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2016-17 Governor's Budget - Tax Aids, Credits and Refunds

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AT A GLANCE

In 2013 we paid:

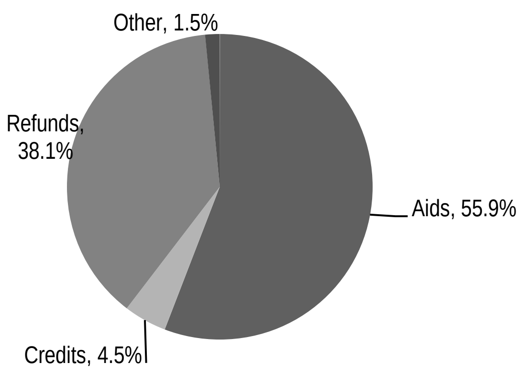
- $736 million in aids to local governments
- $502 million in property tax refunds to individuals
- $60 million in credits to reduce individuals' and businesses' property taxes
- $20 million in other programs

PURPOSE

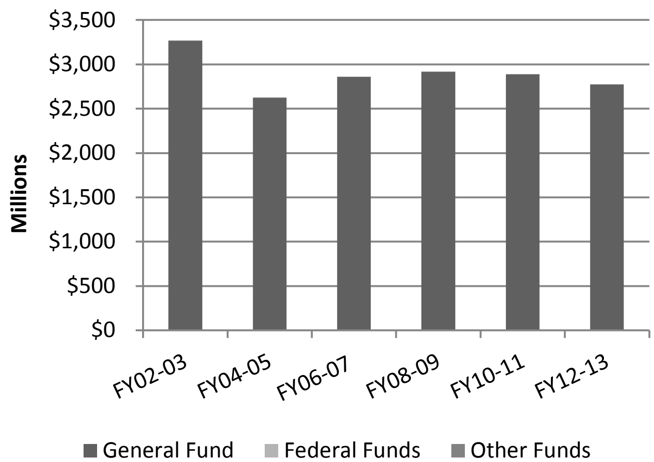
Property taxes are a primary source of funding for local governments. Property tax amounts are not linked to ability to pay and can be a significant cost relative to income for some taxpayers. Tax Aid, Credit and Refund programs administered by the Department of Revenue provide direct property tax relief for individual taxpayers and funding for local governments, including cities and counties.

BUDGET

Spending by Category
FY 13 Actual



Historical Spending



Source: Consolidated Fund Statement

Tax aids, credits, and refunds include three dozen programs administered by the Department of Revenue that make payments to individual taxpayers and local governments. In 2013 $1.3 billion in general fund dollars were spent through four types of programs: aids paid to local government to help them fund local services, credits that reduce the amount of property taxes individuals pay, refunds that provide individuals direct relief for taxes already paid, and other programs including the senior citizen property tax deferral program and tax refund interest payments.

STRATEGIES

Property tax aid, credit and refund programs:

- Target property tax relief based on income and ability to pay
- Provide aid to local governments and property tax relief to individuals to help make the services provided by local governments more affordable
- Address sudden increases in property taxes
- Encourage behavior which the state deems beneficial to achieving statewide outcomes.

(Dollars in Thousands)

Expenditures By Fund

	Actual FY12	Actual FY13	Actual FY14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
1000 - General	1,453,845	1,317,457	1,315,651	1,630,077	1,665,364	1,684,441	1,665,224	1,682,131
2000 - Restricted Misc Special Rev	370	469	463	550	551	551	551	551
2001 - Other Misc Special Rev	158	222	224	243	270	270	270	270
2360 - Health Care Access	295	457	353	371	364	385	364	385
2710 - Highway Users Tax Distribution	7	8	5	8	1	1	1	1
2720 - State Airports				1	1	1	1	1
2800 - Environmental	0	0	0	1	1	1	1	1
2801 - Remediation Fund	0		0					
Total	**1,454,677**	**1,318,613**	**1,316,696**	**1,631,251**	**1,666,552**	**1,685,650**	**1,666,412**	**1,683,340**
Biennial Change				174,657		404,256		401,806
Biennial % Change				6		14		14
Governor's Change from Base								(2,450)
Governor's % Change from Base								0

Expenditures by Program

	Actual FY12	Actual FY13	Actual FY14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
Program: Refunds	498,418	501,792	481,569	642,390	647,320	654,850	647,150	652,210
Program: Local Aids	636,629	638,290	649,742	784,072	803,077	804,131	803,107	804,231
Program: Credits	36,178	38,334	36,055	55,492	55,417	55,888	55,417	55,888
Program: Pension-Related Aids	100,668	98,372	123,638	127,961	131,744	135,138	131,744	135,138
Program: Other Local Govt Payments	4,049	4,970	7,128	3,755	10,127	15,755	10,127	15,985
Program: Other Taxes and Refunds	24,350	14,792	18,546	17,581	18,867	19,888	18,867	19,888
Program: Rev Collect & Local Govt Aid	154,385	22,062	17	0	0	0	0	0
Total	**1,454,677**	**1,318,613**	**1,316,696**	**1,631,251**	**1,666,552**	**1,685,650**	**1,666,412**	**1,683,340**

Expenditures by Category

	Actual FY12	Actual FY13	Actual FY14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
Operating Expenses	4,406	4,798	5,248	5,136	5,042	4,994	5,042	4,994
Other Financial Transactions	24,376	14,833	14,908	13,932	14,418	14,439	14,418	14,439
Grants, Aids and Subsidies	1,425,895	1,298,981	1,296,540	1,612,183	1,647,092	1,666,217	1,646,952	1,663,907
Total	**1,454,677**	**1,318,613**	**1,316,696**	**1,631,251**	**1,666,552**	**1,685,650**	**1,666,412**	**1,683,340**

(Dollars in Thousands)

1000 - General

	Actual FY12	Actual FY 13	Actual FY 14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
Direct Appropriation	600	600	2,500	1,200	1,200	1,200	1,200	1,200
Open Appropriation	1,435,905	1,300,265	1,292,367	1,608,960	1,644,188	1,663,209	1,644,048	1,660,899
Net Transfers	17,342	16,592	19,084	19,942	19,976	20,032	19,976	20,032
Cancellations	1		300					
Expenditures	**1,453,845**	**1,317,457**	**1,315,651**	**1,630,077**	**1,665,364**	**1,684,441**	**1,665,224**	**1,682,131**
Biennial Change in Expenditures				174,426		404,077		401,627
Biennial % Change in Expenditures				6		14		14
Gov's Exp Change from Base								(2,450)
Gov's Exp % Change from Base								0

2000 - Restricted Misc Special Rev

	Actual FY12	Actual FY 13	Actual FY 14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
Balance Forward In	2,699	2,335	1,653	974	1,160	649	1,160	649
Receipts	4,636	4,718	5,231	6,025	5,355	5,355	5,914	5,965
Net Transfers	(4,630)	(4,930)	(5,448)	(5,288)	(5,315)	(5,315)	(5,874)	(5,925)
Expenditures	**370**	**469**	**463**	**550**	**551**	**551**	**551**	**551**
Balance Forward Out	2,335	1,653	974	1,160	649	138	649	138
Biennial Change in Expenditures				173		89		89
Biennial % Change in Expenditures				21		9		9
Gov's Exp Change from Base								0
Gov's Exp % Change from Base								0

2001 - Other Misc Special Rev

	Actual FY12	Actual FY 13	Actual FY 14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
Balance Forward In	26	26	26	26	26	26	26	26
Net Transfers	158	222	224	243	270	270	270	270
Expenditures	**158**	**222**	**224**	**243**	**270**	**270**	**270**	**270**
Balance Forward Out	26	26	26	26	26	26	26	26
Biennial Change in Expenditures				87		73		73
Biennial % Change in Expenditures				23		16		16
Gov's Exp Change from Base								0
Gov's Exp % Change from Base								0

(Dollars in Thousands)

2360 - Health Care Access

	Actual FY12	Actual FY 13	Actual FY 14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
Open Appropriation	295	457	353	371	364	385	364	385
Expenditures	**295**	**457**	**353**	**371**	**364**	**385**	**364**	**385**
Biennial Change in Expenditures				(28)		25		25
Biennial % Change in Expenditures				(4)		3		3
Gov's Exp Change from Base								0
Gov's Exp % Change from Base								0

2710 - Highway Users Tax Distribution

	Actual FY12	Actual FY 13	Actual FY 14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
Open Appropriation	21,203	21,793	21,722	22,379	22,469	22,463	30,698	34,553
Net Transfers	(21,196)	(21,784)	(21,717)	(22,371)	(22,468)	(22,462)	(30,697)	(34,552)
Expenditures	**7**	**8**	**5**	**8**	**1**	**1**	**1**	**1**
Biennial Change in Expenditures				(3)		(11)		(11)
Biennial % Change in Expenditures				(20)		(84)		(84)
Gov's Exp Change from Base								0
Gov's Exp % Change from Base								0

2720 - State Airports

	Actual FY12	Actual FY 13	Actual FY 14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
Open Appropriation	0	0	0	1	1	1	1	1
Expenditures				**1**	**1**	**1**	**1**	**1**
Biennial Change in Expenditures				1		1		1
Biennial % Change in Expenditures						100		100
Gov's Exp Change from Base								0
Gov's Exp % Change from Base								0

2800 - Environmental

	Actual FY12	Actual FY 13	Actual FY 14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
Direct Appropriation	0	0	0	0	0	0	0	0
Open Appropriation	0	0	0	1	1	1	1	1
Receipts	109	109	109	109	109	109	109	109
Cancellations	109	109	109	109	109	109	109	109

(Dollars in Thousands)

2800 - Environmental

Expenditures	**0**	**0**	**0**	**1**	**1**	**1**	**1**	**1**
Biennial Change in Expenditures				1		1		1
Biennial % Change in Expenditures				10,101		100		100
Gov's Exp Change from Base								0
Gov's Exp % Change from Base								0

2801 - Remediation Fund

	Actual		Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY12	FY 13	FY 14	FY15	FY16	FY17	FY16	FY17
Balance Forward In	9		0					
Open Appropriation	0		0					
Receipts	0	5	0	0	0	0	0	0
Net Transfers	(9)							
Expenditures	**0**		**0**					
Balance Forward Out		5						
Biennial Change in Expenditures				0		0		0
Biennial % Change in Expenditures				(92)		(100)		(100)

Change Item: Child and Dependent Care Credit Expansion

Fiscal Impact ($000s)	FY 2016	FY 2017	FY 2018	FY 2019
General Fund				
Expenditures	0	0	0	0
Revenues*	($50,300)	($52,900)	($52,900)	($55,600)
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact =	$50,300	$52,900	$52,900	$55,600
FTEs	0	0	0	0

* The revenue impact of this change item includes an interaction with the Governor's Statewide Prekindergarten Program education proposal.

Recommendation:

The Governor recommends expansion of the Minnesota Child and Dependent Care Credit to 92,000 new families by moving the income cap for eligibility from $39,000 to $112,000 for families with one child and $124,000 for families with two children. The Minnesota credit would remain refundable, unlike the federal credit. This is effective starting in tax year 2015.

Rationale/Background:

Child care costs have risen dramatically; in Minnesota the average cost for one child at a care center is $885 per month, or $10,620 per year. The credit helps provide families with economic security. Too many parents are forced to leave the workforce because it makes more financial sense to care for their children than keep their job. To make child care more affordable for working families, this proposal would:

- Raise the income cap on the state credit (currently $39,000) to $112,000 for families with one child, and $124,000 for families with two children.
- Expand the credit to 92,000 NEW families. In all, 130,000 households would qualify, with a $481 average credit.
- 110,000 families will receive an average credit increase of $429.
- Increase the maximum credit to $2,100 from the current $1,440 maximum.
- For those earning in between $43,000 and $100,000, provide up to a $1,200 credit for two dependents, or a $600 credit for one dependent.
- Conform to the federal credit up to $100,000 and phasing down after that while remaining refundable and keeping Minnesota exceptions for newborns and daycare providers.

Child care is one of the largest costs to working parents in Minnesota, usually second only to housing. Expanding the Minnesota Credit helps relieve those large costs for families, making it possible for more parents to go to work. Currently 71% of mothers work outside the home, which is a decrease from 77% just four years ago.

Proposal Details:

This proposal expands the Minnesota Child and Dependent Care Credit to 92,000 new families by moving the income cap for eligibility from $39,000 to $112,000 for families with one child and $124,000 for families with two children. The Minnesota credit would remain refundable, unlike the federal credit. This is effective starting in tax year 2015. It keeps the credit refundable and retains Minnesota exceptions for newborns and daycare providers for taxpayers currently receiving it.

Results:

Type of Measure	*Impact*
Transparency, Understandability, Simplicity, & Accountability	Increase

Statutory Change(s):

Minnesota Statute 290.067

Change Item: Corporate Tax Reform

Fiscal Impact ($000s)	FY 2016	FY 2017	FY 2018	FY 2019
General Fund				
Expenditures	0	0	0	0
Revenues	$8,000	$9,400	$11,700	$13,800
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact =	($8,000)	($9,400)	($11,700)	($13,800)
FTEs	0	0	0	0

Recommendation:

The Governor recommends a set of reforms for taxes for corporations by ending advantageous tax breaks for certain types of businesses, leveling the playing field for certain business transactions, and making corporate taxes simpler by providing clarity to current laws. This package includes seven proposals, five of which raise revenue, one has no impact in the forecast window, and one provides a tax cut.

Rationale/Background:

As business tax structures become more and more complex it can be difficult for taxes to keep pace with how corporations do their business. This proposal reforms part of the corporate tax to ensure it does not fall behind.

This set of proposals reforms some taxes for corporations by ending advantageous tax breaks for certain types of businesses, leveling the playing field for certain business transactions, and making corporate taxes simpler by providing clarity to current laws. This package includes seven proposals, five of which raise revenue, one has no impact in the forecast window, and one provides a tax cut. These proposals are effective for tax year 2015 and after.

1. *Insurance Company Used to Shelter Income*

   Include non-admitted insurance companies in the combined unitary business return.

   This proposal addresses a gap which businesses have been using to shift income previously subject to corporate tax to a qualifying insurance company member that is not subject to the tax.

2. *Accelerate Gain on Sale of Business*

   Accelerate recognition of a gain from the sale of a pass-through business – one sold using the installment sale reporting method and resulting in the owner no longer having a Minnesota reporting requirement.

   This proposal addresses complex sale of business transactions designed to avoid state taxation.

3. *Apportionment Sales Factor to Exclude Derivatives*

   Exclude the sale of derivatives from the apportionment sales factor.

   This proposal clarifies how the income from the business is allocated to the state.

4. *Dividend Received Deduction from Debt Financed Stock*

   Exclude dividends received from debt-financed stock when calculating the dividend received deduction.

   This proposal removes an unintended additional benefit to corporations which receive dividends from debt-financed stock from the current statute. It also fixes an issue of dividends received from debt-financed stock being included in calculating the dividend received deduction – taxpayers may report a net loss when actually net income was realized.

5. *Modify the Definition of a Financial Institution*

   Expand the definition of "financial institution" beyond corporations to include all entities, including partnerships and limited liability companies (LLCs) performing the activities of a financial institution.

   This proposal removes the advantage of transferring loans and interest income to an affiliated partnership or LLC not treated as a financial institution. It reflects a more consistent way to report and pay taxes for partnerships or LLCs.

6. Preventing Tax Evasion

Restrict transactions or organizational structures that are structured to avoid tax and do not serve a business purpose.

This proposal includes a penalty for using the transactions or organizational structures that do not serve a business purpose.

7. Establish a Base Year Percentage for the Research Credit

Would allow taxpayers to use a 16% base year percentage for calculating their R&D credit when the records are no longer available for the base years.

This proposal intends to allow the credit even where a taxpayer cannot produce documentation to substantiate the base year activities for increasing research activities. Currently, when the base year records are not available the credit can be disallowed because of lack of documentation.

Proposal Details:

1. Includes non-admitted insurance companies in the combined unitary business return.
2. Adds a new subdivision to accelerate recognition of a gain from the sale of a pass-through business when it is sold utilizing the installment sale reporting method and the owner subsequently resides outside Minnesota.
3. Excludes the sale of derivatives from the apportionment sales factor.
4. Excludes dividends received from debt-financed stock when calculating the dividend received deduction.
5. Expands the definition of "financial institution" beyond corporations to include all entities performing the activities of a financial institution.
6. Restricts transactions or organizational structures that are structured to avoid taxes and do not serve a business purpose. It includes a penalty for using the transactions or organizational structures that do not serve a business purpose.
7. Allows taxpayers to use a 16% base year percentage for calculating their R&D credit when the records are no longer available for the base years.

Results:

Type of Measure	*Impact*
Transparency, Understandability, Simplicity, & Accountability	Increase
Efficiency & Compliance	Increase
Competitiveness for Business	Increase

Statutory Change(s):

Minnesota Statutes 290.17, subd. 4(a), M.S. 290.191, subd. 5(a), M.S. 290.01 and M.S. 290.21, Subd. 4(c).

Change Item: Modernize Railroad Property Tax

Fiscal Impact ($000s)	FY 2016	FY 2017	FY 2018	FY 2019
General Fund				
Expenditures	$224	($2,334)	($2,334)	($2,334)
Revenues	$10,530	$18,820	$19,350	$20,000
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact =	($10,754)	($21,154)	($21,684)	($22,334)
FTEs	0	0	0	0

Recommendation:

The Governor recommends expanding the taxable property of railroads to include property like rolling stock while also simplifying outdated rules for taxing railroads. The total C/I levy would be increased the same amount of tax that the newly eligible railroad property generated, keeping taxes flat for other businesses paying the C/I levy. There would be an administrative cost for the Department of Revenue in the first year of $224,000 for programming in the integrated tax system, and smaller administrative costs of $56,000 in future years for administrative costs and additional attorney fees.

Rationale/Background:

Minnesota's procedures for calculating taxes on railroad property are rigid and outdated. This proposal would:

- Provide local property tax relief to homeowners.
- Provide a more fair treatment of railroad property.
- Align our procedures with current property tax laws and with the procedures of other states.
- Eliminate obsolete calculations in valuating railroad property.
- Make Minnesota's property tax system more consistent.

Proposal Details:

This proposal would expand the taxable property of railroads to include property like rolling stock, and increase the commercial/industry levy to be consistent with the new funding. That would result in lower property taxes for homeowners. It would also modernize railroad property taxes and make them more consistent with other property tax valuations. The proposed policy changes would be effective for the 2015 assessment to allow for forms and instructions to be updated. The proposed effective date for any technical sections is the date following final enactment.

Current laws do not provide for an accurate determination of the fair market value of railroad operating property. This proposal would allow the commissioner to use modern, generally accepted appraisal practices to estimate market value for railroads, update obsolete language, and reduce the burden of resources spent on dealing with appeals stemming from outdated appraisal methodology.

Railroads are assessed by the State Assessed Property Section of the Minnesota Department of Revenue Property Tax Division. They cannot be locally assessed because they cross many jurisdictions. Assessments are completed annually for all railroads operating in Minnesota. They are guided by Minnesota Rule 8106 and are completed using unitary valuation.

Although Minnesota law directs the commissioner to use generally accepted appraisal principles and practices to determine the value of a railroad, Minnesota Rule 8016 prescribes a rigid and outdated methodology. The law also limits the operating property included in the valuation.

A November 2011 study of Minnesota's Railroad Rule recommended changes to Minnesota Rule 8016. This study included a survey of other states concerning their methodologies used to value railroad property. This proposal incorporates information gained from that study. Most of the changes in this proposal, including the taxation of rail cars, have precedence in other states.

Results:

Type of Measure	*Impact*
Transparency, Understandability, Simplicity, & Accountability	Increase
Horizontal Equity	Increase

Statutory Change(s):

Minnesota Statutes 270.80-270.87, 272.02 subd. 9(b), 273

Change Item: Stop Cigarette Smugglers

Fiscal Impact ($000s)	FY 2016	FY 2017	FY 2018	FY 2019
General Fund				
Expenditures	$1,421	$1,036	$1,036	$1,036
Revenues	$2,126	$2,126	$2,126	$2,126
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact =	($705)	($1,090)	($1,090)	($1,090)
FTEs	11.00	11.00	11.00	11.00

Recommendation:

The Governor recommends enhancing tobacco enforcement with more anti-smuggling personnel, increase penalties on law breakers, and create a statewide license for retailers to ensure that honest businesses are not at a competitive disadvantage. This proposal includes an administrative cost to establish a state-wide license for retailers and an ongoing to cost for expanding Revenue's tobacco enforcement team.

Rationale/Background:

In 2013, the cigarette and tobacco taxes were raised to promote the health of all Minnesotans and balance the budget. Since then smuggling of cigarettes and other tobacco products into the state has substantially increased. To put a stop to this illegal activity, this proposal would enhance enforcement with more anti-smuggling personnel, increase penalties on law breakers, and create a statewide license for retailers to ensure that honest businesses are not at a competitive disadvantage.

1. *Enhance the Department of Revenue's tobacco enforcement team, increasing the number of inspections, assessments, and seizures relating to the sale of untaxed tobacco products in Minnesota*
   In the past year, concern about the level of compliance with tax laws related to tobacco products has grown. In 2014, 40% of retail inspections resulted in either a seizure or assessment related to the discovery of untaxed tobacco products. In these inspections, Revenue uncovered increasing evidence of tax evasion. To fully investigate areas of non-compliance and charge the offenders with tax crimes, Revenue needs additional resources. This was one of the recommendations in the 2014 Tobacco study.

2. *Establish a state-wide license for retailers and enhance the state-wide license for distributors*
   Currently, retailers of cigarette and tobacco products are only licensed by local cities and counties. Revenue relies on hundreds of cities and counties for information to enforce the cigarette and tobacco statutes. The information on who is licensed is often incomplete or absent. This was one of the recommendations in the 2014 tobacco study. Creating a state license will:
   - Optimize the enforcement of tobacco products
   - Create an accurate list of retailers in Minnesota that could be shared and used by multiple agencies throughout the State of Minnesota to enforce tobacco laws relating to both tax and health initiatives
   - Provide Revenue with the ability to suspend or revoke a retail license if the taxpayer is found to be non-compliant

3. *Institute penalties for non-compliance with tobacco tax laws – including suspension of retail license and civil and criminal penalties*
   Currently, there are no civil penalties for retailers who are found to be stocking or selling untaxed tobacco products. Civil penalties administered by Revenue would provide retailers with a financial disincentive to purchase untaxed tobacco products from smugglers. In addition to civil penalties, revocation of the new state license for selling cigarettes and tobacco products, and criminal penalties when appropriate, would provide retailers with additional disincentive to purchase untaxed tobacco products from smugglers. Several other states such as Iowa, Illinois, and Ohio have a tiered penalty system for retailers of tobacco products. This was one of the recommendations in the 2014 Tobacco study.

