

**Seventh Edition  
January 2007**



**Research Department**  
Minnesota House of Representatives  
600 State Office Building, St. Paul, MN 55155  
651-296-6753



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January 2007**

**Minnesota  
Government  
in  
Brief**

**(formerly the Minnesota  
Data Book for Legislators)**

**Research Department**

Minnesota House of Representatives  
600 State Office Building, St. Paul, MN 55155  
651-296-6753 Fax: 651-296-9887

The Research Department is the research and legal services office of the Minnesota House of Representatives. It is a nonpartisan office serving the entire membership of the House and its committees. The department conducts legal and policy research, collects and publishes information for use by House members, and assists members and committees in developing, analyzing, drafting, and amending legislation.

## House Research Staff List

Patrick McCormack, Director: 651-296-5048  
Questions/General Information: 651-296-6753

<b>Subjects</b>	<b>Legislative Analysts</b>
Agriculture.....	Colbey Sullivan
Appropriations .....	Kathy Novak
Capital Budget .....	Deborah Dyson
Commerce.....	Tom Pender Anita Neumann
Education:	
Higher .....	Kathy Novak
K-12 .....	Lisa Larson Tim Strom
Pre-K.....	Lisa Larson Danyell Punelli LeMire
Elections .....	Matt Gehring
Environment and Natural Resources.....	Bob Eleff John Helland
Financial Institutions.....	Thomas Pender
Gambling .....	Patrick McCormack
Housing.....	Jeanne LeFevre
Health and Human Services:	
Family Assistance .....	Danyell Punelli LeMire
Health.....	Janelle Taylor Emily Cleveland
MA and MNCare .....	Randall Chun
Child Support and Protection .....	Lynn Aves
Insurance.....	Thomas Pender
Judiciary:	
Civil Law .....	Matt Gehring
Criminal and Juvenile .....	Jeff Diebel Rebecca Pirius
Criminal Justice Analysis/DWI.....	Jim Cleary
Labor.....	Anita Neumann
Liquor .....	Patrick McCormack
Local Government and	
Metropolitan Affairs .....	Deborah Dyson Jeanne LeFevre
State Government Operations .....	Mark Shepard
Taxes.....	Joel Michael
Income .....	Nina Manzi
Local Gov't Aids, Sales .....	Pat Dalton
Property.....	Karen Baker Steve Hinze
Transportation.....	Matt Burress
Utility Regulation .....	Bob Eleff
Veterans Affairs.....	Jim Cleary

# Introduction

Welcome to the seventh edition of the Minnesota Government in Brief. This book has been published since 1995 as the Minnesota Data Book for Legislators. We have changed the name to better reflect the content within. This book is a collective effort by House Research to provide legislators with important factual information about Minnesota.

Using the most recent data available, Minnesota Government in Brief provides details about such items as the state's population, the number of people the state employs, and how state revenues are allocated. Designed as an easy reference to state information, the publication is divided into four major sections: demographic and economic data; government organization and employment; government finance; and major government functions and services. Please refer to the table of contents on the following page for a more detailed list of what's covered in each section. Also refer to the index at the end of the book.

Minnesota Government in Brief is also available with supplementary information on our web site ([www.house.mn/hrd/hrd.htm](http://www.house.mn/hrd/hrd.htm)).

We hope you find the 2007 edition of Minnesota Government in Brief to be a valuable resource.



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## Demographic and Economic Data



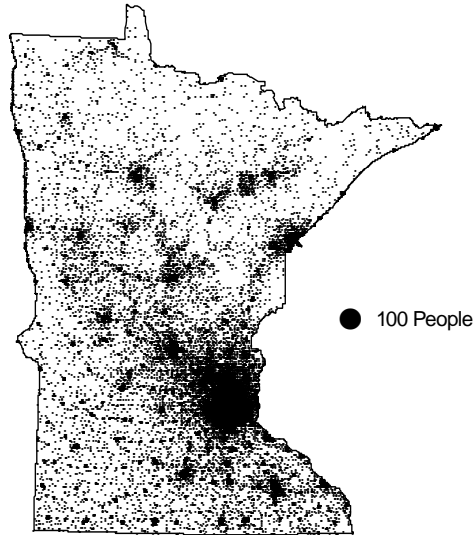
**Minnesotan  
2005 Population Profile**

Age	Under 20	20-64	65+
<b>Total</b>	<b>1,380,794</b>	<b>3,128,764</b>	<b>623,241</b>
White	1,208,826	2,853,628	605,495
African American	109,671	137,544	7,606
American Indian & Alaska Native	31,209	48,355	4,236
Asian	74,040	116,195	7,663
Native Hawaiian & Pacific Islander	2,162	4,112	249
Hispanic	76,714	110,966	4,785

Note: Figures for racial categories do not sum to the total because individuals may identify themselves using more than one racial category. Hispanic-origin persons can be of any race.

Source: U.S. Census Bureau

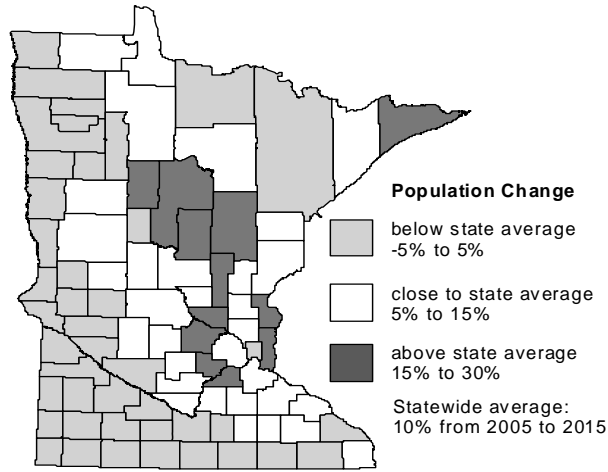
**Minnesota Population  
(5.2 million in 2005)**



**Ten Most Populous Cities in 2005**

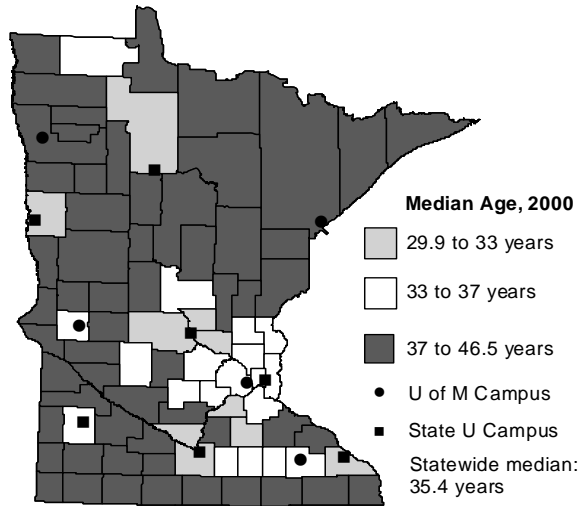
Minneapolis	387,711	Brooklyn Park	71,048
St. Paul	287,385	Plymouth	70,455
Rochester	97,191	Eagan	66,709
Duluth	85,889	St. Cloud	64,232
Bloomington	84,347	Coon Rapids	63,480

**Estimated County Population Change  
2005-2015**



Source: Minnesota State Demographic Center

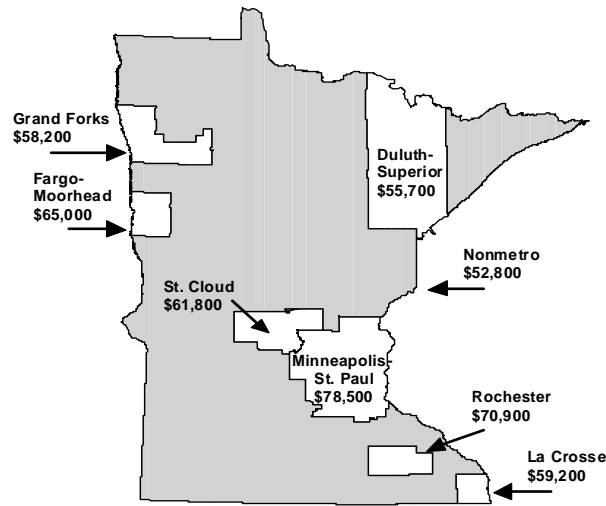
**Median Age by County, 2000,  
and Public 4-year Universities**



Source: U.S. Census, 2000

Median age is typically lower in counties with a public four-year university. Median age for counties is only calculated every ten years, as part of the decennial census.

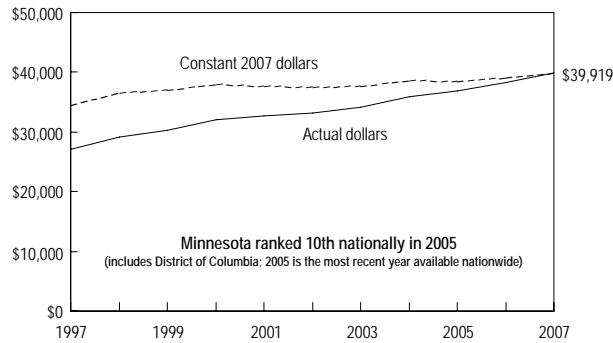
### Median Family Income for Metropolitan Areas, 2006



Source: U.S. Department of Housing and Urban Development

“Family income” is defined as the total income from all sources of a family of four as reported in the 2000 U.S. Census and adjusted to 2006 levels using Bureau of Labor Statistics and U.S. Census Bureau data.

### Minnesota Per Capita Personal Income (\$39,919 in CY 2007)



Source: Department of Finance

**Employment by Industry, 2005**  
(2.6 million jobs in 2005; \$785 average weekly wage)

<b>Type of Industry</b>	<b>Number of Jobs in 2005</b>	<b>Average weekly wage</b>
<b>Goods-Producing</b>	505,754	\$912
Natural Resources and Mining	22,168	632
Construction	136,564	885
Manufacturing	347,022	941
<b>Service-Producing</b>	2,015,586	\$755
Trade, Transportation, and Public Utilities	547,706	703
Information	62,955	1,030
Professional and Business Services	487,717	1,100
Education and Health Services	570,785	724
Leisure and Hospitality	258,887	290
Other Services*	87,536	470
<b>Public Administration</b>	118,195	\$804
<b>All Sectors</b>	2,639,535	\$785

\* Other services includes repair and maintenance services, personal and laundry services, membership organizations and associations, and services in private households.

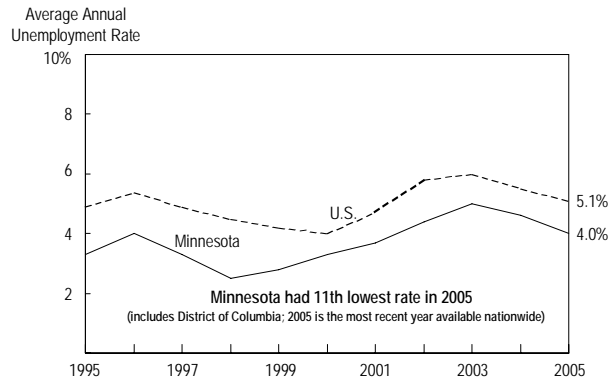
Source: U.S. Bureau of Labor Statistics

**Gross State Product by Industry**  
(**\$234,552 million in 2005**)

<b>Sector</b>	<b>\$ in millions</b>
<b>Goods-Producing</b>	\$47,458
Natural Resources and Mining	4,318
Construction	11,104
Manufacturing	32,036
<b>Service-Producing</b>	\$163,143
Trade, Transportation, and Public Utilities	41,097
Information	8,693
Professional and Business Services	80,095
Education and Health Services	20,674
Leisure and Hospitality	6,976
Other Services	5,608
<b>Government</b>	\$23,951

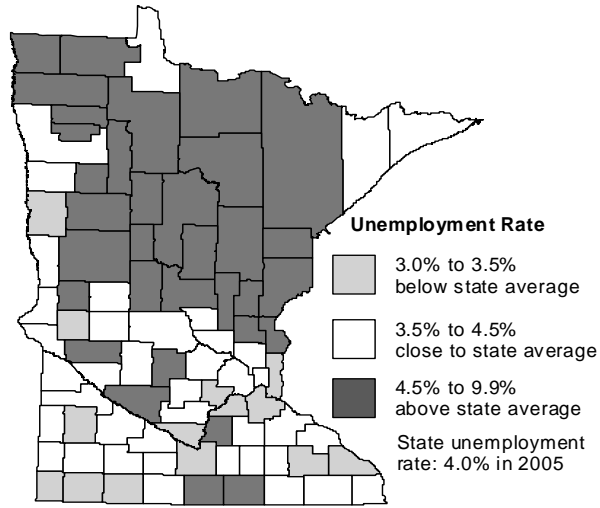
Source: U.S. Department of Commerce

**Unemployment Rate**  
**(MN: 4.0% in 2005; U.S.: 5.1% in 2005)**



Source: Department of Economic Security

**Unemployment by County, 2005**



Source: U.S. Bureau of Labor Statistics





# Government Organization and Employment

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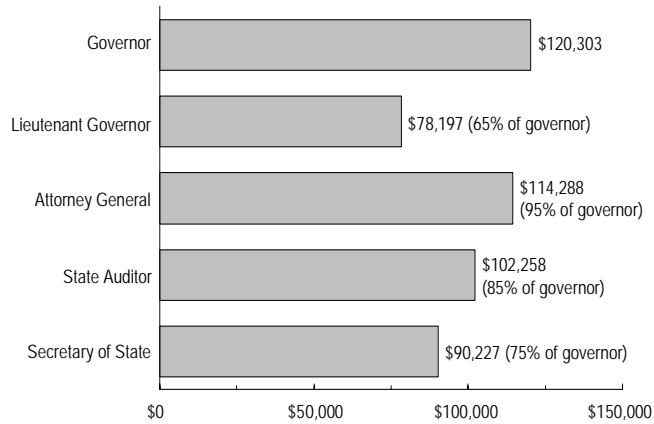
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# State Executive Branch

## Salary of Elected Constitutional Officers, January 2007

Salaries of constitutional officers are set in law as a percentage of the governor's salary.



## Major State Departments

- Each department is headed by a commissioner appointed by the governor.
- Most commissioners' salaries are \$108,400.

### Administration and Finance

Administration  
Employee Relations  
Finance  
Revenue

### Environment

Natural Resources  
Pollution Control

### Public Safety and Transportation

Corrections  
Military Affairs  
Public Safety  
Transportation

### Business and Employment

Agriculture  
Commerce  
Employment and Economic Development  
Labor and Industry  
Mediation Services

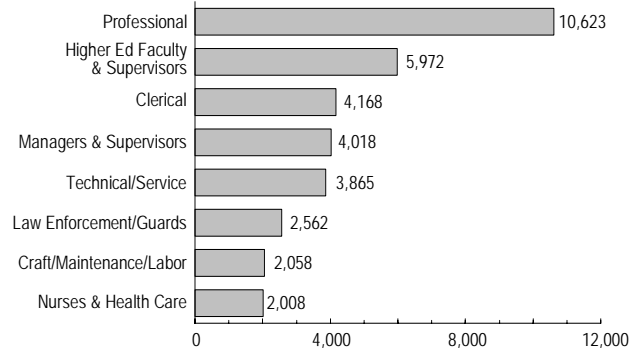
### Education, Health, and Human Services

Education  
Health  
Human Rights  
Human Services  
Housing Finance  
Veterans Affairs

**Other Executive Branch Agencies**

- There are dozens of boards, councils, commissions, and task forces, including about two dozen occupational licensing boards.
- Most of these groups are advisory to a major state agency.

**Full-time Executive Branch Employees  
(36,408 in July 2006)**



(Does not include approximately 15,000 part-time or temporary employees or 1,134 employees who cannot be allocated to any of the occupational categories)

**Characteristics of Executive Branch Employees  
(includes part-time and temporary employees  
as of July 2006)**



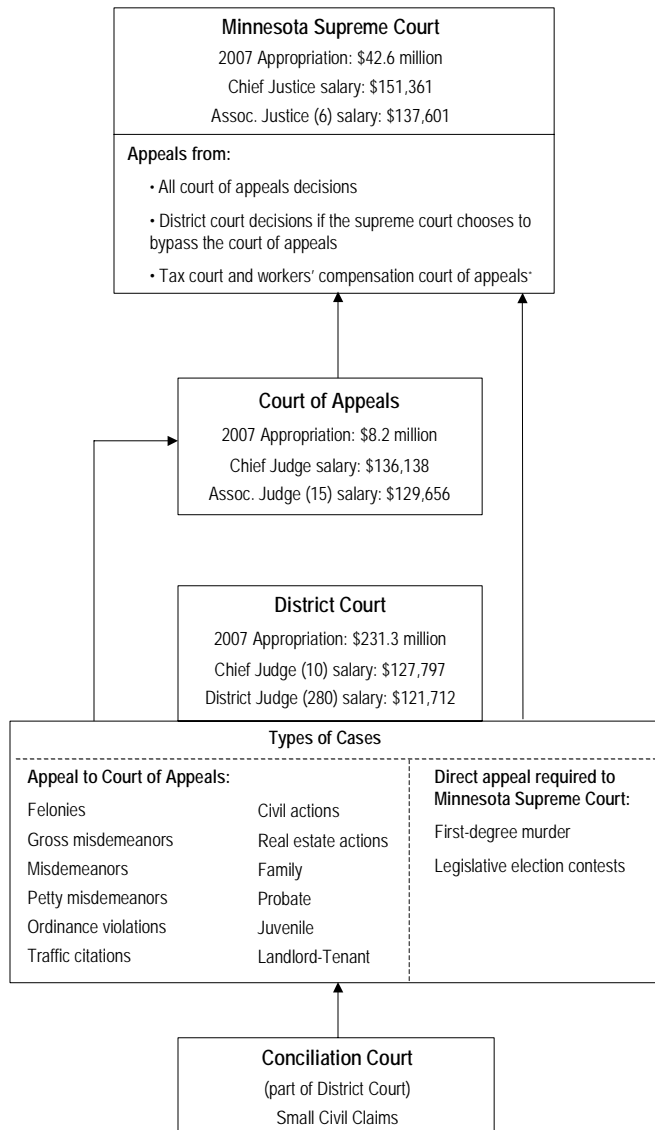
**Full-time Employees**

Average service 14.4 years  
 Average age 47.6  
 Average pay\* \$24.28/hour

\* Does not include MnSCU Faculty  
 Source: Department of Employee Relations

# State Judicial Branch

## State and Local Funding, Employees, Jurisdiction (\$282 million in state funding, FY 2007)



\* Tax court and workers' compensation court are executive agencies outside the state court system.

