnesota is in this group); or
- The state grants local governments maximum revenue flexibility and autonomy, but makes little effort to ensure resource equity between individual jurisdictions.

As the attached table illustrates, of the eight states that make general purpose aid payments of \$100 or more, only Arizona grants general local sales tax authority to cities. Of the 20 states that grant local sales tax authority to cities, general purpose aid payments to cities is \$10 or less in 16 of those states.

There is a strong correlation between sales tax base and property tax base. If Minnesota grants a general local sales tax authority to Greater Minnesota cities, it will likely exacerbate differences between cities' ability to raise revenues; particularly between the regional centers and smaller rural communities that already are losing population and retail to these growing out-state centers.



**State General Purpose Aids to Cities and General Authority for  
 Cities to Impose a Local Sales Tax**

State	General aid per capita	General city sales tax authority?	State	General aid per capita	General city sales tax authority?
Wyoming	\$232	No	Washington	6	Yes
Rhode Island	189	No	Oklahoma	4	Yes
Massachusetts	162	No	Colorado	4	Yes
Arizona	145	Yes	Alabama	4	Yes
Michigan	130	No	Kansas	3	Yes
Wisconsin	129	No	Texas	2	Yes
Connecticut	107	No	Maryland	2	No
Minnesota	100	No	Alaska	0	Yes
			California	0	Yes
New Hampshire	70	No	Delaware	0	No
North Dakota	58	Yes <sup>1</sup>	Georgia	0	No
New York	58	Yes	Hawaii	0	No
Illinois	57	No	Indiana	0	No
Ohio	54	Yes <sup>2</sup>	Iowa	0	No
Idaho	42	Yes <sup>3</sup>	Kentucky	0	No
Maine	37	No	Mississippi	0	No
Florida	29	No	Missouri	0	Yes
N. Carolina	26	Yes	Montana	0	No
W. Virginia	26	No	Nebraska	0	Yes
Louisiana	11	Yes	Nevada	0	No
Oregon	10	No	New Jersey	0	Yes <sup>4</sup>
Arkansas	10	Yes	New Mexico	0	Yes
S. Carolina	9	No	Pennsylvania	0	No
S. Dakota	8	Yes	Tennessee	0	Yes
Virginia	8	Yes	Utah	0	Yes
Vermont	6				

Source for city aid per capita: Texas Municipal League Report, March 2004.