Proposal Details:

1. Enhance the Department of Revenue's tobacco enforcement team, increasing the number of inspections, assessments, and seizures relating to the sale of untaxed tobacco products in Minnesota
2. Establish a state-wide license for retailers and enhance the state-wide license for distributors
3. Institute penalties for non-compliance with tobacco tax laws – including suspension of retail license and civil and criminal penalties

Results:

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Target*
Quantity	Seizure Rate related to Retail Compliance Inspections	7.71%	43.32%	Decrease
Quality	Rate of Cigarette and Tobacco Criminal Cases being submitted for Criminal Prosecution	N/A	6.72%	Increase
Results	Minnesota Smuggled Tobacco consumed as a percentage of total Tobacco Products Consumed	N/A	N/A	Decrease

Statutory Change(s):

Minnesota Statutes 289A.63; 297F.01 Sub 12; 297F.03, Subd. 5; 297F.04, Subd 1 and Subd. 2; 297F.19; 297F.20 by adding Subd. and 609.035

Change Item: Senior Citizen Property Tax Deferral Enhancement

Fiscal Impact ($000s)	FY 2016	FY 2017	FY 2018	FY 2019
General Fund				
Expenditures	$0	$230	$370	$410
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact =	$0	$230	$370	$410
FTEs	0	0	0	0

Recommendation:

The Governor recommends amending the Senior Citizen Property Tax Deferral Program to lower the owner/occupancy requirements from 15 years to 5 years and move the application date deadline from July 1 to October 1. This would increase participation in the Senior Citizen Property Tax Deferral Program.

Rationale/Background:

This proposal would provide assistance to seniors to pay their property taxes. The changes proposed to this program would expand eligibility so more seniors are able to qualify for property tax deferrals, and simplify the filing process to make it easier to pay.

Senior citizens entering into this program are often struggling to remain in their homes while on fixed incomes. They often apply to this program to avoid delinquent property taxes and penalties, or to avoid being forced to sell their home because they cannot pay the taxes. Changing the ownership and occupancy from 15 years to 5 years would expand the program so that more seniors facing unique financial circumstances could stabilize their property tax burden. This proposal would:

- Help senior citizens so that more qualify for property tax benefits.
- Make property taxes easier to comply with for seniors.

Proposal Details:

This proposal would amend the Senior Citizen Property Tax Deferral Program to:

- Lower the owner/occupancy requirements from 15 years to 5 years.
- Move the application date deadline from July 1 to November 1.

The purpose of the proposal is to expand the deferral program so that more senior citizens having difficulty paying their property taxes will qualify. Homeowners and counties will continue to be notified of program acceptance status on or before December 1.

Owner/Occupancy Requirement

Currently, the Senior Citizen Property Tax Deferral Program requires senior citizens to own and occupy their homesteaded property for 15 years or longer. Reducing the length of time requirement to five years will increase the opportunity for seniors to take part in this program. Living patterns for seniors are changing and fewer occupy the same home for over 15 years. Washington has a similar deferral program. To enroll in their program, you must have lived in your home for one day. It is difficult to estimate how many may take advantage of this change because senior citizens are made aware of the 15-year ownership and occupancy requirement when they apply for the program. As a result, many senior citizens terminate the application process when they determine that they do not meet this requirement.

Filing Requirement

The current July 1 filing requirement is a challenge for seniors. Taxpayers are often introduced to this program when they are struggling to pay the second half of their property taxes, due October 15. By the time they contact the department and attempt to get into the program for the following year, the July 1 deadline for filing has passed. Taxpayers applying for this program are often on a fixed income and trying to maintain a lifestyle that allows them to remain in their homes. When their application is denied, their property taxes may be delinquent and they are faced with penalties and interest.

Results:

Type of Measure	*Impact*
Transparency, Understandability, Simplicity, & Accountability	Increase

Statutory Change(s):

Minnesota Statute 290B.04 Subdivision1
Minnesota Statute 290B.03 Subdivision 1 (3)

Department of Revenue

FY16-17 Biennial Budget Change Item

Change Item: Estate Tax Recapture Tax related to Eminent Domain

Fiscal Impact ($000s)	FY 2016	FY 2017	FY 2018	FY 2019
General Fund				
Expenditures	0	0	0	0
Revenues	($50)	($50)	($50)	($50)
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact =	$50	$50	$50	$50
FTEs	0	0	0	0

Recommendation:

The Governor recommends a change in the law so that where farmland is acquired by government units through eminent domain, an heir would not have to pay the recapture tax for inherited farmland subject to the estate tax.

Rationale/Background:

Under current law if a taxpayer has inherited farm property subject to the estate tax, the law requires the heir to retain ownership and maintain tillable farmland for three years after the decedent's death. The recapture tax applies if the taxpayer sells or transfers any interest in the property for any reason to someone who is not a family member.

This proposal would change the law so that an heir would not have to pay the recapture tax if the farmland was acquired by government units through eminent domain.

By removing the Recapture Tax on farm properties acquired by governmental units, this proposal:

- Provides for fair solution to a situation that was not anticipated when the tax was enacted
- Addresses a situation for which current law does not provide any leeway

Proposal:

This proposal would remove the Recapture Tax when a qualifying farm property is acquired by a governmental unit through eminent domain or negotiated settlement. Like the Recapture Tax, this change would apply to estates of decedents who died after June 30, 2011.

The Recapture Tax normally applies when an estate claims an exemption for qualifying farm or small business property that does not meet the requirements for this exemption. The law requires the heir(s) of qualifying properties to retain ownership and maintain tillable farmland for three years after the decedent's death.

Results:

Type of Measure	*Impact*
Transparency, Understandability, Simplicity, & Accountability	Increase
Efficiency & Compliance	Increase
Stability and Predictability	Increase

Statutory Change(s):

Minnesota Statute 291.03 by adding a new subdivision

Change Item: 2015 Federal Conformity

Fiscal Impact ($000s)	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
General Fund					
Expenditures	0	0	0	0	0
Revenues	($19,905)	$22,400	($1,430)	($13,585)	($18,890)
Other Funds					
Expenditures	0	0	0	0	0
Revenues	0	0	0	0	0
Net Fiscal Impact =	$19,905	($22,400)	$1,430	$13,585	$18,890
FTEs	0	0	0	0	0

Recommendation:
The Governor recommends conforming Minnesota's tax code to the federal changes made in 2014 to simplify filing for hundreds of thousands of Minnesotans.

Rationale/Background:
Passing a conformity bill early in the session gives most taxpayers the opportunity to file right the first time. It eliminates unnecessary confusion and work. About 2.7 million taxpayers file individual income tax returns.

For the benefit and convenience of Minnesota taxpayers and because the state income tax return is linked to the federal return, Revenue opened the state income tax filing season on January 20, 2015, the same day as the Internal Revenue Service.

Congress' bi-partisan tax extenders include provisions that will benefit many Minnesotans, including:

- teachers who spend money out of their own pocket on school supplies
- students with tuition expenses
- homeowners paying mortgage insurance premiums
- businesses to simplify record keeping

Proposal Details:
This proposal matches Minnesota's tax code to the federal tax code for both individuals and businesses.

Individual Provisions
- Tuition Deduction for students
- Mortgage Insurance Premium Deduction for Homeowners
- Educator expenses deduction for teachers
- Mortgage Debt Forgiveness
- Tax Free IRA Distributions
- ABLE Account Program to provide tax free accounts to cover expenses like education for individuals with disabilities

Business Provisions
- Section 179 Expensing and Bonus Depreciation to better match federal schedule
- Depreciation for certain types of businesses
- Expensing for certain types of businesses

Results:

Type of Measure	*Impact*
Transparency, Understandability, Simplicity, & Accountability	Increase

Change Item: Revenue Allocation from Motor Vehicle Leases

Fiscal Impact ($000s)	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
General Fund					
Expenditures	0	0	0	0	0
Revenues	$3,700	$4,000	$4,200	$4,200	$4,200
CSAH and Transit Assistance Funds					
Expenditures	0	0	0	0	0
Revenues	($3,700)	($4,000)	($4,200)	($4,200)	($4,200)
Net Fiscal Impact =	0	0	0	0	0
FTEs	0	0	0	0	0

Recommendation:
The Governor recommends realigning the allocation of funds for revenue generated from sales tax on motor vehicle leases.

Rationale/Background:
This proposal fixes an error in Minnesota's budgeting system. Currently the Highway User and Transit Assistance Funds are receiving more funds from the sales tax than are supposed to be provided to it.

This proposal would:

- Align the revenue from motor vehicle leases with the appropriate funds.

Proposal Details:
This proposal realigns the allocation of funds for revenue generated from sales tax on motor vehicle leases. The purpose is to provide clarification that the legacy funds receive 0.375 percent of sales tax generated by these sales. The proposal would also allow allocations to the County State-Aid Highway Fund and the Greater Minnesota Transit Account based only on gross receipts from sales tax imposed at the 6.5 percent rate.

Current statute states that "net revenues" from motor vehicle leases must be deposited in the County State-Aid Highway Fund and the Greater Minnesota Transit Account. However, the state's constitution requires that this revenue must go to the legacy funds. Therefore, 0.375 percent of the revenue is transferred into the legacy funds and 6.875 percent is transferred into the County State-Aid Highway Fund and the Greater Minnesota Transit Account. While the transfers are directed under statute, the result is a total transfer of 7.25 percent of the revenue from motor vehicle lease purchases.

Realignment is necessary to clarify that legacy fund money should not be included in the "net revenues" because by law the receipts from the 0.375% rate must go to the legacy funds. Therefore, any calculation of the "net revenue" and the resulting amount to be allocated to the County State-Aid Highway Fund and the Greater Minnesota Transit Account should be based solely on the receipts from the tax imposed under the 6.5% rate.

Results:

Type of Measure	*Impact*
Transparency, Understandability, Simplicity, & Accountability	Increase

Statutory Change(s):
Minnesota Statute 297A.815, subd. 3

Department of Revenue

FY16-17 Biennial Budget Change Item

Change Item: Compressed Natural Gas (CNG) Definition and Gasoline Equivalent Fix

Fiscal Impact ($000s)	FY 2016	FY 2017	FY 2018	FY 2019
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Highway User Fund				
Expenditures	0	0	0	0
Revenues	($50)	($60)	($70)	($70)
Net Fiscal Impact =	$50	$60	$70	$70
FTEs	0	0	0	0

Recommendation:

The Governor recommends that the energy content calculation of compressed natural gas (CNG) align with the federal and industry standard and makes a corresponding change to the tax rate.

Rationale/Background:

This recommendation:

- Provides a simpler, easier to understand tax for businesses
- Will not affect the General Fund, but will use $50,000-$70,000 annually from the highway user fund
- Is requested by the industry

Proposal Details:

In addition to aligning the energy content of CNG with the federal and industry standard, this proposal makes a corresponding change to correct the tax rate for compressed natural gas so it continues to align with the current gasoline tax rate.

Current Minnesota law provides the British Thermal Unit (BTU) content for CNG at 1000 BTUs per cubic foot. The IRS and industry standard is 900 BTUs per cubic foot. The IRS and IFTA (International Fuel Tax Agreement) use the conversion factor of 126.67 cubic feet of CNG for every one gallon of gasoline. Current Minnesota law uses a conversion factor of 114.9 cubic feet of CNG for every one gallon of gasoline. Consistency with the IRS and IFTA will make filing tax returns consistent and easier for members of the industry by eliminating the need to use two different conversion factors, one in Minnesota and another elsewhere.

The change would: adopt the standard of 900 BTU's per cubic foot of CNG; change the conversion factor from 114.9 cubic feet of CNG per gallon of gasoline to 126.67 cubic feet of CNG per gallon of gasoline; and reduce the tax rate from $2.174/1000 cubic feet to $1.974/1000 cubic feet of compressed natural gas. This change would make it easier for taxpayers to calculate & pay the correct amount of tax by not having to "convert" their IRS calculation to Minnesota's different conversion factors & rate.

Results:

Type of Measure	*Impact*
Transparency, Understandability, Simplicity, & Accountability	Increase
Stability and Predictability	Increase

Statutory Change(s):

Minnesota Statutes 296A.01 Subd.12 and 296A.08 Subd. 2

Change Item: Amend Solid Waste Management Tax Language Rate

Fiscal Impact ($000s)	FY 2016	FY 2017	FY 2018	FY 2019
General Fund				
Expenditures	0	0	0	0
Revenues	$100	$120	$120	$130
Environmental Fund				
Expenditures	0	0	0	0
Revenues	$240	$270	$290	$300
Net Fiscal Impact = (Expenditures – Revenues)	($340)	($390)	($410)	($430)
FTEs	0	0	0	0

Recommendation:
The Governor recommends modernization of the Solid Waste Management Conversion rate.

Rationale/Background:
This proposal would modernize the Solid Waste Management Conversion rate. It currently uses an outdated rate of $2.00 which has not been updated since 1997. This change would give the commissioner authority to determine the conversion rate each year to ensure the rate keeps pace with changes in the economy.

Five other states tax garbage and none have a separate tax rate on construction and demolition waste. The current conversion rate is not reflective of the current volume to weight ratio in ensuring the same tax is paid no matter how it is taxed (for example, by ton or by capacity). Addressing this inconsistency, this proposal would:

- Provide a more accurate tax on solid waste.
- Make demolition waste consistent with industrial waste and in line with other states practices.
- Increase the simplicity and understandability of the tax on solid waste.

Proposal Details:
This proposal would delete the outdated conversion rate of $2.00 per ton used in the taxation of construction and demolition waste. It would also add authority for the commissioner of Revenue, in consultation with the commissioner of the Pollution Control Agency, to determine and publish a conversion rate schedule each year. This proposal makes this conversion rate in line with industrial waste and other states. It would be effective July 1, 2015.

Based on analysis of annual disposal information from disposal facilities, the $2.00 per ton rate no longer represents an accurate conversion of weight to volume. This change will authorize the Minnesota Department of Revenue to set updated conversion rates to ensure that the generator’s pay the same tax if they are billed by the container capacity or by the ton.

Solid waste management tax must be calculated according to container capacity, actual volume, or weight. In 1997, a conversion rate of $2.00 per ton for construction and demolition waste was established.

The conversion rate allows Solid Waste Management taxpayers to pay the tax due based on volume or weight. The conversion rate for weight (tonnage) is used to approximate the tax that would be calculated based on volume.

Results:

Type of Measure	*Impact*
Transparency, Understandability, Simplicity, & Accountability	Increase

Statutory Change(s):
Minnesota Statutes 297H.04 subd. 2 (c) (1)

Change Item: Home Office Deduction Calculation

Fiscal Impact ($000s)	FY 2016	FY 2017	FY 2018	FY 2019
General Fund				
Expenditures	($170)	($250)	($330)	($420)
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact =	($170)	($250)	($330)	($420)
FTEs	0	0	0	0

Recommendation:

The Governor recommends a consistent method of calculating the home office deduction for the purposes of the property tax refund.

Rationale/Background:

For income tax purposes, taxpayers may claim a business deduction for certain expenses in maintaining their home if they use a portion of their home regularly and exclusively for business. This deduction is commonly referred to as the "home office deduction."

Since the 1975 property tax refund, taxpayers who claim this income tax deduction have been required to calculate their property tax refund by allocating their property taxes between the part of their home they use as their homestead and the part they use for their business.

This proposal moves Minnesota closer to conformity with the federal tax code by matching the IRS tax treatment of the home office deduction for purposes of the property tax refund. This proposal would:

- Continue to match the federal home office deduction while ensuring that all taxpayers who claim the deduction are treated the same when they file for a state property tax refund.

Proposal Details:

Taxpayers may use either of two methods used to calculate this deduction:

1. **Traditional method** – This method, in use since the 1970s, requires taxpayers to determine their costs to maintain a home office. The deduction for property taxes is based on the percentage of the home used for business. For example, if a home office takes up 25% of the home, 25% of the property taxes can be included in the home office deduction.

2. **Simplified method** – This method, first allowed for tax year 2013, allows taxpayers to deduct $5 per square foot (rather than allocating their costs) for the business part of the home.

Like the IRS, Minnesota recognizes both methods of calculating the home office deduction on income tax returns. But under current law, each method affects the state property tax refund differently:

1. **Traditional method** – Taxpayers who used this method are required to allocate property taxes between business and homestead use when filing for a property tax refund. For example, if they used 25% of their home for business, the refund is based on 75% of their property taxes payable.

2. **Simplified method** – Under current law, taxpayers who used this method are not required to allocate property taxes when filing for a property tax refund. For example, if they used 25% of their home for business, the refund is based on 100% of their property taxes payable.

This proposal would require <u>all</u> taxpayers who claim the home office deduction to allocate their property taxes when filing for a property tax refund. This proposal will ensure equal treatment of all taxpayers who claim the deduction and file for a property tax refund.

Results:

Type of Measure	*Impact*
Transparency, Understandability, Simplicity, & Accountability	Increase

Statutory Change(s):

Minn. Stat. section 290A.03, subd. 13.

Change Item: Disallowance of Working Family Credit for Full-Year Nonresidents

Fiscal Impact ($000s)	FY 2016	FY 2017	FY 2018	FY 2019
General Fund				
Expenditures	$35	0	0	0
Revenues	$5,100	$5,200	$5,300	$5,300
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact =	($5,065)	($5,200)	($5,300)	($5,300)
FTEs	.48	0	0	0

Recommendation:

The Governor recommends that full-year nonresidents are removed from Working Family Credit eligibility. Part year residents would remain eligible.

This proposal would include a onetime administrative cost of $35,000 for the Department of Revenue for changes in the integrated tax system and dealing with an increased number of returns with errors in FY 2016.

Rationale/Background:

As an example, Wisconsin residents that are working in Minnesota and are within the income limits of the Working Family Credit receive the credit from both Minnesota and Wisconsin. Minnesota residents working in Wisconsin do not receive equal treatment, only getting the credit from Minnesota. This proposal would make full-year nonresidents ineligible for the Minnesota Working Family Credit, effective for tax years beginning after December 31, 2014.

This proposal would:

- Follow the intention of the credit: to benefit Minnesota residents and part year residents.
- Cut down on fraudulent returns, which are more difficult to track on out-of-state claims.

Proposal Details:

This proposal removes full-year nonresidents from Working Family Credit (WFC) eligibility. This proposal is effective for tax years beginning after December 31, 2014. Full-year nonresidents will no longer qualify for the credit.

Results:

Type of Measure	*Impact*
Transparency, Understandability, Simplicity, & Accountability	Increase

Statutory Change(s):

Minnesota Statute 290.0671, subd.1(e)

Change Item Title: NexTen for Transportation

Fiscal Impact ($000s)	FY 2016	FY 2017	FY 2018	FY 2019
General Fund				
Expenditures	6,530	8,600	12,600	12,600
Revenues	(1,900)	(4,200)	(5,300)	(5,800)
*Highway User Tax Distribution Fund				
Expenditures	234	222	222	222
Revenues	364,570	562,095	584,142	637,447
Transfers Out	364,277	561,791	583,833	637,133
Trunk Highway Fund				
Expenditures	306,221	426,621	482,538	534,194
Revenues	209,712	323,774	336,834	368,218
County State Aid Fund				
Expenditures	115,894	178,928	186,145	203,489
Revenues	115,894	178,928	186,145	203,489
Municipal State Aid Fund				
Expenditures	30,442	46,999	48,895	53,451
Revenues	30,442	46,999	48,895	53,451
Net Fiscal Impact = (Expenditures – Revenues)	(104,939)	(115,647)	(163,604)	(184,376)
FTEs (MNDOT)	338	564	675	819
FTEs (DOR)	3	3	3	3
*HUTD Transfers out are including transportation funds only.				

Request:

The Governor recommends that the state commit to a major investment plan for transportation to fund the estimated $6 billion dollar gap that exists between funding needs and revenues in the next 10 years. The Governor proposes filling the $6 billion gap in road and bridge funding by:

- Initiating a 6.5% gross receipts tax on gas
- Increasing registration fees (increase additional tax rate from 1.25% to 1.5% and base tax from $10 to $20; phased-in over 4 years)
- Authorizing $2 billion in trunk highway bonds over the next 10 years
- Leveraging MnDOT efficiencies (up to15% of new revenue)

The gross receipts tax and registration tax increases will fund roads and bridges at the state, county and municipal levels.

The Governor recommends funding Department of Revenue's cost for administering the NexTen Transportation proposal. These costs include $234,000 in FY 2016 and $222,000 in subsequent years for initiating and implementing the 6.5% gross receipts tax on gas.

Other Components:

In addition to the new funding above, the Governor recommends:

- Appropriating the existing trunk highway fund balance for additional state road and bridge funding and to restore purchasing power to MnDOT's operations.
- Increasing general fund appropriations to fund transportation needs not eligible for trunk highway funds. These include:
  - Greater Minnesota transit - $4 million in FY16 and $6 million in FY17 for a $10 million increase for the biennium, with a $10 million dollar base increase in the following years.
  - Bike and pedestrian infrastructure, including Safe Routes to Schools – a $2.5 million annual base increase.

Decreasing general fund revenues of $4.1 million for the FY16-17 biennium for increased petroleum refunds and $2 million for increased income tax refunds from increased registration fees. Also, increasing general fund appropriations $130,000 for the biennium for increased aid under M.S. 270C.19 due to the increase in gas tax, and increasing highway user tax appropriations $456,000 for administrative costs related to the gross receipts tax.

Authorization for the sale of $2 billion in trunk highway bonds over the next ten years. Debt service for these bonds is estimated to be $2.750 million in FY 2016 and $29.734 million in FY 2017, a total of $32.484 for the FY2016-17 biennium. This estimate increases to $149.061 for the FY2018-19 biennium. These estimates were provided by the Department of Minnesota Management and Budget.

To maximize funding uses and deliver our program more efficiently the Governor recommends allowing the use of the State Road Construction appropriation for internal department costs associated with delivering MnDOT's construction program. Currently, consultant costs are eligible for State Road Construction funding, but costs for internal MnDOT staff are not.

Rationale/Background:

Minnesota cannot preserve and improve quality and performance of the state's transportation systems under current investment levels and current infrastructure lifecycle replacement practice. The consequences of underinvesting in the state's transportation system will include a deterioration in service, increase in congestion, failing infrastructure and diminished ability to remain economically competitive. This is because transportation systems facilitate the efficient movement of people and goods and create the opportunity for economic development, enhanced productivity, job formation and sustainable growth. Without additional investment, the transportation system will not be able to expand to accommodate expected population and job growth. In addition, alternatives to driving alone must play a larger role in satisfying growing transportation demand - roads, transit and other transportation modes must work together as one system.

<u>Road and Bridge funding components</u>

Inflation has overtaken revenue growth for transportation. In 2012 the Transportation Finance Advisory Committee (TFAC) determined additional funding was needed for transportation. The department faces a $6B gap in revenue over the next ten years above current fund balance projections, to fund activities such as state road construction and operations and maintenance. $4B is needed for preservation and modernization, and $2B is needed for strategic expansion.

Without additional revenue, there will be:

- Increased deterioration of pavement and bridges on state system
  - Currently 5% of highway pavement is considered in poor condition (rough driving surface); it is estimated to be 11% in 20 years
  - Currently 3% of bridge deck pavement is considered in poor condition; it is estimated to be 8-10% in 20 years
- Very little expansion to address population and economic growth
- Likely staff reductions at MnDOT, and therefore reduction of products and service delivery

In order to restore purchasing power lost from inflation, MnDOT needs operating appropriations increased 3 percent for FY 2016 and approximately 6 percent per year for FY 2017 (compounding from FY 2016). In addition, more operations and maintenance dollars are recommended, calculated as 5% of new trunk highway fund revenues. This additional funding will be spent on snow plowing, fixing pot holes and guard rails, etc. These are needed due to declining asset conditions, increased snow and ice requirements, and the need for more timely maintenance.

While the Department has always worked to be good stewards of public funds, the department has taken a more targeted approach to identify and quantify efficiencies as well as find areas for greater efficiencies. When the Department identifies savings on current projects, we release the programmed funds to advance additional projects (examples include the 494/694 project in Plymouth and Highway 371 north of Nisswa). Under this proposal, the Department commits to finding 15% efficiencies of new revenues.