## **Judicial Branch Employees**

There are over 3,000 state employees of the appellate courts, district courts, and judicial agencies, including judges.

The state has taken over funding of all ten judicial districts. Counties will be required by statute to continue to provide and maintain facilities for the trial courts.

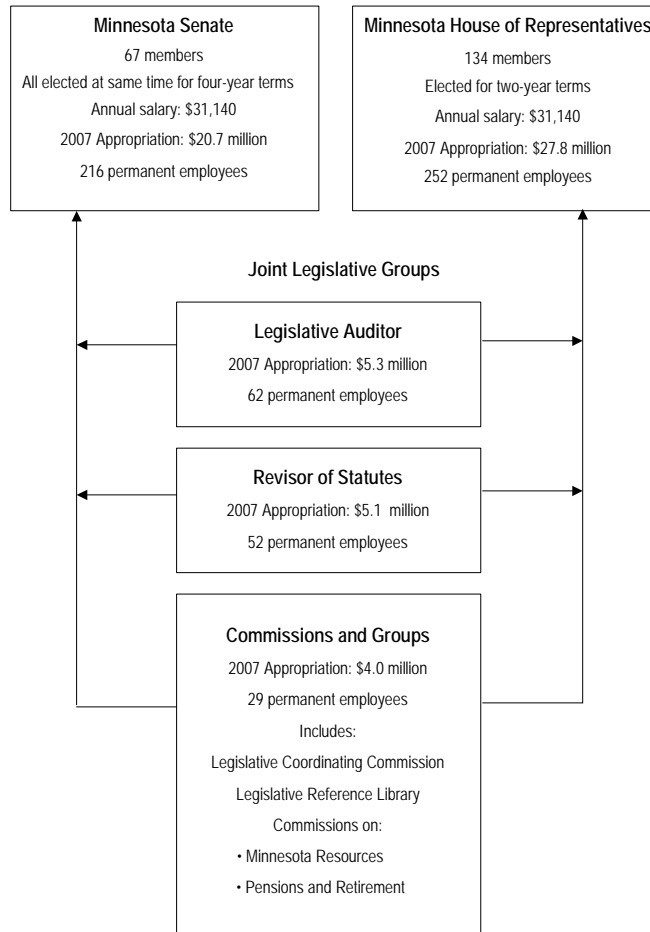
## **Public Defense System**

Total state appropriations FY 2007: \$61.8 million

- The Board of Public Defense is located in the judicial branch but is not under the authority of the Minnesota Supreme Court. It oversees the state public defender (who handles appeals) and the district public defenders (who do trial work).
- There are approximately 552 full-time equivalent state employees, of which 375 are attorneys. Approximately 170 of the attorneys are part-time. In Hennepin and Ramsey counties, there are additional public defenders and staff who are county employees (if hired prior to January 1, 1999).

# State Legislative Branch

**201 Legislators**  
**\$62.9 million Appropriation in FY 2007**  
**611 Permanent Employees**



Legislative districts are redrawn every ten years following the U.S. Census. After 2000 redistricting, each House district represents approximately 36,700 people, and each Senate district, 73,400.

# Metropolitan Government

In the seven-county Twin Cities metropolitan area, the legislature created regional agencies to fulfill specific functions.

## **Metropolitan Council**

- 16 members from districts and a chair from the metropolitan area at large, all appointed by the governor
- Plans and coordinates development of region; provides transit and wastewater collection and treatment services

## Metropolitan Parks and Open Space Commission (MPOSC)

- Eight members from districts and a chair, all appointed by Metropolitan Council
- Advises and assists council in planning the regional parks and open space system

## Transportation Advisory Board (TAB)

- Chair appointed by council, 32 other voting members who are a mix of local elected officials, citizens, modal and agency representatives, and one nonvoting member (council liaison)
- Responsible for the Transportation Improvement Program that governs federally funded transportation projects in the metro area

## **Metropolitan Airports Commission (MAC)**

- Eight members from districts, four members from Greater Minnesota, and a chair, all appointed by the governor, plus one member each from Minneapolis and St. Paul
- Owns and operates Minneapolis-St. Paul International Airport and six other airports in region

## **Metropolitan Sports Facilities Commission (MSFC)**

- Six members appointed by Minneapolis City Council and a chair appointed by governor
- Owns and operates the Metrodome

## **Metropolitan Mosquito Control Commission (MMCC)**

- 18 members; all metropolitan area county commissioners appointed by their respective counties
- Monitors and controls mosquitoes, disease-vectoring ticks, and black gnats in the Metropolitan Mosquito Control District



### Metropolitan Agency Budgets, 2007

	Percent of Revenue Sources				
	Property Taxes*	User Fees	State	Federal	Other
<b>Agency Expenditures</b> (proposed CY 2007 for operating, debt service, and passthrough)					
<b>Metropolitan Council</b> (\$666 million)					
Regional Admin. Policy Alignment and Development and HRA Admin. (\$17.1 million)	62		1	27	10
Transportation Planning and Transit Operations (\$324.6 million)		26	63	8	3
Transit Debt Service (\$43.4 million)	100				
Sewer System (\$110.7 million)		98			2
Sewer System Debt Service (\$81.8 million)		100			
Parks and Open Space Debt Service (\$7.7 million)	100				
Public Safety Radio Debt Service (\$0.4 million)	100				
Passthrough Grants and Loans – e.g., housing, parks, RALF, MLCA** (\$80.4 million)	19		13	64	4
MAC Operating Budget (\$243 million)		100			
MAC Debt Service (\$147 million)		100			
MSFC (\$14.9 million)		100			
MMCC (\$15.9 million)	100				

\* Property taxes include state aids in lieu of property taxes.

\*\* RALF stands for right-of-way acquisition loan fund; MLCA stands for Metropolitan Livable Communities Act.

Sources: Proposed or adopted 2007 agency budgets

# Local Government

Counties, cities, and towns represent the three kinds of general purpose local units of government in Minnesota. School districts are the most significant kind of special purpose government unit. Minnesota has about 3,365 local government units.

## 87 Counties

- Governed by a five- or seven-member elected board of county commissioners
- Structures, powers, and duties are in law, except that Ramsey County is also governed by its county home rule charter

## 854 Cities

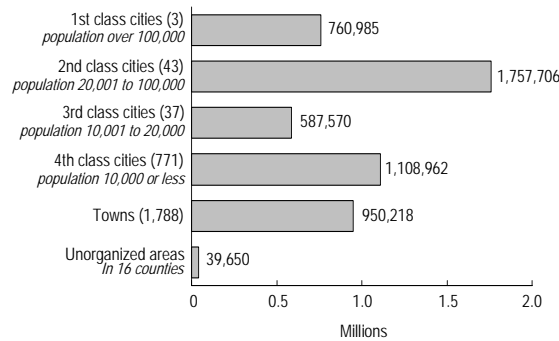
**Statutory Cities (747)** are organized and operate under the options provided in the statutory city code and other laws.

**Home Rule Charter Cities (107)** are organized and operate under their individual charters and other laws.

City boundaries may cross county lines. There are presently 44 cities whose boundaries extend into more than one county.

Cities are also classified based on population as a way for the legislature to provide powers or impose duties as appropriate to cities of a certain size.

## Population by Type of Municipality, 2005 estimate



Note: Under statute, cities are classified based on the federal decennial census data, not estimates. This graph reflects the incorporation of two towns and the merger of two cities since the 2005 estimates were made.

### 1,788 Towns

- Hold annual town meetings at which the electors exercise powers granted in law, such as setting the levy
- Governed by a three- or five-member elected board of supervisors
- May exercise “urban” town powers if population is at least 1,000 (224 towns are eligible)

### 340 School Districts

- Consolidation has eliminated 95 districts since 1990
- Most governed by six- or seven-member elected boards
- Most districts elect at-large board members for four-year terms

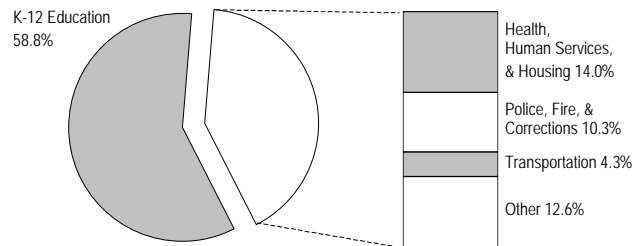
### Other Special Districts (about 295)

There are about 295 other special taxing districts.

- Enabling law may be special or general, and determines financing
- Perform a single function (or several functions) as distinguished from general purpose governments
- Governed or administered by a board or commission, appointed or elected (or both), depending on the enabling law
- Examples are hospital, sanitary, and watershed districts, and housing redevelopment authorities (HRAs)

There are other special purpose districts without independent levy authority. Examples of these are housing improvement districts, subordinate service districts, special service districts, and districts established by joint powers agreements.

### Local Government Employees by Function (194,995 full-time equivalent employees, 2005)



Source: U.S. Department of Commerce, March 2005

## Minnesota Public Pension Plans

Pension Plan	Active Members	Assets (millions)	Liabilities (millions)
<b>State Employee Plans (as of June 30, 2006)</b>			
Minnesota State Retirement System (state employees)	48,000	\$8,487	\$8,819
State Patrol	851	619	641
State Correctional Employees	3,910	535	647
<b>Local Government Plans (as of June 30, 2006)</b>			
Public Employees Retirement Association (local gov't employees, other than police, fire, and corrections employees)	144,244	\$12,495	\$16,738
Public Employees Retirement Association (police and fire)	10,591	5,018	5,261
Local Government Correctional Employees	3,531	126	133
Minneapolis Employees Retirement Fund	335	1,490	1,618
<b>Teacher Plans (as of June 30, 2006)</b>			
Teachers Retirement Association (teachers and administrators outside of St. Paul and Duluth)	79,164	\$19,036	\$20,679
St. Paul Teachers Retirement Association	4,052	939	1,359
Duluth Teachers Retirement Association	1,174	271	322

Other public pension plans:

- Separate plan for judges
- Individual retirement account plans for higher education faculty
- Approximately 700 volunteer firefighter plans

# Government Finance

Total State Spending and Revenues,  
All Funds .....29

Taxes.....31

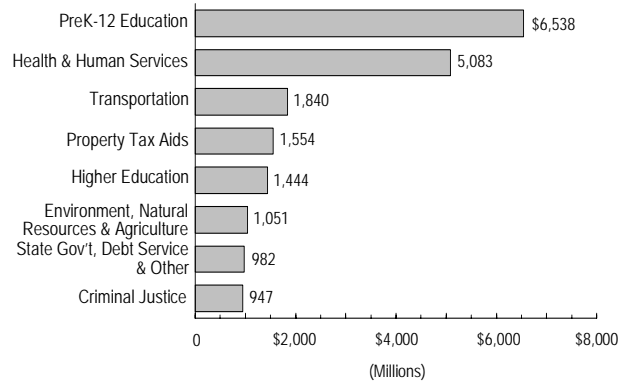
Government Debt.....43

Note: The FY 2007 data are from the Department of Finance, November 2006 forecast. Other data are from the Department of Revenue, unless otherwise noted.

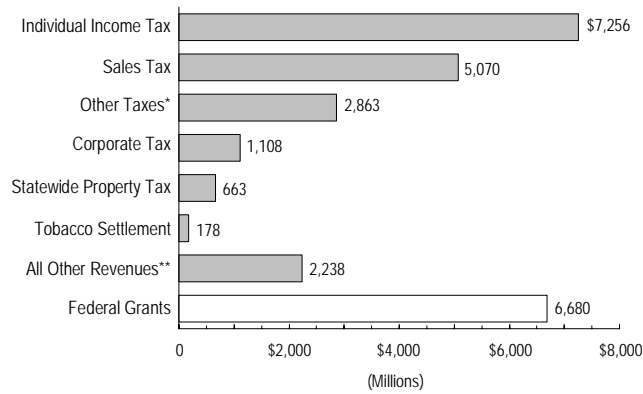


# Total State Spending and Revenues, All Funds

## Spending, Excluding Federal Funds (\$19,439 million in FY 2007)



## Revenues (\$19,377 million, state sources in FY 2007; \$6,680 million, federal grants in FY 2007)

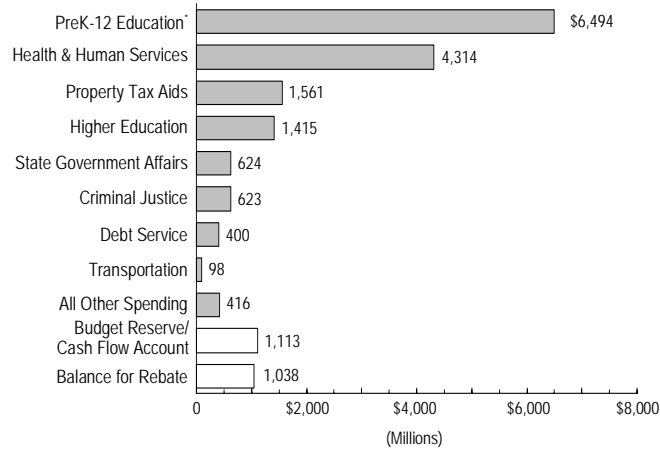


\* "Other Taxes" includes taxes on motor vehicle fuels and licenses, cigarettes and tobacco (including the Health Impact Fee), insurance premiums, health care providers, mortgage and deed registration, and a variety of smaller taxes.

\*\* "All Other Revenues" includes investment income, MinnesotaCare premiums, and user fees such as hunting and fishing licenses. In addition to the \$19,377 million in state revenues, the state carried forward a balance of \$3,989 million to FY 2007.

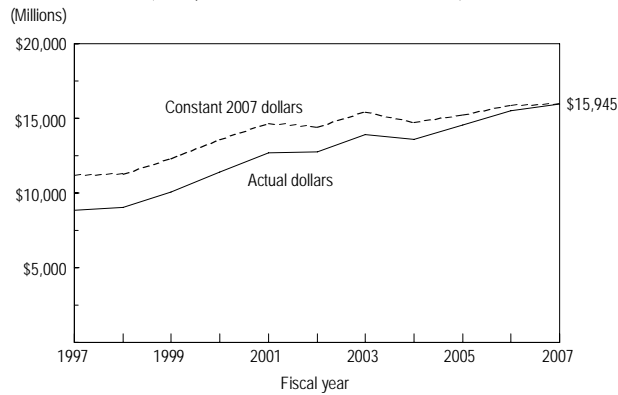
Source: Consolidated Fund Statement and Fund Balance Analysis, Department of Finance

**State Spending, General Fund Only,  
Excluding reserves and balance designated for rebate  
(\$15,945 million in FY 2007)**



\* Includes family and early childhood education spending  
Source: Fund Balance Analysis, Department of Finance

**General Fund Spending\*  
(\$15,945 million in FY 2007)**

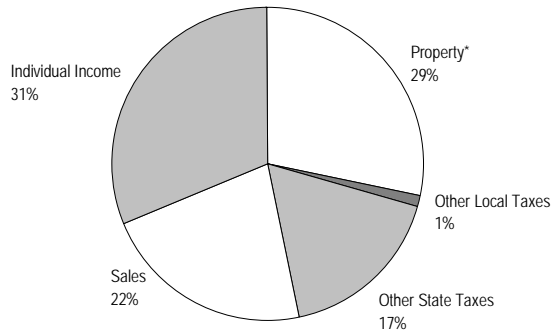


\* Excludes general fund appropriations for early childhood learning and child protection facilities (Minn. Stat. § 119A.45) in the capital budget for FY 1998-2001.  
Source: Fund Balance Analysis, Department of Finance



# Taxes

## State and Local Taxes (\$23,138 million in FY 2007)

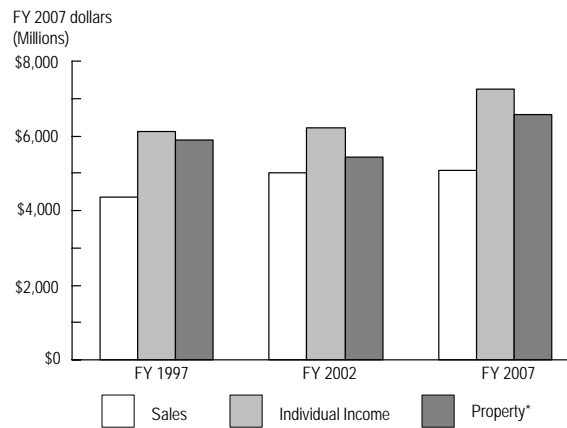


\* Includes statewide property tax

## Minnesota State Tax Collections (\$16,960 million in FY 2007)

Individual Income	\$7,256	MNCare Taxes	\$397
Sales	5,070	Insurance Premiums	373
Corporate Franchise	1,108	Mortgage and Deed	238
State Property	663	Estate	115
Motor Vehicle Fuels	651	Alcoholic Beverages	73
Motor Vehicle License	478	Gambling	55
Tobacco	451	Other	32

## Income, Sales, and Property Taxes



\*Includes statewide property tax

## Individual Income Tax

The Minnesota individual income tax uses federal taxable income (income after federal deductions and exemptions) as its starting point.

