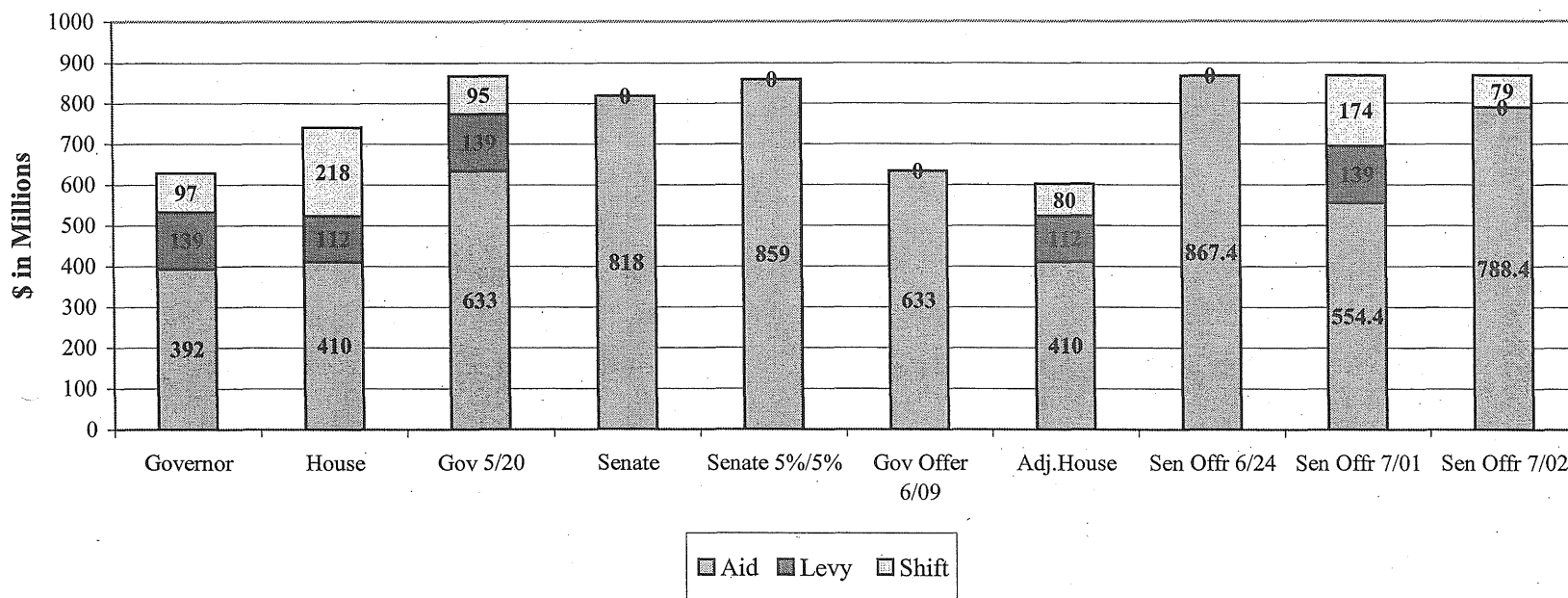


GENERAL FUND (unless italicized)	Senate Original	Gov 5/20 Offer	Senate 6/24 Offer (incorporate 6/9 Offer Changes)	Senate TWG 7-2-05 Offer
1 OPEN BILLS				
2 Health and Human Services				
3 <i>TANF Spending</i>				
4 <i>TANF Revenues</i>				
5 <i>TANF Net</i>	0	0	0	
6 <i>HCAF Spending</i>	674	1,039	798	769
7 <i>HCAF Revenues</i>	5	275	5	5
<i>HCAF Net</i>	669	764	793	764
Human Services Spending	8,645	7,986	8,390	8,284
10 Human Services Revenues	-25	-273	-25	-25
11 Human Services GF Net	8,670	8,259	8,415	8,309
12 Combined HHS Net	9,339	9,023	9,208	9,073
13				
14 Education Spending	12,809	12,646	12,880	12,800
15				
16 Taxes - Spending	3,136	2,888	3,026	3,025
17 Taxes - Non-Tax Revenues	0	0	0	0
18 Taxes - Tax Revenues (incl. tax shelter compliance)	1,569	628	1,215	1,057
19 Taxes Net	1,567	2,260	1,812	1,968
20				
21 Env., Ag., ED Spending	683	683	683	683
22 Env., Ag., ED Non-Tax Revenue	33	33	33	33
23 Env., Ag., ED Tax Revenue	-25	-25	-25	-25
24 Env., Ag., Econ Dev Net	675	675	675	675
25				
26 Transportation Spending (includes transit gap of 51.2)	159	159	159	210
27 Transportation Non-Tax Revenue	17	12	17	12
28 Transportation Tax Revenue				
29 Transportation Net	142	147	142	198
30				
31 Miscellaneous Spending				
32 Pensions	42		42	6
33 Salary Supplement			21	
34				
35 CLOSED BILLS				
36 Higher Education Spending	2,761	2,761	2,761	2,761
Public Safety Spending	1,685	1,685	1,685	1,685
39 Public Safety Revenue	38	38	38	38
40 Public Safety Net	1,647	1,647	1,647	1,647
41				
42 State Government Spending	581	581	581	581
43 State Government Tax Revenue	113	113	113	113
44 State Government Net	468	468	468	468
45				
46 Miscellaneous Spending	4	4	4	4
47 Miscellaneous Revenues	2	2	2	2
48 Debt Service	781	781	781	781
49 Other Spending	54	54	54	54
50 Net for Completed Bills	5,715	5,715	5,714	5,715
51				
52 General Fund Spending	31,340	30,228	31,068	30,874
53 <i>HCAF Spending</i>	674	1,039	798	798
54 <i>TANF Spending</i>				
55				
56 General Fund Revenues				