<u>General Fund - Transit</u>

Greater Minnesota Transit has a statutory goal to meet 90% of the transit need by 2025. In 2013, public transit systems met 63% of the need, based on the demographic models developed for the recent Greater Minnesota Investment Plan. This gap of operating funds includes those needed by local service providers to deliver more service, acquire and replace buses, provide bus maintenance and storage facilities. A small portion will be used by MnDOT to administer the larger program and keep up with inflation.

General Fund – Bike and pedestrian infrastructure, including Safe Routes to Schools

There is a need to increase access to safe options for active transportation – walking and bicycling. Statewide Bicycle System and Pedestrian System plans are in progress to identify specific future needs. Since 2006 MnDOT has received Safe Routes to School applications requesting more than $100 million and has awarded approximately $17 million in grants, illustrating the gap between current need and investment. These grants to schools, in partnership with cities and counties, implement infrastructure projects that improve safety or access for children walking or bicycling to school.

Proposal:

Road and Bridge funding components

New revenues, bonding and MnDOT efficiencies would be identified to help close the funding gap in the next ten years. The goal is an integrated transportation system that optimizes the movement of people and goods across the state. With new funding, we can:

- Improve asset management - preserve and modernize the existing system
- Expand MnPASS and bus rapid transit lanes
- Complete strategic expansion on key corridors throughout the state
- Complete Main Street improvements

The benefits for taxpayers will include:

- reduced wear and tear on their cars
- fewer stops at the fuel pump
- fewer accidents
- more time doing what they need to do

MnDOT has identified pavement and bridge needs as well as mobility projects that are not currently being addressed through its 10-year work plan. These unmet needs and projects will be given priority. These funds will provide for capital costs of construction as well as project development and engineering activities of up to 17% of the project costs, allowing the department to utilize this funding in the most efficient manner.

Internally MnDOT will narrow the transportation funding gap by saving or avoiding costs through efficiencies, innovation and improved program and project management and thereby stretch public dollars further. Efficiencies will also be realized in the long-term asset management of the transportation system with increased benefits and savings when the right investment is made at the right time.

The increase in our operating and capital appropriations allow us to make more timely asset preservation investments and greater utilize our unreserved fund balance. This is reflected in the fiscal impact section which shows that expenditures will outpace the new revenue estimates. The agency understands that it is important to retain a reasonable amount of unreserved fund balance for unforeseen events, but also that the majority of the funds would be best used in state road construction and maintenance.

MnDOT proposes to utilize the increased operating appropriations for our highest-priority products and services. Some of these include:

- Snow and Ice - Keeping the roads clear of snow and ice
- System Roadway Structures Maintenance – remove potholes (Pavement repair)
- Bridges and Structures Inspection and Maintenance

General Fund – Transit

In Greater Minnesota, MnDOT's highest priorities will be to establish service in locations without any existing public transit. Currently, only Waseca County has no form of public transit service available, although many counties do not have county-wide service. Assuming all eligible locations are served by public transit, MnDOT's top priorities for service expansion include:

- Expand service hours in the morning and night to serve more trips
- Expand multi-county services to link more communities
- Provide service on more days of the week
- Expand service frequencies and coverage

General Fund – Bike and pedestrian infrastructure, including Safe Routes to Schools

Provide safe routes infrastructure to increase access to safe options for active transportation in communities across Minnesota. Safe routes for bicyclists and pedestrians are the most effective way to increase walking and bicycling. Safe bicycle and pedestrian access to schools for Minnesota children has numerous benefits including reducing congestion around schools, reducing school transportation costs, and providing an opportunity for physical activity which decreases obesity, improves health and supports academic achievement.

IT Related Proposals:

N/A

Results:

Road and Bridge funding components

MnDOT would plan to rehabilitate the system for the 21st century by:

- Improving 2,200 additional miles of pavement
- Repairing or replacing an additional 330 bridges, such as Robert St bridge over Mississippi River in St Paul
- Accelerate progress toward state goal of zero highway deaths with targeted installation of rumble strips, median barriers, lighting and other safety improvements .The Minnesota Toward Zero Death program has helped decrease traffic fatalities on Minnesota roads by 40.5% - saving an estimated 2,046 lives since 2003
- Keep roadside infrastructure in a state of good repair.

In addition, MnDOT has operating performance measures that will be impacted by this proposal. All are anticipated to decline without additional funding; and this would reduce the decline. They include:

- Snow Plowing Performance – meet clearance targets
- Smooth Roads – percent of pavement patching addressed
- Percent of projects let in the year scheduled

General Fund – Transit

The additional funding allows the State to meets 90% of projected need for Greater Minnesota transit by 2025 by increasing transit service by nearly 500,000 service hours.

General Fund – Bike and pedestrian infrastructure, including Safe Routes to Schools

Additional bicycle infrastructure investments would focus on local bicycle networks via local planning assistance with partners. Expanding the State Bikeways Systems (e.g. Mississippi River Trail) and investing in local network connection projects would also be prioritized.

Additional pedestrian infrastructure investments will improve the condition of existing infrastructure (sidewalks, pedestrian bridges, traffic signals, etc.), and fill gaps in the sidewalk network.

Increasing the Safe Routes to Schools investment would provide safer walking and biking to school options for thousands of school students.

Change Item: Transit Operations

Fiscal Impact ($000s)	FY 2016	FY 2017	FY 2018	FY 2019
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Funds				
Expenditures	164,300	259,600	270,600	280,600
Revenues	164,300	259,600	270,600	280,600
Net Fiscal Impact = (Expenditures – Revenues)	0	0	0	0
FTEs	0	0	0	0

Recommendation:

The Governor recommends enactment of a half-cent local sales tax in the seven county metropolitan area to expand the regional bus and transitway system. Revenues from the sales tax would allow for the following transit expansion:

- 27 percent expansion of existing bus operations and the related expansion capital, customer facility and technology needs;
- Provide 10 percent of the capital funding for implementation of seven new transitways including the Green Line extension, (Southwest LRT), Blue Line extension (Bottineau LRT), Orange Line (I-35W Highway BRT), Red Line extension (Cedar Avenue BRT), Gateway corridor busway, and the Riverview, and Red Rock corridors (mode still under study);
- Fund 50 percent of the net operating subsidy for nine transitways including the existing Blue, Green and Red Lines; the Green extension, Blue Line extension and Red Line extension, the Orange Line BRT, Gateway corridor, and Riverview corridor (Minn. Stat. 473.4051 states “after operating revenue and federal funds have been used to pay for light rail transit operations, 50 percent of the remaining operating costs must be paid by the state”);
- Provide the capital and operating funding for ten new arterial bus rapid transit and two new highway bus rapid transit lines;
- Provide for improved amenities for existing riders by preserving, modernizing and expanding shelters, vehicles, transit centers and other customer and support facilities;
- Provide competitive grants for transit oriented development (TOD) and bicycle and pedestrian facilities.

Rationale/Background:

Transportation needs are changing and growing as the region grows and changes. More people means more demand for transit - by 2040 the metropolitan area is expected to add over 800,000 more people and 550,000 new jobs. In addition, more people are choosing to use transit. From 2003 to 2013 transit ridership increased by over 28% from 73 million annual rides to over 94 million annual rides.

Millennials – those aged 16 to 34 the largest age cohort today – are choosing to drive less and use transit more frequently than past generations. Nationwide between 2001 and 2009 the average number of miles driven by millennials dropped 23 percent as young people are taking fewer and shorter trips. In addition, by 2040 the region will have over 750,000 seniors who often depend on transit to meet their daily travel needs.

Our region has a choice – with no new investment, existing revenues levels will be focused on maintaining the current system and will not provide for the expansion needed to meet the rising public demand for services. With new investment the region can build an integrated, modern transit system that serves our growing travel needs, attracts new workers and businesses and keeps our region economically competitive.

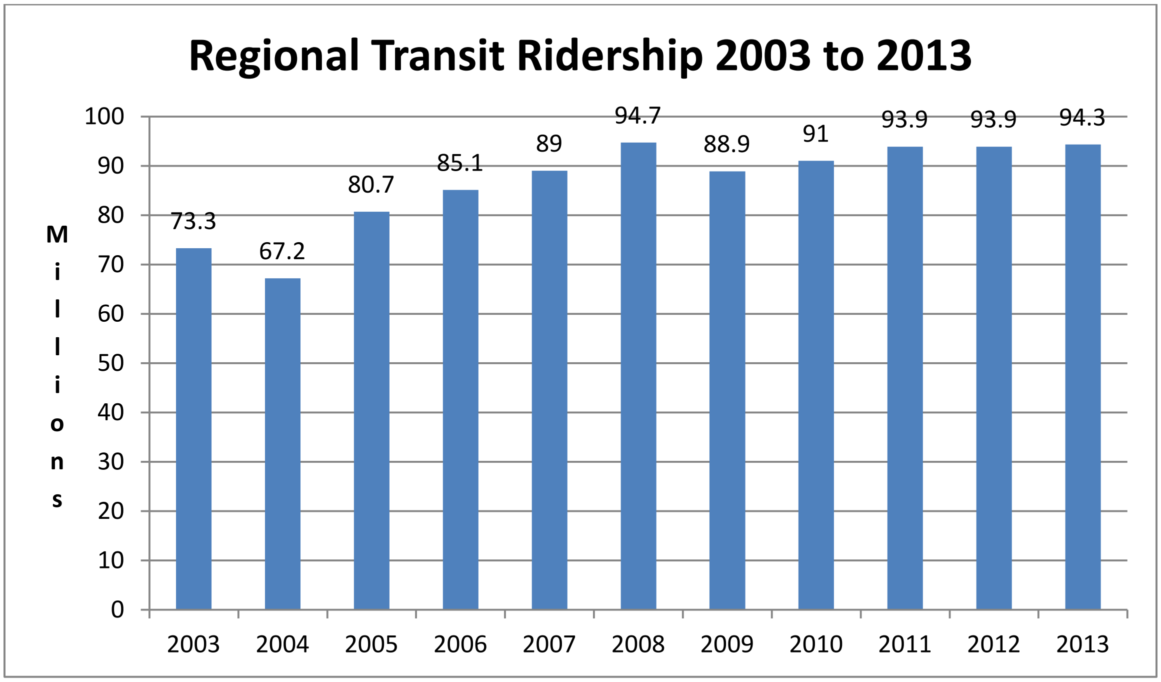
Proposal:

The Governor is proposing that the state enact a half cent sales tax in the seven county metropolitan area and invest the revenues - $2.8 billion over 10 years - to build and operate an expanded, integrated regional transit system. The funding will provide for almost a 30% growth in metropolitan area bus services and construction and operations for up to 20 new bus and rail transitways. When fully implemented, the expanded system will provide a 70–80% increase in transit ridership resulting in170 – 180 million annual rides. This investment will also allow for modernization and improvement of the current system providing riders with new and improved transit choices, better facilities, improved technology and a higher quality of overall service.

Results:

Transit Ridership

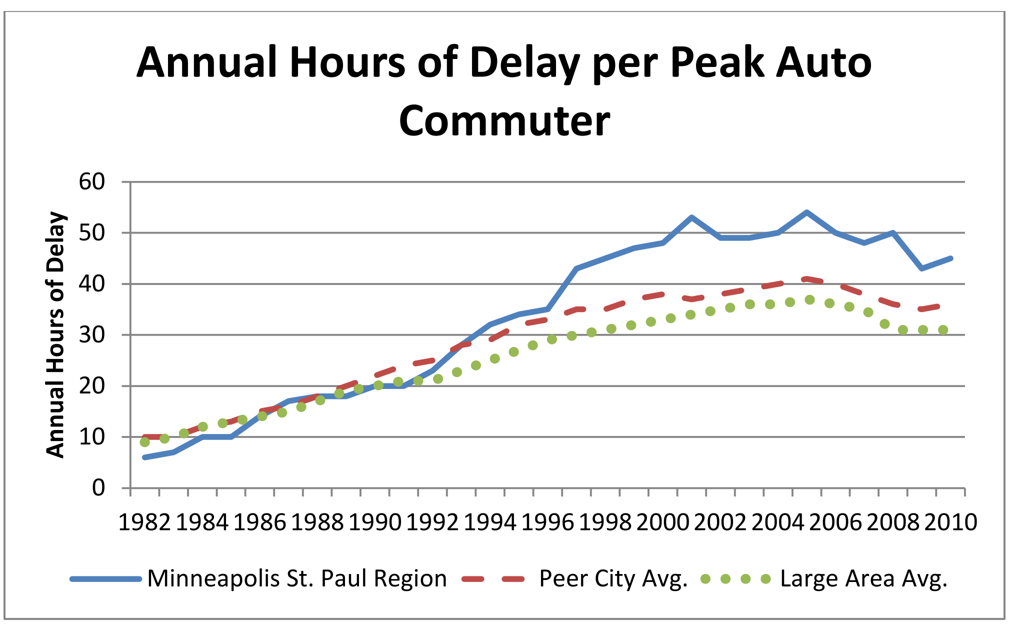
Ridership measures transit system accessibility, quality, and system growth. Growth in ridership is an indication that more people are able to meet their mobility needs using transit. Existing transit ridership shown below includes all transit providers in the region. The new metropolitan area transit sales tax will allow regional transit ridership to increase 70-80% to 170-180 million annual rides.



Hours of Delay Caused by Congestion

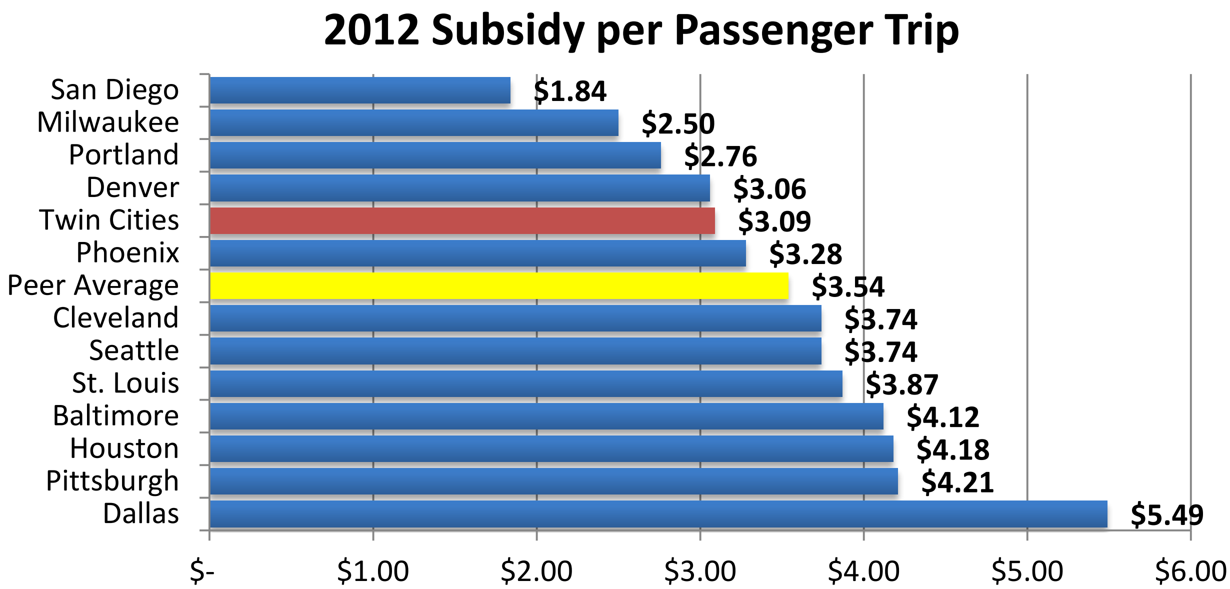
Transit helps our citizens and business use roads more efficiently, and benefits all road users, not just transit riders. Metro congestion affects many throughout the state, not just those who live in the metropolitan area such as workers commuting to and from the metro area, businesses shipping or receiving goods, and travelers and goods moving through the metropolitan area.

The number of hours spent in congestion is an indicator of roadway performance and of transportation-related impacts to air quality. Traffic congestion causes problems for travelers and shippers including extra travel time, unreliable travel time, and increased fuel costs. Congestion also impacts air quality through increased carbon dioxide (CO_2) emissions.



Metro Transit Subsidy per Passenger Trip

Compared to our peers, we have a highly efficient, effective transit system. Data from the National Transit Database indicates that Twin Cities' subsidy per transit passenger trip was $3.09 in 2012 – lower than 8 of 12 peer regions and about 13% less than the peer average. The Twin Cities' light rail system had a subsidy per passenger trip of just $1.67 in 2012.



Statutory Change(s):

Statutory language required to authorize a half-cent sales tax in the seven-county metropolitan area

Gambling Control Board – Informational Item

FY16-17 Biennial Budget Change Item

Change Item: Maintain Regulatory Oversight of Lawful Gambling

Fiscal Impact ($000s)	FY 2016	FY 2017	FY 2018	FY 2019
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Special Revenue Fund				
Expenditures	483	779	779	779
Revenues	739	790	790	790
Net Fiscal Impact = (Expenditures – Revenues)	(256)	(11)	(11)	(11)
FTEs	3.6	5.6	5.6	5.6

Recommendation:

The Governor recommends changes to the expenditures and funding sources for Gambling Control Board to maintain regulatory oversight of lawful gambling. Current law revenues do not support current law appropriations from the lawful gambling regulation account. Recommended changes include a change in the regulatory fee paid by gambling organizations from .001 per penny spent on gambling at regulated gambling organizations to .0015 per penny; a reduction in the appropriation to DPS for additional licensing costs for e-pulltabs and other gambling activities which have not materialized; and alignment of the direct appropriation amount with an amount that revenues support.

Rationale/Background:

Revenues to the lawful gambling regulation account, which funds the Gambling Control Board (GCB), have averaged $2.8 million annually since FY 2012. This was sufficient to fund the Board's appropriation in FY 2012 of $2.74 million. The Stadium bill of 2012 increased the annual appropriation to GCB by $1.219 million to $3.959 million and also started an annual appropriation of $250,000 to the Department of Public Safety (DPS) from the same account. Although additional dedicated revenues were projected for additional license fees for e-pulltabs and other gambling, there has been virtually no change in total annual revenues collected in the account. Thus, total annual appropriation amounts have been $3.959 million to the GCB and $250,000 to DPS, totaling $4.209 million, with annual revenues near $2.8 million. GCB plans only to spend the amount of the appropriation that is supported by revenues.

In the current biennium, annual expenditures are estimated at $3.144 million for GCB and $184,000 for DPS to maintain their existing activities. If the DPS appropriation were not changed, estimated funding remaining available for GCB expenditures in FY 2016 would be $2.777 million in FY 16 and $2.545 million in FY 2017. Maintaining the current level of regulatory oversight and allowing for increased operating costs similar to other state agencies is estimated to result in an expenditure level of $3.26 million in FY 2016 and $3.324 million in FY 2017 for GCB.

The workload at DPS has not changed significantly due to the expansion of gambling authorized in the Stadium legislation. In addition to tax proceeds collected from organizations conducting lawful gambling, the Department of Revenue (DOR) also collects a monthly regulatory fee of 0.1 percent of an organization's gross receipts from lawful gambling conducted each month. These proceeds are deposited into the lawful gambling regulatory account, in addition to license fee collected by GCB, and are used to fund appropriations made from the account. This fee currently brings in $1.255 million annually.

Proposal:

This proposal includes three primary components:

- The regulatory fee paid by gambling organizations should be increased to 0.15 percent. This is projected to increase revenues by $559,000 in FY 2016 and $610,000 in FY 2017. These revenues are collected by the Department of Revenue and deposited into the lawful gambling regulatory account.
- The annual dedicated appropriation to DPS should be reduced by $180,000 starting in FY 2016. The remaining annual appropriation would be $70,000. This would result in annual savings to the lawful gambling control regulatory account of $180,000. DPS estimates that the annual appropriation of $70,000 is sufficient to cover their related expenditures.

- Through the additional revenues and savings to the account from the first two components, the Governor recommends the funding appropriated to GCB be set at $3.26 million in FY 2016 and $3.324 million in FY 2017. This is a decrease from the $3.959 million base annual appropriation amount of $699,000 in FY 2016 and $635,000 in FY 2017; however, it is an increase in expenditures projected based on current law revenues.

Current Law	FY 2016	FY 2017	FY 2018	FY 2019
Current Law Appropriation	3,959	3,959	3,959	3,959
Revenues Available to GCB for expenditure	2,777	2,545	2,545	2,545
Recommended Changes				
Fee Change from 0.001 to 0.0015 per penny	559	610	610	610
Reduce DPS Transfer from $250,000 to $70,000	180	180	180	180
Total Change in Revenues Available to GCB	739	790	790	790
Total Revenues Available to GCB	3,280	3,335	3,335	3,335
Recommended Direct Appropriation	3,260	3,324	3,324	3,324

Results:
The fee increase will allow for continuing the current level of regulatory oversight. Regulatory audits and inspections of gaming sites will continue. Processing of license applications will continue in a timely manner.

Statutory Change(s):
M.S. 349.16, Subd. 6a

Change Item: K-12 Expense Credit Expansion

Fiscal Impact ($000s)	FY 2016	FY 2017	FY 2018	FY 2019
General Fund				
Expenditures	($300)	($400)	($400)	($400)
K-12 Credit	($5,900)	($6,000)	($6,100)	($6,300)
K-12 Subtraction Interaction	$500	$500	$500	$500
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact =	$5,700	$5,900	$6,000	$6,200
FTEs	4.7	6.2	6.2	6.2

Request:
The Governor recommends expanding the K-12 Credit to higher incomes so more families are eligible. This proposal expands the working-family credit to 16,800 new families by moving the phase-out threshold to $45,000 and indexes the cap for inflation. The Governor also recommends funding the Department of Revenue's costs for administering the expansion of the K-12 credit. These costs include $300,000 in FY 2016 and $400,000 in subsequent years for review, audit and appeal of claims, additional taxpayer assistance capacity and for educational outreach to taxpayers.

Rationale/Background:
This proposal would help more parents afford school supplies and other educational expenses for their children.

- The credit is fully refundable, so it can make a big difference for low income families.
- The income cap has not been modified since 1999.
- Approximately 54,000 families currently qualify for the credit.
- We expect newly eligible families to save over $285 on average from this proposal.

Proposal Details:
This proposal changes the K-12 Credit phase out threshold, allowing more taxpayers to be eligible for the maximum credit, by extending the phase-out threshold for the credit to start at $45,000.

Results:

Type of Measure	*Impact*
Progressivity	Increase

Statutory Change(s):
Minnesota Statute 290.0674

Change Item: Expand the Working Family Credit to the Middle Class

Fiscal Impact ($000s)	FY 2016	FY 2017	FY 2018	FY 2019
General Fund				
Expenditures	0	0	0	0
Revenues	($39,500)	($43,000)	($41,400)	($50,600)
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact =	$39,500	$43,000	$41,400	$50,600
FTEs	0	0	0	0

Request:

The Governor recommends expanding the Working Family Credit by providing access to the maximum amount of the credit at lower income levels, providing access to the credit for those making up to $55,000, and increasing the amount of the credit for over 280,000 already receiving it. This proposal expands the working-family credit to 30,000 new taxpayers.

Rationale/Background:

This credit provides working families with a credit to help with the many financial constraints they face. This program, which also exists at the federal level, is an important source of financial stability for low and moderate-income working families with children. A growing body of research shows that the credit benefits families at virtually every stage of life, including:

- Improved infant and maternal health
- Reduces poverty
- Better academic performance and employment outcomes: children in families receiving the federal credit do better in school, are more likely to attend college, and earn more as adults.
- Boosts employment, which reduces the number of households receiving other forms of assistance.
- Helps business: Working families are likely to put these tax credit funds back into the Minnesota economy

Under this proposal, 30,000 new households would be eligible, and over 280,000 of the 345,000 currently receiving the credit would see an increase. No one would receive a lower credit.