### 2007 Tax Rates and Brackets

Rate	Income		
	Married Joint	Single	Head of Household
5.35%	\$0 to 31,150	\$0 to 21,310	\$0 to 26,230
7.05%	31,151 to 123,750	21,311 to 69,990	26,231 to 105,410
7.85%	Over 123,750	Over 69,990	Over 105,410

Note: Head of household filers are single parents with dependents. Income brackets for each rate are adjusted annually for inflation.

Nonrefundable credits:

**Marriage Credit** **\$59.8 million in FY 2007**  
**Long-term Care Credit** **\$8.4 million in FY 2007**

Refundable credits:

**Dependent Care Expenses** **\$11.9 million in FY 2007**

- Up to \$720 per dependent for up to two dependents available for filers with income up to \$35,530

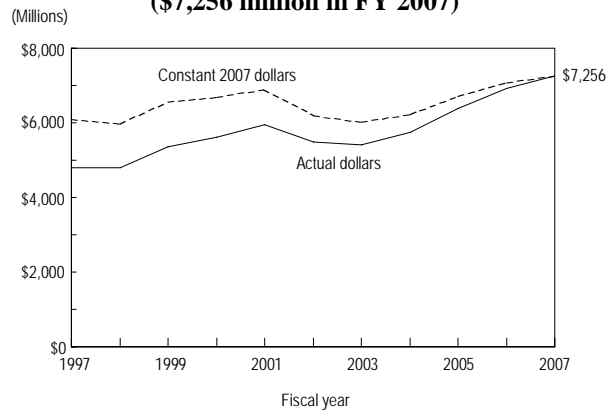
**Working Family Credit** **\$138.3 million in FY 2007**

- Equals a percentage of earned income
- Maximum credit of \$1,651

**K-12 Education Credit** **\$15.4 million in FY 2007**

**Military Service Credit** **\$8.1 million in FY 2007**

### Individual Income Tax Revenues (\$7,256 million in FY 2007)



## Sales Tax

The sales tax is an ad valorem tax imposed on the retail (final) sales of most goods and some services.

### General Sales and Use Tax Rates for FY 2007

- General and Motor Vehicle 6.5%
- Liquor, Wine, and Beer Sales 6.5%\*
- Motor Vehicle Rental 12.7%

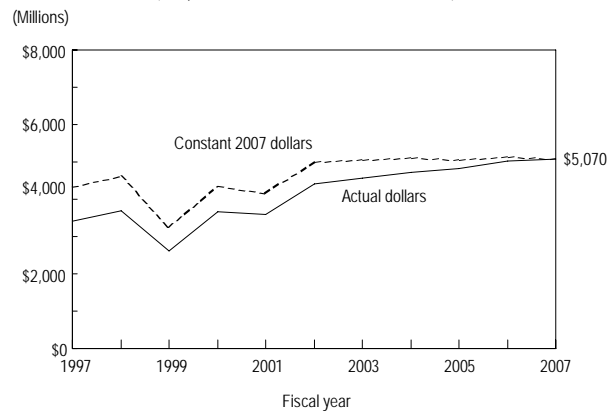
\* This rate was reduced from 9.0% for sales after December 31, 2005, in order to meet the one-rate requirement of the Streamlined Sales Tax Act. A gross receipts tax of 2.5% was enacted to compensate for the sales tax rate reduction. See the local government revenues page for local sales and local lodging taxes.

### Major Exemptions

- Clothing
- Most food products
- Prescription drugs and some other medicines
- Most business and personal services
- Gasoline (subject to the motor vehicle fuels tax)
- Farm and logging machinery repair parts
- Capital equipment for manufacturing industries\*
- Industrial special tooling

\* Businesses must pay the sales tax on capital equipment at the time of purchase and then apply for a refund from the state.

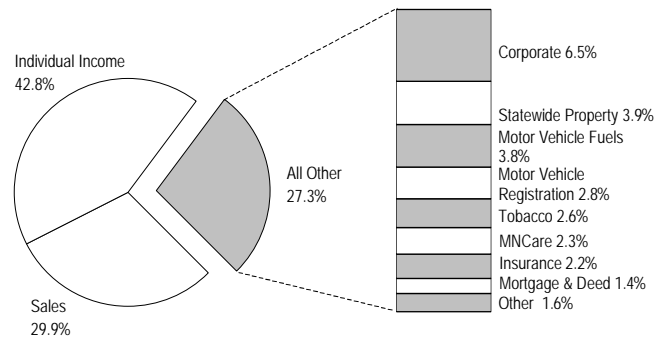
### Sales Tax Revenues (\$5,070 million in FY 2007)



Note: Fiscal year 1999-2001 amounts are net of 1999, 2000, and 2001 sales tax rebates.

## Other State Taxes

Taxes, other than the income and sales taxes, yield a little over 27% of state tax revenues. Many of these taxes are minor revenue sources. Taxes that yield at least 1% of state tax revenues for FY 2007 are described following the graph.



### Corporate Franchise (Income) Tax

- 9.8% of federal taxable income after numerous adjustments
- Multistate corporations apportion income under a three-factor formula using Minnesota shares of property, payroll, and sales; the formula weights sales at 78% and property and payroll at 11% each for tax year 2007; sales-only apportionment is being phased in by 2014
- Most volatile revenue source of any major state tax

### Statewide Property Tax

- Raised \$664 million in CY 2006; adjusted annually for inflation
- Levied against commercial/industrial and seasonal recreational property only

### Motor Vehicle Fuels Tax

- \$.20/gallon
- Dedicated by constitution to the highway user trust fund

### Motor Vehicle Registration (License) Tax

- Tax on passenger vehicles is 1.25% of the value, plus a minimum fee of \$10 (total tax cannot be less than \$35)
- Tax is limited to \$189 in the second year of a vehicle's life, and \$99 in the third through tenth years of its life
- Trucks, buses, and other vehicles pay based on weight and age
- Dedicated by constitution to the highway user trust fund

### MinnesotaCare Taxes

- 2% of gross revenues tax on hospitals, surgical centers, health care providers, and wholesale drug distributors
- Exemptions for Medicare, home health care services, and federal employee and military benefit programs
- Revenues pay for MinnesotaCare program

### Insurance Premiums Tax

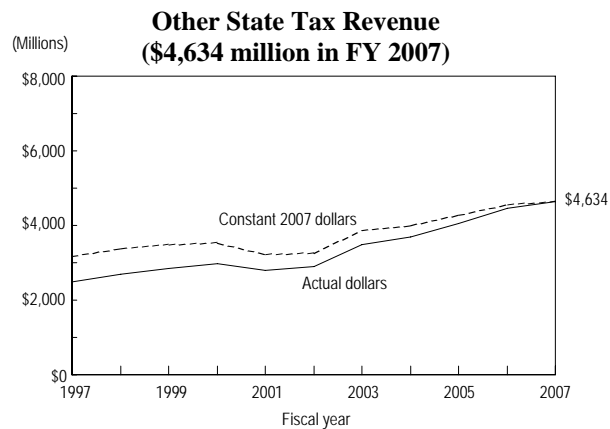
- Basic tax is 2% of insurance premiums
- Mutual property-casualty insurers with 12/31/89 assets of no more than \$5 million, 0.5% rate; \$1.6 billion, 1.26% rate
- HMOs and nonprofit health insurance companies (e.g., Blue Cross) are subject to a 1% rate
- Life insurance rate decreases, in steps, to 1.5% by 1/1/09
- A “retaliatory tax” applies to non-Minnesota companies with higher home state taxes

### Mortgage and Deed Taxes

- 0.23% of principal debt, paid when mortgage is registered or recorded (mortgage registry tax)
- 0.33% of consideration, due when deed is filed (deed tax)

### Cigarette and Tobacco Products Tax

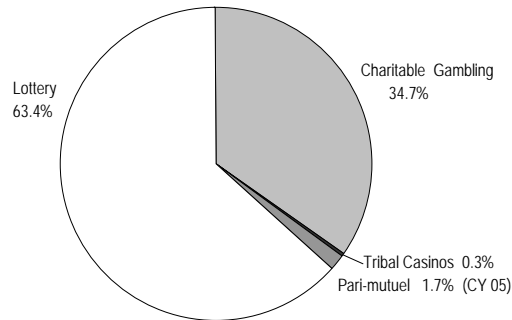
- \$.48/pack of 20 cigarettes; 35% of wholesale price of tobacco products; \$22.25 million goes to the Academic Health Center fund, \$8.55 million to the medical education and research costs account, and the rest to the general fund
- Additional fee of \$.35/pack on cigarettes made by companies not part of the legal settlement with the state
- Health Impact Fee of \$0.75/pack and 35% of wholesale price of tobacco products; revenues flow through special fund but ultimately go to general fund



## Gambling Revenue

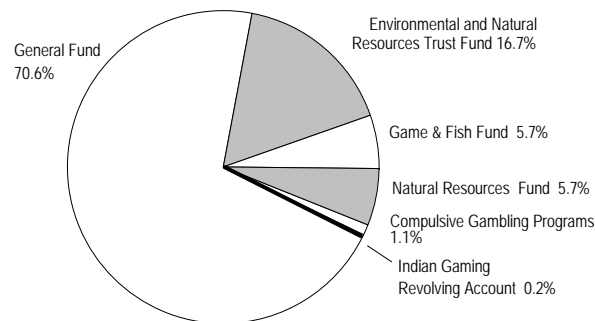
The state receives revenues from three state-authorized forms of gambling: pari-mutuel horse racing, charitable gambling, and the state lottery. The state also receives a nominal sum from Indian tribes that operate casinos; that money partly defrays state expenses in supervising state gaming compacts.

### Sources of State Revenue from Gambling (\$167 million in FY 2005)



The general fund is the largest beneficiary of legal gambling, but 40% of net state lottery proceeds are constitutionally dedicated to the Environmental and Natural Resources Trust Fund. Additionally, most of the revenue from the 6.5% in-lieu sales tax on lottery proceeds is dedicated to the Game and Fish and Natural Resources funds. Revenue from charitable gambling and pari-mutuel taxes and fees is nondedicated and goes to the general fund.

### Disposition of State Revenue from Gambling (\$167 million in FY 2005)



## Gambling Taxes

**Lawful gambling.** The state imposes taxes on charitable gambling in lieu of sales taxes:

- Bingo, paddlewheels, and raffles, 8.5% of gross profit
- Pull-tabs and tipboards, 1.7% of “ideal gross” (potential gross receipts from all tickets in a package, with a refund for unsold tickets)
- Pull-tabs and tipboards, additional “combined receipts tax” of 1.7% to 5.1% of gross receipts, depending on the organization’s annual receipts

Total lawful gambling tax revenue in FY 2005 was about \$58 million.

In addition to these taxes, each licensed organization pays a monthly “regulatory fee” of 0.1% of gross receipts from gambling at each of its sites. This fee is paid into a lawful gambling regulation account.

**Pari-mutuel betting.** The state tax on pari-mutuel betting is 6% of the “takeout”—the percentage deducted by the racetrack from each pari-mutuel pool before payouts on winning tickets. At Canterbury Park in Shakopee the takeout averages about 20% of total betting. The first \$12 million in takeout is exempt from tax. Total pari-mutuel tax revenue for the 2005 fiscal year was \$1.5 million, of which about \$247,000 went to the general fund.

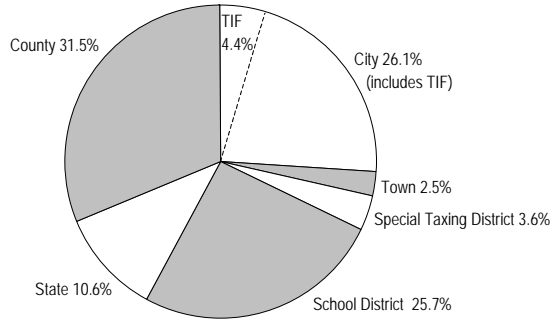
**State lottery.** A payment by the lottery of 6.5% of gross receipts is made in lieu of the sales tax. This in-lieu tax generated about \$26.5 million in FY 2005. This is in addition to the approximately \$70 million in lottery net profits that are dedicated to the general fund and environmental trust fund. Another \$1.9 million also went to the general fund to provide compulsive gambling programs.

**Indian gaming.** Federal law prohibits states from taxing the proceeds of gaming on Indian land.

## Property Tax

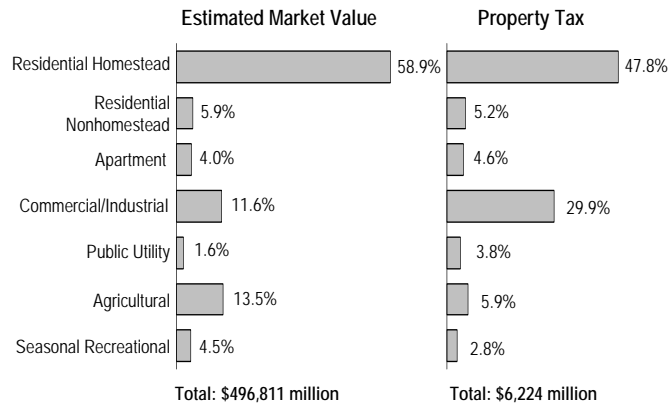
The property tax is a major source of revenue for local governments in Minnesota. Beginning with taxes payable in 2002, the state also receives a portion of property tax revenues (from commercial-industrial and seasonal recreational properties only). Property taxes are levied annually and payable in two installments (May 15 and October/November 15).

**Property Tax Levy by Type of Government\***  
**(\$6,224 million in CY 2006)**



\* Amounts shown are after allocation of property tax credits.

**Shares of Market Value and Property Tax by Property Type**  
**(Taxes payable 2006)**





### Class Rates for Taxes Payable in 2007

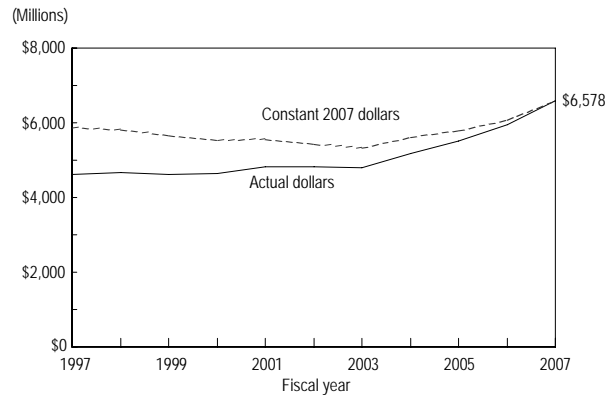
Property Type	Class Rate	Tax Code*
<b>Residential Homestead</b>		
Up to \$500,000	1.0%	R
Over \$500,000	1.25	R
<b>Residential Nonhomestead</b>		
Single-unit		
Up to \$500,000	1.0	R
Over \$500,000	1.25	R
Two- and three-unit	1.25	R
<b>Apartments (4 or more units)</b>	1.25	R
<b>Agricultural Homestead</b>		
House, garage, and one acre	**	**
Ag land & buildings		
Up to \$690,000***	0.55	
Over \$690,000	1.0	
<b>Agricultural Nonhomestead</b>	1.0	
<b>Seasonal-Recreational-Residential</b>		
Up to \$500,000	1.0	S
Over \$500,000	1.25	S
<b>Commercial/Industrial/Public Utility</b>		
Electric generation machinery	2.0	R
All other		
Up to \$150,000	1.5	S, R
Over \$150,000	2.0	S, R

\* Tax Codes: S = Subject to state tax; R = Subject to school operating referenda (all property is subject to school bond referenda)

\*\* Same as residential homestead

\*\*\* The valuation limit is annually indexed based on the average growth rate in agricultural valuation.

### Property Tax Revenues (\$6,578 million in FY 2007)



## Property Tax Terminology

- The assessor determines each property's **estimated market value**.
- A statutory provision limits growth in value for certain types of property; properties covered by that provision may have a **limited market value** that is less than the estimated market value.
- Each property's **taxable market value** is its limited market value, if applicable; otherwise it is the property's estimated market value.
- Each property's **net tax capacity** is a percentage of its taxable market value; the percentage varies by type of property.
- Each local taxing jurisdiction certifies a **levy**, which is the amount of property tax revenue it intends to collect.
- Each local taxing jurisdiction's **local tax rate** is determined by dividing its levy by the net tax capacity of all properties within the jurisdiction.
- A property's **gross property tax** is determined by multiplying its net tax capacity by the local tax rates of all jurisdictions in which the property is located (called the total local tax rate).
- A property's **net property tax** is the gross property tax minus the amount of any **property tax credits** (such as the homestead market value credit) that the property is eligible to receive.

### Major Property Tax Relief Programs

FY 07 Approp. (millions)	Program	Recipients
\$485	Local government aid	Cities
272	Homestead market value credit	All taxing jurisdictions
211	Property tax refund– homeowners	Individuals
205	County program aid	Counties
152	Property tax refund–renters	Individuals
108	Referendum equalization aid	School districts
25	Agricultural market value credit	All taxing jurisdictions
18	Debt service equalization aid	School districts
18	Disparity reduction aid	Counties, towns, and school districts
14	Property tax refund–targeting	Individuals

## Property Tax Refund

The property tax refund provides property tax relief to homeowners and renters whose property taxes are high relative to their incomes. If property tax exceeds a threshold percentage of income, the refund equals a percentage of the tax over the threshold, up to a maximum.

### Property Tax Refund (\$297 million, refunds filed 2005)

		Number of Filers	Refund Amount	Average Refund per Filer
Homeowners	Nonsenior	155,266	\$91,436,586	\$589
	Senior	107,740	\$64,018,722	\$594
Renters	Nonsenior	192,064	\$96,999,286	\$505
	Senior	77,678	\$44,405,570	\$572
<b>Total</b>		<b>532,748</b>	<b>\$296,860,164</b>	<b>\$557</b>

The maximum refund for claims filed in 2006 was \$1,640 for homeowners and \$1,350 for renters. The maximum refund amount for both homeowners and renters is adjusted annually for inflation.