57 Base Tax Revenues	29,711	29,711	29,711	29,711
58 Total Non-Tax Rev Change	87	-166	87	82
59 Total Tax Revenue Change	1,635	694	1,281	1,123
60 TOTAL REVENUES	31,433	30,239	31,078	30,916
61				
62 Change in Reserves	0	0		
63				
		Gov 5/20 Offer	Senate 6/24 Offer	Senate TWG Offer 7-1-05
All Source Revenues		30,473	31,078	30,995
Gift		95		79.8
Property Tax		139		0
Local Income Tax				
State Revenues		30,239	31,078	30,916

(Dollars in Thousands)	SF 62	Budget Proposal
\$'s Relative to General Fund		
Positive Number equals revenue gain or expenditure reduction		
Item	Source	FY 06-07
Income/Corporate		
Withholding for non resident partners/C's	Gov., Senate, House	14,050
Federal Conformity (American Job Creation Act	Gov., Senate, House	20,765
Tax Deferred Wages/Benda	Senate	4,100
Disallow Deduction for Fine, Fees	Senate	150
Contractor Withholding	Gov., Senate	4,000
Sales Tax		
Leased Vehicles	Gov., Senate, House	38,670
Rental Vehicle Sales Tax	Gov., Senate, House	18,590
Cigarettes at Wholesale	Gov., Senate, House	10,350
State Vendors/Out of State Collections	Gov., Senate, House	3,410
Gas Pipelines	Gov., Senate, House	20,800
Sprint	Senate	3,060
Event Souvenir Clothing	Senate	1,700
Misc.		
Gross Receipts Tax on Alcohol	Gov., Senate, House	83,950
Insurance Stop Loss	Gov., Senate, House	5,100
Abusive Tax Shelters	Compromise Language	56,800
Subtotal Revenue Changes in SF 62		285,495
Expenditures and Transfers		
Expenditure Reduction: MVC Reimbursement Delay	Gov., Senate, House	35,300
Total Change SF 62		320,795
Revenue Changes and Expenditure Reductions Passed During Regular Session:		
Fractional Homesteads (as per new law)		500
Streamlined Sales Tax Act Conformity (as in new law)		41,320
Grand Total Package		362,615

	Governor	House	Gov 5/20	Senate	Senate 5%/5%	Gov Offer 6/09	Adj.House	Sen Offr 6/09	Sen Offr 7/01	Sen Offr 7/02
Aid	392	410	633	818	859	633	410	867.4	554.4	788.4
Levy	139	112	139	0	0	0	112	0	139	0
Shift	97	218	95	0	0	0	80	0	174	79
Total	628	740	867	818	859	633	602	867.4	867.4	867.4