The average credit rises from $722 under current law to $769 under the proposal. The average increase for those impacted by the proposal is $138.

Proposal Details

This proposal changes the Working Family Credit calculation, giving more taxpayers the maximum credit, increasing the credit for many receiving it, and extending the income range for the credit so that taxpayers earning up to $55,000 may be eligible.

Results:

Type of Measure	*Impact*
Progressivity	Increase

Statutory Change(s):

Minnesota Statute 290.0671

Change Item: Replace Working Family Credit TANF Funds with General Funds

Fiscal Impact ($000s)	FY 2016	FY 2017	FY 2018	FY 2019
General Fund				
Expenditures				
Revenues	(23,400)	(23,633)	(24,025)	(23,713)
Other Funds				
TANF Expenditures				
Revenues				
Net Fiscal Impact = (Expenditures – Revenues)	23,400	23,633	24,025	23,713
FTEs				

Request:
The Governor recommends replacing the amount of Temporary Assistance for Needy Families (TANF) funds used to pay for the Minnesota Working Family Credit with funding from the General Fund.

Rationale/Background:
This proposal funds the Working Family Credit entirely from the General Fund. Under current law, the Working Family Credit is funded with a combination of General Fund and TANF funds. In 2000, the Legislature began using TANF funds to pay for a part of an expansion to the Working Family Credit as there was an available balance of TANF funds and it was an allowable use of TANF. TANF funded programs at DHS now have need and capacity to fully use the federal funds and this proposal will restore those funds to TANF programs.

Proposal Details:
By replacing federal TANF funds with general funds for the Working Family Credit, this proposal returns TANF funds to DHS programs, such as the Minnesota Family Investment Program and the Diversionary Work Program, to help pay for a separate recommendation to increase cash assistance to low-income families with children. This proposal would maintain the level of funding for the Working Family Credit by replacing TANF funds with general funds.

Results:

Type of Measure	*Impact*
Transparency, Understandability, Simplicity, & Accountability	Increase

Statutory Change(s):
Minnesota Statute 290.0671, 6a, 6b

Program: Tax Aids, Credits, and Refunds
Activity: Homestead Credit State Refund

www.revenue.state.mn.us

AT A GLANCE

In FY 2013:
- 395,000 homeowners received refunds
- The average refund was $785
- Recent law changes will increase the number of homeowners receiving a refund beginning in FY 2015

PURPOSE & CONTEXT

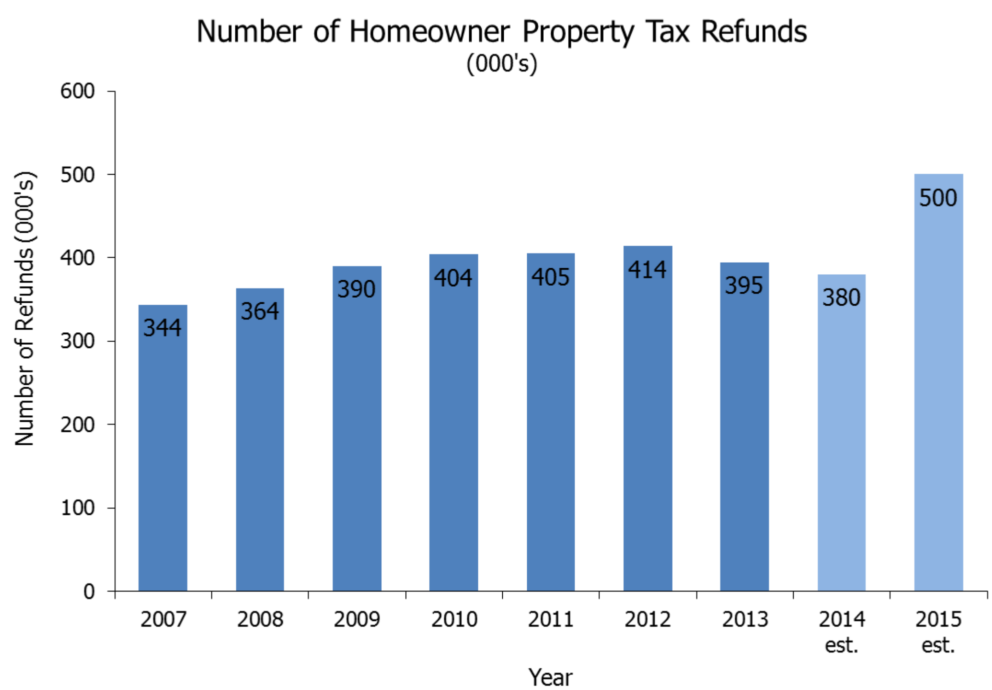
Property taxes account for a high share of household income for some taxpayers. The Homestead Credit State Refund program is designed to provide property tax relief to households that pay high property taxes relative to their household income.

Funding source: State General Fund

SERVICES PROVIDED

The program provides property tax relief to homeowners based on an income definition of ability to pay. If property tax exceeds a threshold percentage of income, the refund equals a percentage of the tax over the threshold, up to a maximum amount.

RESULTS



Property taxes are less regressive for households with lower incomes because of the property tax refunds (PTR).

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quality	Suits index - homeowner property taxes before PTR	-0.197	-0.176	2011 – 2013
Quality	Suits index - homeowner property taxes after PTR	-0.161	-0.133	2011 – 2013
Results	Reduction in regressivity due to PTR	18%	24%	2011 – 2013

Performance Measure Notes:

The Suits index is a summary measure of tax progressivity or regressivity. A progressive tax is one in which the effective tax rate rises as income rises. A regressive tax is one in which the effective tax rate falls as income rises. A proportional tax has a Suits index equal to zero; a progressive tax has a positive index number in the range between 0 and +1; a regressive tax has a negative value between 0 and -1.

The Suits index compares the 2011 Tax Incidence Study (previous) with the 2013 Tax Incidence Study (current).

Homeowner property taxes become less regressive after the property tax refund.

Law changes in 2013 and 2014 increased the amount of refunds paid to homeowners by increasing the number of homeowners eligible and the average refund paid (see chart above).

For additional information, visit the Revenue Department website.
(www.revenue.state.mn.us) and search ‘property tax refund’.

Legal Citation: M.S. 290A establishes the Homestead Credit State Refund program; the program was amended by Laws 2013 Chapter 143 Article 1 and Laws 2014 Chapter 308 Article 1 Section 16. www.revisor.mn.gov/statutes/?id=290A

(Dollars in Thousands)

Expenditures By Fund

	Actual FY12	Actual FY13	Actual FY14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
1000 - General	290,256	309,999	287,212	409,900	413,300	418,000	413,130	415,360
Total	**290,256**	**309,999**	**287,212**	**409,900**	**413,300**	**418,000**	**413,130**	**415,360**
Biennial Change				96,857		134,188		131,378
Biennial % Change				16		19		19
Governor's Change from Base								(2,810)
Governor's % Change from Base								0

Expenditures by Category

	Actual FY12	Actual FY13	Actual FY14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
Other Financial Transactions	25	16	11	25	25	25	25	25
Grants, Aids and Subsidies	290,231	309,983	287,201	409,875	413,275	417,975	413,105	415,335
Total	**290,256**	**309,999**	**287,212**	**409,900**	**413,300**	**418,000**	**413,130**	**415,360**

(Dollars in Thousands)

1000 - General

	Actual FY12	Actual FY 13	Actual FY 14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
Open Appropriation	290,256	309,999	287,212	409,925	413,300	418,000	413,130	415,360
Expenditures	**290,256**	**309,999**	**287,212**	**409,900**	**413,300**	**418,000**	**413,130**	**415,360**
Biennial Change in Expenditures				96,857		134,188		131,378
Biennial % Change in Expenditures				16		19		19
Gov's Exp Change from Base								(2,810)
Gov's Exp % Change from Base								0

Program: Tax Aids, Credits, and Refunds
Activity: Renter Property Tax Refund

www.revenue.state.mn.us

AT A GLANCE

In FY 2013:
- 318,000 renters received refunds
- The average refund was $580
- Recent law changes will increase the number of renters receiving a refund beginning in FY 2015

PURPOSE & CONTEXT

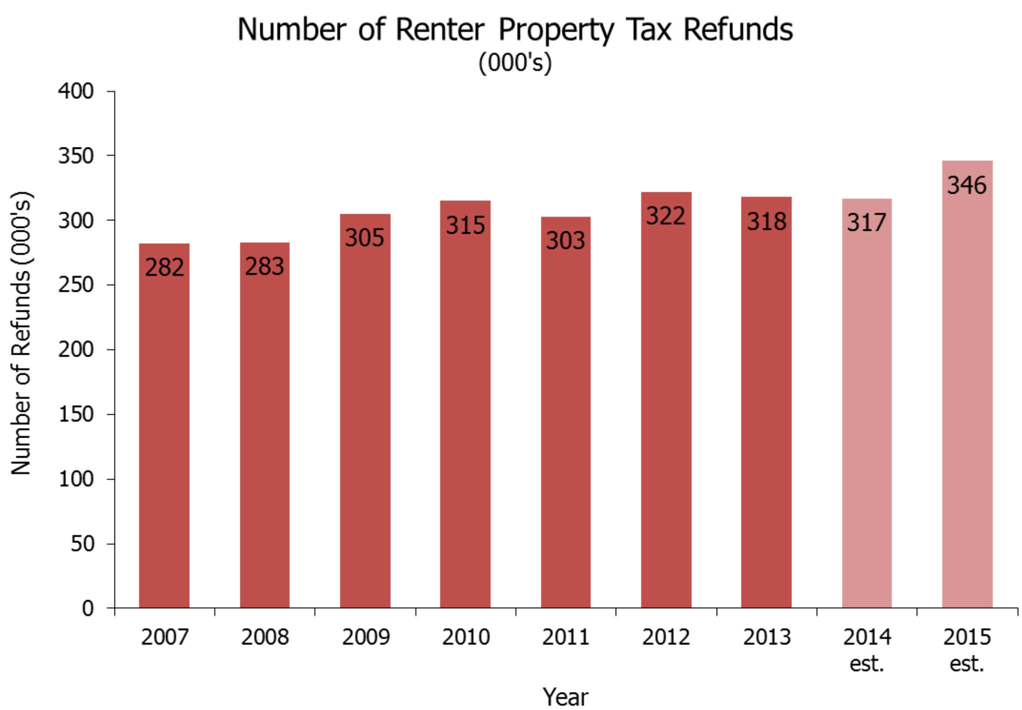
Property taxes account for a high share of income for some taxpayers. The renter property tax refund program is designed to provide property tax relief to renters that pay high property taxes relative to their income.

Funding source: State General Fund

SERVICES PROVIDED

The program provides property tax relief to renters based on an income definition of ability to pay. If property tax exceeds a threshold percentage of income, the refund equals a percentage of the tax over the threshold, up to a maximum amount. Property tax for renters is defined as 17 percent of rent paid.

RESULTS



Property taxes are less regressive for renters with lower incomes due to property tax refunds (PTR).

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Suits index - renter property taxes before PTR	-0.300	-0.277	2011 – 2013
Quality	Suits index - renter property taxes after PTR	-0.119	-0.148	2011 – 2013
Results	Reduction in regressivity due to PTR	60%	47%	2011 – 2013

Performance Measures Notes:

The Suits index is a summary measure of tax progressivity or regressivity. A progressive tax is one in which the effective tax rate rises as income rises. A regressive tax is one in which the effective tax rate falls as income rises. A proportional tax has a Suits index equal to zero; a progressive tax has a positive index number in the range between 0 and +1; a regressive tax has a negative value between 0 and -1.

The Suits index compares the 2011 Tax Incidence Study (previous) with the 2013 Tax Incidence Study (current).

Rental housing property taxes become less regressive after the property tax refund.

Law changes in 2013 and 2014 increased the amount of refunds paid to homeowners by increasing the number of renters eligible and the average refund paid (see chart above).

For additional information, visit the Revenue Department website.
(www.revenue.state.mn.us) and search ‘property tax refund’.

Legal Citation: M.S. 290A establishes the Renter Property Tax Refund program; the program was amended by Laws 2013 Chapter 143 Article 1 and Laws 2014 Chapter 308 Article 1 Section 16. www.revisor.mn.gov/statutes/?id=290A

(Dollars in Thousands)

Expenditures By Fund

	Actual FY12	Actual FY13	Actual FY14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
1000 - General	202,744	184,489	188,274	225,400	219,600	224,200	219,600	224,200
Total	**202,744**	**184,489**	**188,274**	**225,400**	**219,600**	**224,200**	**219,600**	**224,200**
Biennial Change				26,442		30,126		30,126
Biennial % Change				7		7		7
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Category

	Actual FY12	Actual FY13	Actual FY14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
Operating Expenses		130	122	150	150	150	150	150
Other Financial Transactions		21	23	25	25	25	25	25
Grants, Aids and Subsidies	202,744	184,337	188,129	225,225	219,425	224,025	219,425	224,025
Total	**202,744**	**184,489**	**188,274**	**225,400**	**219,600**	**224,200**	**219,600**	**224,200**

Budget Activity: Prop. Tax Refund - Renter

Budget Activity Financing by Fund

(Dollars in Thousands)

1000 - General

	Actual FY12	Actual FY 13	Actual FY 14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
Open Appropriation	202,744	184,489	188,274	225,400	219,600	224,200	219,600	224,200
Expenditures	**202,744**	**184,489**	**188,274**	**225,400**	**219,600**	**224,200**	**219,600**	**224,200**
Biennial Change in Expenditures				26,442		30,126		30,126
Biennial % Change in Expenditures				7		7		7
Gov's Exp Change from Base								0
Gov's Exp % Change from Base								0

Program: Tax Aids, Credits, and Refunds
Activity: Special Property Tax Refund

www.revenue.state.mn.us

AT A GLANCE

In FY 2013:

- 35,000 homeowners received a special refund
- The average refund was $111

PURPOSE & CONTEXT

Large increases in property taxes can lead to financial strain for households. The special property tax refund program provides property tax relief to property owners who may be impacted by a large increase in property taxes due to economic conditions, property tax policy changes, or other factors.

Funding source: State General Fund

SERVICES PROVIDED

Homesteads experiencing an increase in property tax of at least 12 percent and $100 are eligible for a refund of 60 percent of the increase above 12 percent. The maximum refund is $1,000.

RESULTS

The chart below shows that the number of special property tax refunds increases when average residential homestead property tax growth is higher.

Property taxes are more predictable and affordable for households by reducing significant annual increases.

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Annual special refunds processed	22,000	35,000	2011 – 2013

Performance Measure Notes:

Results from year to year can be highly variable. Since 2004, the average annual number of special refunds processed is 97,000. The average refund has ranged from $73 to $132. In recent years, the number of special refunds has been lower due to slower growth in residential homestead property taxes (see chart above).

Annual refunds processed compares fiscal year 2011 (previous) to 2013 (current).

For additional information, visit the Revenue Department website. (www.revenue.state.mn.us) and search 'property tax refund'.

Legal Citation: M.S. 290A establishes the Special Property Tax Refund program. www.revisor.mn.gov/statutes/?id=290A

(Dollars in Thousands)

Expenditures By Fund

	Actual FY12	Actual FY13	Actual FY14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
1000 - General	2,217	3,933	881	1,820	9,020	7,070	9,020	7,070
Total	**2,217**	**3,933**	**881**	**1,820**	**9,020**	**7,070**	**9,020**	**7,070**
Biennial Change				(3,450)		13,389		13,389
Biennial % Change				(56)		496		496
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Category

	Actual FY12	Actual FY13	Actual FY14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
Other Financial Transactions	1	2	0	1	1	1	1	1
Grants, Aids and Subsidies	2,217	3,931	880	1,819	9,019	7,069	9,019	7,069
Total	**2,217**	**3,933**	**881**	**1,820**	**9,020**	**7,070**	**9,020**	**7,070**

(Dollars in Thousands)

1000 - General

	Actual FY12	Actual FY 13	Actual FY 14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
Open Appropriation	2,217	3,933	881	1,820	9,020	7,070	9,020	7,070
Expenditures	**2,217**	**3,933**	**881**	**1,820**	**9,020**	**7,070**	**9,020**	**7,070**
Biennial Change in Expenditures				(3,450)		13,389		13,389
Biennial % Change in Expenditures				(56)		496		496
Gov's Exp Change from Base								0
Gov's Exp % Change from Base								0

Program: Tax Aids, Credits, and Refunds
Activity: Sustainable Forest Incentive Payment

www.revenue.state.mn.us

AT A GLANCE

In 2013:

- 2,300 forest land owners received an incentive payment
- The average incentive payment was $2,242

PURPOSE & CONTEXT

Property taxes can represent a significant cost for forested property that can discourage long-term forest management investments. The Sustainable Forest Incentive Act provides payments to owners of forest land to encourage sustainable forest management.

Funding source: State General Fund

SERVICES PROVIDED

An owner of forest land who meets all qualifications of the Sustainable Forest Incentive Act is eligible for a payment for the enrolled acres. The annual payment is set by statute as $7 per acre.

RESULTS

The payments encourage forest land owners to make long-term commitments to sustainable forest management by reducing the costs of holding land in a non-productive state.

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Acres of forest land enrolled	916,000	743,000	2011 – 2013

Performance Measure Notes:

Acres of forest land enrolled compares calendar year 2011 (previous) to 2013 (current).

The decrease in enrolled acres was due to a law change that excluded land with a conservation easement exceeding 60,000 acres from being eligible for an incentive payment.

The average incentive payment increased from $1,567 in 2011 to $2,242 in 2013.

For additional information, visit the Revenue Department website. (www.revenue.state.mn.us) and search 'sustainable forest'.

Legal Citation: M.S. 290C establishes the Sustainable Forest Incentive Payment; the program was amended by Laws 2013 Chapter 143 Article 2 Sections 2-5. www.revisor.mn.gov/statutes/?id=290C

(Dollars in Thousands)

Expenditures By Fund

	Actual FY12	Actual FY13	Actual FY14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
1000 - General	3,200	3,372	5,202	5,270	5,400	5,580	5,400	5,580
Total	**3,200**	**3,372**	**5,202**	**5,270**	**5,400**	**5,580**	**5,400**	**5,580**
Biennial Change				3,900		508		508
Biennial % Change				59		5		5
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Category

	Actual FY12	Actual FY13	Actual FY14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
Other Financial Transactions	0	0	0					
Grants, Aids and Subsidies	3,200	3,372	5,202	5,270	5,400	5,580	5,400	5,580
Total	**3,200**	**3,372**	**5,202**	**5,270**	**5,400**	**5,580**	**5,400**	**5,580**

Budget Activity: Sust. Forest Incentive Paymnt

Budget Activity Financing by Fund

(Dollars in Thousands)

1000 - General

	Actual FY12	Actual FY 13	Actual FY 14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
Open Appropriation	3,200	3,372	5,202	5,270	5,400	5,580	5,400	5,580
Expenditures	**3,200**	**3,372**	**5,202**	**5,270**	**5,400**	**5,580**	**5,400**	**5,580**
Biennial Change in Expenditures				3,900		508		508
Biennial % Change in Expenditures				59		5		5
Gov's Exp Change from Base								0
Gov's Exp % Change from Base								0

Program: Tax Aids, Credits, and Refunds
Activity: Local Government Aid to Cities

www.revenue.state.mn.us

AT A GLANCE

In 2014:
- 770 cities out of 853 receive Local Government Aid
- Payments were increased $80 million over the previous year

PURPOSE & CONTEXT

Cities across the state have varying service needs and revenue sources. Local Government Aid payments to cities provide general support aid and reduce property tax burdens on homeowners and businesses.

Funding source: State General Fund

SERVICES PROVIDED

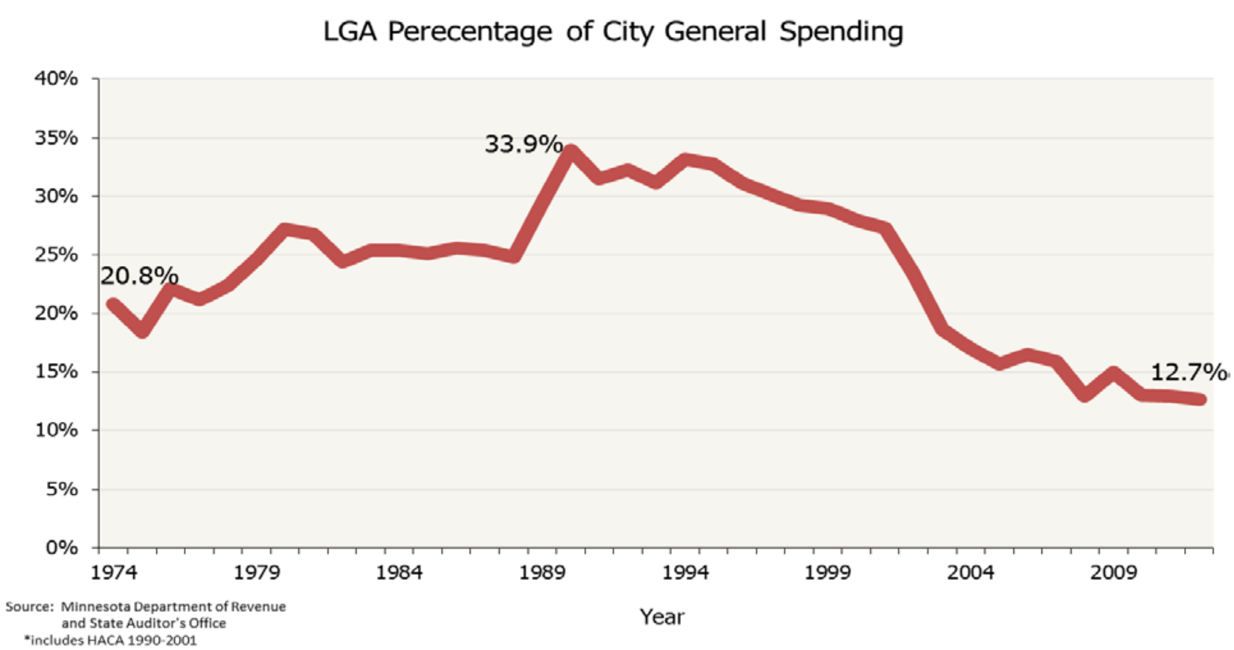
Local Government Aid (LGA) is a general purpose aid to cities that can be used for any lawful purpose. It is also intended to be used for property tax relief by reducing the amount of revenue that is collected locally.

The LGA formula has changed many times since enacted in 1971. The current formula measures city need with factors including population and age of housing and compares this to a city's ability to pay measured by local property values. The formula attempts to target aid to those cities with the lowest property values and highest need.

RESULTS

Cities across the state are more able to offer their residents comparable services at a similar tax cost.

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Percentage of cities receiving LGA	85%	85%	2010 – 2012
Quantity	LGA percentage of city spending	13.0%	12.7%	2010 – 2012



Performance Measure Notes:

Percentage of cities receiving LGA compares payable year 2010 (previous) to 2012 (current).

LGA percentage of city spending is based on State Auditor city finance reports for 2010 and 2012 and computes LGA as a percentage of total current expenditures.

The city LGA formula was changed beginning for aid payable year 2014. The appropriation was increased by $80 million. Over 90% of cities will receive LGA.