### Program Limits, Refunds filed 2007

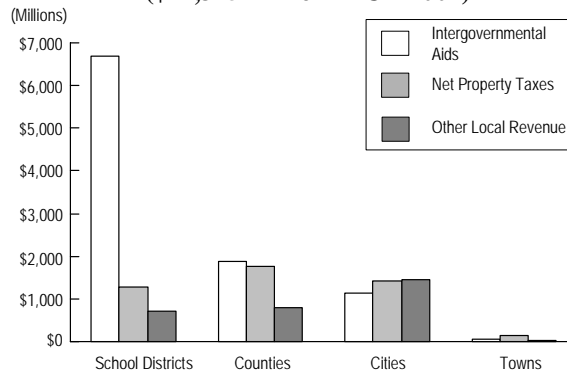
	Maximum Qualifying Income	Maximum Refund
Homeowners	\$91,119	\$1,700
Renters	\$49,159	\$1,400

### Special Property Tax Refund (Targeting) (\$4.3 million, refunds filed 2005)

Targeting provides property tax relief to homeowners whose property taxes increase by more than 12% over the previous year.

- Household income of taxpayer not considered
- For returns filed in 2005:
  - 78,000 returns
  - \$4.3 million total amount
  - \$55 average refund

**Local Government Revenues**  
**(\$17,345 million in CY 2004)**



**Major Sources of Local Government Revenues, CY 2004**

\$ in millions	School			
	Districts*	Counties	Cities	Towns
<b>Intergovt. Aid (federal, state, and local)</b>	<b>\$6,679.1</b>	<b>\$1,878.4</b>	<b>\$1,134.4</b>	<b>\$44.0</b>
<b>Net Property Taxes (including TIF)</b>	<b>1,277.3</b>	<b>1,773.8</b>	<b>1,412.0</b>	<b>142.9</b>
<b>Other Local Revenue</b>				
User Fees**	417.5	473.4	406.8	12.3
Interest Earnings	62.9	60.3	89.8	3.4
Special Assessments	--	35.6	286.9	8.9
All Other***	218.1	240.3	674.3	12.6
<b>Subtotal Other</b>	<b>698.5</b>	<b>809.6</b>	<b>1,457.8</b>	<b>37.2</b>
<b>Total</b>	<b>\$8,655.0</b>	<b>\$4,461.8</b>	<b>\$4,004.2</b>	<b>\$224.1</b>

\* School district data for school fiscal year 2005

\*\* User fees consist of all direct charges for government services, including recreational access charges, tuition, and sanitation fees, and payments made to a local government when it provides services to another local government.

\*\*\* Includes \$205 million in other local taxes such as general sales, lodging, franchise, gambling, and aggregate production (gravel). These taxes are mainly collected by cities.

The following 23 local governments impose a general sales tax as of April 1, 2007:

**1.0%:** Duluth, Cook County

**0.5%:** Albert Lea      New Ulm      St. Cloud  
Austin      Owatonna      St. Joseph  
Baxter      Proctor      St. Paul  
Bemidji      Rochester      Two Harbors  
Hermantown      Sartell      Waite Park  
Mankato      Sauk Rapids      Willmar  
Minneapolis      St. Augusta

**0.15%:** Hennepin County

# Government Debt

## State Debt

### State Obligations Outstanding (November 1, 2006, dollars in millions)

<b>General Obligation (G.O.) Bonds</b>	\$3,997
<b>Equipment Leases</b>	24
<b>Real Estate Financing</b>	200
<b>Agency Obligations</b>	
Commissioner of Finance	\$62
Housing Finance Agency	1,890
Higher Education Facilities Authority	660
University of Minnesota	557
State Colleges and Universities Board	97
Office of Higher Education	487
Public Facilities Authority	946
Rural Finance Authority	35
Agricultural & Economic Development Board	19
State Armory Commission	5
IRRRA (Giant's Ridge Rec. Area)	14
<b>Total Agency Obligations</b>	4,772
<b>Total, All Obligations</b>	<b>\$8,993</b>
G.O. Debt authorized but not yet issued	\$1,291

Source: Department of Finance

### Department of Finance Debt Management Guidelines

- The general fund appropriation for debt service should not exceed 3% of general fund revenues. (For the biennium ending June 30, 2007, the general fund appropriation for debt service is estimated to be 2.45%.)
- The principal of G.O. debt of the state should not exceed 2.5% of state personal income. (For biennium ending June 30, 2007, estimated to be 1.9%.)
- Total amount of all G.O. debt, moral obligation debt, state bond guarantees, equipment capital leases, and real estate leases should not exceed 5% of state personal income. (For biennium ending June 30, 2007, estimated to be 2.99%.)
- Total revenue and G.O. debt of state agencies, public corporations, and the University of Minnesota should not exceed 3.5% of state personal income. (For the 2004/2005 biennium, it was 2.97%.)
- 40% of general obligation debt must be due within five years, and 70% within ten years.

## State Bond Ratings

For the October 24, 2006, bond sale, Standard & Poors Ratings Group and Fitch Ratings, each rated the state's bonds at the highest ratings (AAA), indicating the state's capacity to pay interest and repay principal is strong. A good rating reduces the interest rate the state has to pay. Moody's Investors Services, Inc., rates the state's bonds as Aa1. As the bond sale statement says, these ratings are subject to change or withdrawal by the rating agencies at any time.

## Local Government Debt

### Bonded Debt of Local Governments (\$16,319 million in CY 2004/FY 2005)

	General Obligation	Revenue	Total Bonded Indebtedness
Cities	\$5,819	\$1,285	\$7,104
Counties	1,608	234	1,843
Towns	44	0	44
School Districts	7,328	0	7,328
<b>Total</b>	<b>\$14,800</b>	<b>\$1,519</b>	<b>\$16,319</b>

Special district debt data is not available. School district data is for school fiscal year 2005.

Source: State Auditor's reports; School Districts Profiles, Department of Education

**General obligation bonds** are secured by the full faith and credit of the issuing governmental unit; the issuing governmental unit agrees to levy whatever property taxes are needed to pay the bonds.

**Revenue bonds** are backed by the revenues from a project or facility. They may also be secured by a general obligation pledge (**general obligation revenue bonds**).

Amounts in the local government table do not include long-term debt not backed by bonds, such as long-term leases, or **conduit bonds**, such as IDB (industrial development bonds) or mortgage revenue bonds. These bonds are paid by private individuals, businesses, and other organizations. The governmental unit issues the bonds to confer its federal and state tax exemptions on the private borrowers but is not legally responsible to repay the bonds. Most analysts consider conduit bonds to be obligations of the private individuals or entities who pay them.

**Twin Cities Metropolitan Regional Government Debt  
(\$2,944 million net outstanding as of December 31, 2006)**

**Metropolitan Council  
(\$952.8 million net outstanding general  
obligation bonds as of December 31, 2006)**

Wastewater	\$780.8
Transit	158.1
Parks	13.2
Public Safety Radio	0.7
<b>Total</b>	<b>\$952.8</b>

**Metropolitan Airports Commission (MAC)  
(\$1,991 million net outstanding as of December 31, 2006)**

General Obligation Revenue Bonds	\$303
General Airports Revenue Bonds	1,643
Commercial Paper	45
<b>Total</b>	<b>\$1,991</b>

The Metropolitan Council and the MAC are authorized to issue debt. As of December 31, 2006, the MAC could issue \$55 million more in general obligation revenue bonds and an unlimited amount of airport revenue bonds for specified purposes. The MAC has not levied property taxes to pay general obligation revenue bonds since 1969.

The Metropolitan Council may issue an unlimited amount of debt for the wastewater collection and treatment system. As of December 31, 2006, the Metropolitan Council could issue \$119.8 million more for transit fleet and facilities and \$26.8 million for capital improvements grants for regional parks





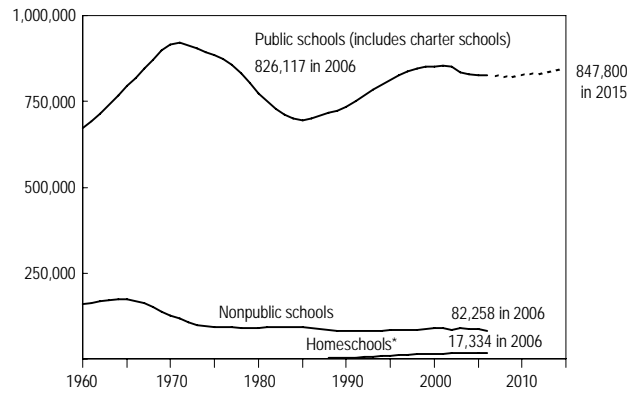
## Major Government Functions & Services

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Higher Education .....	58
Family Assistance .....	64
Corrections .....	75
Transportation .....	79
Agriculture .....	83
Natural Resources .....	86
Pollution Control .....	89
Public Facilities Authority .....	92



# K-12 Education

## Student Enrollment (847,800 projected for 2015)



Enrollment projections for nonpublic schools and homeschools only available through 2006; estimates for years past 2011 are extremely speculative.

\* Homeschool counts are not available prior to 1988.

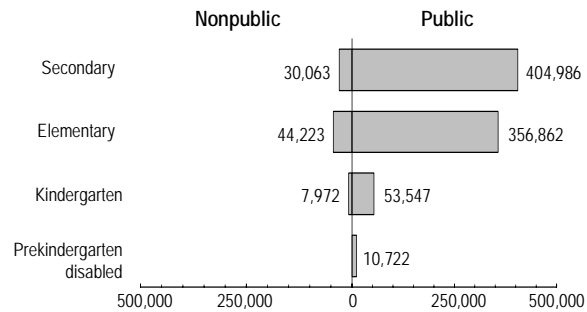
### Enrollment Options Programs 2005-2006

- 41,719 open enrollment students
- 7,416 postsecondary (PSEO) students
- 16,000 college in high school students

### Charter Schools 2006-2007

- 140 charter schools in operation
- 23,478 students attending charter schools as of October 2006
- 209 charters granted as of October 2006

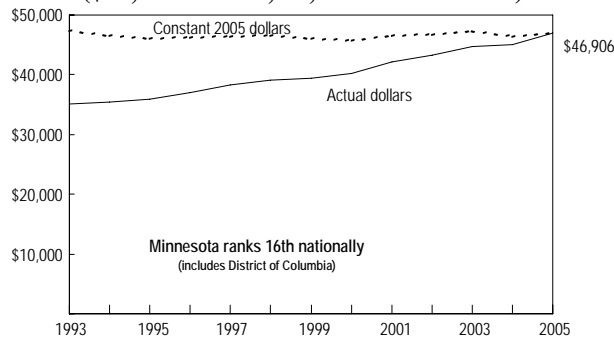
### Students by Grade (826,117 public 2005-2006; 82,258 nonpublic 2005-2006)



### Teacher Characteristics 2005-2006

- 97% of teachers are licensed
- 50% have advanced degrees
- 56% have taught more than ten years

#### Average Minnesota Public School Teacher Salary (\$46,906 in 2005; 52,213 FTE teachers)



Sources: National Education Association (average salary), Minnesota Department of Education

Teacher salary is negotiated by individual districts and typically is based on years of experience and educational attainment.

### Teacher Licensure and Qualifications

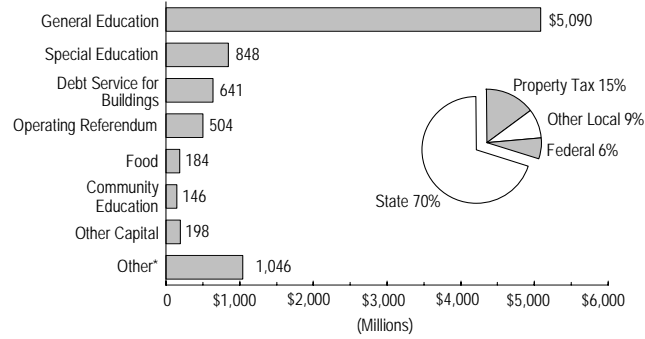
- The State Board of Teaching oversees teacher preparation requirements and licensure. The licensure system complements high school graduation standards.
- Teacher candidates must pass exams on math, reading, and writing skills, and general pedagogical knowledge and licensure-specific teaching skills.
- Teachers with initial licenses must pay for and undergo a BCA-conducted criminal history background check.
- New teachers hold provisional two-year licenses and are on probation for first three years of consecutive employment.
- Teachers renew continuing licenses every five years.
- All teachers of core academic subjects must be fully licensed in each subject area to be “highly qualified” under No Child Left Behind (NCLB). Paraprofessionals with instructional duties must complete two years of college or pass a rigorous state competency exam.
- Teachers teaching outside their licensure area may complete the HOUSSE process to satisfy NCLB.

### Administrator Licensure and Qualifications

- The Board of School Administrators oversees administrator preparation and licensure.

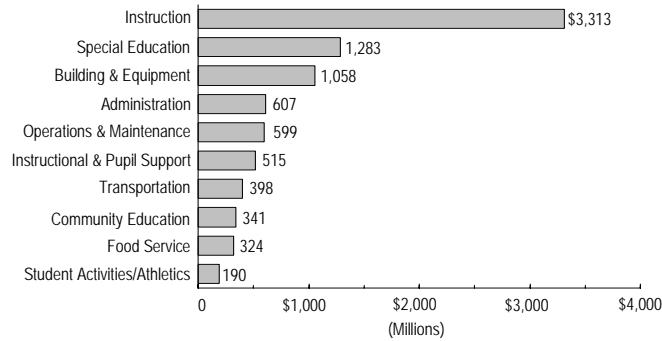
## K-12 Revenue and Expenditures

### School District Revenue (\$8,657 million in FY 2005)



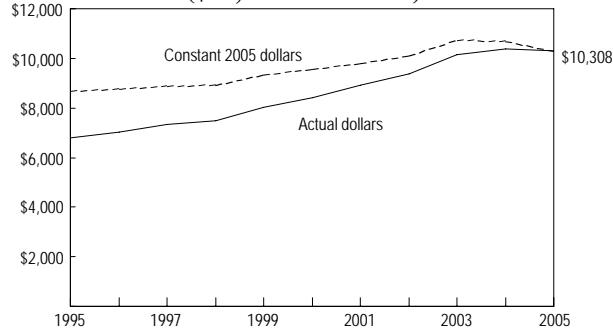
\*"Other" includes federal aid other than for special education, interest, interdistrict transfers, local revenues such as fees for hot lunches, athletics, and other categorical funding programs.

### Public School District Expenditures (\$8,628 million in FY 2005)\*



\*The difference between revenue and expenditures primarily represents fund balance carried forward to FY 2006.

### Average Total Expenditures per Public School Pupil (\$10,308 in FY 2005)



Source: Department of Education, school district profiles

## **Minnesota's High School Graduation Rule**

In 1992, the Minnesota Legislature directed the then-existing State Board of Education to adopt in rule two types of graduation requirements: basic standards tests in reading, math, and writing, which became effective in the 1996-1997 school year, and the profile of learning. The profile of learning, which became effective for students entering the ninth grade in the 1998-1999 school year, was repealed in 2003 and replaced with required academic standards in five subject areas:

- language arts
- math
- science
- social studies, including U.S. and world history, geography, economics, government and citizenship
- the arts

In 2004, the Minnesota Legislature added health and physical education as a sixth required subject area. In 2006, the legislature imposed additional math and science course requirements on the class of 2015 and later. All public high school students are subject to the new state graduation requirements beginning in the 2007-2008 school year.

## Basic Standards Tests

To graduate, public school students must pass basic standards tests (BSTs) in reading, math, and writing. Students through the class of 2009 generally first take the reading and math BSTs in grade 8 and the writing basic standards test in grade 10.

### Statewide Basic Standard Tests 8th Grade Public School Students

School Year	Percent of students tested who received a passing score <sup>1</sup>		Number of students who have not passed the test <sup>2</sup>	
	Math	Reading	Math	Reading
2004-05 <sup>3</sup>	74.3	84.8	16,348	9,713
2003-04	70.7	81.1	19,328	12,474
2002-03	71.7	81.0	18,954	12,725
2001-02	74.5	80.0	18,581	15,110
2000-01	72.0	78.8	20,308	15,732
1999-00 <sup>4</sup>	71.8	79.7	20,547	15,218
1998-99	70.2	75.2	22,180	18,879
1997-98	70.6	68	21,530	23,458
1996-97 <sup>5</sup>	70	59	NA	NA
1995-96 <sup>6</sup>	69	53	NA	NA

<sup>1</sup> The state legislature sets a passing score of 75% correct answers; this raw score is then adjusted to provide year-to-year stability through a scaled score of 600.

<sup>2</sup> Includes students who were absent on day of test, whose tests were invalid, and who were not required to take the test because of their current Individual Education Plan (IEP) or language status.

<sup>3</sup> Minnesota did not administer the BSTs to 8<sup>th</sup> graders in the 2005-2006 school year because the MCA-II will become the graduation test in reading in 2008 and in math in 2009.

<sup>4</sup> As of 2000, all test reports include scaled scores (statistical conversions of the number of correct answers) and the total number of correct answers.

<sup>5</sup> A passing score of 70% applied in the 1996-97 school year only.

<sup>6</sup> The reading and math tests became effective in the 1996-97 school year.

NA: Not available

Source: Department of Education

Students with a passing score on the basic standards tests do not necessarily meet the preparation requirements for four-year colleges and universities.

Public high school students in the class of 2010 and later must pass the Minnesota Comprehensive Assessments-Series II (MCA-II) and Graduation-Required Assessments for Diploma (GRAD) tests in reading and math in order to graduate. These tests will replace the basic skills reading and math tests. Students must continue to take and pass a written composition test, which will be administered in grade 9 and not grade 10.

## Minnesota's New K-12 Academic Standards and Assessments

Minnesota requires students to meet standards in six subject areas in order to graduate.

Subject	Statewide standards in place?	Number of credits, students entering 9 <sup>th</sup> grade	State assessments required?
Language arts	No	4	Yes
Mathematics	No	3	Yes
Science	Yes, 05-06	3	Yes
Social studies	Yes, 05-06	3.5	No; prohibited
Arts	No	1	No; prohibited
Physical education/Health	No; to be locally developed		No

The Commissioner of Education must build technology and information literacy standards into the state's academic standards and literacy requirements.

