



**March 17, 2009**

SF 22 (Wiger) / HF 195 (Norton et al.);  
 SF 23 (Wiger) / HF 194 (Norton et al.)  
**Repeal of post Labor Day School start  
 mandate**

<b>Local Fiscal Impact</b>				
Net Expenditure Increase/Revenue Loss or (Expenditure Decrease/Revenue Gain)				
Dollars in Thousands, State Fiscal Years				
	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
<b>Statewide</b>	(\$186)	(\$190)	(\$195)	(\$199)
* Estimates adjusted to include actual and forecasted inflation rates for 2008 - 2013.				

**Local Governments Contributing:**

**Cities:**

Alexandria, Apple Valley, Baxter, Bemidji, Benson, Blue Earth, Brooklyn Center, Brooklyn Park, Burnsville, Cloquet, Detroit Lakes, Duluth, Eagan, East Grand Forks, Ely, Eveleth, Fairmount, Faribault, Fergus Falls, Long Beach, Luverne, Ham Lake, Hastings, International Falls, Inver Grove Heights, Jackson, Little Falls, Maple Grove, Minneapolis, Moorhead, North Mankato, Osakis, Owatonna, Park Rapids, Richfield, Roseville, Shakopee, St. James, St. Peter, Two Harbors, Wadena, Waseca, Windom, and Winona

**Explanation of the Bill**

This local impact note was requested on SF 22 (Wiger) / HF 195 (Norton et al.) and SF 23 (Wiger) / HF 194 (Norton et al.) relating to school start dates in Minnesota. SF 22 / HF 195 would allow school districts to begin school on any day before Labor Day only for the 2009 – 2010 and 2010 – 2011 school years, while SF 23 / HF 194 repeals M.S., section 120A.40 in order to allow school districts to start school any day before Labor Day for any year starting with the 2009 – 2010 school year.

**Local Impact Analysis Methodology**

To assess the impact of removing the post Labor Day mandated school start on local governments in Minnesota, MMB analyzed local lodging tax receipts collected by approximately 109 cities across Minnesota. A local unit of government may impose a tax on lodging in one of two ways:

- A local unit of government receives authorization under a special law;
- A city or town may impose a tax of up to 3% on lodging under general authorization provided in M.S., Section 469.190.

There are 9 cities across the state that collect a special authorization tax that ranges 2% - 7%, while approximately 100 cities levy the general authorization 3% lodging tax.<sup>1</sup>

To estimate the local government impact of SF 22 / HF 195 and SF 23 / HF 194 MMB analyzed lodging tax receipts throughout Minnesota. Data was collected by contacting the cities that collect this tax directly. MMB worked with Explore Minnesota Tourism and the League of Minnesota Cities to develop a contact list of cities that collect a lodging tax. All totaled, MMB administered a survey to 97 Minnesota cities that impose lodging taxes.

### **Lodging Tax Receipt Survey<sup>2</sup>**

This analysis estimates the costs to local governments that would result from Minnesota schools starting school before Labor Day each year. To get this information MMB surveyed 97 Minnesota cities that collect either a special authorization lodging tax between 2% - 7% of lodging receipts or the general authorization lodging tax of 3%. A total of 44 cities responded to a survey, which contained the following questions:

1. Please provide the total lodging tax (Local option sales tax, special authorization tax) revenue for 2007 for your city/entity.
  - a. What percentage of your total revenue for 2007 came from lodging tax revenues?
  - b. What percentage of your total general fund revenue for 2007 came from lodging tax revenues?
2. Please estimate the amount of revenue losses that you would expect as a result of a one week earlier start to the public school year (for instance, rather than starting on September 8, 2009; schools would start August 31, 2009).
3. Please estimate the amount of revenue increase you would expect as a result of a one week earlier school release (for instance, rather than releasing on June 12, 2009; schools would release June 5, 2009).
4. Please list any other fiscal concerns you have related to the passage of this bill.

Of the 44 cities that responded to the survey, 30 were able to estimate the impact on lodging tax revenues if public schools started the week before Labor Day in the late summer and ended one week earlier in the spring/early summer.

### **Local Impact Analysis of SF 22 / HF 195 and SF 23 / HF 194 for 2007:**

To estimate the local government costs associated with SF 22 / HF 195 and SF 23 / HF 194 for 2007 MMB took the average net revenue impact for the 30 cities that responded to the survey and applied the rate of net revenue change to the total local lodging tax revenue for the entire state in 2007.

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<sup>1</sup> The Cities that impose a special authorization lodging tax are Bloomington, Duluth, Minneapolis, Rochester, St. Cloud, St. Paul, Two Harbors, Winona and a consortium of the Cook County towns of Lutsen, Schroeder and Tofte.

<sup>2</sup> Detailed survey responses are included in the appendix to this document.

The table below summarizes local government survey responses and estimates the statewide impact if school had started the week before Labor Day in 2007:

	Estimated revenue losses due to 1 week earlier school start	Estimated revenue increase due to 1 week earlier school release	Net Revenue
Average	1.24%	0.84%	-0.39%
Range	0% - 8.90%	0% - 6.81%	-8.9% - .5%
2007 Statewide impact*	\$609,387	\$416,165	(\$193,223)

\*2007 State wide lodging tax receipts totaled \$49,271,000.<sup>3</sup>

From this estimate the following estimates for FY 2010 – FY 2013 can be developed for the overall statewide impact on local units of government of SF 22 / HF 195 and SF 23 / HF 194:

**Statewide local cost estimate of SF 22 / HF 195 and SF 23 / HF 194 for FY 2010 – FY 2013:**

<b>Local Fiscal Impact</b>				
Net Expenditure Increase/Revenue Loss or (Expenditure Decrease/Revenue Gain)				
Dollars in Thousands, State Fiscal Years				
	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
<b>Statewide</b>	(\$186)	(\$190)	(\$195)	(\$199)
* Estimates adjusted to include actual and forecasted inflation rates for 2008 - 2013.				