For additional information, visit the Revenue Department website. (www.revenue.state.mn.us) and search 'LGA'.

Legal Citation: M.S. 477A establishes the Local Government Aid program; it was amended by Laws 2013 Chapter 143 Article 2 Sections 7-12 and 14-18 and Laws 2014 Chapter 308 Article 1 Sections 5-6. www.revisor.mn.gov/statutes/?id=477A

(Dollars in Thousands)

Expenditures By Fund

	Actual FY12	Actual FY13	Actual FY14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
1000 - General	425,329	425,178	427,439	507,618	516,926	519,398	516,926	519,398
Total	**425,329**	**425,178**	**427,439**	**507,618**	**516,926**	**519,398**	**516,926**	**519,398**
Biennial Change				84,550		101,267		101,267
Biennial % Change				10		11		11
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Category

	Actual FY12	Actual FY13	Actual FY14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
Grants, Aids and Subsidies	425,329	425,178	427,439	507,618	516,926	519,398	516,926	519,398
Total	**425,329**	**425,178**	**427,439**	**507,618**	**516,926**	**519,398**	**516,926**	**519,398**

(Dollars in Thousands)

1000 - General

	Actual FY12	Actual FY 13	Actual FY 14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
Open Appropriation	425,329	425,178	427,439	507,618	516,926	519,398	516,926	519,398
Expenditures	**425,329**	**425,178**	**427,439**	**507,618**	**516,926**	**519,398**	**516,926**	**519,398**
Biennial Change in Expenditures				84,550		101,267		101,267
Biennial % Change in Expenditures				10		11		11
Gov's Exp Change from Base								0
Gov's Exp % Change from Base								0

Program: Tax Aids, Credits, and Refunds
Activity: County Program Aid

www.revenue.state.mn.us

AT A GLANCE

In 2014:

- All 87 counties receive County Program Aid
- Payments were increased $40 million from the previous year

PURPOSE & CONTEXT

Counties across the state have varying services needs and revenue sources. County Program Aid payments provide general support aid and reduce property tax burdens for homeowners and businesses.

Funding source: State General Fund

SERVICES PROVIDED

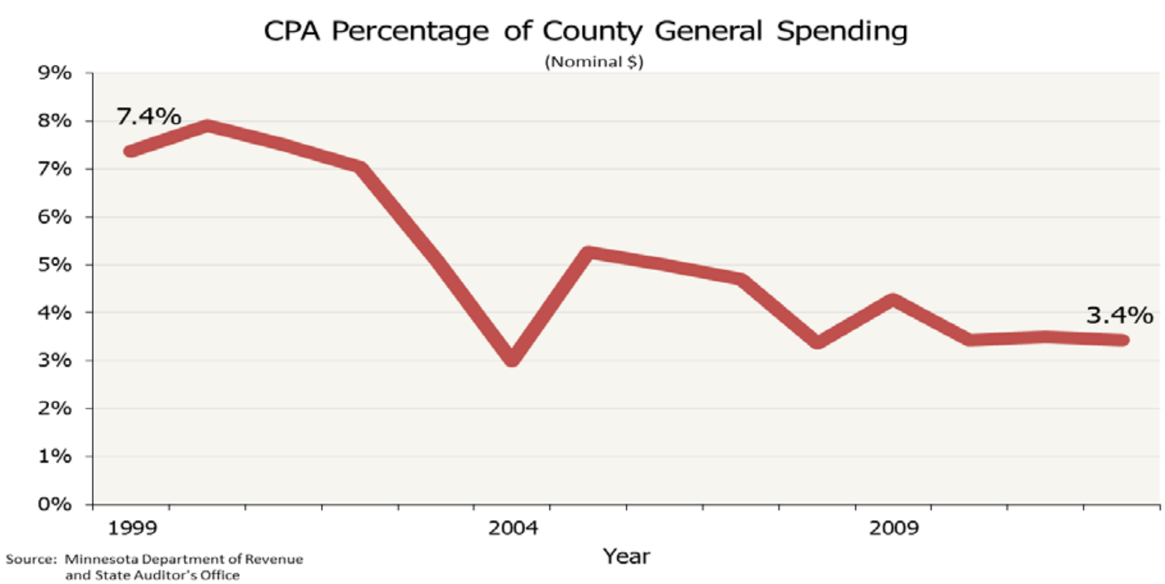
County Program Aid (CPA) is a general purpose aid to counties that can be used for any lawful purpose. It is also intended to be used for property tax relief by reducing the amount of revenue collected locally.

The CPA appropriation is divided into two main pots: (1) need aid and (2) tax base equalization aid. The need aid is distributed based on a county's measure of crime rate, poverty, and population. The tax base equalization aid is distributed based on a county's population and property values. The formula provides aid to those counties with the highest need and lowest property values.

RESULTS

Counties across the state are more able to offer their residents comparable services at a similar tax cost

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Percentage of counties receiving CPA - Need Aid	100%	100%	2010 – 2012
Quantity	Percentage of counties receiving CPA - Tax Base Equalization Aid	93%	91%	2010 – 2012
Quantity	CPA percentage of county spending	3.4%	3.4%	2010 – 2012



Performance Measure Notes:

Percentage of counties receiving CPA compares payable year 2010 (previous) to 2012 (current).

CPA percentage of county spending is based on State Auditor county finance reports for 2010 and 2012 and computes CPA as a percentage of total current expenditures.

The CPA appropriation was increased by $40 million in 2014. This will not change the percentage of counties receiving aid.

For additional information, visit the Revenue Department website.
(/www.revenue.state.mn.us) and search 'CPA'.

Legal Citation: M.S. 477A establishes the County Program Aid program; it was amended by Laws 2013 Chapter 143 Article 2 Section 19, Laws 2014 Chapter 150 Article 4 Section 6, and Laws 2014 Chapter 308 Article 1 Section 13.
www.revisor.mn.gov/statutes/?id=477A

(Dollars in Thousands)

Expenditures By Fund

	Actual FY12	Actual FY13	Actual FY14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
1000 - General	161,106	161,106	165,570	206,235	209,969	208,563	209,969	208,563
Total	**161,106**	**161,106**	**165,570**	**206,235**	**209,969**	**208,563**	**209,969**	**208,563**
Biennial Change				49,592		46,727		46,727
Biennial % Change				15		13		13
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Category

	Actual FY12	Actual FY13	Actual FY14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
Grants, Aids and Subsidies	161,106	161,106	165,570	206,235	209,969	208,563	209,969	208,563
Total	**161,106**	**161,106**	**165,570**	**206,235**	**209,969**	**208,563**	**209,969**	**208,563**

(Dollars in Thousands)

1000 - General

	Actual FY12	Actual FY 13	Actual FY 14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
Open Appropriation	161,820	161,820	166,284	206,949	210,683	209,277	210,683	209,277
Net Transfers	(714)	(714)	(714)	(714)	(714)	(714)	(714)	(714)
Expenditures	**161,106**	**161,106**	**165,570**	**206,235**	**209,969**	**208,563**	**209,969**	**208,563**
Biennial Change in Expenditures				49,592		46,727		46,727
Biennial % Change in Expenditures				15		13		13
Gov's Exp Change from Base								0
Gov's Exp % Change from Base								0

Program: Tax Aids, Credits, and Refunds
Activity: Disparity Reduction Aid

www.revenue.state.mn.us

AT A GLANCE

In 2014:

- 15% of 6,152 taxing areas received Disparity Reduction Aid
- The average aid payment was $19,375

PURPOSE & CONTEXT

Tax reform in 1988 caused higher tax rates in some areas. Tax rates represent the dollars of property tax levy of each local government divided by its tax base. When the 1988 tax reform reduced the local tax base, local tax rates were pushed up. Disparity Reduction Aid (DRA) provides aid to areas that received this aid in 1989 and continue to have a tax rate above 90 percent today.

Funding source: State General Fund

SERVICES PROVIDED

Disparity Reduction Aid was first paid in 1989 and continues to provide aid to some counties, school districts, and townships. Taxing areas that had a tax rate above 90 percent in 1989 received DRA.

Today, a taxing area can only receive DRA if it received DRA in 1989, and still has a tax rate above 90 percent.

RESULTS

Taxing areas that received this aid in 1989 and continue to have a tax rate above 90 percent receive state assistance to help reduce property tax rates.

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Number of taxing areas receiving DRA	1,044	930	2012 - 2014
Quantity	Number of taxing areas with a tax rate above 90%	3,276	2,927	2012 - 2014
Quantity	Percentage of taxing areas with a tax rate above 90% that receive DRA	32%	32%	2012 - 2014

Performance Measures Notes:

The percentage of taxing areas receiving DRA compares payable year 2012 (previous) to 2014 (current).

A taxing area is a geographic area that has the same county, school district, municipality, and special taxing districts. There are over 6,000 taxing areas in Minnesota.

Currently, 32 percent of taxing areas with a tax rate above 90 percent receive DRA. This is because aid distributions are based on the original 1989 calculations.

17 percent of all taxing areas received DRA in 2012 compared to 15 percent in 2014. The change is due to changes in local tax rates and eligibility for DRA. The average aid payment increased from $17,598 in 2012 to $19,375 in 2014.

For additional information, visit the Revenue Department website.

(www.revenue.state.mn.us) and search 'DRA'.

Legal Citation: M.S 273.1398 establishes Disparity Reduction Aid. www.revisor.mn.gov/statutes/?id=273.1398

(Dollars in Thousands)

Expenditures By Fund

	Actual FY12	Actual FY13	Actual FY14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
1000 - General	17,712	20,157	18,600	18,034	18,019	18,019	18,019	18,019
Total	**17,712**	**20,157**	**18,600**	**18,034**	**18,019**	**18,019**	**18,019**	**18,019**
Biennial Change				(1,236)		(596)		(596)
Biennial % Change				(3)		(2)		(2)
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Category

	Actual FY12	Actual FY13	Actual FY14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
Grants, Aids and Subsidies	17,712	20,157	18,600	18,034	18,019	18,019	18,019	18,019
Total	**17,712**	**20,157**	**18,600**	**18,034**	**18,019**	**18,019**	**18,019**	**18,019**

Budget Activity: Disparity Reduction Aid

Budget Activity Financing by Fund

(Dollars in Thousands)

1000 - General

	Actual FY12	Actual FY 13	Actual FY 14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
Open Appropriation	17,713	20,157	18,600	18,034	18,019	18,019	18,019	18,019
Cancellations	0							
Expenditures	**17,712**	**20,157**	**18,600**	**18,034**	**18,019**	**18,019**	**18,019**	**18,019**
Biennial Change in Expenditures				(1,236)		(596)		(596)
Biennial % Change in Expenditures				(3)		(2)		(2)
Gov's Exp Change from Base								0
Gov's Exp % Change from Base								0

Program: Tax Aids, Credits, and Refunds
Activity: Casino Aid to Counties

www.revenue.state.mn.us

AT A GLANCE

In 2014:
- 12 counties received Casino Aid
- The average aid payment was $105,000

PURPOSE & CONTEXT

Increased service demands from tax-exempt property can lead to financial strain for local governments. Casino Aid provides a state payment to counties where an Indian reservation is located in the county, the tribes operate a casino, and state taxes are collected under a tax agreement with the tribe.

Funding source: State General Fund

SERVICES PROVIDED

County Casino Aid is equal to ten percent of state taxes collected from the Indian reservation under a tax agreement.

RESULTS

The fiscal impacts of tax-exempt tribal-owned casinos are reduced for local governments.

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Number of Counties Receiving Casino Aid	12	12	2012 – 2014

Performance Measures Notes:

Number of counties receiving casino aid compares calendar year 2012 (previous) to 2014 (current).

The average aid payment increased from $59,000 in 2012 to $105,000 in 2014.

Legal Citation: M.S. 270C.19 establishes Casino Aid.www.revisor.mn.gov/statutes/?id=270C.19

(Dollars in Thousands)

Expenditures By Fund

	Actual FY12	Actual FY13	Actual FY14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
1000 - General	704	852	1,260	1,260	1,260	1,260	1,290	1,360
Total	**704**	**852**	**1,260**	**1,260**	**1,260**	**1,260**	**1,290**	**1,360**
Biennial Change				964		0		130
Biennial % Change				62		0		5
Governor's Change from Base								130
Governor's % Change from Base								5

Expenditures by Category

	Actual FY12	Actual FY13	Actual FY14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
Grants, Aids and Subsidies	704	852	1,260	1,260	1,260	1,260	1,290	1,360
Total	**704**	**852**	**1,260**	**1,260**	**1,260**	**1,260**	**1,290**	**1,360**

(Dollars in Thousands)

1000 - General

	Actual FY12	Actual FY 13	Actual FY 14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
Open Appropriation	704	852	1,260	1,260	1,260	1,260	1,290	1,360
Expenditures	**704**	**852**	**1,260**	**1,260**	**1,260**	**1,260**	**1,290**	**1,360**
Biennial Change in Expenditures				964		0		130
Biennial % Change in Expenditures				62		0		5
Gov's Exp Change from Base								130
Gov's Exp % Change from Base								5

Program: Tax Aids, Credits, and Refunds
Activity: Utility Transition Aid

www.revenue.state.mn.us

AT A GLANCE

In 2014:
- 3 cities and towns receive Utility Valuation Transition Aid
- The average aid payment is $845

PURPOSE & CONTEXT

Large reductions to tax base can lead to financial strain for local governments. Utility Valuation Transition Aid provides aid to cities and towns that lost tax base due to a change in the rule for valuing utility property.

Funding source: State General Fund

SERVICES PROVIDED

Utility Valuation Transition Aid was first paid in calendar year 2009 to 43 cities and towns with tax base reductions greater than four percent due to a 2007 utility valuation rule change. The aid will continue for each qualifying municipality until the current value of utility property exceeds its 2007 value under the old rule.

RESULTS

Local tax rates in jurisdictions receiving aid are lower than they would be without the aid, and the aid phases out as tax base returns to previous assessment levels.

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Number of eligible cities and towns where the current utility tax base remains lower than the 2007 amount.	9	3	2012 - 2014

Performance Measures Notes:

Number of eligible cities and towns compares aid payable year 2012 (previous) to 2014 (current).

Due to decreases in utility property values, some cities and towns that no longer receive transition aid are expected to become eligible for aid again in 2015.

For additional information, visit the Revenue Department website:
(www.revenue.state.mn.us) and search 'UVTA'.

Legal Citation: M.S. 477A.16 establishes Utility Value Transition Aid www.revisor.mn.gov/statutes/?id=477A.16

(Dollars in Thousands)

Expenditures By Fund

	Actual FY12	Actual FY13	Actual FY14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
1000 - General	1,508	979	779	3	350	1	350	1
Total	**1,508**	**979**	**779**	**3**	**350**	**1**	**350**	**1**
Biennial Change				(1,706)		(431)		(431)
Biennial % Change				(69)		(55)		(55)
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Category

	Actual FY12	Actual FY13	Actual FY14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
Grants, Aids and Subsidies	1,508	979	779	3	350	1	350	1
Total	**1,508**	**979**	**779**	**3**	**350**	**1**	**350**	**1**

(Dollars in Thousands)

1000 - General

	Actual FY12	Actual FY 13	Actual FY 14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
Open Appropriation	1,508	979	779	3	350	1	350	1
Expenditures	**1,508**	**979**	**779**	**3**	**350**	**1**	**350**	**1**
Biennial Change in Expenditures				(1,706)		(431)		(431)
Biennial % Change in Expenditures				(69)		(55)		(55)
Gov's Exp Change from Base								0
Gov's Exp % Change from Base								0

Program: Tax Aids, Credits, and Refunds
Activity: State Taconite Aid

www.revenue.state.mn.us

AT A GLANCE

In 2013:

- The state general fund paid 22 cents per ton ($8.4 million) to the taconite production distribution fund

PURPOSE & CONTEXT

Large decreases to tax base can lead to financial strain for local governments. State Taconite Aid provides revenue to compensate for reduced taconite production occurring in 2001.

Funding source: State General Fund

SERVICES PROVIDED

Taconite production decreased 30 percent in 2001 primarily due to the closure of the LTV Steel Mining Company plant in Hoyt Lakes.

Beginning in 2001, state aid was provided to the production tax fund to be distributed like production tax revenues. Production tax revenues are distributed to various local governments, development agencies and for property tax relief to taxpayers within the taconite assistance area.

The state taconite aid contribution was equal to 33 cents per taxable ton of iron ore concentrates for production year 2001, and 22 cents per taxable ton of iron ore concentrates for production years 2002 and thereafter.

RESULTS

The potential fiscal impacts of the 2001 decrease in taconite production are reduced.

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Taconite Production Percentage of Base Year 2000 Production	70%	87%	2000 – 2012

Performance Measures Notes:

Base year 2000 production is for the calendar year.

Taconite production percentage compares calendar year 2000 (previous) to calendar year 2012 (current).

After dropping 30 percent between 2000 and 2001, taconite production is more than halfway back to pre-2001 levels.

The state taconite aid contribution accounted for 8.2 percent of total production tax distributions in 2013.

Legal Citation: M.S. 298.285 establishes State Taconite Aid.www.revisor.mn.gov/statutes/?id=298.285

(Dollars in Thousands)

Expenditures By Fund

	Actual FY12	Actual FY13	Actual FY14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
1000 - General	4,406	4,668	5,126	4,986	4,892	4,844	4,892	4,844
Total	**4,406**	**4,668**	**5,126**	**4,986**	**4,892**	**4,844**	**4,892**	**4,844**
Biennial Change				1,038		(376)		(376)
Biennial % Change				11		(4)		(4)
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Category

	Actual FY12	Actual FY13	Actual FY14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
Operating Expenses	4,406	4,668	5,126	4,986	4,892	4,844	4,892	4,844
Other Financial Transactions		0						
Total	**4,406**	**4,668**	**5,126**	**4,986**	**4,892**	**4,844**	**4,892**	**4,844**

(Dollars in Thousands)

1000 - General

	Actual FY12	Actual FY 13	Actual FY 14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
Open Appropriation	6,690	7,556	8,571	8,744	8,841	8,962	8,841	8,962
Net Transfers	(2,285)	(2,889)	(3,445)	(3,758)	(3,949)	(4,118)	(3,949)	(4,118)
Expenditures	**4,406**	**4,668**	**5,126**	**4,986**	**4,892**	**4,844**	**4,892**	**4,844**
Biennial Change in Expenditures				1,038		(376)		(376)
Biennial % Change in Expenditures				11		(4)		(4)
Gov's Exp Change from Base								0
Gov's Exp % Change from Base								0

Program: Tax Aids, Credits, and Refunds
Activity: Payment in Lieu of Taxes (PILT)

www.revenue.state.mn.us

AT A GLANCE

In 2013:

- 8.5 million acres of natural resources land were enrolled in Payment in Lieu of Taxes (PILT) program
- All 87 counties received a PILT payment, with 16 counties receiving payments of at least $500,000

PURPOSE & CONTEXT

Loss of tax base from taxable land becoming exempt can lead to financial strain for local governments. PILT payments provide compensation for the property taxes lost to local governments when the DNR acquires natural resource land for the state.

Funding source: State General Fund

SERVICES PROVIDED

The state makes payments in lieu of taxes primarily to counties for certain natural resource and wildlife management lands. Counties are responsible for distributing any PILT payments to townships, cities, and schools.

RESULTS

The potential fiscal impacts of tax-exempt state-owned land are reduced for local governments.

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Acres of Natural Resources Land in PILT (millions)	8.42	8.50	2011 – 2013

Performance Measures Notes:

Acres of natural resources land compares calendar year 2011 (previous) to 2013 (current)

For additional information, visit the Revenue Department website.
(www.revenue.state.mn.us) and search ‘PILT’.

Legal Citation: M.S. 477A.11 through 477A.145 establish Payments in Lieu of Taxes; the program was amended by Laws 2013 Chapter 143 Article 2 Sections 22-32 and Laws 2014 Chapter 308 Article 1 Sections 7-9.www.revisor.mn.gov/statutes/?id=477A.11

(Dollars in Thousands)

Expenditures By Fund

	Actual FY12	Actual FY13	Actual FY14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
1000 - General	25,863	25,349	30,970	31,436	31,661	31,886	31,661	31,886
Total	**25,863**	**25,349**	**30,970**	**31,436**	**31,661**	**31,886**	**31,661**	**31,886**
Biennial Change				11,194		1,141		1,141
Biennial % Change				22		2		2
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Category

	Actual FY12	Actual FY13	Actual FY14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
Grants, Aids and Subsidies	25,863	25,349	30,970	31,436	31,661	31,886	31,661	31,886
Total	**25,863**	**25,349**	**30,970**	**31,436**	**31,661**	**31,886**	**31,661**	**31,886**

Budget Activity: Payment in Lieu of Taxes

Budget Activity Financing by Fund

(Dollars in Thousands)

1000 - General

	Actual FY12	Actual FY 13	Actual FY 14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
Open Appropriation	0	-277	0	0	0	0	0	0
Net Transfers	25,863	25,626	30,970	31,436	31,661	31,886	31,661	31,886
Expenditures	**25,863**	**25,349**	**30,970**	**31,436**	**31,661**	**31,886**	**31,661**	**31,886**
Biennial Change in Expenditures				11,194		1,141		1,141
Biennial % Change in Expenditures				22		2		2
Gov's Exp Change from Base								0
Gov's Exp % Change from Base								0

Program: Tax Aids, Credits, and Refunds
Activity: Township Aid

www.revenue.state.mn.us

AT A GLANCE

In 2014:
- 1,783 townships received Township Aid in the first year of the program

PURPOSE & CONTEXT

Township governments received Local Government Aid from the state until 2001. A 2013 law created a new aid program to help townships fund their services.

Funding Source: State General Fund

SERVICES PROVIDED

A new aid program provides general-purpose revenues to townships in 2014 and thereafter. Aid payments are determined through a formula that considers the size of the township, its population, and the share of its property value that is farms and cabins.

RESULTS

Townships across the state are more able to offer their residents affordable services.

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Town aid as a percentage of town revenues	0%	3.1%	2012-2014

Performance Measures Notes:

Township aid percentage of township revenues is based on Price of Government estimates for township revenues.

For additional information, visit the Revenue Department website. (www.revenue.state.mn.us/Pages/default.aspx) and search 'Township aid'

Legal Citation: 2013 laws chapter 143 article 2 sections 13 and 20, amending M.S 477A.013

(Dollars in Thousands)

Expenditures By Fund

	Estimate	Forecast Base		Governor's Recommendation	
	FY15	FY16	FY17	FY16	FY17
1000 - General	10,000	10,000	10,000	10,000	10,000
Total	**10,000**	**10,000**	**10,000**	**10,000**	**10,000**
Biennial Change	10,000		10,000		10,000
Biennial % Change			100		100
Governor's Change from Base					0
Governor's % Change from Base					0

Expenditures by Category

	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
Grants, Aids and Subsidies	10,000	10,000	10,000	10,000	10,000
Total	**10,000**	**10,000**	**10,000**	**10,000**	**10,000**

(Dollars in Thousands)

1000 - General

	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
Open Appropriation	10,000	10,000	10,000	10,000	10,000
Expenditures	**10,000**	**10,000**	**10,000**	**10,000**	**10,000**
Biennial Change in Expenditures	0		10,000		10,000
Biennial % Change in Expenditures	0		100		100
Gov's Exp Change from Base					0
Gov's Exp % Change from Base					0

Program: Tax Aids, Credits, and Refunds
Activity: County AIS Prevention Aid

www.revenue.state.mn.us

AT A GLANCE

In 2014:

- There were 629 Minnesota waters infested with invasive species

PURPOSE & CONTEXT

Invasive species not native to Minnesota can cause harm to the economy, the environment and human health. Aquatic Invasive Species Aid assists counties in preventing or limiting the spread of invasive species in Minnesota waters.