The federal No Child Left Behind Act makes state academic standards in language arts, mathematics, and science applicable to all public school students, except for the few students with disabilities for whom an individualized education plan team determines alternative standards and assessments are appropriate.

### **Benchmarks**

The Commissioner of Education must publish grade-level benchmarks that specify the academic knowledge and skills that schools must offer and students must achieve to satisfy the standards. The commissioner must implement a review cycle for required academic standards, related benchmarks, and elective standards. Benchmarks are used to develop tests.

### **Assessments**

Beginning in the 2005-2006 school year, students in grades 3 through 8 and at the high school level will take annual language arts and mathematics assessments. Students will take science assessments one time in each grade span 3-5, 6-9, and 10-12 beginning in the 2007-2008 school year. The state and local districts must publicly report student, school, district, and state assessment results. By the 2006-2007 school year, the commissioner must include in the assessment results a value-added component that measures students' growth in achievement over time.



### Elective requirements

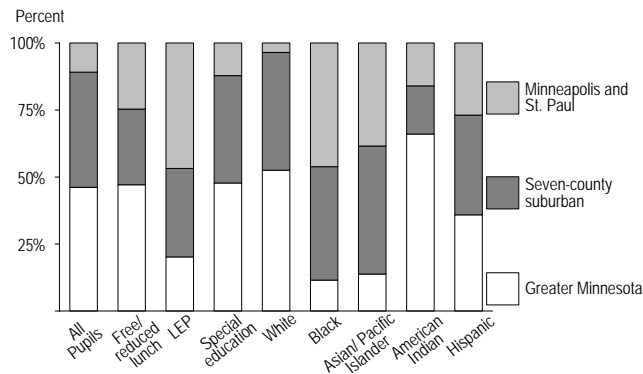
Students must also complete at least seven elective course credits. Districts must establish local elective standards for and offer courses in vocational and technical education and world languages.

### No Child Left Behind

The federal No Child Left Behind Act's goal is to ensure that all children have a fair, equal, and significant opportunity to obtain a high-quality education and reach proficiency on state academic achievement standards and assessments. States must align academic content with student performance standards and annually assess students' progress in achieving those standards. Schools, school districts, and states must use a statewide educational accountability system to determine whether all students in a school are making adequate yearly progress (AYP) toward having 100% of students perform proficiently in English and math by the 2013-2014 school year.

The NCLB requires schools to determine whether all students and specific subgroups of students (limited English proficiency (LEP) students, students with disabilities, students eligible for free and reduced price meals, and white, black, Asian Pacific Islander, American Indian, and Hispanic students) are making AYP. The fewer student subgroups identified and counted within a school, the fewer chances for the school to fail to make AYP. Schools fail to make AYP if they fail to meet or sustain specific levels of performance for all students and for each identified student subgroup. Schools also fail to make AYP if fewer than 95% of students in each identified subgroup are tested.

**FY 2006 Distribution of Subgroups Subject to AYP Review**



Charter schools populations are included in each region's totals.

## **Early Childhood Programs**

### **Early Childhood Family Education (ECFE)**

- School districts and tribal schools operate classes to strengthen families with children from birth to age five

### **School Readiness**

- School districts operate child development programs to enable children ages three-and-one-half to five, after a developmental screening, to enter school with the skills and behaviors necessary for success

### **First Grade Preparedness**

- State aid funds program at qualifying school district and charter school sites to ensure children ages four to five have the skills necessary to succeed in school
- Eligibility is based on percentage of free and reduced lunch enrollment for four areas (Minneapolis, St. Paul, Twin Cities suburbs, and Greater Minnesota)

### **Head Start**

- Federal program provides early education and health and social services for families in poverty
- Families at or below the federal poverty guidelines with children ages three to five are eligible to participate

### **Interagency Early Intervention (Part C)**

- Federally funded comprehensive, coordinated interagency program to provide services to eligible children with disabilities from birth to age two, and their families

### Funding for Early Childhood Programs

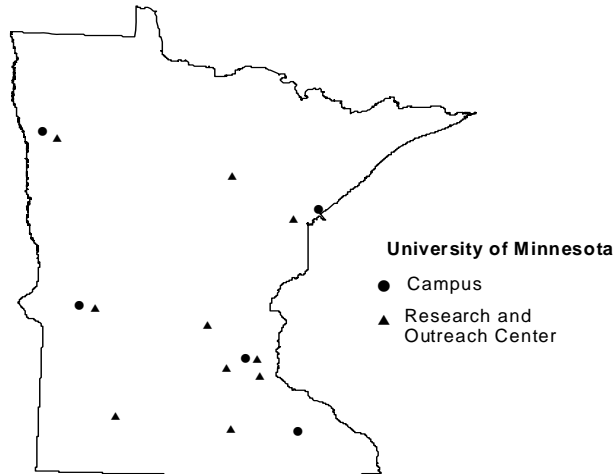
<b>Program (ages eligible)</b>	<b>Funding FY 07 (in millions)</b>	<b>Participants FY 05</b>
<b>ECFE</b> (up to kindergarten)	\$15.1 state aid 22.1 property tax	272,000 children and parents
<b>School Readiness</b> (3½ to kindergarten)	9.0 state aid	62,000 children and parents
<b>First Grade Preparedness</b> (4 to 5)	7.3 state aid	4,360 children
<b>Head Start</b> (3 to 5)	83.5 federal aid* 19.1 state aid	16,800 children
<b>Part C</b> (up to 2)	6.4 federal aid 0.4 state aid	3,100 children
<b>Total</b>	\$89.9 federal aid \$50.9 state aid \$22.1 property tax	

\* For FY 2006

# Higher Education

## University of Minnesota

### Enrollment by Campus (65,753 in fall 2006)



	<b>Undergraduate</b>	<b>Total</b>
Twin Cities	28,645	50,402
Duluth	9,172	11,190
Crookston	1,053	2,414
Morris	1,567	1,747
Rochester	NA	NA

#### Other facilities

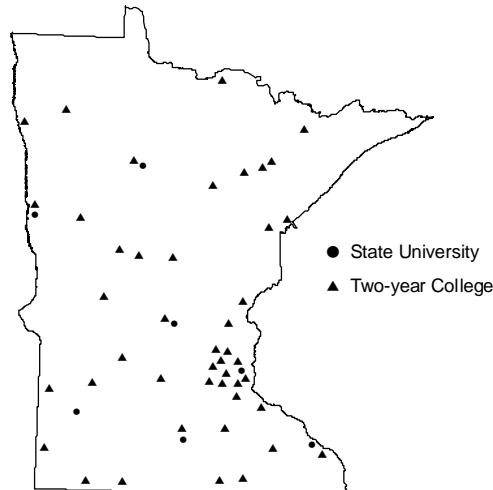
The university operates ten agricultural experiment station research and outreach centers at Grand Rapids, Becker, Crookston, Cloquet, Chanhassen, Rosemount, Waseca, Lamberton, St. Paul, and Morris. A campus in Rochester was added by law in 2006.

#### Governance

- The university is governed by a 12-member Board of Regents elected by the state legislature.
- Eight members of the Board of Regents must represent the state's congressional districts, each representing one district.
- Four members are elected from the state at-large, including a university student.
- Regents are elected to staggered six-year terms.
- Regents serve without pay.
- The university president is the ex officio president of the Board of Regents.

## Minnesota State Colleges and Universities (MnSCU)

### Enrollment by Institution Type (173,015 in fall 2006)



Note: Enrollment based on MnSCU data

<b>2-year state colleges</b>	<b>110,580</b>
Community Colleges (8)	32,440
Technical Colleges (9)	22,100
Consolidated Colleges (13)	56,040
<b>4-year state universities (7)</b>	<b>62,435</b>

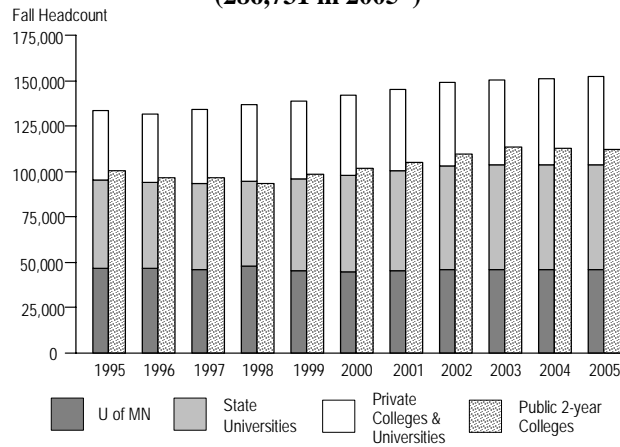
#### Campuses

MnSCU's 32 institutions operate campuses in 46 communities.

#### Governance

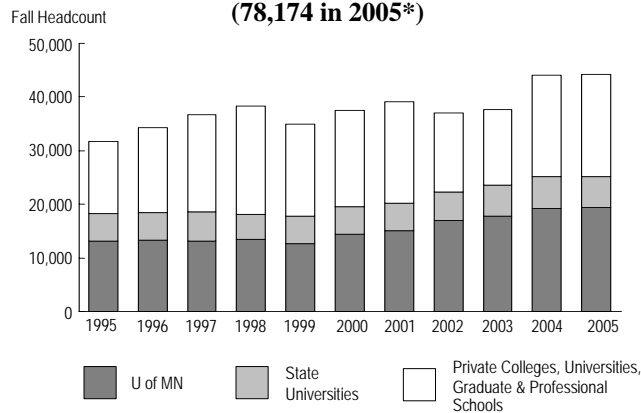
- MnSCU is a public higher education system, headed by a chancellor.
- Since 1995, the operation of two-year colleges and four-year universities has been consolidated in the MnSCU system.
- MnSCU is governed by a 15-member Board of Trustees appointed by the governor with the advice and consent of the Senate.
- Eight members of the Board of Trustees must represent the state's congressional districts, each representing one district.
- Three members must be MnSCU students or recent graduates.
- Trustees are appointed to staggered six-year terms.
- Trustees serve without pay.
- The Board of Trustees elects a chair.

## Undergraduate Enrollment (286,731 in 2005\*)



\* Includes private career school enrollment of 22,550 undergraduates; graph omits these students.

## Graduate Enrollment (78,174 in 2005\*)



\* Includes private career school enrollment of 33,910 graduate students; graph omits these students.

### Tuition and Fees

#### Full-time, Minnesota Resident\* Undergraduate

	2006-07 Academic Year	2004-05 Academic Year	2002-03 Academic Year
<b>Public</b>			
2-year colleges	\$3,800-4,590	\$3,460-4,050	\$2,690-3,300
State Universities	\$5,080-7,100	\$4,390-6,330	\$3,360-4,480
University of MN	\$8,570-10,310	\$7,610-9,060	\$6,100-7,090
<b>Private</b>			
4-year colleges	\$8,270-34,270	\$5,880-30,670	NA-\$26,910
Career schools	\$4,190-23,990	\$3,740-21,350	\$3,430-21,640

\*Nonresident tuition at some public colleges and universities is up to 2.5 times the resident rate.

## Minnesota Office of Higher Education (MOHE)

### Governance and Responsibilities

- Director appointed by governor
- Administers student aid programs and agreements
- Registers and licenses private institutions
- Collects and maintains enrollment and aid data
- Provides information to students and families
- Provides support for technology and library programs

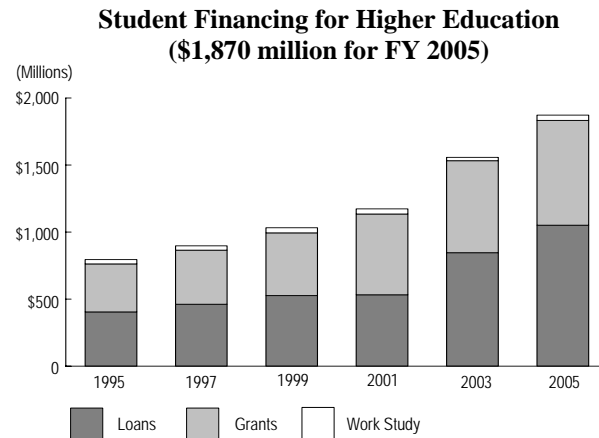
### Private Postsecondary Institutions

**Registration:** Postsecondary schools operating in Minnesota must register annually with MOHE, including nonprofit schools, private schools that grant degrees, or institutions with “academy,” “college,” “institute,” or “university” in their name. Out-of-state public institutions must register if they offer courses or programs in Minnesota.

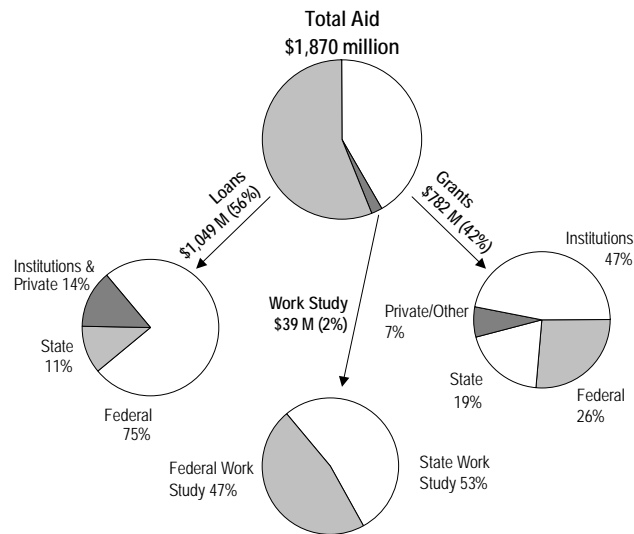
**Licensing:** Private career schools must be licensed by MOHE to offer a program, advertise, or conduct a program in Minnesota.

### Minnesota State Grant Program

Grants are awarded to eligible undergraduate Minnesota residents based on financial need and the price of postsecondary education. In the grant program, parents, students, and taxpayers share responsibility for paying for postsecondary education. The state grant covers all or a portion of the price of postsecondary education after deducting the federal Pell grant and the student and family share.

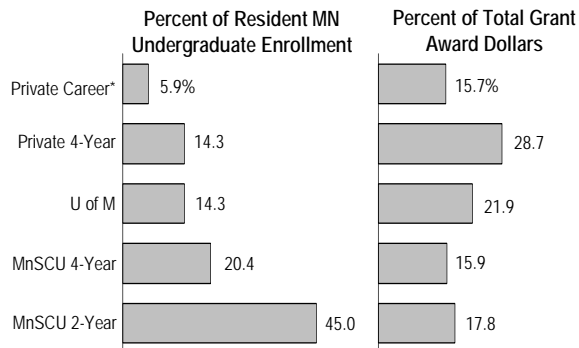


**Type and Source of Financial Aid Received by Minnesota Students  
(\$1,870 million in FY 2005)**



2005 Student Aid Awards		
	Number of MN Undergraduates	Average Award
Federal Pell Grant (\$4,000 maximum)	81,900	\$2,190
State Grant Program	73,400	\$1,695

**Participation in State Grant Program FY 2005  
(233,530 resident enrollees; 73,410 with grants;  
\$124 million in grants)**



Total resident enrollees: 233,530      Total grants: \$124 million  
\*Enrollment statistics include undergraduates attending private career schools that participate in the state grant program.



## Tuition Reciprocity Programs

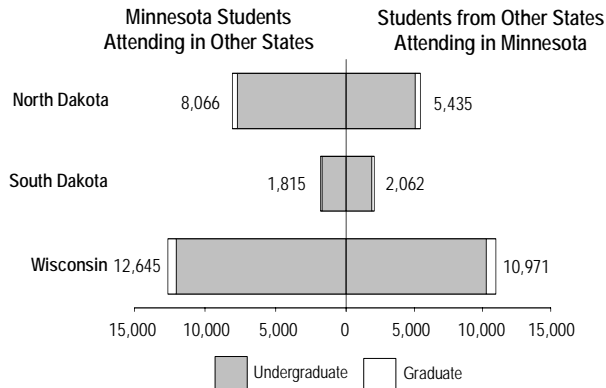
MOHE administers the reciprocity agreements that provide reduced tuition for nonresident students.

Minnesota, North Dakota, South Dakota, and Wisconsin have tuition reciprocity agreements for all public postsecondary institutions.

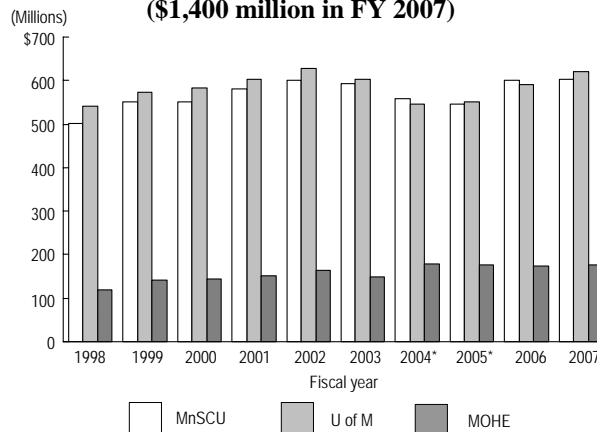
The North Dakota and Wisconsin agreements require interstate payments based, in part, on relative enrollments.

Minnesota last made a payment in fiscal year 2002 and has collected over \$6 million in each of fiscal years 2004 and 2005 from Wisconsin.

### Full Year Equivalent Reciprocity Students, 2005-2006



### State Higher Education General Fund Appropriation (\$1,400 million in FY 2007)



\* Includes reductions and additions to appropriations by the governor and legislature for FY 2002 to 2005

Note: In FY 2007, the Mayo Medical Foundation receives \$1.4 million, or 0.1% of higher education appropriations, for programs to increase the number of doctors in rural Minnesota.