PD/jmb

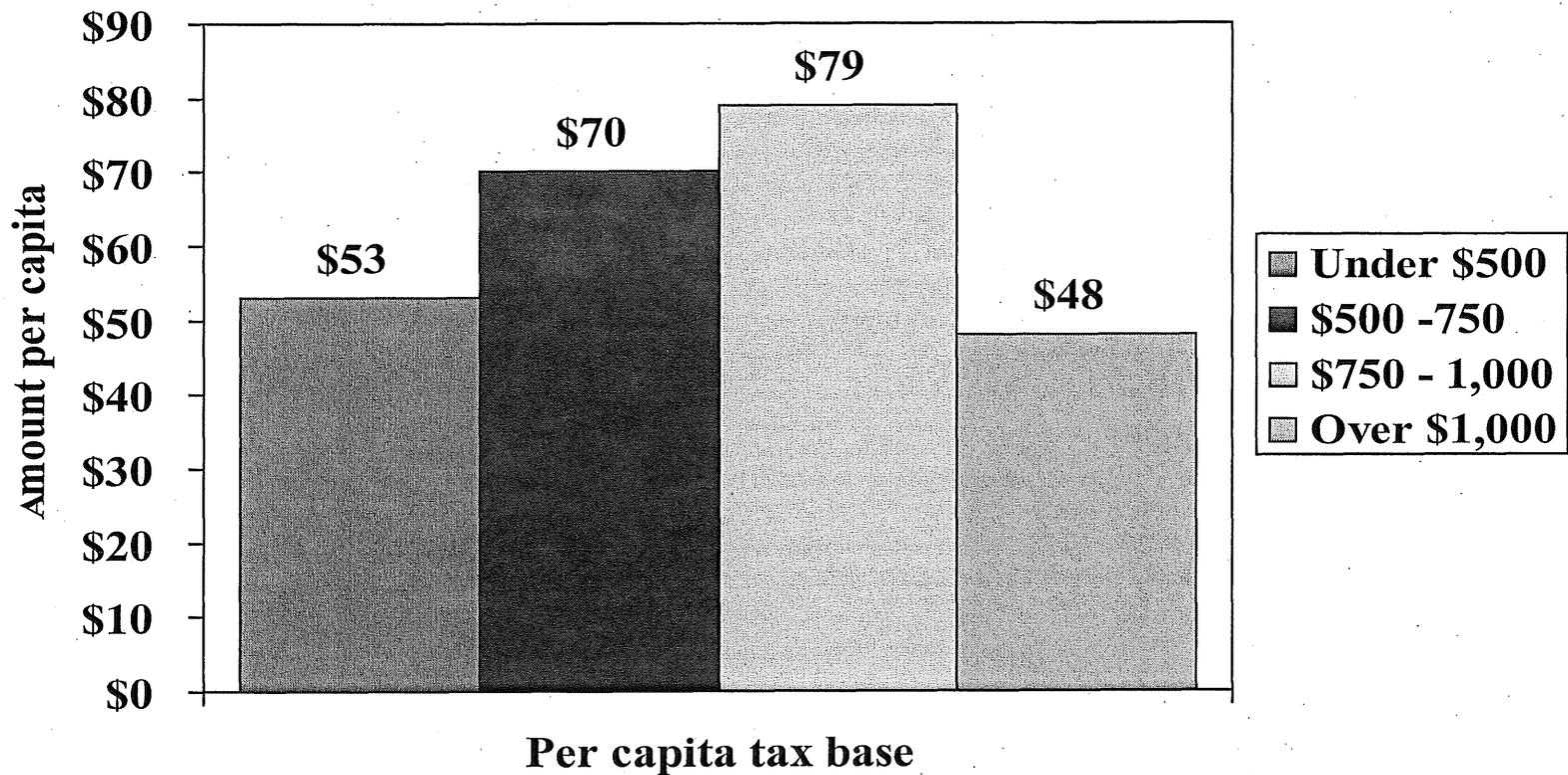
<sup>1</sup> Only home rule charter cities

<sup>2</sup> Only resort cities.

<sup>3</sup> Only resort cities with a population of less than 10,000.