Total Proposed Revenue, FY 2006-07 K-12 and Early Childhood Programs as of July 2, 2005



Revenue Comparison: FY 2004-05 and FY 2006-07

Type of Revenue	Feb 2005 forecast (\$1000s)	
	<u>FY 2004-05</u>	<u>FY 2006-07</u>
Individual income tax	11,885,439	13,482,740
Sales tax	8,326,851	8,848,520
Corporate franchise tax	1,456,948	1,468,800
MV sales tax	537,374	530,950
Statewide property tax	1,217,396	1,291,217
Estate tax	172,058	176,000
Alcohol taxes	136,233	135,467
Cigarette & tobacco taxes	310,129	292,785
Medical Assistance surcharges	401,052	413,855
<u>Other taxes</u>	<u>1,326,013</u>	<u>1,247,405</u>
Total taxes	25,769,493	27,887,739
Investment income	29,725	30,000
Tobacco settlement	343,855	340,126
Departmental earnings	480,020	458,000
Fines & surcharges	153,600	170,000
<u>Other nondedicated nontax revenue</u>	<u>471,157</u>	<u>410,892</u>
Total nontax revenue	1,478,357	1,409,018
Total nondedicated revenue	27,247,850	29,296,757
Dedicated revenue	58,314	74,065
Transfers from other funds	1,458,164	290,394
<u>Prior year adjustments</u>	<u>64,897</u>	<u>50,000</u>
Total current year resources	28,829,225	29,711,216
	<i>Increase in FY 2006-07 over FY 2004-05</i>	881,991

Senate Offer July 1, 2005

FY 2006-07

(\$1000s)

Total current year resources (Feb forecast) 29,711,216

Agreed-upon revenue increases

Withholding for nonres partnerships & S-corps	14,050	
Lease vehicle upfront sales tax	38,670	
Rental vehicles sales tax at 12.7%	18,590	
State vendors must collect sales & use tax	3,410	
Sales tax on pipelines	20,830	(updated)
Gross receipts tax on alcohol (2.5%)	83,950	
Insurance tax on stop-loss policies	5,100	
<u>Tax shelter compliance (new language)</u>	<u>56,800</u>	
TOTAL agreed-upon increases	241,400	

Agreed-upon revenue reductions

Military income (3 provisions)	(3,024)	
Ready-to-eat meat and seafood (sales tax)	(1,120)	
Certain solar energy systems (sales tax)	(90)	
<u>Enacted in regular session bill</u>	<u>(65)</u>	
TOTAL agreed-upon reductions	(4,299)	

Agreed-upon provisions -- net revenue change 237,101

Other revenue changes

Cigarette sales tax at wholesale	10,350	
Federal conformity (exclude HSAs, educator expenses other in WFTRA, and married stand deduction)	20,765	
75 cent per pack tobacco fee	367,199	(eff 8/1/05)
Tobacco products tax to 90% (and floor stocks tax)	39,742	(eff 8/1/05)
FOC Senate proposed language	187,700	
State-wide property tax: C/I at 2002 tax rate	196,700	
Tax deferred wages (Benda)	4,100	
Disallow deduction for fines & fees	150	
Contractor withholding	4,000	
Sprint (sales tax on telecommunications equip)	3,060	
Tax event souvenir clothing (sales tax)	1,700	
Organ donor income tax deduction	(209)	
K-12 credit repeal family cap	(450)	
Dairy investment credit	(2,900)	
RAIN credit	(10,000)	
Historic structures rehabilitation credit	(3,840)	
Federal conformity -- educator expenses deduction (and other items)	(4,050)	
Transit pass credit	(1,400)	
Car sharing expense credit	(90)	
Geothermal equipment sales tax exemption	(2,000)	
Exempt pellet burning biomass stoves	(640)	
Exempt TV production inputs	(940)	
Exempt state & local efficient vehicles	(34)	
Exempt public safety radio	(3,050)	
Exempt commuter rail diesel fuel	(8,600)	
Other sales tax exemptions in original Senate bill	(3,208)	
Lower insurance premiums tax on life insurance to 1.5%	(11,700)	
Delay state property tax payment for seasonal rec	(925)	
<u>Transfer from Tax Relief Account</u>	<u>29,185</u>	
TOTAL items not yet agreed to	810,615	