## Family Assistance

The principal assistance programs funded by the state for low-income families are:

Medical Assistance	MA
MinnesotaCare	MNCare
General Assistance Medical Care	GAMC
Minnesota Family Investment Program	MFIP
Group Residential Housing	GRH
General Assistance	GA
Minnesota Supplemental Aid	MSA
Child Care Assistance	
State Housing Assistance	

Other assistance programs are funded entirely by the federal government:

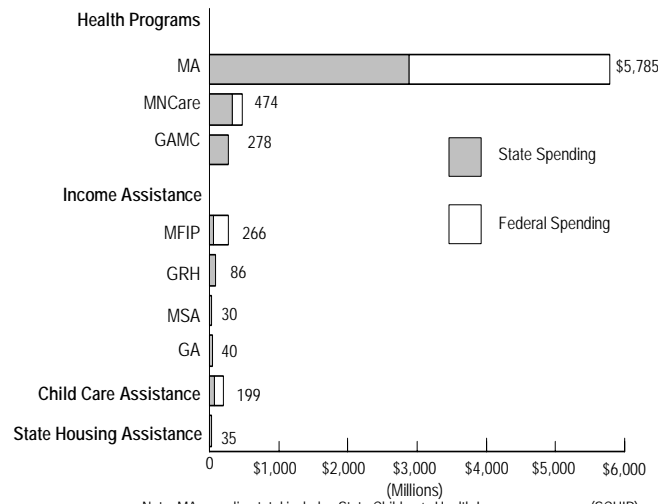
HUD Rental Housing Assistance	
Food Support (Food Stamps)	FS
Supplemental Security Income	SSI

Note: The FY 2007 projections listed in this section are from the Department of Human Services, November 2006 forecasts of family self-sufficiency and medical programs. Other data are from DHS, MDE, MHFA, and other sources.

**Funding and Administration**

- MA, GAMC, MFIP, GA, MSA, GRH, Child Care Assistance, and Food Stamps are administered by counties under the supervision of the state Department of Human Services (DHS).
- MA, MNCare, MFIP, and Child Care Assistance are funded jointly by the federal and state governments.
- GAMC, GA, MSA, and GRH are state-financed.
- MNCare is administered directly by DHS; some counties have elected to process applications and determine eligibility.
- State Housing Assistance is administered primarily by the Minnesota Housing Finance Agency (MHFA) and is state-financed.
- HUD Rental Housing Assistance is administered by the Minneapolis HUD office, MHFA, and local agencies and is federally financed.
- Food Support and SSI are federally financed.
- SSI is administered by the federal Social Security Administration.

**Family Assistance State and Federal Spending\*  
(\$7,194 million in FY 2007)**



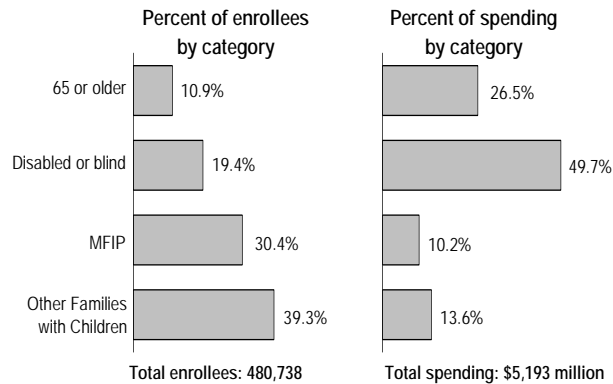
Note: MA spending total includes State Children's Health Insurance program (SCHIP).  
State MNCare spending includes enrollee premiums and drug rebates.

\* Excludes HUD Rental Housing Assistance, SSI, and Food Stamp programs.

### Medical Assistance (MA)

- A federal-state Medicaid program that pays for certain health care services for eligible individuals with income and assets below limits set by the state legislature and federal government.
- Eligible groups are low-income families; needy children in foster care; certain aged, blind, or disabled persons; pregnant women; and certain other low-income children and adults.
- Under federal law, every state must provide certain MA services; Minnesota provides additional optional services.
- As of September 2005, 284,207 MA recipients received services through an HMO or other prepaid health plan, or through county-based purchasing.

### MA Enrollees and Spending, FY 2005



Persons 65 and older are 10.9% of MA eligibles and account for 26.5% of MA expenditures in FY 2005.

### MinnesotaCare (MNCare)

- A state program that provides subsidized health coverage for low-income children, families, and adults without children through prepaid health plans.
- Enrollees' premiums are based on a sliding scale. Children with very low incomes are charged a reduced premium.
- All enrollees must meet program income limits and be permanent Minnesota residents. Most enrollees must also meet requirements related to lack of health insurance. An asset limit applies to parents and adults without children.
- Estimated state cost for FY 2007 is \$299 million. Federal funding of \$142 million is expected, and enrollee premiums and drug rebates are expected to total \$33 million.
- State funding comes from a 2% tax on gross revenues of health care providers and a 1% premium tax on nonprofit health plans.

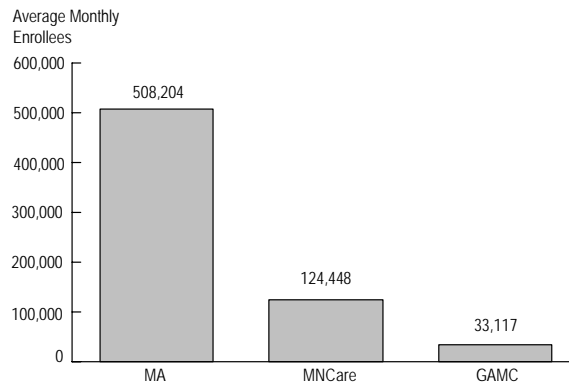
**State Children’s Health Insurance Program (SCHIP)**

- A federal-state program that provides enhanced federal funding for MA coverage for children under age two with family incomes greater than 275% but less than or equal to 280% of the federal poverty guidelines, coverage of prenatal care and labor and delivery services for uninsured pregnant women who are ineligible for MA with federal funding due to immigration status, and MNCare coverage for parents and relative caretakers with incomes between 100% and 200% of the federal poverty guidelines.

**General Assistance Medical Care (GAMC)**

- A state program that pays for certain health services for persons with income and assets below limits set by state legislature and who are not eligible for MA or other medical programs.
- State legislature determines list of covered services.
- As of September 2005, 27,402 GAMC recipients received services through an HMO or other prepaid health plan, or through county-based purchasing.
- GA recipients are automatically eligible for GAMC.

**Projected Health Care Enrollees  
(665,769 in FY 2007)**



### **Minnesota Family Investment Program (MFIP)**

- MFIP is a state program begun in January 1998 that replaced the Aid to Families with Dependent Children (AFDC) entitlement program.
- MFIP provides cash assistance and employment and training services to eligible families with children. For new applicants, benefits are vendor-paid for the first six months.
- With some exceptions, MFIP is provided for no more than 60 months. In July 2002, families began reaching that 60-month limit. However, some of these families received exemptions or extensions. Exempt families may receive assistance without that month counting toward the 60-month time limit. Families with extensions may continue to receive cash assistance, but that month of assistance counts toward the 60-month time limit. Families without extensions and with more than 60 months of assistance are ineligible to receive assistance. As of December 2006, 10,609 MFIP caregivers had reached their 60<sup>th</sup> counted month.
- Eligible families must be citizens or qualified noncitizens, have income and assets below limits set by the legislature, and include at least one minor child or pregnant woman and the child's parents or stepparents.
- MFIP caregivers are expected to meet hourly work requirements. The program provides supports to make work possible (including child care assistance) and imposes sanctions for noncompliance.
- MFIP is funded by the federal Temporary Assistance for Needy Families (TANF) block grant and by state appropriations.
- The legislature sets benefit levels, which include cash and food assistance portions. Benefits vary by family size; a family with one adult and one child receives up to \$685 per month. The food portion is adjusted each October 1 to reflect cost-of-living adjustments in the federal Food Stamp program.

### **Group Residential Housing (GRH)**

- A state program that assists in housing certain MSA-eligible and GA recipients who live in group residences such as adult foster homes and housing with services establishments.

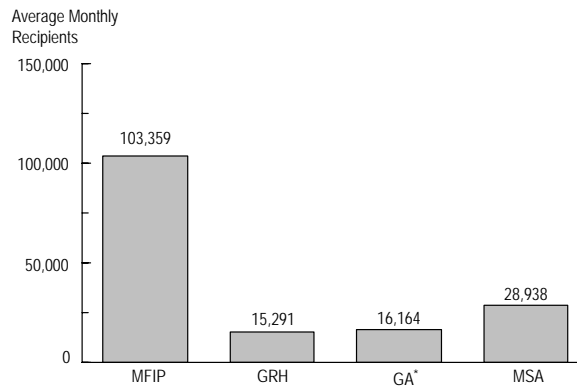
### **General Assistance (GA)**

- A state program that provides cash assistance to disabled or unemployable persons ineligible for MSA or SSI.
- GA recipients are single adults or childless couples. A single GA recipient receives up to \$203 per month. GA-eligible persons living in group residential housing facilities receive a small monthly personal needs allowance.
- GA recipients are also eligible for GAMC.

### **Minnesota Supplemental Aid (MSA)**

- A state program that provides supplemental cash assistance to needy aged, blind, and disabled persons who are SSI recipients or who would qualify for SSI except for excess income.
- Amount of monthly benefit varies with housing arrangement. A nursing home resident receives a small monthly personal needs allowance; a recipient living at home receives a larger grant for shelter and basic needs.
- MSA recipients automatically receive MA.

### **FY 2007 Income Assistance Projections for MFIP, GRH, GA, MSA**



\*Data for GA is available by cases only, not by number of individual recipients.

### Child Care Assistance Programs

Federal, state, and county funds subsidize child care costs for eligible families with:

- incomes at or below 175% of federal poverty guidelines at program entry; up to 250% of federal poverty guidelines at program exit
- children under 13 years old (age 15 for children with disabilities)

Families with incomes above 75% of the federal poverty guidelines must pay a copayment.

### Basic Sliding Fee (BSF) Program for Working Families

- Assistance is limited by funding
- Waiting lists exist in some counties
- Priority is given to non-MFIP parents without a GED or diploma, families completing the MFIP transition year, and families receiving assistance from the portability pool
- Includes state-level funding for At-Home Infant Child Care

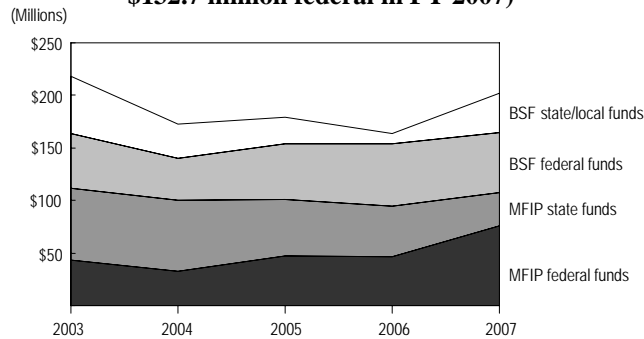
### MFIP Child Care

- Eligible MFIP families, including families that forego the cash portion of the MFIP grant
- Assistance provided for activities in an approved individual plan (job search support or employment plan) and for employment
- Assistance is fully funded; no waiting lists for assistance

### Transition Year Child Care

- Provides 12 months of child care assistance for former MFIP families who received assistance for three of the previous six months

**Child Care Assistance Funding  
(\$69.4 million state and local;  
\$132.7 million federal in FY 2007)**





## Child Care Assistance

The monthly average number of families receiving child care assistance in FY 2006 was 16,690.

### Assistance may be provided for care by:

- Licensed family child care providers
- Licensed child care centers
- Legal nonlicensed caregivers including school district programs and registered caregivers who are related or unrelated adults

### Child Care Assistance Profile, FY 2005

Type of Care (% of children)*	BSF & MFIP	
Registered provider	27.5%	
Registered center	4.7%	
Licensed family day care home	30.9%	
Licensed child care center	36.9%	
Type of Parental Activity (% of families)	BSF	MFIP
Students	4.6%	NA
Employment	86.0%	41.5%
Education and Training	9.4%	7.4%
Education, Employment, and Training	NA	10.0%
Other MFIP Activity	NA	11.3%
Transition Year	NA	29.8%
<b>Average families/month</b>	<b>8,727</b>	<b>8,202</b>
Average Family		
Average children per family	1.77	1.81
Average cost per family	\$8,364	\$11,245

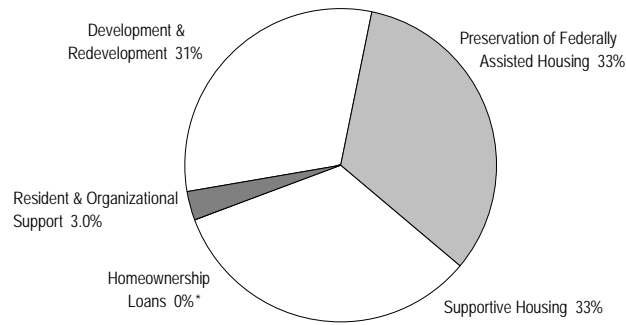
Note: MFIP includes transition year child care

\* Percentages do not add to 100% due to the use of more than one type of care per child.

Source: Department of Human Services

## State Housing Assistance

### MHFA Funding for Housing Assistance (\$35.2 million state appropriation in FY 2007)



\* The base for the Homeownership Assistance Fund program is scheduled to be restored to \$885,000 each year with the 2008-2009 biennium.

State appropriations to the MHFA are about 8% of the agency's total budget. (The rest is from mortgage revenue bond issues, federal funding, and other resources.) MHFA activities include:

- **Development and Redevelopment.** Funds new construction and rehabilitation of rental and ownership housing.
- **Homeless Prevention and Supportive Housing.** Funds housing development and rental assistance and homeless prevention for very low-income families and individuals, many with other difficulties in achieving independent living.
- **Homeownership Loans.** Funds home purchase and home improvement loans.
- **Preservation of Federally Assisted Housing.** Preserves the stock of federally assisted rental housing that may be lost as affordable housing due to opting out of federal programs or because of physical deterioration.
- **Resident and Organization Support.** Provides operating funds for organizations that develop affordable housing, offer homebuyer education and foreclosure prevention assistance, or coordinate regional planning efforts.

## U.S. Department of Housing and Urban Development

### HUD Rental Housing Assistance

(This page covers only direct subsidies from HUD. It does not include information on other rent assistance or home ownership programs.)

HUD Rental Housing Assistance is for persons with incomes up to 50%, or in some cases 80%, of the area median income, adjusted for family size. (See page 11 for the median incomes.)

The tenant's rent generally equals 30% of adjusted income, and HUD pays the balance up to the actual or fair market rent (FMR).

HUD sets FMRs each year by metropolitan area and by county outside metropolitan areas. FMRs are adjusted for the number of bedrooms. FMRs for 2007 range from a low of \$337 for an efficiency in a nonmetropolitan county to a high of \$1,262 for a four-bedroom unit in the Twin Cities metropolitan area.

HUD programs providing direct subsidies to renters, owners, or developers of affordable housing include:

- **Public housing.** Operating and modernization funding for housing owned, operated, and managed by public housing authorities; \$40.9 million allocated in 2004.
- **Section 8.** Most assistance is for rent subsidies in the form of certificates or vouchers that tenants can take with them when they move ("Housing Choice vouchers"); \$204 million in 2004. Long-term rental subsidies for the owners of 3,200 units of affordable rental housing ("project-based assistance") are also provided.
- **Section 202/811.** Capital advances for construction of supportive housing units for very low-income elderly and people with disabilities. Also includes rental assistance for tenants in these units; \$16 million in 2004.
- **Community Development Block Grants (CDBG).** Grants to local governments that may be used for a wide variety of purposes, including housing; \$80 million was anticipated in 2004.

## **Other Federal Assistance**

### **Food Support (FS)**

- A federal USDA program providing food purchasing assistance to low-income households; there is also a Minnesota Food Assistance Program for certain persons not eligible for the federal program.
- Eligible households must be citizens or qualified noncitizens; have assets and gross income below specified limits; and have net monthly income at or below the federal poverty guidelines.
- Most able-bodied adults must meet work requirements.
- Federal government sets benefit levels. Benefits are provided in electronic debit card (EBT) format, eliminating the traditional paper food stamp coupons.
- In FY 2006, an average of 119,650 Minnesota households received food support benefits each month. These benefits were worth a total of \$279.7 million for the fiscal year.

### **Supplemental Security Income (SSI)**

- A federal program providing cash assistance to needy aged, blind, and disabled persons.
- Eligible persons must be citizens or noncitizens meeting certain criteria; have assets and income below federal limits; and be 65 or older or meet program criteria for blindness or disability.
- The amount of monthly benefit varies with housing arrangement.
- Some SSI recipients also receive a state supplement to their SSI grant through the state MSA program. Most SSI recipients are eligible for MA.
- In federal FY 2006, an average of 74,360 Minnesotans received SSI each month. During federal FY 2006, \$401.5 million in federal SSI benefits were paid to Minnesota recipients.