<sup>4</sup> Only cities that meet certain class criteria

# Average raised from a 1/2 cent sales tax in Non-metro cities over 5,000 population by per capita tax base



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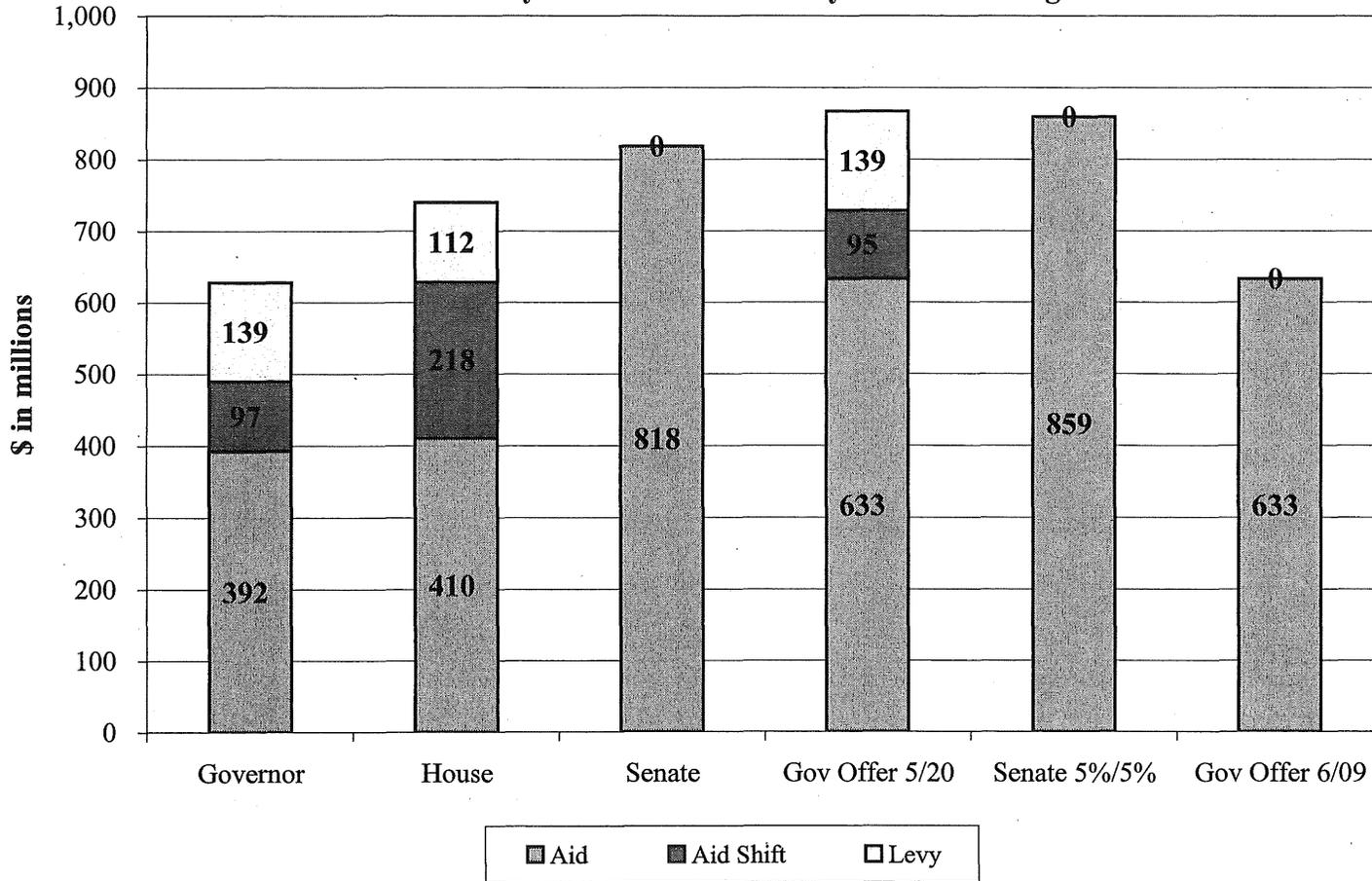
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#9

	<u>Governor</u>	<u>House</u>	<u>Senate</u>	<u>Gov Offer 5/20</u>	<u>Senate 5%/5%</u>	<u>Gov Offer 6/09</u>	Gov 6/09- <u>House</u>	Gov 6/09- <u>Senate</u>	Gov 6/09 - <u>Senate 5% &amp; 5%</u>
Aid	392	410	818	633	859	633	223	(185)	(226)
Aid Shift	97	218	0	95	0	0	(218)	0	0
<u>Levy</u>	<u>139</u>	<u>112</u>	<u>0</u>	<u>139</u>	<u>0</u>	<u>0</u>	<u>(112)</u>	<u>0</u>	<u>0</u>
<b>Total</b>	<b>628</b>	<b>740</b>	<b>818</b>	<b>867</b>	<b>859</b>	<b>633</b>	<b>(107)</b>	<b>(185)</b>	<b>(226)</b>

### Total Proposed Revenue, 2006-07 Biennium K-12 and Early Childhood and Family Education Programs



#46

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Gov's 5/20/05 Press Conference					Alt
	FY 06	FY07	Biennium	Diff	Diff
Aid	6,005,249	6,009,961	12,015,210		
	224,864	500,449	725,313		
Subtotal Aid	6,230,113	6,510,410	12,740,523	728,191	728,191
Shifts	(67,178)	(30,381)	(97,559)	(95,191)	
<u>Total Aid</u>	6,162,935	6,480,029	12,642,964	633,000	728,191
Levy	1,374,162	1,684,706	3,058,869	139,201	139,201
<u>Total Revenue</u>	7,537,097	8,164,735	15,701,833	772,201	867,392
Difference Senate Minus Gov Press Conf					
Aid				184,628	89,002
Levy				(139,201)	(139,201)
Revenue				45,427	(50,199)