Funding Source: State General Fund

SERVICES PROVIDED

Created in 2014, Aquatic Invasive Species Prevention Aid is distributed to counties based on the counties' share of the statewide total for watercraft trailer launches and watercraft trailer parking spaces. Counties are required by law to use the aid to fund activities intended to reduce and prevent the spread of aquatic invasive species.

RESULTS

Aquatic Invasive Species Prevention Aid provides funds to limit the spread of invasive species.

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Number of Minnesota waters infested	-	629	2014

Performance Measures Notes:

The number of infestations in Minnesota waters is as of July 7, 2014.

For additional information, visit the Revenue Department website: (www.revenue.state.mn.us) and search 'invasive'.

Legal Citation: M.S 84D.02 www.revisor.mn.gov/statutes/?id=84D.02

(Dollars in Thousands)

Expenditures By Fund

	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
1000 - General	4,500	10,000	10,000	10,000	10,000
Total	**4,500**	**10,000**	**10,000**	**10,000**	**10,000**
Biennial Change	4,500		15,500		15,500
Biennial % Change			344		344
Governor's Change from Base					0
Governor's % Change from Base					0

Expenditures by Category

	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
Grants, Aids and Subsidies	4,500	10,000	10,000	10,000	10,000
Total	**4,500**	**10,000**	**10,000**	**10,000**	**10,000**

(Dollars in Thousands)

1000 - General

	Estimate	Forecast Base		Governor's Recommendation	
	FY15	FY16	FY17	FY16	FY17
Open Appropriation	4,500	10,000	10,000	10,000	10,000
Expenditures	**4,500**	**10,000**	**10,000**	**10,000**	**10,000**
Biennial Change in Expenditures	0		15,500		15,500
Biennial % Change in Expenditures	0		344		344
Gov's Exp Change from Base					0
Gov's Exp % Change from Base					0

Program: Tax Aids, Credits, and Refunds
Activity: Production Property Transition Aid

www.revenue.state.mn.us

AT A GLANCE

This program will begin paying aid to municipalities in 2016.

PURPOSE & CONTEXT

Property tax law changes can sometimes reduce the amount of tax base available to local governments. This program will provide temporary aid for cities and townships that lose more than five percent of their tax base due to a change in the way certain production facilities' property is valued.

Funding Source: State General Fund

SERVICES PROVIDED

Created in 2014, this program will provide transitional aid for cities and townships whose property tax base is reduced by more than five percent due to a change in the way ethanol, dairy, brewery, wine and distillery properties are valued for property tax purposes. The aid will first be paid in 2016 and phase out over five years.

RESULTS

This is a new program.

Performance Measures Notes:

While the program hasn't yet taken effect, we estimate that two cities and one township will be eligible for aid beginning in calendar year 2016.

Legal Citation: This is a new program Laws 2014 Chapter 308, Article 1, Section 10 establishes the Production Property Transition Aid program.www.revisor.mn.gov/laws/?year=2014&type=0&doctype=Chapter&id=308

(Dollars in Thousands)

Expenditures By Fund

	Forecast Base FY16 FY17	Governor's Recommendation FY16 FY17
1000 - General	160	160
Total	**160**	**160**
Biennial Change	0	0
Governor's Change from Base		0
Governor's % Change from Base		0

Expenditures by Category

Grants, Aids and Subsidies	160	160
Total	**160**	**160**

1000 - General

Open Appropriation	160	160
Expenditures	**160**	**160**
Biennial Change in Expenditures	0	0
Gov's Exp Change from Base		0
Gov's Exp % Change from Base		0

Program: Tax Aids, Credits, and Refunds
Activity: Agricultural Homestead Market Value Credit

www.revenue.state.mn.us

AT A GLANCE

In 2013:
- 94,000 farm homesteads received the credit
- The average market value agricultural land credit amount was $244
- Changes to the program will increase the average credit beginning in 2014

PURPOSE & CONTEXT

For some taxpayers, property taxes are a significant cost to owning agricultural land. Agricultural credits reduce the tax for owners of homesteaded farm property.

Funding source: State General Fund

SERVICES PROVIDED

The agricultural market value credit is designed to reduce the tax on agricultural homestead land beyond the house, garage, and immediately surrounding acre of land. The credit is based on a percentage of land market value, with a maximum credit of $490 per homestead.

Funding Source: State General Fund.

RESULTS

The credit makes homesteaded farm land more affordable.

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Average market value agricultural land credit amount	$244	$244	2012 – 2013
Quantity	Number of homesteads receiving the market value agricultural land credit	96,000	94,000	2012 – 2013

Performance Measures Notes:

Average credit amount compares payable year 2012 (previous) to 2013 (current).

New laws in 2014 provide a one-time supplemental credit in 2014 and changed the maximum credit from $230 to $490 and changed the calculation beginning in 2015. These changes are expected to increase the average credit amount beginning in 2014.

For additional information, visit the Revenue Department website.(www.revenue.state.mn.us) and search 'Agricultural Homestead Market Value Credit'.

Legal Citation: M.S. 273.1384 establishes the Agricultural Homestead Market Value Credit; the program was amended by Laws 2014 Chapter 308 Article 1 Sections 2 and 14.www.revisor.mn.gov/statutes/?id=273.1384

(Dollars in Thousands)

Expenditures By Fund

	Actual FY12	Actual FY13	Actual FY14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
1000 - General	23,145	24,573	23,166	40,665	39,180	39,555	39,180	39,555
Total	**23,145**	**24,573**	**23,166**	**40,665**	**39,180**	**39,555**	**39,180**	**39,555**
Biennial Change				16,113		14,904		14,904
Biennial % Change				34		23		23
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Category

	Actual FY12	Actual FY13	Actual FY14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
Grants, Aids and Subsidies	23,145	24,573	23,166	40,665	39,180	39,555	39,180	39,555
Total	**23,145**	**24,573**	**23,166**	**40,665**	**39,180**	**39,555**	**39,180**	**39,555**

(Dollars in Thousands)

1000 - General

	Actual FY12	Actual FY 13	Actual FY 14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
Open Appropriation	23,145	24,573	23,166	40,665	39,180	39,555	39,180	39,555
Expenditures	**23,145**	**24,573**	**23,166**	**40,665**	**39,180**	**39,555**	**39,180**	**39,555**
Biennial Change in Expenditures				16,113		14,904		14,904
Biennial % Change in Expenditures				34		23		23
Gov's Exp Change from Base								0
Gov's Exp % Change from Base								0

Program: Tax Aids, Credits, and Refunds
Activity: Prior Year Credit Adjustments

www.revenue.state.mn.us

AT A GLANCE

In 2014:

- Prior year credit adjustments were 0.02% of the total credits

PURPOSE & CONTEXT

Each year adjustments must be made for accounting corrections. Prior Year Credit Adjustments are paid to account for abatements, court orders, omissions, and other adjustments to credits.

Funding source: State General Fund

SERVICES PROVIDED

Prior Year Credit Adjustments are made for the Agricultural Preserve, Homestead Disaster, Local Option Disaster, and Disparity Reduction Credits.

RESULTS

The potential impacts of tax-exempt state-owned land are reduced for local governments.

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Adjustment amounts	$726,000	$11,007	2012 – 2014
Quantity	Prior year credit adjustment percentage of total credits	0.21%	0.02%	2012 - 2014

Performance Measures Notes:

Adjustment amount compares payable year 2012 (previous) to 2014 (current).

Adjustments have decreased recently due to the repeal of homestead market value credit.

(Dollars in Thousands)

Expenditures By Fund

	Actual FY12	Actual FY13	Actual FY14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
1000 - General	609	611	60	110	2	0	2	0
Total	**609**	**611**	**60**	**110**	**2**	**0**	**2**	**0**
Biennial Change				(1,050)		(168)		(168)
Biennial % Change				(86)		(99)		(99)
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Category

	Actual FY12	Actual FY13	Actual FY14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
Grants, Aids and Subsidies	609	611	60	110	2	0	2	0
Total	**609**	**611**	**60**	**110**	**2**	**0**	**2**	**0**

Budget Activity: Prior Year Credit Adjustments

(Dollars in Thousands)

1000 - General

	Actual FY12	Actual FY 13	Actual FY 14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
Open Appropriation	609	612	60	110	2	0	2	0
Expenditures	**609**	**611**	**60**	**110**	**2**	0	**2**	0
Biennial Change in Expenditures				(1,050)		(168)		(168)
Biennial % Change in Expenditures				(86)		(99)		(99)
Gov's Exp Change from Base								0
Gov's Exp % Change from Base								0

Program: Tax Aids, Credits, and Refunds
Activity: Disparity Reduction Credit

www.revenue.state.mn.us

AT A GLANCE

In 2014:
- The average property tax decrease due to the Disparity Reduction Credit was $6,448
- Approximately 1,300 parcels received the credit

PURPOSE & CONTEXT

Property taxes tend to be lower in North Dakota, putting some Minnesota businesses in bordering communities at a disadvantage. The Disparity Reduction Credit provides property tax relief for businesses in certain border cities.

Funding source: State General Fund

SERVICES PROVIDED

The Disparity Reduction Credit reduces property taxes for:
- commercial/industrial property,
- public utility property, and
- apartment property.

The credit reduced property taxes to 1.9 percent of the property's market value in 2014. The Disparity Reduction Credit assisted businesses in the border cities of Breckenridge, Dilworth, East Grand Forks, and Moorhead in 2014. Businesses in Ortonville will be eligible in 2015.

RESULTS

The Disparity Reduction Credit increases business competitiveness in border areas.

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Average property tax reduction due to credit	$5,197	$6,448	2012 - 2014

Performance Measures Notes:

The average credit amount compares payable year 2012 (previous) to 2014 (current).

In 2014, the tax rate threshold decreased from 2.3% to 1.9% of market value.

In 2015 businesses in the City of Ortonville will become eligible to receive the credit. The tax rate threshold will also decrease from 1.9% to 1.6%. These changes are expected to increase the total credits.

Legal Citation: M.S. 273.1398 establishes the Disparity Reduction Credit; the program was amended by Laws 2013 Chapter 143 Article 2 Section 1 and Laws 2014 Chapter 308 Article 1 Section 3.www.revisor.mn.gov/statutes/?id=273.1398

(Dollars in Thousands)

Expenditures By Fund

	Actual FY12	Actual FY13	Actual FY14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
1000 - General	6,131	7,159	6,862	8,619	10,056	10,100	10,056	10,100
Total	**6,131**	**7,159**	**6,862**	**8,619**	**10,056**	**10,100**	**10,056**	**10,100**
Biennial Change				2,191		4,675		4,675
Biennial % Change				16		30		30
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Category

	Actual FY12	Actual FY13	Actual FY14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
Grants, Aids and Subsidies	6,131	7,159	6,862	8,619	10,056	10,100	10,056	10,100
Total	**6,131**	**7,159**	**6,862**	**8,619**	**10,056**	**10,100**	**10,056**	**10,100**

(Dollars in Thousands)

1000 - General

	Actual FY12	Actual FY 13	Actual FY 14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
Open Appropriation	6,131	7,159	6,862	8,619	10,056	10,100	10,056	10,100
Cancellations	0							
Expenditures	**6,131**	**7,159**	**6,862**	**8,619**	**10,056**	**10,100**	**10,056**	**10,100**
Biennial Change in Expenditures				2,191		4,675		4,675
Biennial % Change in Expenditures				16		30		30
Gov's Exp Change from Base								0
Gov's Exp % Change from Base								0

Program: Tax Aids, Credits, and Refunds
Activity: Supplemental Taconite Homestead Credit

www.revenue.state.mn.us

AT A GLANCE

In 2014:
- The average property tax decrease from the Supplemental Taconite Homestead Credit was $281

PURPOSE & CONTEXT

Property taxes increase the cost of owning a home. The Supplemental Taconite Homestead Credit reduces the property taxes for homesteads in the taconite relief area as defined in M.S. 273.134.

Funding source: State General Fund

SERVICES PROVIDED

The Supplemental Taconite Homestead Credit program was created in 1980. Homesteads receive a credit that is either 57 percent of the property tax up to $289.80 or 66 percent of the property tax up to $315.10, depending on the location of the homestead.

RESULTS

Property taxes are more affordable for residential homesteads in the taconite relief area.

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Average property tax reduction due to credit	$281	$281	2012 - 2014

Performance Measures Notes:

Average property tax reduction compares payable year 2012 (previous) to 2014 (current).

87% of homesteads received maximum credit amount.

The effective tax rate (ETR) for a property equals the net property tax divided by its market value. The ETR can be viewed as a measure of how much property tax is paid per $1,000 in market value. The ETR for homesteads receiving the supplement taconite homestead credit was 0.74 percent for taxes payable in 2014. Without the credit, the ETR for homesteads would have been 0.91 percent. The average ETR for homesteads statewide was 1.30 percent for taxes payable in 2014.

Legal Citation: M.S. 273.1391 establishes the Supplemental Homestead Credit. www.revisor.mn.gov/statutes/?id=273.1391

(Dollars in Thousands)

Expenditures By Fund

	Actual FY12	Actual FY13	Actual FY14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
1000 - General	5,765	5,300	5,279	5,305	5,358	5,412	5,358	5,412
Total	**5,765**	**5,300**	**5,279**	**5,305**	**5,358**	**5,412**	**5,358**	**5,412**
Biennial Change				(481)		186		186
Biennial % Change				(4)		2		2
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Category

	Actual FY12	Actual FY13	Actual FY14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
Grants, Aids and Subsidies	5,765	5,300	5,279	5,305	5,358	5,412	5,358	5,412
Total	**5,765**	**5,300**	**5,279**	**5,305**	**5,358**	**5,412**	**5,358**	**5,412**

Budget Activity: Supp Taconite Homestead Credit

(Dollars in Thousands)

1000 - General

	Actual		Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY12	FY 13	FY 14	FY15	FY16	FY17	FY16	FY17
Open Appropriation	5,765	5,300	5,279	5,305	5,358	5,412	5,358	5,412
Expenditures	**5,765**	**5,300**	**5,279**	**5,305**	**5,358**	**5,412**	**5,358**	**5,412**
Biennial Change in Expenditures				(481)		186		186
Biennial % Change in Expenditures				(4)		2		2
Gov's Exp Change from Base								0
Gov's Exp % Change from Base								0

Program: Tax Aids, Credits, and Refunds
Activity: Agricultural Preservation Credit

www.revenue.state.mn.us

AT A GLANCE

- In 2013 3,511 credits were paid to agricultural land owners in the Twin Cities metropolitan area

PURPOSE & CONTEXT

For some taxpayers, property taxes are a significant cost to owning agricultural land. Agricultural preservation credits reduce the tax for owners of homesteaded farm property that is increasing in value due to surrounding development pressure.

Funding source: County Agricultural Preserve Funds, State Conservation Fund, State General Fund

SERVICES PROVIDED

The agricultural preservation credit, established in 1980, encourages agricultural use retention on land within the seven-county Twin Cities metropolitan area. The program establishes a valuation for taxation that is based on the land's agricultural use, irrespective of other market pressures. Lands in the program are protected from tax levy increases by limiting annual tax capacity rate increases to 105% of the statewide average local tax rate for townships. Unlike valuation deferments under the Green Acres law, land in this program is not required to repay any taxes or special assessments when terminating exiting the program.

A $5 fee on all mortgage registrations and deed transfers within the seven-county Twin Cities metropolitan area is split between each county's Agricultural Preserve fund and the State Conservation Fund. If insufficient funds exist in the county fund to pay the credit then the balance is paid from the State Conservation Fund. If insufficient funds exist in the State Conservation fund, the balance is then paid from the State General Fund.

RESULTS

The credit enables land to remain in agricultural production despite rising values and development pressure.

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Number of acres enrolled	195,115	209,337	2011-2013
Quantity	Average Credit	$187	$237	2011-2013

For additional information, visit the Revenue Department website.
(www.revenue.state.mn.us) and search 'Agricultural Preserves Credit'.

Legal Citation: M.S. 473H.10 establishes the Agricultural Preserves Credit https://www.revisor.mn.gov/statutes/?id=473H.10

(Dollars in Thousands)

Expenditures By Fund

	Actual FY12	Actual FY13	Actual FY14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
2000 - Restricted Misc Special Rev	370	469	463	550	551	551	551	551
2001 - Other Misc Special Rev	158	222	224	243	270	270	270	270
Total	**528**	**691**	**687**	**793**	**821**	**821**	**821**	**821**
Biennial Change				260		162		162
Biennial % Change				21		11		11
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Category

	Actual FY12	Actual FY13	Actual FY14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
Grants, Aids and Subsidies	528	691	687	793	821	821	821	821
Total	**528**	**691**	**687**	**793**	**821**	**821**	**821**	**821**

(Dollars in Thousands)

2000 - Restricted Misc Special Rev

	Actual FY12	Actual FY 13	Actual FY 14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
Balance Forward In	2,696	2,327	1,636	949	1,126	605	1,126	605
Receipts	160			970	300	300	300	300
Net Transfers	(158)	(222)	(224)	(243)	(270)	(270)	(270)	(270)
Expenditures	**370**	**469**	**463**	**550**	**551**	**551**	**551**	**551**
Balance Forward Out	2,327	1,636	949	1,126	605	84	605	84
Biennial Change in Expenditures				173		89		89
Biennial % Change in Expenditures				21		9		9
Gov's Exp Change from Base								0
Gov's Exp % Change from Base								0

2001 - Other Misc Special Rev

	Actual FY12	Actual FY 13	Actual FY 14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
Balance Forward In	26	26	26	26	26	26	26	26
Net Transfers	158	222	224	243	270	270	270	270
Expenditures	**158**	**222**	**224**	**243**	**270**	**270**	**270**	**270**
Balance Forward Out	26	26	26	26	26	26	26	26
Biennial Change in Expenditures				87		73		73
Biennial % Change in Expenditures				23		16		16
Gov's Exp Change from Base								0
Gov's Exp % Change from Base								0

Program: Tax Aids, Credits, and Refunds
Activity: Police Aid

www.revenue.state.mn.us

AT A GLANCE

- In 2013:
- 408 local jurisdictions received Police Aid

PURPOSE & CONTEXT

Public safety pensions have historically been a shared responsibility of both state and local governments. State Police Aid provides pension aid to local governments that employ peace officers.

Funding source: State General Fund

SERVICES PROVIDED

Police Aid was established in 1971 to help support retirement pensions of local peace officers. Annual aid distributions to public safety departments are based on the number of months worked by each licensed peace officer employed by the department. The amount of aid is equal to the revenues from the auto insurance premiums tax.

RESULTS

Police Aid helps increase affordability of local peace officer pensions.

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Number of jurisdictions receiving aid	411	408	2011 – 2013
Quantity	Aid as a percentage of employer pension cost	72%	74%	2011 – 2013

Performance Measures Notes:

Compares payable year 2011 (previous) to 2013 (current).

Aid as a percentage of employer pension cost measures how much of a department's pension obligations are paid through state Police Aid. In 2013, Police Aid paid for an average of 74% of a police department's pension obligations.

Legal Citation: M.S. 69 establishes Police Aid. www.revisor.mn.gov/statutes/?id=69

(Dollars in Thousands)

Expenditures By Fund

	Actual FY12	Actual FY13	Actual FY14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
1000 - General	56,862	54,451	60,514	63,278	67,020	70,414	67,020	70,414
Total	**56,862**	**54,451**	**60,514**	**63,278**	**67,020**	**70,414**	**67,020**	**70,414**
Biennial Change				12,479		13,642		13,642
Biennial % Change				11		11		11
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Category

	Actual FY12	Actual FY13	Actual FY14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
Grants, Aids and Subsidies	56,862	54,451	60,514	63,278	67,020	70,414	67,020	70,414
Total	**56,862**	**54,451**	**60,514**	**63,278**	**67,020**	**70,414**	**67,020**	**70,414**

Budget Activity: Police Aid

Budget Activity Financing by Fund

(Dollars in Thousands)

1000 - General

	Actual FY12	Actual FY 13	Actual FY 14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
Open Appropriation	62,384	59,883	66,240	69,280	73,022	76,416	73,022	76,416
Net Transfers	(5,522)	(5,432)	(5,726)	(6,002)	(6,002)	(6,002)	(6,002)	(6,002)
Expenditures	**56,862**	**54,451**	**60,514**	**63,278**	**67,020**	**70,414**	**67,020**	**70,414**
Biennial Change in Expenditures				12,479		13,642		13,642
Biennial % Change in Expenditures				11		11		11
Gov's Exp Change from Base								0
Gov's Exp % Change from Base								0

Program: Tax Aids, Credits, and Refunds
Activity: Fire Aid

www.revenue.state.mn.us

AT A GLANCE

In 2013:

- 766 fire relief associations received state Fire Aid

PURPOSE & CONTEXT

Public safety pensions have historically been a shared responsibility of both state and local governments. State Fire Aid provides pension aid to fire relief associations that employ firefighters.

Funding source: State General Fund

SERVICES PROVIDED

Fire Aid was established in 1885 to help support retirement pensions of firefighters. Annual aid distributions are based on the population and property values of the department's coverage area. The amount of aid is equal to the revenues from the fire insurance premiums tax.

State fire aid helps fund:

- service pensions paid to retired firefighters,
- disability benefits paid to disabled firefighters, and
- survivor benefits paid to the surviving spouses and children of deceased firefighters.

RESULTS

Fire Aid helps increase affordability of fire service.

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Number of fire relief associations receiving fire aid	764	766	2011 - 2013

Performance Measures Notes:

Compares payable year 2011 (previous) to 2013 (current).

Legal Citation: M.S. 69 establishes Fire Aid.www.revisor.mn.gov/statutes/?id=69

(Dollars in Thousands)

Expenditures By Fund

	Actual FY12	Actual FY13	Actual FY14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
1000 - General	22,836	22,846	25,391	26,686	26,686	26,686	26,686	26,686
Total	**22,836**	**22,846**	**25,391**	**26,686**	**26,686**	**26,686**	**26,686**	**26,686**
Biennial Change				6,396		1,295		1,295
Biennial % Change				14		2		2
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Category

	Actual FY12	Actual FY13	Actual FY14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
Grants, Aids and Subsidies	22,836	22,846	25,391	26,686	26,686	26,686	26,686	26,686
Total	**22,836**	**22,846**	**25,391**	**26,686**	**26,686**	**26,686**	**26,686**	**26,686**

Budget Activity: Fire Aid

Budget Activity Financing by Fund

(Dollars in Thousands)

1000 - General

	Actual FY12	Actual FY 13	Actual FY 14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
Open Appropriation	22,836	22,846	25,391	26,686	26,686	26,686	26,686	26,686
Expenditures	**22,836**	**22,846**	**25,391**	**26,686**	**26,686**	**26,686**	**26,686**	**26,686**
Biennial Change in Expenditures				6,396		1,295		1,295
Biennial % Change in Expenditures				14		2		2
Gov's Exp Change from Base								0
Gov's Exp % Change from Base								0

Program: Tax Aids, Credits, and Refunds
Activity: Insurance Surcharge Aid

www.revenue.state.mn.us

AT A GLANCE

In 2013:
- 4 firefighter relief associations received Insurance Surcharge Aid

PURPOSE & CONTEXT

Public safety pensions have historically been a shared responsibility of both state and local governments. Insurance Surcharge Aid helps support retirement pensions of firefighters.