# Corrections

## Minnesota's Crime, Incarceration, and Probation Rates, and State Rankings (2004)

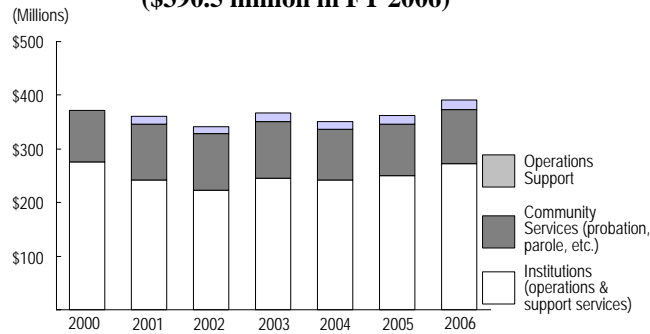
	Rate per 100,000	Rank Among States
Crime Rate, Total	3,309	32nd
Violent*	297	38th
Property**	3,039	32nd
Incarceration Rate, State Prisoners	171	49th
Whites (2000)	197	45th
African Americans (2000)	2,811	22nd
Probation Rate, Adults	2,959	3rd

\* Murder, forcible rape, robbery, aggravated assault

\*\* Burglary, larceny, motor vehicle theft (excludes arson)

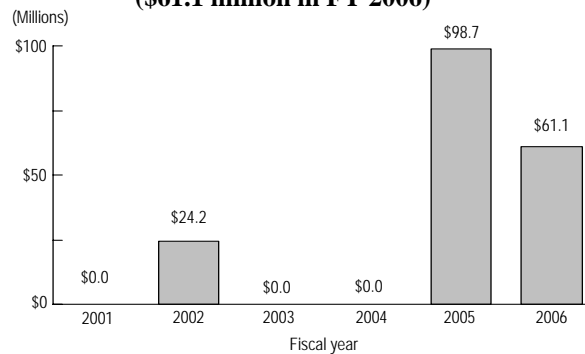
Source: *Crime: State Rankings*, Morgan Quitno Corp. (published annually, based on U.S. Department of Justice data)

## Department of Corrections Expenditures (\$390.5 million in FY 2006)

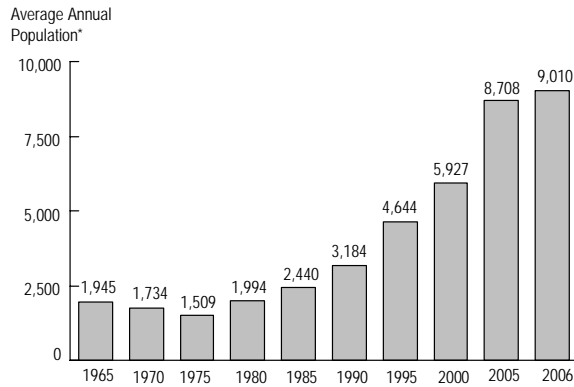


Source: Biennial Budget Book

## Department of Corrections Bonding Authority (\$61.1 million in FY 2006)



## Adult Prison Population, 1965-2006



\* Data is by calendar year through 2000; and as of July 1, thereafter.

### Expansions to the Prison System

**1996-1998:** Approximately 400 beds

**1998-2000:** Rush City close-custody facility, 950 beds;  
Shakopee, 52 beds; Lino Lakes segregation unit, 160 beds

**2000-2002:** Oak Park Heights, 60-bed mental health unit; Red Wing, conversion of 14-bed unit for mental health

**2003-2004:** Lino Lakes, 416-bed unit; Shakopee, conversion of an independent living center into 48-bed general living unit

**2005:** Faribault Phase 1, 701 beds; Willow River, 90 beds

**2006:** Faribault Phase 2, 181 beds; Stillwater segregation unit, 150 beds; Shakopee, 92 beds

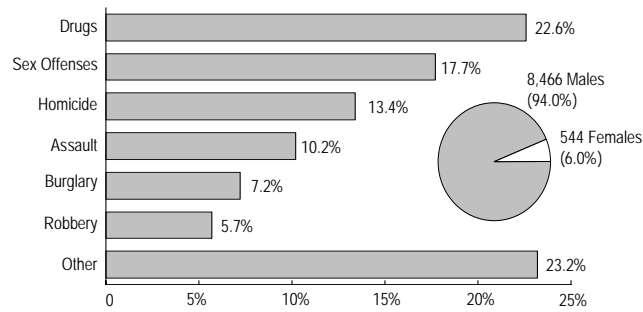
### Level of Custody Definitions

<b>Level 5 (Maximum security)</b>	Oak Park Heights	Single cells Secure perimeter
<b>Level 4 (Close-custody)</b>	Rush City St. Cloud Stillwater	Single/Double cells Secure perimeter
<b>Level 3 (Medium security)</b>	Faribault Lino Lakes Moose Lake	Double cells Multiple occupancy Secure perimeter
<b>Level 2 (Minimum security)</b>	Faribault MSU*	Multiple occupancy Fence
<b>Level 1 (Minimum security)</b>	Red Wing Willow River CIP** Lino Lakes MSU* Stillwater MSU* Shakopee	Multiple occupancy No fence

\* MSU stands for minimum security unit.

\*\* CIP stands for Challenge Incarceration Program, commonly called "boot camp."

**Adult Prison Population by Offense and Gender  
(9,010 as of July 1, 2006)**



**Adult Prison Population by Facility  
and Cost per Inmate 2006**

Facility	Number*	Percent	Per diem*	Annual*
Stillwater	1,419	15.7	\$75.42	\$27,528
Lino Lakes	1,303	14.5	75.30	27,485
Faribault	1,168	13.0	74.92	27,346
Rush City	989	11.0	71.44	26,076
St. Cloud	940	10.4	84.00	30,660
Prairie Correctional	940	10.4	52.58	19,192
Moose Lake	879	9.8	75.51	27,561
Shakopee**	480	5.3	88.16	32,186
Oak Park Heights	425	4.7	147.23	53,739
Work Release	216	2.4	57.48	20,980
Willow River	91	1.0	94.16	34,368
ICWC	57	0.6	55.12	20,119
County Jail	55	0.6	52.58	19,192
Red Wing	26	0.3	164.24	59,948
Togo	22	0.2	154.54	56,407
<b>Total/Average</b>	<b>9,010</b>	<b>100.0</b>		

ICWC stands for Institution/Community Work Crews

\* Population as of July 1, 2006; costs are on a per-prisoner basis for FY 06. Per diem includes base, mental health, and health care expenditures.

\*\* Shakopee is a women's facility; some inmates also on work release.

Note: These facilities started housing adult offenders on the following dates: Red Wing, 11/6/03; Togo, 1/20/04; County Jail, 4/6/04; Prairie Correctional, 5/25/04.

**Adults Under Community Supervision  
(121,088 as of December 31, 2005)**

Supervision provided by the state (DOC), Community Corrections Act (CCA), or county probation officers (CPO).

Type	DOC	CCA/CPO	Number of Adults
Probation	16,998	100,075	117,073
Supervised Release	1,403	2,612	4,015
<b>Total</b>	<b>18,401</b>	<b>102,687</b>	<b>121,088</b>

## Juvenile Offenders

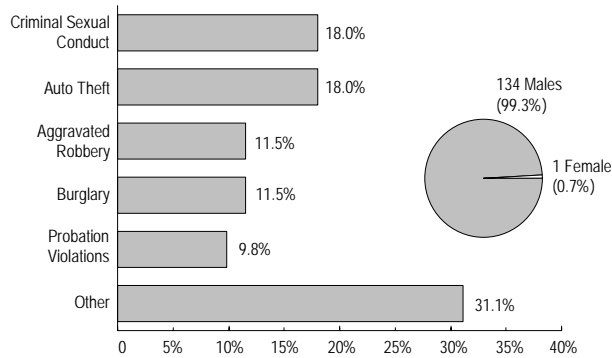
Juvenile offenders are defined as under age 18 and not certified as adults. Many juvenile offenders are held by DOC but are under the supervision of the presiding court. Others have been committed to the supervision of DOC. The sentences for some serious crimes require that the offender be committed to DOC; other juvenile offenders are committed to DOC at the discretion of the supervising judge.

### Juvenile Correctional Facility Population by Facility and Per Diem Cost Per Person (as of July 1, 2006)

Facility	Number	Percent	Per diem FY 06 est.	Annual Cost
Red Wing (males)*	134	99.3%	\$161	\$58,798
Female placements	1	0.7%	\$187	\$68,164
<b>Total</b>	<b>135</b>	<b>100%</b>		

\* Counties are charged 65% of the per diem amount to house male juveniles at Red Wing, and this per diem does not include education costs.

### Juvenile State Correctional Facility Population (by offense for 61 males committed to DOC; by gender for 135 in total population as of July 1, 2006)



### Juveniles under Community Supervision (14,342 as of December 31, 2005)

Type of Supervision*	Number of Juveniles
Probation**	14,312
Parole	30
<b>Total</b>	<b>14,342</b>

\* Supervision provided by state and local authorities.

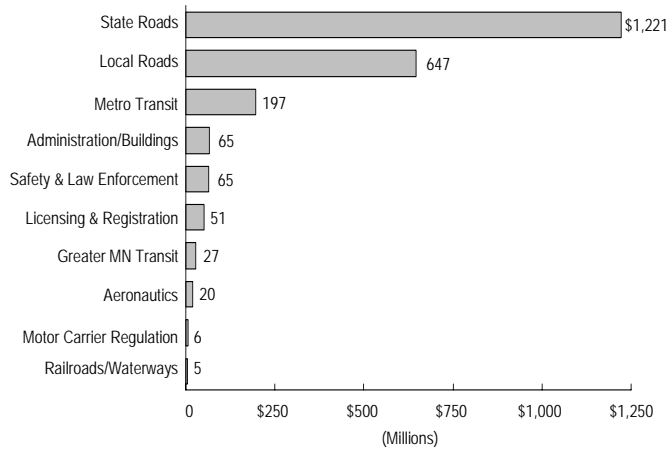
\*\* 1,562 are supervised by state agents; the remainder (12,750) by local agents.



# Transportation

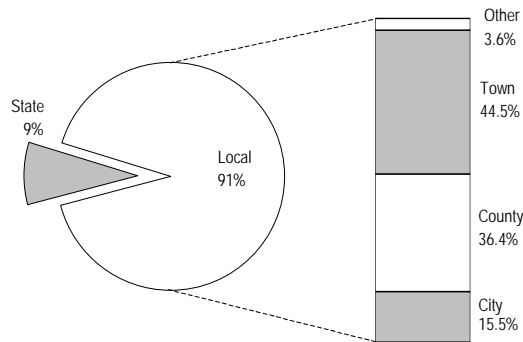
## Transportation Spending (\$2,305 million state and federal in FY 2006)

State appropriations for transportation in FY 2006 (including federal highway aid to the state) total \$2,305 million.



In addition to the \$2,305 million appropriated for state road construction and maintenance in FY 2006, the legislature authorized \$400 million in trunk highway bonding and \$400 million in advance expenditures of federal funds through FY 2009.

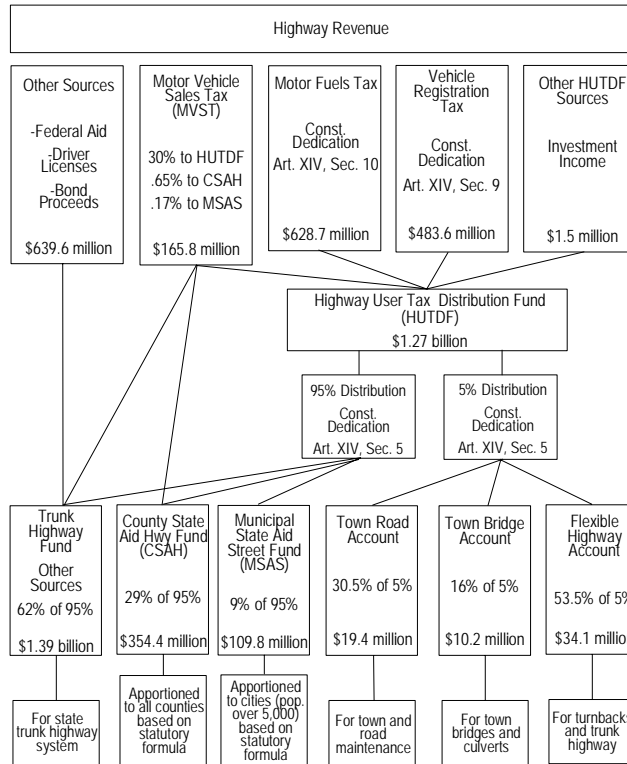
## Minnesota Highway Mileage 2006



Source: Department of Transportation

Most of Minnesota's 135,000 miles of public highways are local.

## Sources and Disposition of State Highway Funding FY 2006



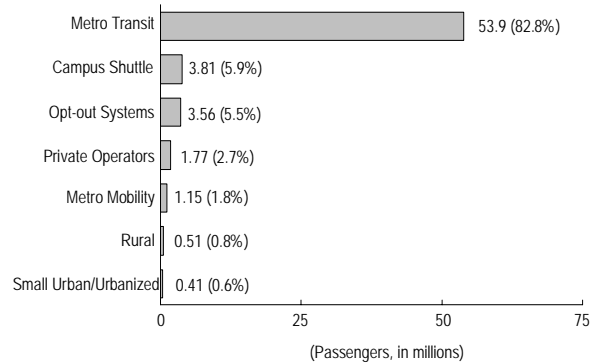
Source: Department of Transportation

Revenue from the registration tax on vehicles and the tax on motor fuels are dedicated under the constitution to highway purposes. In addition, about 30% of the motor vehicle sales tax is appropriated to highways. From these sources, about 59% goes into the state trunk highway system, 33% is provided to counties and town roads, and 9% is distributed to cities with a population above 5,000.

## Metropolitan Area Transit Systems

Metro Transit, the regular route transit system operated by the Metropolitan Council, accounts for around 83% of the ridership on all transit systems in the metropolitan area. “Opt-out systems” are locally based transit services that replace Metro Transit.

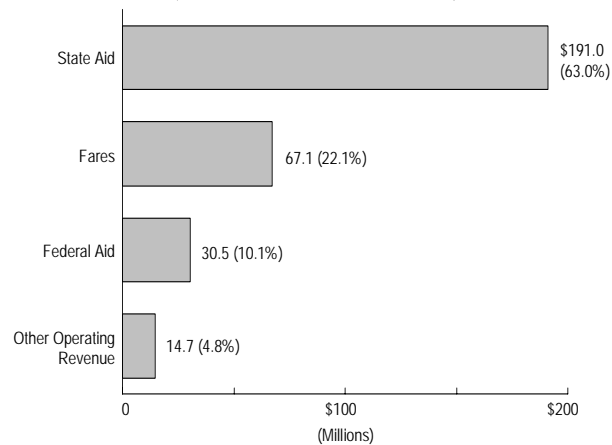
### Metropolitan Area Transit Ridership (65.1 million Passengers in CY 2004)



Source: MnDOT 2005 Minnesota Transit Report

All transit systems in the metro area had revenue for operations of \$303 million in CY 2005. The replacement of the transit property tax by a dedicated share of state motor vehicle sales tax revenue makes state funds the largest source of revenue.

### Metropolitan Council Transit Operations Revenue Sources (\$303 million in CY 2005)



Source: Metropolitan Council 2007 Budget

**Greater Minnesota Transit Systems  
(\$27 million state funding in FY 2006)**

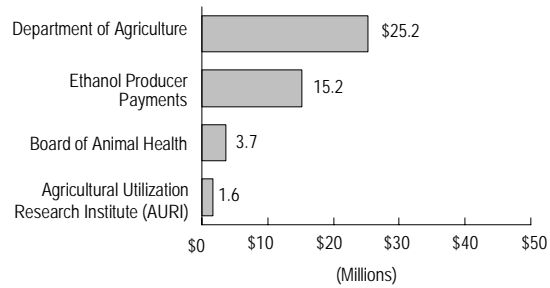
State operating assistance to Greater Minnesota transit systems is \$27.3 million in FY 2006, including all appropriations. The Greater Minnesota transit program supports 70 transit systems in Greater Minnesota, carrying about 9.1 million passengers a year. A legislative formula determines the maximum percentage of a system's total operating cost, which must be paid locally from a combination of farebox revenue and local tax subsidies.

<b>Type of system</b>	<b>Maximum local share of total costs</b>	<b>Number of systems</b>	<b>2004 Ridership</b>
Urbanized area systems	40%	6	5,854,172
Small urban systems	40%	16	1,011,632
Rural systems	35%	43	2,030,494
Elderly/disabled systems	35%	5	194,343

The rest, except for federal funds, is paid by the state. The systems assisted by the state range from large urban systems such as Duluth and St. Cloud to small cities, rural countywide systems, and social service agencies that offer transportation.

# Agriculture

## Agriculture Appropriations (\$45.6 million in FY 2007)



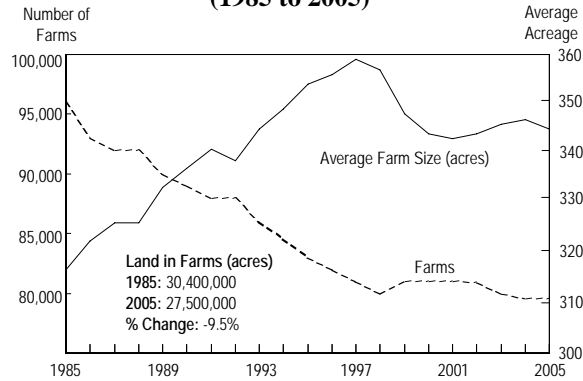
### Minnesota Farming Facts

Minnesota is ranked highly among the states in several areas of production:

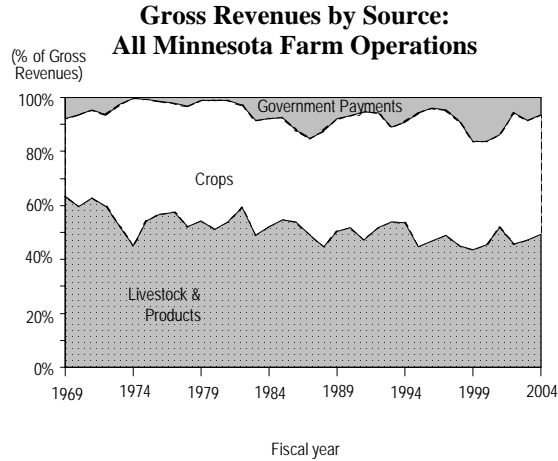
- **First** in sugarbeets, turkeys, sweet corn, and green peas for processing
- **Second** in canola and cultivated wild rice
- **Third** in soybeans, spring wheat, hogs and pigs, and American cheese
- **Fourth** in corn, oats, edible beans, flaxseed, and mink pelts
- **Fifth** in total cheese, ice cream, honey, total cash receipts, and total agricultural exports

In 2005, the state was home to approximately 79,600 farms totaling 27.5 million acres, for an average acreage of 345.