**Other Considerations**

Other local impacts of SF 22 / HF 195 and SF 23 / HF 194 were considered including the impact on sales taxes, law enforcement costs and others. However these costs were not included in this note because MMB assumed that they would be offset due to the zero net change in the number of school days students are in session.

The representative for the Congress of Minnesota Resorts (CMR) was consulted regarding this local impact note as requested by Senator Bakk in the letter requesting this note. Additionally, survey data on local lodging tax collections provided by Explore Minnesota Tourism was analyzed in the preparation of this local impact note, however, it was not included in the final analysis due to inconsistencies between survey collection periods.

<sup>3</sup> 2007 Lodging tax data obtained from MN DOR 2008 Tax Handbook:  
[http://www.taxes.state.mn.us/taxes/legal\\_policy/research\\_reports/content/handbook.shtml](http://www.taxes.state.mn.us/taxes/legal_policy/research_reports/content/handbook.shtml)

Appendix: Detailed Survey Responses

City	Total 2007 Lodging Tax	Percentage of Revenue	Percentage of General Fund Revenue	Estimated revenue loss - 1 week earlier start	Estimated revenue increase - 1 week earlier release	Other fiscal concerns
Alexandria	\$ 206,677	< 1%	0.16%	\$ 300	\$ 300	-
Apple Valley	\$ 42,039	0.06%	0.00%	\$0	\$0	-
Baxter	\$ 263,629	1.40%	5.10%	\$ 5,600	\$ 7,000	-
Bemidji	\$ 261,610	< 1%	0.16%	5%	5%	-
Benson	\$ 30,577	< 1%	1.10%	\$0	\$0	-
Blue Earth	\$ 4,470	-	-	-	-	-
Brooklyn Center	\$ 706,930	2.90%	4.50%	-	-	Local option sales tax is different from lodging tax
Brooklyn Park	\$ 310,665	<0.001	<0.001	\$0	\$0	-
Burnsville	\$ 308,176	0.70%	1%	\$0	\$0	-
Cloquet	\$ 49,937	< 1%	< 1%	\$0	\$0	Less traffic and gas purchased in city
Detroit Lakes	\$ 156,411	3%	-	\$0	\$0	-
Duluth	\$ 3,323,225	2.20%	0.67%	-	-	-
Eagan	\$ 876,234	-	3.38%	\$ 18,500	\$ 21,000	-
East Grand Forks	\$ 13,621	0.10%	0.17%	\$0	\$0	-
Ely	\$ -	-	-	-	-	-
Eveleth	\$ 37,163	0.38%	0.43%	-	-	-
Fairmount	\$ 120,455	1%	2%	\$0	\$0	-
Faribault	\$ 83,678	<0.005	0.02%	-	-	-
Fergus Falls	\$ 117,639	0.40%	1.20%	\$ 2,000	\$ 1,000	-
Ham Lake	\$ 1,074	-	0.02%	-	-	-
Hastings	\$ 75,221	0.002%	0.005%	-	-	-
International Falls	\$ 92,392	1%	3%	\$ 5,000	\$ 6,200	-
Inver Grove Heights	\$ 85,177	0.28%	0%	-	-	-
Jackson	\$ 50,717	0.58%	2.13%	\$0	\$0	-
Little Falls	\$ 60,311	-	0.02%	-	-	-
Long Beach	\$ 2,571	0.00%	0.03%	\$ 200.00	\$ 175.00	-
Luverne	\$ 23,150	< 1%	< 1%	\$0	\$0	-
Maple Grove	\$ 20,571	<0.05%	0.07%	\$0	\$0	-
Minneapolis	\$ 6,573,633	9%	0.00%	15 - 25,000	-	hotels are concerned about state fair bookings - loss between 15 - 25,000
Moorhead	-	-	-	-	-	-
North Mankato	\$ 53,030	0.60%	1.0%	\$500	\$500	-
Osakis	\$ 30,743	2.50%	2.50%	\$ 1,000	\$ 400	-
Owatonna	\$ 232,063	0.89%	0%	-	-	-
Park Rapids	\$ 67,061	0.42%	2.60%	-	-	less traffic and general purchases
Richfield	-	-	-	-	-	-
Roseville	-	-	-	-	-	-
Shakopee	\$ 200,682	0.83%	1.30%	\$ 6,020	\$ 3,000	-
St. James	\$ 119	< 1%	< 1%	\$0	< \$1.00	-
St. Peter	\$ 33,700	0.11%	0.61%	\$ 3,000	\$0	decreased money to spend on tourism
Two Harbors	\$ 81,693	0.0002%	0.02%	\$0	\$0	-
Wadena	\$ 30,236	< 0.05%	1.5%	\$0	\$0	-
Waseca	\$ 1,296	< 1%	< 1%	\$0	\$0	-
Windom	\$ 31,190	0.002%	1.39%	\$ 423	\$ 372	decrease in gas tax receipts; less livestock events means less general business sales
Winona	\$ 319,441	1.70%	0.09%	\$0	\$0	-