Total net change in revenue -- tax bill 1,047,716

Enacted bills

Tax bill (regular session)	41,320
State government	112,861
Public safety	37,831
Environment/Ag/Jobs	8,458
<u>Child support bill (SF630)</u>	<u>1,678</u>
TOTAL enacted bills	202,148

Total net change in revenue ABOVE FORECAST (incl enacted bills) 1,249,864

Total revenue 30,961,080

Increase above FY 2004-05 2,131,855

K-12 funding: Offer includes K-12 levies (\$139 million), property tax recognition shift (\$95 million) and school payment shift (\$79.759 million).

Tax bill spending: Offer includes reductions in MV credit (\$35.3 million savings); and LGA increase of at least \$87 million. (Also fractional homesteads, which is already enacted)

House Offer for Total Revenue July 2, 2005

FY 2006-07

(\$1000s)

Total current year resources (Feb forecast)	29,711,216
Agreed-upon revenue increases	
Withholding for nonres partnerships & S-corps	14,050
Lease vehicle upfront sales tax	38,670
Rental vehicles sales tax at 12.7%	18,590
State vendors must collect sales & use tax	3,410
Sales tax on pipelines	20,830 (updated)
Gross receipts tax on alcohol (2.5%)	83,950
Insurance tax on stop-loss policies	5,100
<u>Tax shelter compliance (new language)</u>	<u>56,800</u>
TOTAL agreed-upon increases	241,400
Agreed-upon revenue reductions	
Military income (3 provisions)	(3,024)
Ready-to-eat meat and seafood (sales tax)	(1,120)
Certain solar energy systems (sales tax)	(90)
<u>Enacted in regular session bill</u>	<u>(65)</u>
TOTAL agreed-upon reductions	(4,299)
Agreed-upon provisions -- net revenue change	237,101
Other revenue changes	
Cigarette sales tax at wholesale	10,350
Federal conformity (House without HSAs, educator expenses, or married stand deduction)	19,085
20 cent per pack tobacco fee	114,000 (eff 8/1/05)
<u>Transfer from Tax Relief Account</u>	<u>3,408</u>
TOTAL items not yet agreed to	146,843
Total net change in revenue -- tax bill	383,944
Enacted bills	
Tax bill (regular session)	41,320
State government	112,861
Public safety	37,831
Environment/Ag/Jobs [before vetoes]	8,458
<u>Child support bill (SF630)</u>	<u>1,678</u>
TOTAL enacted bills	202,148
Total net change in revenue ABOVE FORECAST	586,092
Total revenue	30,297,308

Increase above FY 2004-05 1,468,083

K-12 funding: Accepts Senate's July 1 offer of K-12 levies (\$139 million), property tax recognition shift (\$95 million) and school payment shift (\$79.759 million).

Tax bill spending: Not dealt with in this offer, which covers only revenue.

Total revenue as calculated on these sheets must fund:

1. Enacted bills' general fund spending
2. K-12 bill general fund spending
3. Human Services bill general fund spending
PLUS the reduction in general fund revenue in the Human Services bill
4. Transportation bill general fund spending
LESS any change in revenue in the Transportation bill
5. Tax bill general fund spending
PLUS any tax bill provisions that reduce revenue and are not included in the calculations
6. Any other general fund spending (such as salary supplement or pensions)