Funding Source: State General Fund

SERVICES PROVIDED

Insurance Surcharge Aid helps pay the employer's pension costs for firefighters' relief associations in first class cities. The aid amount is based on revenue from a two percent surcharge on insurance premiums for fire, lightning, and sprinkler leakage coverage within each city.

RESULTS

Insurance Surcharge Aid helps increase affordability of fire service.

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Number of jurisdictions receiving aid	4	4	2011 – 2013

Performance Measures Notes:

Compares payable year 2011 (previous) to 2013 (current).

Legal Citation: M.S 297I.10 establishes the Insurance Surcharge Aid program. www.revisor.mn.gov/statutes/?id=297I.10

(Dollars in Thousands)

Expenditures By Fund

	Actual FY12	Actual FY13	Actual FY14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
1000 - General	2,640	3,399	3,667	3,967	3,967	3,967	3,967	3,967
Total	**2,640**	**3,399**	**3,667**	**3,967**	**3,967**	**3,967**	**3,967**	**3,967**
Biennial Change				1,595		300		300
Biennial % Change				26		4		4
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Category

	Actual FY12	Actual FY13	Actual FY14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
Grants, Aids and Subsidies	2,640	3,399	3,667	3,967	3,967	3,967	3,967	3,967
Total	**2,640**	**3,399**	**3,667**	**3,967**	**3,967**	**3,967**	**3,967**	**3,967**

Budget Activity: Insurance Surcharge Aid

(Dollars in Thousands)

1000 - General

	Actual		Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY12	FY 13	FY 14	FY15	FY16	FY17	FY16	FY17
Open Appropriation	2,640	3,399	3,667	3,967	3,967	3,967	3,967	3,967
Expenditures	**2,640**	**3,399**	**3,667**	**3,967**	**3,967**	**3,967**	**3,967**	**3,967**
Biennial Change in Expenditures				1,595		300		300
Biennial % Change in Expenditures				26		4		4
Gov's Exp Change from Base								0
Gov's Exp % Change from Base								0

Program: Tax Aids, Credits, and Refunds
Activity: PERA Aid

www.revenue.state.mn.us

AT A GLANCE

In 2013:

- 1,114 jurisdictions received Public Employees Retirement Association (PERA) Aid

PURPOSE & CONTEXT

State law changes can increase costs to local governments. PERA Aid is paid to local governments to offset an increase to the employer-paid PERA rates that began in 1998.

Funding source: State General Fund

SERVICES PROVIDED

The aid is 0.35 percent of a jurisdiction's 1997 PERA payroll. The amounts remain the same each year, unless an employer no longer participates in PERA.

The aid will end on June 30, 2020.

RESULTS

State assistance helps increase affordability of local government employee pensions.

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Number of jurisdictions receiving aid	1,121	1,114	2011 – 2013

Performance Measures Notes:

Compares payable year 2011 (previous) to 2013 (current).

Legal Citation: M.S. 273.1385 establishes PERA aid. www.revisor.mn.gov/statutes/?id=273.1385

(Dollars in Thousands)

Expenditures By Fund

	Actual FY12	Actual FY13	Actual FY14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
1000 - General	14,328	14,316	14,187	14,148	14,148	14,148	14,148	14,148
Total	**14,328**	**14,316**	**14,187**	**14,148**	**14,148**	**14,148**	**14,148**	**14,148**
Biennial Change				(309)		(39)		(39)
Biennial % Change				(1)		0		0
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Category

	Actual FY12	Actual FY13	Actual FY14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
Grants, Aids and Subsidies	14,328	14,316	14,187	14,148	14,148	14,148	14,148	14,148
Total	**14,328**	**14,316**	**14,187**	**14,148**	**14,148**	**14,148**	**14,148**	**14,148**

(Dollars in Thousands)

1000 - General

	Actual FY12	Actual FY 13	Actual FY 14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
Open Appropriation	14,328	14,316	14,187	14,148	14,148	14,148	14,148	14,148
Expenditures	**14,328**	**14,316**	**14,187**	**14,148**	**14,148**	**14,148**	**14,148**	**14,148**
Biennial Change in Expenditures				(309)		(39)		(39)
Biennial % Change in Expenditures				(1)		0		0
Gov's Exp Change from Base								0
Gov's Exp % Change from Base								0

Program: Tax Aids, Credits, and Refunds
Activity: Amortization Aid

www.revenue.state.mn.us

AT A GLANCE

In 2013:
- 2 jurisdictions received Amortization Aid

PURPOSE & CONTEXT

Public safety pensions have historically been a shared responsibility of both state and local governments. Amortization Aid supports retirement pensions of local peace officers and fire fighters.

Funding source: State General Fund

SERVICES PROVIDED

Amortization Aid was established in 1980 to assist underfunded police or salaried firefighters' pension associations and to teachers' retirement funds.

RESULTS

Amortization Aid helps increase affordability of local government employee pensions.

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Number of jurisdictions receiving aid	4	2	2011 – 2013

Performance Measures Notes:

Compares payable year 2011 (previous) to 2013 (current).

The number of jurisdictions receiving aid is decreasing as local pensions merge with the statewide pension systems or as local pensions become fully funded and no long qualify for aid. Also, some of the amortization aid provisions ended in 2010.

Legal Citation: M.S. 423A.02 establishes Amortization Aid; the program was amended by Laws 2013 Chapter 111 Article 5 Sections 70-76. www.revisor.mn.gov/statutes/?id=423A.02

(Dollars in Thousands)

Expenditures By Fund

	Actual FY12	Actual FY13	Actual FY14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
1000 - General	3,332	2,753	4,823	4,823	4,823	4,823	4,823	4,823
Total	**3,332**	**2,753**	**4,823**	**4,823**	**4,823**	**4,823**	**4,823**	**4,823**
Biennial Change				3,561		0		0
Biennial % Change				59		0		0
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Category

	Actual FY12	Actual FY13	Actual FY14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
Grants, Aids and Subsidies	3,332	2,753	4,823	4,823	4,823	4,823	4,823	4,823
Total	**3,332**	**2,753**	**4,823**	**4,823**	**4,823**	**4,823**	**4,823**	**4,823**

(Dollars in Thousands)

1000 - General

	Actual FY12	Actual FY 13	Actual FY 14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
Open Appropriation	3,332	2,753	4,823	4,823	4,823	4,823	4,823	4,823
Expenditures	**3,332**	**2,753**	**4,823**	**4,823**	**4,823**	**4,823**	**4,823**	**4,823**
Biennial Change in Expenditures				3,561		0		0
Biennial % Change in Expenditures				59		0		0
Gov's Exp Change from Base								0
Gov's Exp % Change from Base								0

Program: Tax Aids, Credits, and Refunds
Activity: Firefighter Supplemental Benefits Reimbursement

www.revenue.state.mn.us

AT A GLANCE

In 2013:
- 357 fire relief associations received Firefighter Supplemental Benefits Reimbursement payments

PURPOSE & CONTEXT

Public safety pensions have historically been a shared responsibility of both state and local governments. The Firefighter Supplemental Benefits Reimbursement payments provide pension aid to fire relief associations.

Funding source: State General Fund

SERVICES PROVIDED

The Firefighter Supplemental Benefits Reimbursement was established in 1988 to help support retirement pensions for local firefighters. Payments are made to volunteer firefighter relief associations to reimburse them for benefits paid in the previous year. The payment is for retirement benefits, disability benefits, or survivor benefits. The reimbursement cannot be more than ten percent of the distributions paid and cannot be more than $1,000. The supplemental benefit for survivors cannot be more than 20 percent and cannot be more than $2,000.

RESULTS

Firefighter Supplemental Benefits Reimbursement provides additional benefit to local firefighters and supports local jurisdictions.

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Number of jurisdictions receiving aid	357	357	2011 – 2013

Performance Measures Notes:

Compares payable year 2011 (previous) to 2013 (current).

Legal Citation: M.S 424A.10 establishes Firefighter Supplemental Benefits Reimbursement. www.revisor.mn.gov/statutes/?id=424A.10

(Dollars in Thousands)

Expenditures By Fund

	Actual FY12	Actual FY13	Actual FY14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
1000 - General	671	608	558	559	600	600	600	600
Total	**671**	**608**	**558**	**559**	**600**	**600**	**600**	**600**
Biennial Change				(162)		83		83
Biennial % Change				(13)		7		7
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Category

	Actual FY12	Actual FY13	Actual FY14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
Grants, Aids and Subsidies	671	608	558	559	600	600	600	600
Total	**671**	**608**	**558**	**559**	**600**	**600**	**600**	**600**

(Dollars in Thousands)

1000 - General

	Actual FY12	Actual FY 13	Actual FY 14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
Open Appropriation	671	608	558	559	600	600	600	600
Expenditures	**671**	**608**	**558**	**559**	**600**	**600**	**600**	**600**
Biennial Change in Expenditures				(162)		83		83
Biennial % Change in Expenditures				(13)		7		7
Gov's Exp Change from Base								0
Gov's Exp % Change from Base								0

Program: Tax Aids, Credits, and Refunds
Activity: Police-Fire Retirement Supplemental Aid

www.revenue.state.mn.us

AT A GLANCE

In 2013:
- 695 entities received Police-Fire Retirement Supplemental Aid

PURPOSE & CONTEXT

Public safety pensions have historically been a shared responsibility of both state and local governments. State Police-Fire Retirement Supplemental Aid provides pension aid to relief associations and retirement plans for peace officers and firefighters.

Funding source: State General Fund

SERVICES PROVIDED

Police-Fire Retirement Supplemental Aid was established in 2013 to help support retirement pensions of peace officers and firefighters. Annual aid distributions are provided to the Public Employees Retirement Association police and fire retirement fund, State Patrol retirement fund and volunteer fire relief associations. The amount of aid is equal to a specified general fund appropriation amount in state statute.

The aid will terminate once the funding levels of the retirement plans meet 90%.

RESULTS

Police-Fire Retirement Supplemental Aid helps increase affordability of peace officer and firefighter pensions.

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Number of entities receiving aid	0	695	2011 – 2013

Performance Measures Notes:

Compares payable year 2011 (previous) to 2013 (current).

Legal Citation: M.S. 423A.022 establishes Police-Fire Retirement Supplemental Aid.https://www.revisor.mn.gov/statutes/?id=423A.022

(Dollars in Thousands)

Expenditures By Fund

	Actual FY14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
1000 - General	14,498	14,500	14,500	14,500	14,500	14,500
Total	**14,498**	**14,500**	**14,500**	**14,500**	**14,500**	**14,500**
Biennial Change		28,998		2		2
Biennial % Change				0		0
Governor's Change from Base						0
Governor's % Change from Base						0

Expenditures by Category

	Actual FY14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
Grants, Aids and Subsidies	14,498	14,500	14,500	14,500	14,500	14,500
Total	**14,498**	**14,500**	**14,500**	**14,500**	**14,500**	**14,500**

(Dollars in Thousands)

1000 - General

	Actual FY 14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
Open Appropriation	15,498	15,500	15,500	15,500	15,500	15,500
Net Transfers	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)
Expenditures	**14,498**	**14,500**	**14,500**	**14,500**	**14,500**	**14,500**
Biennial Change in Expenditures		0		2		2
Biennial % Change in Expenditures		0		0		0
Gov's Exp Change from Base						0
Gov's Exp % Change from Base						0

Program: Tax Aids, Credits, and Refunds
Activity: Senior Property Tax Deferral Reimbursement

www.revenue.state.mn.us

AT A GLANCE

In 2013:
- 344 taxpayers were enrolled in the program
- The average amount of property taxes deferred was $4,250

PURPOSE & CONTEXT

Property taxes account for a high share of income for some taxpayers. The Senior Citizens Property Tax Deferral program helps seniors stay in their homes by allowing them to postpone paying a portion of their property tax.

Funding source: State General Fund

SERVICES PROVIDED

Beginning in 1999 this voluntary program allows eligible senior citizens to postpone paying a portion of their homestead property taxes and special assessments. The state reimburses counties for the amount of property taxes deferred each year. A homestead may remain eligible until a qualifying homeowner no longer lives in the property, at which point the deferred taxes and interest must be paid to the state.

Qualified homeowners must be age 65 or older who have owned and lived in their home for at least 15 years and have household income less than $60,000. They can postpone the portion of property taxes above three percent of their income.

RESULTS

Senior citizens can afford to stay in their homes by postponing payment of some of their property taxes.

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Number of senior citizen taxpayers enrolled	290	344	2011 – 2013
Quantity	Average amount of property taxes deferred	$4,500	$4,250	2011 – 2013

Performance Measures Notes:

Number of taxpayers enrolled compares calendar year 2011 (previous) to 2013 (current).

As the baby boomer generation continues to reach retirement age, participation in the senior property tax deferral program is expected to continue increasing.

For additional information, visit the Revenue Department (www.revenue.state.mn.us) website and search ‘senior deferral’.

Legal Citation: M.S. 290B establishes the Senior Citizens’ Property Tax Deferral program. www.revisor.mn.gov/statutes/?id=290B

(Dollars in Thousands)

Expenditures By Fund

	Actual FY12	Actual FY13	Actual FY14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
1000 - General	1,202	1,400	1,525	1,220	1,310	1,510	1,310	1,740
Total	**1,202**	**1,400**	**1,525**	**1,220**	**1,310**	**1,510**	**1,310**	**1,740**
Biennial Change				143		75		305
Biennial % Change				5		3		11
Governor's Change from Base								230
Governor's % Change from Base								8

Expenditures by Category

	Actual FY12	Actual FY13	Actual FY14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
Grants, Aids and Subsidies	1,202	1,400	1,525	1,220	1,310	1,510	1,310	1,740
Total	**1,202**	**1,400**	**1,525**	**1,220**	**1,310**	**1,510**	**1,310**	**1,740**

(Dollars in Thousands)

1000 - General

	Actual FY12	Actual FY 13	Actual FY 14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
Open Appropriation	1,202	1,400	1,525	1,220	1,310	1,510	1,310	1,740
Expenditures	**1,202**	**1,400**	**1,525**	**1,220**	**1,310**	**1,510**	**1,310**	**1,740**
Biennial Change in Expenditures				143		75		305
Biennial % Change in Expenditures				5		3		11
Gov's Exp Change from Base								230
Gov's Exp % Change from Base								8

Program: Tax Aids, Credits, and Refunds
Activity: Performance Measurement Reimbursement

www.revenue.state.mn.us

AT A GLANCE

In 2014:

- 22% of counties and 4% of cities participated in the Performance Measurement program

PURPOSE & CONTEXT

Transparency in government finances is important for establishing the trust and understanding of taxpayers. The reimbursement helps local governments to develop performance measures.

Funding source: State General Fund

SERVICES PROVIDED

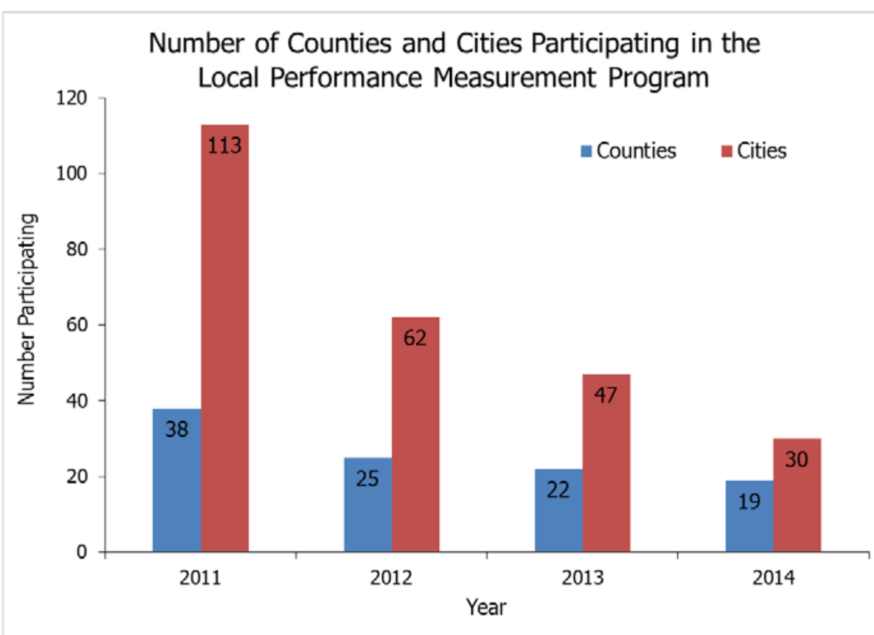
The Performance Measurement program was created in 2010 to determine the effectiveness of counties and cities in providing services. Participants use a set of ten performance measures (for example police response time, hours to snow plow complete system, citizen's rating of water quality). Participation by counties and cities is voluntary.

Counties and cities report results annually to the state auditor and their residents. Participating jurisdictions are eligible for a 14 cents per capita reimbursement (up to $25,000) and exemption from property tax limits.

RESULTS

Taxpayers have access to helpful information about the cost and quality of services provided by local governments.

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Percentage of counties participating	29%	22%	2012 – 2014
Quantity	Percentage of cities participating	7%	4%	2012 – 2014



Performance Measures Notes:

Annual participation compares calendar year 2012 (previous) to 2014 (current).

Participation in the program has decreased each year (see chart above). The decrease in participation from the first year to the second reflects additional requirements for implementing local performance measures in the second year. Many local jurisdictions elected to explore the program in the first year but decided against moving towards full implementation in the second year.

Legal Citation: M.S. 6.91 establishes the Performance Measurement Reimbursement payments. www.revisor.mn.gov/statutes/?id=6.91

(Dollars in Thousands)

Expenditures By Fund

	Actual FY12	Actual FY13	Actual FY14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
1000 - General	613	479	419	385	387	390	387	390
Total	**613**	**479**	**419**	**385**	**387**	**390**	**387**	**390**
Biennial Change				(287)		(27)		(27)
Biennial % Change				(26)		(3)		(3)
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Category

	Actual FY12	Actual FY13	Actual FY14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
Grants, Aids and Subsidies	613	479	419	385	387	390	387	390
Total	**613**	**479**	**419**	**385**	**387**	**390**	**387**	**390**

(Dollars in Thousands)

1000 - General

	Actual FY12	Actual FY 13	Actual FY 14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
Open Appropriation	613	479	419	385	387	390	387	390
Expenditures	**613**	**479**	**419**	**385**	**387**	**390**	**387**	**390**
Biennial Change in Expenditures				(287)		(27)		(27)
Biennial % Change in Expenditures				(26)		(3)		(3)
Gov's Exp Change from Base								0
Gov's Exp % Change from Base								0

Program: Tax Aids, Credits, and Refunds
Activity: Mahnomen Property Tax Reimbursement

www.revenue.state.mn.us

AT A GLANCE

In 2013:
- 3 local governments in Mahnomen County received combined payments totaling $1.2 million

PURPOSE & CONTEXT

Large decreases in tax base can lead to financial strain for local governments. The program provides payments for the loss of property tax base due to the Shooting Star Casino becoming tax exempt.

Funding source: State General Fund

SERVICES PROVIDED

Beginning in 2007, the Shooting Star Casino was placed into tax exempt trust status.

The state makes annual payments to compensate for property taxes not collected on the tax exempt land:
- Mahnomen County ($900,000),
- the city of Mahnomen ($160,000), and
- Mahnomen School District #432 ($140,000)

The payment was first made in 2006, became permanent in 2008, and was increased in 2013.

RESULTS

The fiscal impacts of tax exempt tribal owned property are reduced for local governments in Mahnomen County.

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	City tax base percentage of pre-exemption tax base	46%	48%	2011 – 2013
Quantity	County tax base percentage of pre-exemption tax base	131%	161%	2011 – 2013
Quantity	School district tax base percentage of pre-exemption tax base	100%	150%	2011 – 2013

Performance Measures Notes:

City tax base percentage compares assessment year 2011 (previous) to assessment year 2013 (current) for the city of Mahnomen, County of Mahnomen, and Mahnomen School District #432. The pre-exemption tax base is assessment year 2006.

The total tax base for the city of Mahnomen decreased almost 50 percent following the exemption of the Shooting Star Casino. In recent years, the city tax base percentage had grown from 52 percent back to 57 percent of pre-exemption levels, but declined beginning in assessment year 2011 as a result of the market value homestead credit being converted into a market value exclusion. The exclusion reduced the taxable value of homesteads and the tax base of local taxing jurisdictions statewide.

Legal Citation: 2008 Minn. Laws Chapter 154, Article 1 established the payments; they were amended by Laws 2013 Chapter 143 Article 2 Section 33.

(Dollars in Thousands)

Expenditures By Fund

	Actual FY12	Actual FY13	Actual FY14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
1000 - General	600	600	1,200	1,200	1,200	1,200	1,200	1,200
Total	**600**	**600**	**1,200**	**1,200**	**1,200**	**1,200**	**1,200**	**1,200**
Biennial Change				1,200		0		0
Biennial % Change				100		0		0
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Category

	Actual FY12	Actual FY13	Actual FY14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
Grants, Aids and Subsidies	600	600	1,200	1,200	1,200	1,200	1,200	1,200
Total	**600**	**600**	**1,200**	**1,200**	**1,200**	**1,200**	**1,200**	**1,200**

Budget Activity: Mahnomen Pr Tax Reimbursement

(Dollars in Thousands)

1000 - General

	Actual FY12	Actual FY 13	Actual FY 14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
Direct Appropriation	600	600	1,200	1,200	1,200	1,200	1,200	1,200
Expenditures	**600**	**600**	**1,200**	**1,200**	**1,200**	**1,200**	**1,200**	**1,200**
Biennial Change in Expenditures				1,200		0		0
Biennial % Change in Expenditures				100		0		0
Gov's Exp Change from Base								0
Gov's Exp % Change from Base								0

Program: Tax Aids, Credits, and Refunds
Activity: Taconite Aid Reimbursement

www.revenue.state.mn.us

AT A GLANCE

In 2013:

- 1 school district received Taconite Aid Reimbursement

PURPOSE & CONTEXT

The Taconite Aid Reimbursement is paid to Deer River School District #317 in Itasca County to compensate the district for the mining occupation tax distribution received before the law was changed in 1978.

Funding Source: State General Fund

SERVICES PROVIDED

The Deer River School District receives an annual payment equal $561,050. This payment has remained the same since 1980.

RESULTS

The fiscal impacts of a 1978 occupation tax law change are reduced for the school district.

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Number of school districts receiving	1	1	2011 – 2013
Quantity	Payment's percentage of total school district revenues	5.4%	5.2%	2011 – 2013

Performance Measures Notes:

Number of school districts compares calendar year 2011 (previous) to 2013 (current).

In FY 2013, the reimbursement payment accounted for 5.2% of total school district revenues.