### Farm Numbers and Average Size (1985 to 2005)

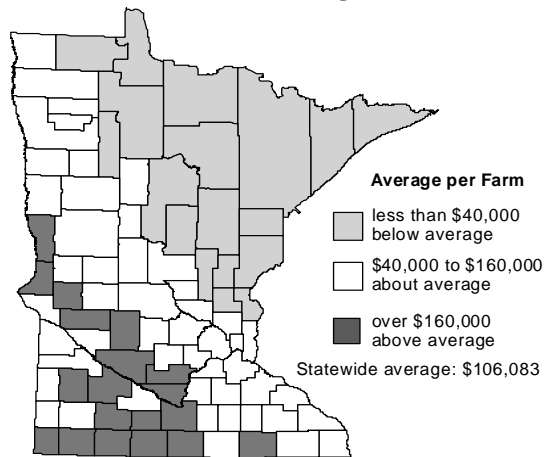


In 2004, Minnesota farmers grossed just over \$10 billion from the sale of livestock and crops and \$704 million from government payments.



Source: U.S. Department of Commerce, Bureau of Economic Analysis

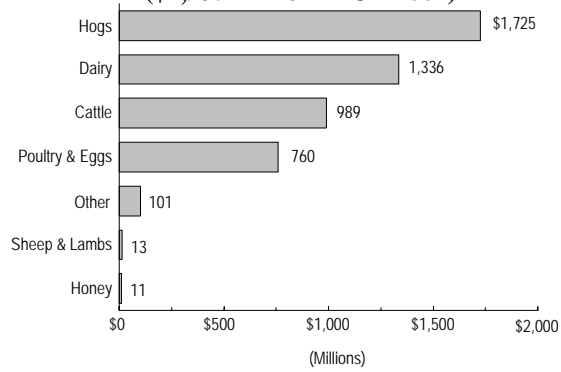
**Farm Geography: Market Value of Agricultural  
Products Sold, Average Per Farm**



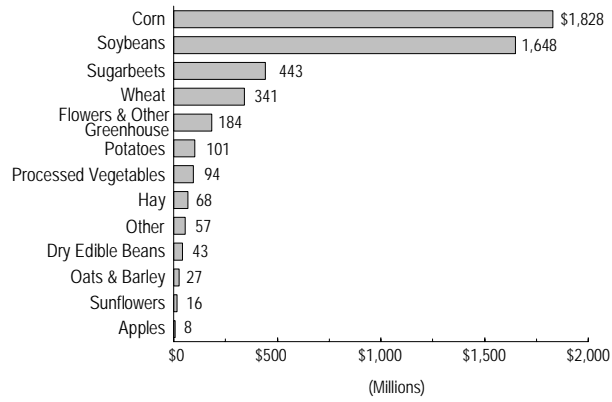
The average value of Minnesota farmland (including buildings) was \$2,030/acre on January 1, 2005. That's an increase of 12.8% over 2004; U.S. average growth was 11%. Since 2002, farmland values have climbed 35% on average in Minnesota and 25% nationwide.

In 2005, 194,770 acres of farmland were sold statewide, down from 313,730 in 2004. The average price per acre ranged from a high of \$3,654 in southeast Minnesota to a low of \$999 in the northwest.

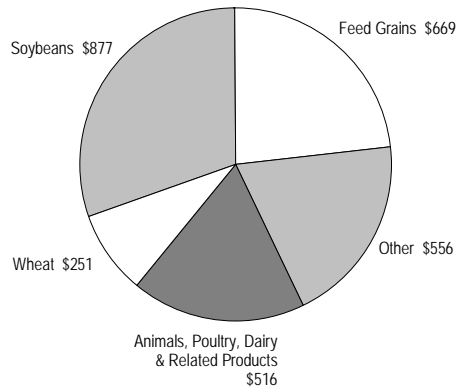
**Cash Receipts from Livestock  
(\$4,935 million in CY 2004)**



**Cash Receipts from Crops and Vegetables  
(\$4,858 million in CY 2004)**



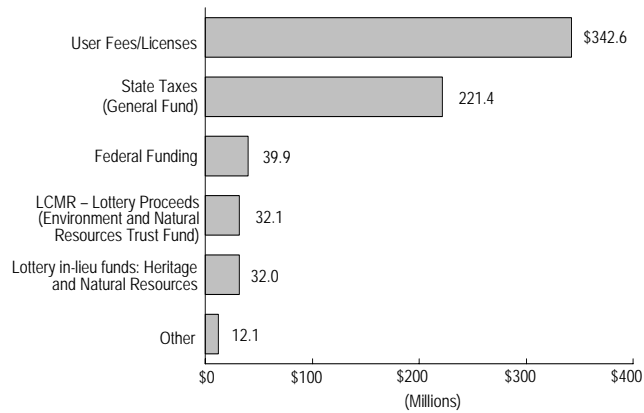
**Minnesota Agricultural Exports  
(\$2,869 million in CY 2004)**



Principal data source: Minnesota Agricultural Statistics 2006

# Natural Resources

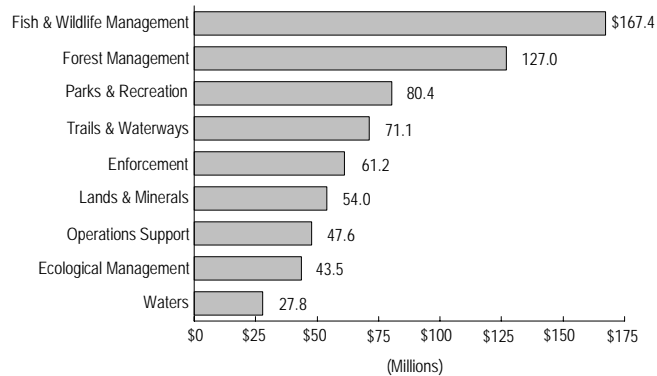
## DNR Revenue by Source (\$680.1 million in FY 2006-07)



Source: Department of Natural Resources

The Department of Natural Resources (DNR) budget is about 2% of total general fund spending. On a per capita basis, DNR revenue sources amount to about \$115 per state resident over the biennium.

## DNR Expenditures by Program (\$680.1 million in FY 2006-07)



Source: Department of Natural Resources

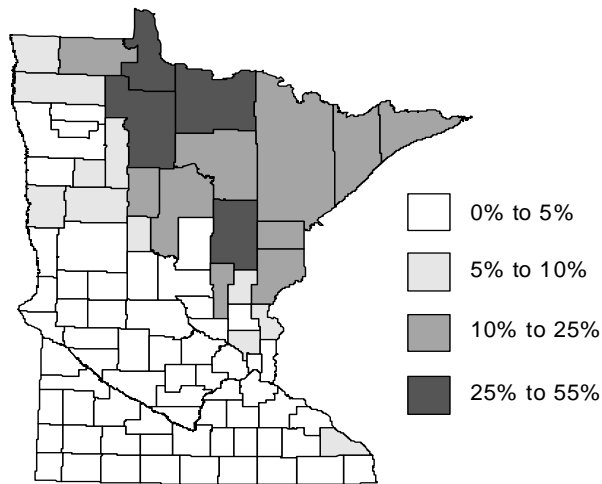


## Natural Resources Facts

### Minnesota has

- 5,600,000 acres of DNR land, about 10% of Minnesota's land area
- 4,907,898 acres of lakes
- 7,500,000 acres of wetlands
- 92,000 miles of rivers and streams
- 2,940 permanent, temporary, and seasonal DNR employees, about 6% of total state employment
- 953,500 fishing licenses
- 854,000 recreational boats
- 66 state parks and six state recreational areas; second oldest state park system in the United States, after New York

### State Land Ownership (approximate percentage of state land ownership in each county)



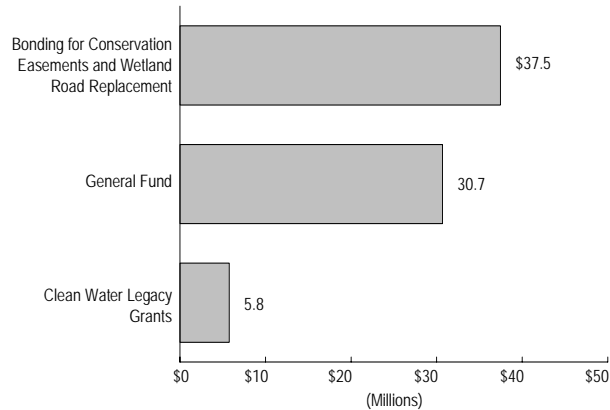
### Acres of Certain DNR Areas

- 1,540,340 state forest acres
- 1,200,000+ wildlife management acres
- 100,000 scientific and natural area acres
- 198,000 state park acres
- 16,576 state recreation acres
- 22,150 fisheries management acres
- 8,946 acres of state trails, composed of 22,204 miles of off-road vehicle, snowmobile, cross-country ski, multiple-use, and bike trails
- 2,645 public water access site acres

## Board of Water and Soil Resources (BWSR)

The mission of BWSR is to help local units of government manage and conserve their soil and water resources. This is accomplished by providing financial, technical, and administrative assistance to local units. There are 17 board members of BWSR and 69 staff in the metro area and seven field offices around the state.

### BWSR Budget (\$74 million in FY 2006-07, including bonding authorization)

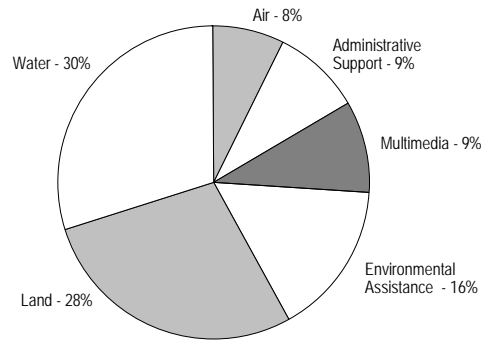


The **Reinvest in Minnesota** (RIM) program improves soil conservation and water quality and provides wildlife habitat, including wetlands. Since 1986, RIM has enrolled 93,659 acres in about 5,000 conservation easements at a cost of \$84 million.

Two **Conservation Reserve Enhancement Programs** (CREP) are in a federal partnership agreement to place at least 100,000 acres of Minnesota River Valley land and 120,000 acres of land in the Red River, Lower Mississippi, and Des Moines River watersheds under conservation easement. The potential cost of all these easements may be \$500 million, with federal leveraging dollars being two-to-one in CREP I, and four-to-one in CREP II. There are now over 102,000 acres enrolled in these programs, at a total state cost of \$74 million.

# Pollution Control

## PCA Base Budget (\$137.6 million in FY 2007)



### **Land activities include:**

- Administering the Superfund program (132 sites cleaned up since 1983, with 97 sites awaiting action)
- Managing closed landfills
- Responding to emergency spills and abandoned chemicals
- Regulating hazardous waste generators
- Cleaning up leaking underground storage tanks

### **Air Quality activities include:**

- Issuing permits to emissions sources under the federal Clean Air Act

### **Water Pollution Control activities include:**

- Issuing permits and conducting inspections under the federal Clean Water Act
- Establishing water quality standards
- Monitoring the state's waters
- Helping local partners develop plans to control pollution

### **Multimedia activities include:**

- Providing scientific and technical support for all PCA programs

### **Environmental Assistance activities include:**

- Helping individual businesses and communities prevent pollution and reduce waste
- Awarding grants to counties for recycling and waste reduction activities

**PCA Base Budget by Fund**  
**(\$137.6 million in FY 2007)**

Pollution-based fees and taxes in the Environmental and Remediation funds account for almost two-thirds of PCA's FY 2007 budget (63%). These funds are comprised of the following revenue sources:

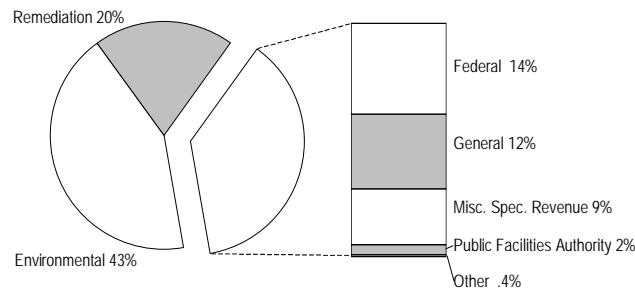
**Environmental Fund**

- Fees paid by permitted facilities
- Fees paid by hazardous and solid waste generators
- Motor vehicle transfer fees (beginning in FY 2008)
- Half the solid waste management tax or \$22 million, whichever is greater

**Remediation Fund (used for cleanup programs)**

- Fines and reimbursements from Superfund sites
- Proceeds from the gas-tax funded Petrofund, which cleans up leaking underground petroleum storage tanks
- Half the revenues recovered from insurance companies at closed landfills

Federal sources contribute 14%. General fund revenues provide about \$3.15 per state resident.



While this shift to pollution-based fees is motivated by the “polluter pays” philosophy, the PCA has calculated that unpermitted “nonpoint” sources, such as motor vehicles and agricultural facilities, emit large amounts of pollutants, but contribute relatively little financially to PCA programs addressing these problems.

Fees also operate differently in different programs. Unlike air quality fees, water quality and hazardous waste fees are not required by law to be adjusted annually for inflation, or to cover the full array of regulatory activities, including monitoring, modeling and analysis, and rulemaking. As a result, the legislature regularly transfers revenues from other sources to address deficits in these areas.

PCA's responsibilities have recently expanded. In 2005, the legislature incorporated into the agency the Office of Environmental Assistance, a nonregulatory entity providing technical and financial assistance to individual businesses, communities, and institutions to help them prevent pollution and reduce waste. These efforts are now conducted within the PCA's new Environmental Assistance Division, as is the awarding of about \$13 million in grants to counties to support solid waste recycling programs.

In 2006, the legislature enacted the Clean Water Legacy Act, providing \$15 million from the general fund and \$9.95 million in bonding authority in 2007. The funds will be used to comply with federal requirements to develop and implement plans to clean up water bodies found to be impaired, for which the PCA will receive about \$5 million. The PCA has identified more than 2,250 impairments in almost 1,300 Minnesota lakes and streams. Restoration activities are underway to address 49 impairments.

The balance of these appropriations will fund other state agencies to upgrade wastewater treatment plants to reduce discharges of phosphorus and other pollutants; to provide technical assistance and loans to farmers reducing agricultural runoff; and to provide grants supporting local restoration, protection, and acquisition of riparian lands.

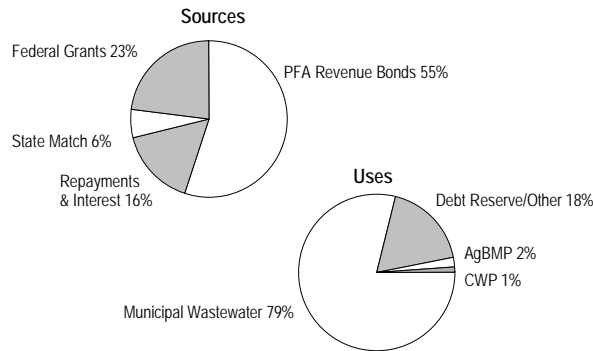
# Public Facilities Authority

The Public Facilities Authority (PFA) provides low-interest loans and other assistance to local governments for wastewater treatment and other public infrastructure projects. Its board consists of the commissioners of employment and economic development (chair), finance, pollution control, agriculture, health, and transportation. Funded projects must be certified by the appropriate agency. The Department of Employment and Economic Development provides administrative services to the PFA.

**Water Pollution Control Revolving Fund:** \$1.94 billion 1989-2006. Sources include federal grants, state matching funds, PFA revenue bonds (principal amount of revenue bonds issued and outstanding at any time may not exceed \$1.5 billion), and interest earnings. Loans are for:

- municipal wastewater treatment facilities projects;
- the agricultural best management practices (AgBMP) loan program to address nonpoint rural water pollution associated with agricultural production, administered by the Department of Agriculture;
- clean water partnership (CWP) loan program to address nonpoint pollution affecting specific bodies of water, administered by the Pollution Control Agency; and
- tourism loan program and small cities septic system loan program.

## Water Pollution Control Revolving Fund (\$1.94 billion in 1989-2006)



## Other PFA Programs

**Wastewater Infrastructure Program (WIF):** \$150,130,921 appropriated 1992-2006. Provides supplemental assistance grants to municipalities for wastewater treatment projects, based on need. Grants are provided together with revolving fund loans or to match grants provided by USDA Rural Development.

**Drinking Water Revolving Fund:** Capitalized with \$423.17 million 1998-2006; 40% federal, 10% state, 42% revenue bonding, 8% net revenues. For loans to municipalities to provide safe drinking water.

**Transportation Revolving Loan Fund:** Capitalized with \$50.53 million 1997-2006; 70% federal, 30% state. Provides below-market rate financing to governmental entities for transportation-related projects. Has funded about \$84.6 million in loans as of October 2006.

**Clean Water Legacy Grants:** Established in 2006; \$2,310,000 has been appropriated for grants of up to \$500,000 per project to municipalities for up to 75% of eligible capital costs of wastewater treatment projects to reduce phosphorus discharges.

**Total Maximum Daily Load (TMDL) Grants:** Established in 2005, approximately \$5,000,000 has been appropriated for grants to municipalities for up to 50% of eligible capital costs for publicly owned wastewater or stormwater projects.

**Methamphetamine Laboratory Cleanup Revolving Loan Fund:** Established in 2005 and capitalized with \$500,000; eligible cities and counties may receive low interest loans to finance clean up of meth-contaminated public or private property.

**County Credit Enhancement Program:** Provides a limited state guarantee for certain bonds issued by counties to build jails, correctional facilities, law enforcement facilities, social and human services facilities, and solid waste facilities. As of October 2, 2006, the total principal on bonds, plus interest on the bonds, enrolled in the program through 2031 was approximately \$194 million.





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