Senate @5%&5%					Alt
	FY 06	FY07	Biennium	Diff	Diff
Aid*	6,297,802	6,575,828	12,873,629	858,419	858,419
Shifts	659	(2,592)	(1,933)	435	
<u>Total Aid</u>	6,298,461	6,573,236	12,871,696	858,854	858,419
Levy	1,374,162	1,545,506	2,919,668	(0)	(0)
<u>Total Revenue</u>	7,672,623	8,118,741	15,791,364	858,854	858,419

Gov's 6/09/05 Press Conference Offer					Alt
	FY 06	FY07	Biennium	Diff	Diff
Aid	6,005,249	6,009,961	12,015,210		
	195,609	435,023	630,632		
Subtotal Aid	6,200,858	6,444,984	12,645,842	633,000	633,000
Shifts	(621)	(1,747)	(2,368)	0	
<u>Total Aid</u>	6,200,237	6,443,237	12,643,474	633,000	633,000
Levy	1,374,162	1,545,506	2,919,668	0	0
<u>Total Revenue</u>	7,574,399	7,988,743	15,563,142	633,000	633,000
Difference Senate @5% & 5% Minus Gov Press 6/9 Conf					
Aid				225,854	225,419
Levy				(0)	(0)
Revenue				225,854	225,419

<b>DRAFT</b>	<b>DRAFT</b>			<b>DRAFT</b>	
	<b>February Base FY 06</b>	<b>FY07</b>	<b>Biennium</b>		
Aid	6,005,249	6,009,961	12,015,210		
Shifts	(621)	(1,747)	(2,368)		
<u>Total Aid</u>	6,004,628	6,008,214	12,012,842		
Levy	1,374,162	1,545,506	2,919,668		
<u>Total Revenue</u>	7,378,790	7,553,720	14,932,510		
	<b>Gov's Rec FY 06</b>	<b>FY07</b>	<b>Biennium</b>	<b>Diff</b>	<b>Alt Diff</b>
Aid	6,150,285	6,353,518	12,503,803	488,593	488,593
Shifts	(69,972)	(28,935)	(98,907)	(96,539)	
<u>Total Aid</u>	6,080,313	6,324,583	12,404,896	392,054	488,593
Levy	1,374,162	1,684,706	3,058,869	139,201	139,201
<u>Total Revenue</u>	7,454,475	8,009,289	15,463,765	531,255	627,794
	<b>Senate FY 06</b>	<b>FY07</b>	<b>Biennium</b>	<b>Diff</b>	<b>Alt Diff</b>
Aid*	6,297,686	6,534,717	12,832,403	817,193	817,193
Shifts	659	(2,592)	(1,933)	435	
<u>Total Aid</u>	6,298,345	6,532,125	12,830,470	817,628	817,193
Levy	1,374,162	1,545,506	2,919,668	(0)	(0)
<u>Total Revenue</u>	7,672,507	8,077,631	15,750,138	817,628	817,193
*Senate aid includes \$20.9 million in deferred maintenance aid from Senate Tax Bill					
	<b>House FY 06</b>	<b>FY07</b>	<b>Biennium</b>	<b>Diff</b>	<b>Alt Diff</b>
Aid	6,208,477	6,434,135	12,642,612	627,402	627,402
Shifts	(188,740)	(31,289)	(220,029)	(217,661)	
<u>Total Aid</u>	6,019,737	6,402,846	12,422,583	409,741	627,402
Levy	1,374,162	1,657,863	3,032,025	112,357	112,357
<u>Total Revenue</u>	7,393,900	8,060,709	15,454,608	522,098	739,759