GENERAL FUND (unless italicized)	Senate Original	Gov 5/20 Offer	Senate 6/24 Offer (incorporate 6/9 Offer Changes)	House TWG as of 6/25	Senate TWG 7-1-05 Offer	Sen.-House Diff. 7-1-05	Sen.-Gov. Diff. 7-1-05	House 6-25-05-Gov.Diff.
1 OPEN BILLS								
2 Health and Human Services								
3 TANF Spending								
4 TANF Revenues								
5 TANF Net	0	0	0	0		0	0	0
6 HCAF Spending	674	1,039	798	1,018	769	-249	-270	-21
7 HCAF Revenues	5	275	5	254	5	-249	-270	-21
8 HCAF Net	669	764	793	764	764	0	0	0
9 Human Services Spending	8,645	7,986	8,390	7,986	8,284	298	298	0
10 Human Services Revenues	-25	-273	-25	-273	-25	248	248	0
11 Human Services GF Net	8,670	8,259	8,415	8,259	8,309	50	50	0
12 Combined HHS Net	9,339	9,023	9,208	9,023	9,073	50	50	0
13						0	0	0
14 Education Spending	12,809	12,646	12,880	12,646	12,563	-83	-83	0
15						0	0	0
16 Taxes - Spending	3,136	2,888	3,026	2,835	3,025	190	137	-53
17 Taxes - Non-Tax Revenues	0	0	0	222	0	-222	0	222
18 Taxes - Tax Revenues (incl. tax shelter compliance)	1,569	628	1,215	277	1,057	780	429	-351
19 Taxes Net	1,567	2,260	1,812	2,336	1,968	-368	-292	76
20						0	0	0
21 Env., Ag., ED Spending	683	683	683	683	683	0	0	0
22 Env., Ag., ED Non-Tax Revenue	33	33	33	33	33	0	0	0
23 Env., Ag., ED Tax Revenue	-25	-25	-25	-25	-25	0	0	0
24 Env., Ag., Econ Dev Net	675	675	675	675	675	0	0	0
25						0	0	0
26 Transportation Spending (includes transit gap of 51.2)	159	159	159	159	210	51	51	0
27 Transportation Non-Tax Revenue	17	12	17	12	12	0	0	0
28 Transportation Tax Revenue						0	0	0
29 Transportation Net	142	147	142	147	198	51	51	0
30						0	0	0
31 Miscellaneous Spending						0	0	0
32 Pensions	42		42		6	6	6	0
33 Salary Supplement			21			0	0	0
34						0	0	0
35 CLOSED BILLS						0	0	0
36 Higher Education Spending	2,794	2,761	2,761	2,761	2,761	0	0	0
37						0	0	0
38 Public Safety Spending	1,685	1,685	1,685	1,685	1,685	0	0	0
39 Public Safety Revenue	38	38	38	38	38	0	0	0
40 Public Safety Net	1,647	1,647	1,647	1,647	1,647	0	0	0
41						0	0	0
42 State Government Spending	581	581	581	581	581	0	0	0
43 State Government Tax Revenue	113	113	113	113	113	0	0	0
44 State Government Net	468	468	468	468	468	0	0	0
45						0	0	0
46 Miscellaneous Spending	4	4	4	4	4	0	0	0
47 Miscellaneous Revenues	2	2	2	2	2	0	0	0
48 Debt Service	781	781	781	781	781	0	0	0
49 Other Spending	54	54	54	54	54	0	0	0
50 Net for Completed Bills	5,748	5,715	5,714	5,715	5,866	151	151	0
51						0	0	0
52 General Fund Spending	31,373	30,228	31,068	30,175	30,637	462	409	-53
53 HCAF Spending	674	1,039	798	1,018	798	-220	-241	-21
54 TANF Spending						0	0	0
55						0	0	0
56 General Fund Revenues						0	0	0
57 Base Tax Revenues	29,711	29,711	29,711	29,711	29,711	0	0	0
58 Total Non-Tax Rev Change	87	-166	87	56	82	26	248	222
59 Total Tax Revenue Change	1,635	694	1,281	343	1,123	780	429	-351
60 TOTAL REVENUES	31,433	30,239	31,078	30,110	30,916	806	677	-129
61						0	0	0
62 Change in Reserves	0	0		0		0	0	0
63						0	0	0
						0	0	0
		Gov 5/20 Offer	Senate 6/24 Offer	House TWG as of 6/25	Senate TWG Offer 7-1-05	Sen.-House Diff. 7-1-05	Sen.-Gov. Diff. 7-1-05	House 6-25-05-Gov.Diff.
Total All Source Revenues		30,473	31,078	30,440	31,229	789,681	757	-33
Shift		95			174.8	174.8	79.8	-95
Property Tax		139			139	139	0	-139
Local Income Tax				330		-330	0	330
State Revenues		30,239	31,078	30,110	30,916	806	677	-129

Disparity in Revenue and Expenditure Growth Explains FY 2006-07 Budget Problem

Revenues for FY 2006-07 are forecast to increase \$805 million, or 2.8 percent over levels in the current biennium. Current law spending is projected to increase by \$2.139 billion, or 7.6 percent. This mismatch between revenue and spending growth highlights Minnesota's budget challenge.