Legal Citation: M.S. 477A.15 establishes this payment. www.revisor.mn.gov/statutes/?id=477A.15

(Dollars in Thousands)

Expenditures By Fund

	Actual FY12	Actual FY13	Actual FY14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
1000 - General	561	561	561	561	561	561	561	561
Total	**561**	**561**	**561**	**561**	**561**	**561**	**561**	**561**
Biennial Change				0		0		0
Biennial % Change				0		0		0
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Category

	Actual FY12	Actual FY13	Actual FY14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
Grants, Aids and Subsidies	561	561	561	561	561	561	561	561
Total	**561**	**561**	**561**	**561**	**561**	**561**	**561**	**561**

Budget Activity: Taconite Aid Reimbursement

Budget Activity Financing by Fund

(Dollars in Thousands)

1000 - General

	Actual FY12	Actual FY 13	Actual FY 14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
Open Appropriation	561	561	561	561	561	561	561	561
Expenditures	**561**	**561**	**561**	**561**	**561**	**561**	**561**	**561**
Biennial Change in Expenditures				0		0		0
Biennial % Change in Expenditures				0		0		0
Gov's Exp Change from Base								0
Gov's Exp % Change from Base								0

Program: Tax Aids, Credits, and Refunds
Activity: Border City Reimbursement

www.revenue.state.mn.us

AT A GLANCE

In 2013:
- 2 jurisdictions received Border City Reimbursement payments

PURPOSE & CONTEXT

Property taxes tend to be lower in North Dakota, putting some Minnesota businesses in bordering communities at a disadvantage. The Border City Reimbursement provides property tax relief for businesses in certain border cities.

Funding Source: State General Fund

SERVICES PROVIDED

The Border City Reimbursement reduces property taxes for:
- commercial/industrial property,
- public utility property, and
- apartment property.

The reimbursement provides additional property tax relief to the border cities of Breckenridge, Dilworth, East Grand Forks, and Moorhead. Cities must request the state reimbursement, and then payments to businesses are determined by the cities.

RESULTS

Border City Reimbursement increases business competitiveness in border areas

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Number of jurisdictions receiving reimbursement	2	2	2011 – 2013

Performance Measures Notes:

Number of jurisdictions receiving reimbursement compares payable year 2011 (previous) to 2013 (current).

The two jurisdictions receiving reimbursement payments in 2011 and 2013 were Wilkin County and the City of Breckinridge.

Legal Citation: 469.1735 establishes this reimbursement. www.revisor.mn.gov/statutes/?id=469.1735

(Dollars in Thousands)

Expenditures By Fund

	Actual FY12	Actual FY13	Actual FY14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
1000 - General	18	0	22	40	40	40	40	40
Total	**18**	**0**	**22**	**40**	**40**	**40**	**40**	**40**
Biennial Change				45		18		18
Biennial % Change				254		29		29
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Category

	Actual FY12	Actual FY13	Actual FY14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
Grants, Aids and Subsidies	18	0	22	40	40	40	40	40
Total	**18**	**0**	**22**	**40**	**40**	**40**	**40**	**40**

Budget Activity: Border City Reimbursement

Budget Activity Financing by Fund

(Dollars in Thousands)

1000 - General

	Actual FY12	Actual FY 13	Actual FY 14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
Open Appropriation	18	0	22	40	40	40	40	40
Expenditures	**18**	0	**22**	**40**	**40**	**40**	**40**	**40**
Biennial Change in Expenditures				45		18		18
Biennial % Change in Expenditures				254		29		29
Gov's Exp Change from Base								0
Gov's Exp % Change from Base								0

Program: Tax Aids, Credits, and Refunds
Activity: Disaster Credits

www.revenue.state.mn.us

AT A GLANCE

In 2013 and 2014:

- An average of 869 parcels received Disaster Credits

PURPOSE & CONTEXT

Damage caused by natural disasters and other events can lead to financial strain for households and businesses. The credit provides property tax relief for property damaged in a declared disaster or emergency area.

Funding Source: State General Fund

SERVICES PROVIDED

Beginning in 1984, the disaster credit reduces the property tax of damaged homestead property within a declared disaster or emergency area. The damaged property is revalued, and the credit is equal to difference in tax between the original value and the value after damage. The state reimburses local governments for the credit in the year following the damage.

A county board may grant an abatement of property tax in the year in which the damage occurred if 50 percent of the homestead was destroyed. The county may also grant a credit for taxes payable in the year following the damage for homestead property that does not qualify for the disaster credit and non-homestead property. The state reimburses the local jurisdictions for abatements and credits for property located in a declared disaster or emergency area.

The state legislature periodically authorizes tax base replacement aid for cities that experience a tax base reduction greater than five percent due to damage caused by a natural disaster.

RESULTS

Property tax relief helps individuals, businesses and communities recover from the impacts of damage caused by a disaster.

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Average annual number of parcels receiving credits	2,222	869	2011/2012 – 2013/2014

Performance Measures Notes:

Average number of parcels receiving credits compares payable year 2011/2012 (previous) to 2013/2014 (current).

The amount of payment is dependent on the number and severity of disasters. In 2013, flooding in Northeastern Minnesota resulted in approximately 1,700 parcels receiving disaster credits. In 2014, there were zero parcels receiving the credit.

For additional information, visit the Revenue Department (www.revenue.state.mn.us) website and search ‘disaster’

Legal Citation: M.S. 273.1231 through 273.1235 establish these credits. www.revisor.mn.gov/statutes/?id=273.1231

(Dollars in Thousands)

Expenditures By Fund

	Actual FY12	Actual FY13	Actual FY14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
1000 - General	1,056	1,931	3,401	349	229	224	229	224
Total	**1,056**	**1,931**	**3,401**	**349**	**229**	**224**	**229**	**224**
Biennial Change				764		(3,297)		(3,297)
Biennial % Change				26		(88)		(88)
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Category

	Actual FY12	Actual FY13	Actual FY14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
Grants, Aids and Subsidies	1,056	1,931	3,401	349	229	224	229	224
Total	**1,056**	**1,931**	**3,401**	**349**	**229**	**224**	**229**	**224**

Budget Activity: Disaster Credits

Budget Activity Financing by Fund

(Dollars in Thousands)

1000 - General

	Actual FY12	Actual FY 13	Actual FY 14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
Open Appropriation	1,057	1,931	1,401	349	229	224	229	224
Cancellations	0							
Expenditures	**1,056**	**1,931**	**3,401**	**349**	**229**	**224**	**229**	**224**
Biennial Change in Expenditures				764		(3,297)		(3,297)
Biennial % Change in Expenditures				26		(88)		(88)
Gov's Exp Change from Base								0
Gov's Exp % Change from Base								0

Program: Tax Aids, Credits, and Refunds
Activity: Miscellaneous Payments

www.revenue.state.mn.us

AT A GLANCE

Between 2011 and 2014:

- 4 local governments received one-time relief payments

PURPOSE & CONTEXT

Unforeseen events may occur that strain local government finances. State payments provide financial assistance to help local governments through unforeseen events.

Funding Source: State General Fund

SERVICES PROVIDED

Occasionally payments are authorized by law to local governments experiencing an extraordinary or unusual circumstance and where other financial assistance is unavailable. Examples include:

- $50,000 to the city of St. Charles in 2010 for a loss of a major manufacturing facility due to fire, and
- $12,000 to the city of Tamarack in 2012 to compensate for sewer project issues

The payments are made outside of existing aid distribution formulas.

RESULTS

Relief payments help communities recover from the impacts of unusual circumstances.

Performance Measures Notes:

The amount and frequency of payments is dependent on legislative approval.

(Dollars in Thousands)

1000 - General

	Actual FY 14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
Direct Appropriation	1,300	0	0	0	0	0
Open Appropriation		20	20	20	20	20
Net Transfers	(1,000)	(20)	(20)	(20)	(20)	(20)
Cancellations	300					

Program: Tax Aids, Credits, and Refunds
Activity: Lewis and Clark Debt Service Aid

www.revenue.state.mn.us

AT A GLANCE

This program will be available beginning in 2015.

PURPOSE & CONTEXT

Regional infrastructure projects often require state assistance to be affordable. This program will help pay for the Lewis and Clark water supply system project in southwestern Minnesota.

Funding Source: State General Fund

SERVICES PROVIDED

This program creates a state aid program that helps pay for the Lewis and Clark water supply system project in southwestern Minnesota. The aid equals local bond payments for the project minus a defined amount paid by the participating local governments and a portion of any federal aid available for the project.

RESULTS

This is a new program.

Legal Citation: M.S. 477A.20 establishes Lewis and Clark Debt Service Aid.

(Dollars in Thousands)

Expenditures By Fund

	Forecast Base FY16 FY17	Governor's Recommendation FY16 FY17
1000 - General	1,600	1,600
Total	**1,600**	**1,600**
Biennial Change	0	0
Governor's Change from Base		0
Governor's % Change from Base		0

Expenditures by Category

Grants, Aids and Subsidies	1,600	1,600
Total	**1,600**	**1,600**

(Dollars in Thousands)

1000 - General

	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY16	FY17
Open Appropriation	0	1,600	0	1,600
Expenditures		**1,600**		**1,600**
Biennial Change in Expenditures		0		0
Gov's Exp Change from Base				0
Gov's Exp % Change from Base				0

Program: Tax Aids, Credits, and Refunds
Activity: Minneapolis Debt Service Aid

www.revenue.state.mn.us

AT A GLANCE

This program will begin to make payments to Minneapolis in 2016.

PURPOSE & CONTEXT

Regional infrastructure projects often require state assistance to be affordable. This program will provide state aid to Minneapolis to pay a portion of the city's library referendum bonds.

Funding Source: State General Fund

SERVICES PROVIDED

This program provides that the state will make annual payments to the city of Minneapolis equal to 40 percent of the annual levy for payments for the city's library referendum bonds, beginning in 2016.

RESULTS

This is a new program.

Legal Citation: M.S. 477A.085 establishes Minneapolis Debt Service Aid.www.revisor.mn.gov/statutes/?id=477A.085

(Dollars in Thousands)

Expenditures By Fund

	Forecast Base FY16 FY17	Governor's Recommendation FY16 FY17
1000 - General	3,720	3,720
Total	**3,720**	**3,720**
Biennial Change	0	0
Governor's Change from Base		0
Governor's % Change from Base		0

Expenditures by Category

	Forecast Base FY16 FY17	Governor's Recommendation FY16 FY17
Grants, Aids and Subsidies	3,720	3,720
Total	**3,720**	**3,720**

1000 - General

Open Appropriation	3,720	3,720
Expenditures	**3,720**	**3,720**
Biennial Change in Expenditures	0	0
Gov's Exp Change from Base		0
Gov's Exp % Change from Base		0

Program: Tax Aids, Credits, and Refunds
Activity: Bloomington Fiscal Disparities Loan Repayment

www.revenue.state.mn.us

AT A GLANCE

This program will make payments beginning in 2015.

PURPOSE & CONTEXT

Regional infrastructure projects often require state assistance to be affordable. This program will repay a portion of a loan on behalf of the city of Bloomington.

Funding Source: State General Fund

SERVICES PROVIDED

This program relieves the city of Bloomington of its obligation to repay a loan it received from the fiscal disparities property tax program for the initial construction of infrastructure for the Mall of America. For the last four years of repayment (2015 to 2018) the state will make the repayment to the fiscal disparities program on Bloomington's behalf.

RESULTS

This is a new program.

Legal Citation: M.S 473.08 Subdivision 3a establishes the Bloomington Fiscal Disparities loan repayment.www.revisor.mn.gov/statutes/?id=473F.08

(Dollars in Thousands)

Expenditures By Fund

	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY16	FY17
1000 - General	4,820	4,860	4,820	4,860
Total	**4,820**	**4,860**	**4,820**	**4,860**
Biennial Change		0		0
Governor's Change from Base				0
Governor's % Change from Base				0

Expenditures by Category

Grants, Aids and Subsidies	4,820	4,860	4,820	4,860
Total	**4,820**	**4,860**	**4,820**	**4,860**

(Dollars in Thousands)

1000 - General

	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY16	FY17
Open Appropriation	4,820	4,860	4,820	4,860
Expenditures	**4,820**	**4,860**	**4,820**	**4,860**
Biennial Change in Expenditures		0		0
Gov's Exp Change from Base				0
Gov's Exp % Change from Base				0

Program: Tax Aids, Credits, and Refunds
Activity: Volunteer Retention Stipend

www.revenue.state.mn.us

AT A GLANCE

This program will provide stipends to volunteer firefighters beginning in 2015.

PURPOSE & CONTEXT

Volunteers are vital to many local fire departments and ambulance services. The Volunteer Retention Stipend was established to help recruit and retain volunteer firefighters, ambulance attendants, and medical responders.

Funding Source: State General Fund

SERVICES PROVIDED

The stipend is $500 for each qualified volunteer in the pilot area, which includes 14 counties. The stipend is available in 2015, 2016, and 2017.

RESULTS

This is a new program.

Performance Measures Notes:

While this program has not yet taken effect, we estimate that 123 fire departments' volunteers will be eligible to receive the stipend beginning in calendar year 2015.

Legal Citation: Laws 2014 Chapter 308, Article 1, Section 1 establishes the Volunteer Retention Stipend.
www.revisor.mn.gov/laws/?year=2014&type=0&doctype=Chapter&id=308

(Dollars in Thousands)

Expenditures By Fund

	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY16	FY17
1000 - General	1,580	1,650	1,580	1,650
Total	**1,580**	**1,650**	**1,580**	**1,650**
Biennial Change		0		0
Governor's Change from Base				0
Governor's % Change from Base				0

Expenditures by Category

	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY16	FY17
Grants, Aids and Subsidies	1,580	1,650	1,580	1,650
Total	**1,580**	**1,650**	**1,580**	**1,650**

(Dollars in Thousands)

1000 - General

	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY16	FY17
Open Appropriation	1,580	1,650	1,580	1,650
Expenditures	**1,580**	**1,650**	**1,580**	**1,650**
Biennial Change in Expenditures		0		0
Gov's Exp Change from Base				0
Gov's Exp % Change from Base				0

Program: Tax Aids, Credits, and Refunds
Activity: Political Contribution Refunds

www.revenue.state.mn.us

AT A GLANCE

- The program was created in 1990.
- It was suspended in 2009 and re-instated on July 1, 2013.
- Revenue issued 51,795 refunds in FY14.

PURPOSE & CONTEXT

The Political Contribution Refund program was enacted in 1990. The program provides funds to qualifying political candidates and political party units from contributions made by Minnesotans. State refunds can be up to a total of $50 per person (or $100 per couple) in any calendar year.

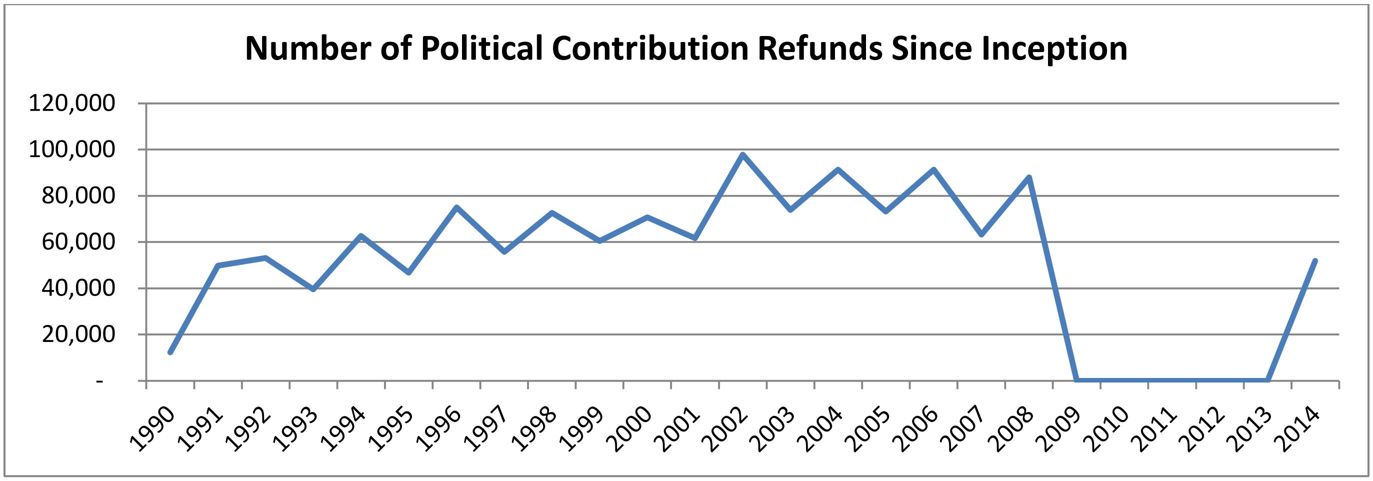
SERVICES PROVIDED

The program provides resources to political party units and legislative and state-wide candidates who agree to limit their spending by signing a Public Subsidy Agreement. Political candidates and parties are provided with special forms to document their contributions. This documentation is sent to the Department of Revenue, and a refund check is sent to the original donor.

RESULTS

In essence, the contributor is donating state general fund money to a political candidate or party.

The program was suspended from 2009 – 2013.



For additional information, visit the Revenue Department website.

(www.revenue.state.mn.us) and search ‘political contribution’.

Legal Citation: M.S. 290.06, Subdivision 23 establishes the Political Contribution Refund program.
https://www.revisor.leg.state.mn.us/statutes/?id=290.06

(Dollars in Thousands)

Expenditures By Fund

	Actual FY12	Actual FY13	Actual FY14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
1000 - General	0	-2	3,673	3,700	4,500	5,500	4,500	5,500
Total	**0**	**-2**	**3,673**	**3,700**	**4,500**	**5,500**	**4,500**	**5,500**
Biennial Change				7,375		2,627		2,627
Biennial % Change				308,596		36		36
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Category

	Actual FY12	Actual FY13	Actual FY14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
Grants, Aids and Subsidies	0	-2	3,673	3,700	4,500	5,500	4,500	5,500
Total	**0**	**-2**	**3,673**	**3,700**	**4,500**	**5,500**	**4,500**	**5,500**

Budget Activity: Political Contribution Refund

(Dollars in Thousands)

1000 - General

	Actual FY12	Actual FY 13	Actual FY 14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
Open Appropriation	0	-2	3,673	3,700	4,500	5,500	4,500	5,500
Expenditures	**0**	**(2)**	**3,673**	**3,700**	**4,500**	**5,500**	**4,500**	**5,500**
Biennial Change in Expenditures				7,375		2,627		2,627
Biennial % Change in Expenditures				308,596		36		36
Gov's Exp Change from Base								0
Gov's Exp % Change from Base								0

Program: Tax Aids, Credits, and Refunds
Activity: Tax Refund Interest

www.revenue.state.mn.us

AT A GLANCE

- Taxpayers are refunded interest if not paid within a set statutory time frame.
- Interest paid totaled $14.9 million in FY14.

PURPOSE & CONTEXT

Interest is due and paid to the taxpayer on certain tax refunds if they are not paid within a set statutory time frame. The interest rate paid on refunds is the same rate that the taxpayer would owe on underpayments. The interest rate has been three percent since 2010. The interest rate is announced prior to the start of each calendar year and is calculated based on the prime rate charged by banks.

SERVICES PROVIDED

While the Department of Revenue works to minimize interest accruals; interest accruals can occur for various reasons, such as tax disputes that are resolved via court cases, and audits and administrative appeals. Interest payments can fluctuate greatly from year to year depending on resolution of court cases.

For individual income tax and corporate franchise tax, interest on refunds is computed starting 90 days after the due date or the date the return is filed (whichever is later). For both sales and use tax and withholding taxes, interest generally accrues from the date of payment. However, for sales tax refunds of tax paid on capital equipment, certain building materials, and purchaser refunds, interest is computed starting 90 days after the refund claim is filed.

RESULTS

Everyone reports, pays, and receives the right amount: no more, no less.

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Trend*
Quantity	Tax refund interest paid	$14,828,018	$14,905,674	Stable

Performance Measure Notes: The measure above compares tax refund interest paid in FY 2013 compared to FY 2014.

For additional information, visit the Revenue Department website.(www.revenue.state.mn.us) and search 'refund interest'.

Legal Citation: M.S. 270C.405 establishes interest on refunds.https://www.revisor.leg.state.mn.us/statutes/?id=270C.405

(Dollars in Thousands)

Expenditures By Fund

	Actual FY12	Actual FY13	Actual FY14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
1000 - General	24,047	14,329	14,516	13,500	14,000	14,000	14,000	14,000
2360 - Health Care Access	295	457	353	371	364	385	364	385
2710 - Highway Users Tax Distribution	7	8	5	8	1	1	1	1
Total	**24,350**	**14,794**	**14,873**	**13,879**	**14,365**	**14,386**	**14,365**	**14,386**
Biennial Change				(10,392)		(1)		(1)
Biennial % Change				(27)		0		0
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Category

	Actual FY12	Actual FY13	Actual FY14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
Other Financial Transactions	24,350	14,794	14,873	13,879	14,365	14,386	14,365	14,386
Total	**24,350**	**14,794**	**14,873**	**13,879**	**14,365**	**14,386**	**14,365**	**14,386**

Budget Activity: Tax Refund Interest

Budget Activity Financing by Fund

(Dollars in Thousands)

1000 - General

	Actual FY12	Actual FY 13	Actual FY 14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
Open Appropriation	24,047	14,329	14,516	13,500	14,000	14,000	14,000	14,000
Expenditures	**24,047**	**14,329**	**14,516**	**13,500**	**14,000**	**14,000**	**14,000**	**14,000**
Biennial Change in Expenditures				(10,360)		(16)		(16)
Biennial % Change in Expenditures				(27)		0		0
Gov's Exp Change from Base								0
Gov's Exp % Change from Base								0

2360 - Health Care Access

	Actual FY12	Actual FY 13	Actual FY 14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
Open Appropriation	295	457	353	371	364	385	364	385
Expenditures	**295**	**457**	**353**	**371**	**364**	**385**	**364**	**385**
Biennial Change in Expenditures				(28)		25		25
Biennial % Change in Expenditures				(4)		3		3
Gov's Exp Change from Base								0
Gov's Exp % Change from Base								0

2710 - Highway Users Tax Distribution

	Actual FY12	Actual FY 13	Actual FY 14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
Open Appropriation	7	8	5	8	1	1	1	1
Expenditures	**7**	**8**	**5**	**8**	**1**	**1**	**1**	**1**
Biennial Change in Expenditures				(3)		(11)		(11)
Biennial % Change in Expenditures				(20)		(84)		(84)
Gov's Exp Change from Base								0
Gov's Exp % Change from Base								0

Program: Tax Aids, Credits, and Refunds
Activity: Discontinued Programs

The following programs are discontinued, but incurred expenditures in FY 2012, FY 2013, and/or FY 2014.

Discontinued State Programs		*Dollars in Thousands*	
	FY 2012	*FY 2013*	*FY 2014*
Market Value Homestead Credit	153,961	22,028	17
Bovine Tuberculosis Credit	420	34	-
Wetlands Reimbursement	5	-	-
Total	$154,386	$22,062	$17

(Dollars in Thousands)

Expenditures By Fund

	Actual FY12	Actual FY13	Actual FY14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
1000 - General	154,385	22,062	17	0	0	0	0	0
Total	**154,385**	**22,062**	**17**	**0**	**0**	**0**	**0**	**0**
Biennial Change				(176,430)		(17)		(17)
Biennial % Change				(100)		(100)		(100)
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Category

	Actual FY12	Actual FY13	Actual FY14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
Grants, Aids and Subsidies	154,385	22,062	17	0	0	0	0	0
Total	**154,385**	**22,062**	**17**	**0**	**0**	**0**	**0**	**0**

Budget Activity: Discontinued Program

Budget Activity Financing by Fund

(Dollars in Thousands)

1000 - General

	Actual FY12	Actual FY 13	Actual FY 14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
Open Appropriation	154,385	22,062	17	0	0	0	0	0
Cancellations	1							
Expenditures	**154,385**	**22,062**	**17**	0	0	0	0	0
Biennial Change in Expenditures				(176,430)		(17)		(17)
Biennial % Change in Expenditures				(100)		(100)		(100)
Gov's Exp Change from Base								0
Gov's Exp % Change from Base								0