Biennial Comparison (\$ in Millions)

	<u>FY 2004-05</u>	<u>FY 2006-07</u>	<u>\$ Change</u>	<u>% Change</u>
Revenues				
Taxes	25,627	27,658	2,031	7.9
Non-Tax Revenues	1,466	1,406	(60)	(4.1)
Other	<u>1,580</u>	<u>414</u>	<u>(1,166)</u>	<u>(73.8)</u>
Total Revenues	\$28,673	\$29,478	\$805	2.8
Spending				
E-12 Education	\$11,902	\$11,969	\$67	0.6
Health & Human Services	7,245	8,684	1,439	19.9
All Other	<u>8,892</u>	<u>9,524</u>	<u>632</u>	<u>7.1</u>
Total Spending	\$28,039	\$30,177	\$2,139	7.6

Tax revenues for FY 2006-07 are forecast to grow by 7.9 percent to \$27.658 billion. Nearly three quarters of that growth is in state income tax receipts, which increase by 13.5 percent.

Non-tax revenues including fees, charges, lottery and other receipts are expected to decline slightly under current law. Transfers from other funds decline by over \$1.1 billion from the current biennium, reflecting one-time transfers of over \$1 billion in revenues from the tobacco funds and other funds.

Two-thirds (\$1.4 billion) of projected spending growth in FY 2006-07 occurs in the health and human services area. Spending for the state's largest budget component, E-12 education, is almost unchanged as the per pupil unit formula remains constant and enrollments continue to decline. Spending for all other areas including higher education, local aids, and criminal justice increases by 7.1 percent.

Disparity in Revenue and Expenditure Growth Explains FY 2006-07 Budget Problem

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Biennial Comparison

(\$ in Millions)

	<u>FY 2004-05</u>	<u>FY 2006-07</u>	<i>Update for Feb</i> \$	Change	%	Change
Revenues						
Taxes	25,769	25,627	27,658	27,888	2,031	2119 7.9 8.0
Non-Tax Revenues	1,478	1,466	1,406	1,409	(60)	(69) (4.1) (5.0)
Other	1581	1,580	-414	414	(1,166)	(73.8)
Total Revenues	\$28,673	\$29,478	\$805	882	2.8	3.1 3.1
	28,829	29,711	(+233)			
Spending						
E-12 Education	\$11,902	11,898	\$11,969	12,013	\$67	115 0.6
Health & Human Services	7,245	7262	-8,684	8,632	1,439	1376 19.9
All Other <i>K-12 Buy back 150</i>	8,892	8885	9,524	9533	-632	648 7.1
Total Spending	\$28,039	\$30,177	\$2,139	1482	7.6	7.0
	\$ 28,145	30,177				

Tax revenues for FY 2006-07 are forecast to grow by 7.9 percent to \$27.658 billion. Nearly three quarters of that growth is in state income tax receipts, which increase by 13.5 percent.

Non-tax revenues including fees, charges, lottery and other receipts are expected to decline slightly under current law. Transfers from other funds decline by over \$1.1 billion from the current biennium, reflecting one-time transfers of over \$1 billion in revenues from the tobacco funds and other funds.

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Senate Offer
July 2, 2005
4:00 p.m.

- Passage of continuing resolution, authorization effective July 11, 2005 with no amendments
- Education funding – 5% and 5%, Q Comp at \$30 million
- HHS Target - \$9.074 billion, details to be worked out by Senator Berglin and Commissioner Goodno
- Tax bill to include at least \$87 million in LGA
- All other revenue reductions and tax expenditures except those noted (income tax bracket and rate changes, AMT fix, MJSD, \$111.5 million in spending cuts)