

**Eighth Edition
January 2009**



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

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January 2009**

**Minnesota
Government
in
Brief**

Research Department

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

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Introduction

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

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

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

We hope you find the 2009 edition of Minnesota Government in Brief to be a valuable resource.

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Demographic and Economic Data

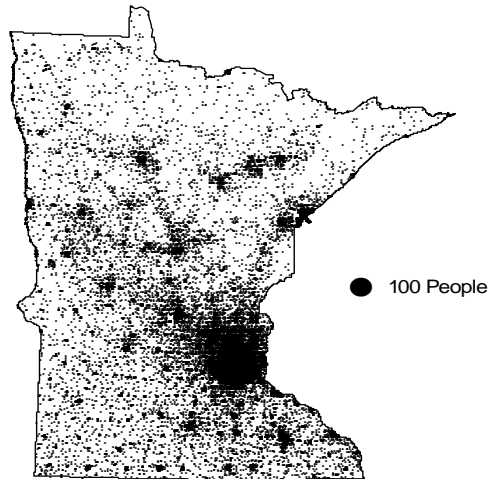
**Minnesotan
2005 Population Profile**

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

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

Source: U.S. Census Bureau

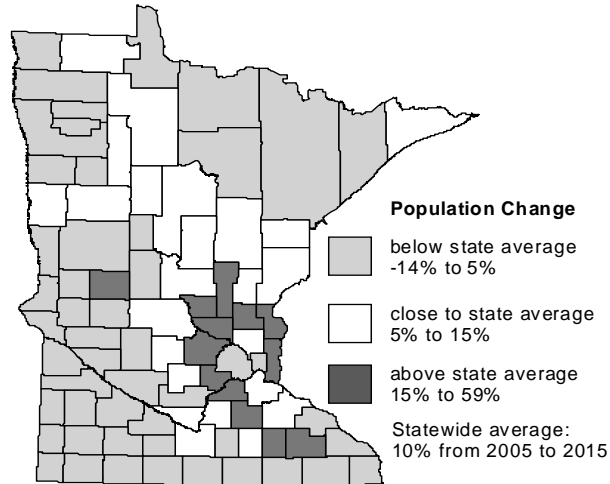
**Minnesota Population
(5.3 million in 2007)**



Ten Most Populous Cities in 2007

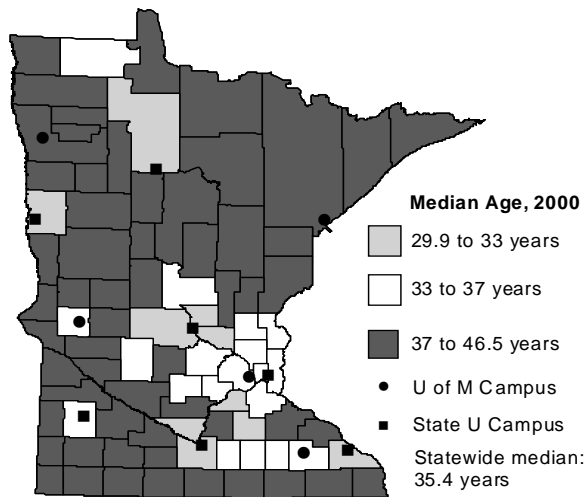
Minneapolis	388,020	Brooklyn Park	72,724
St. Paul	287,669	Plymouth	71,147
Rochester	100,845	Eagan	67,106
Bloomington	85,504	St. Cloud	65,246
Duluth	85,439	Coon Rapids	63,081

Estimated County Population Change 2005-2015



Source: Minnesota State Demographic Center

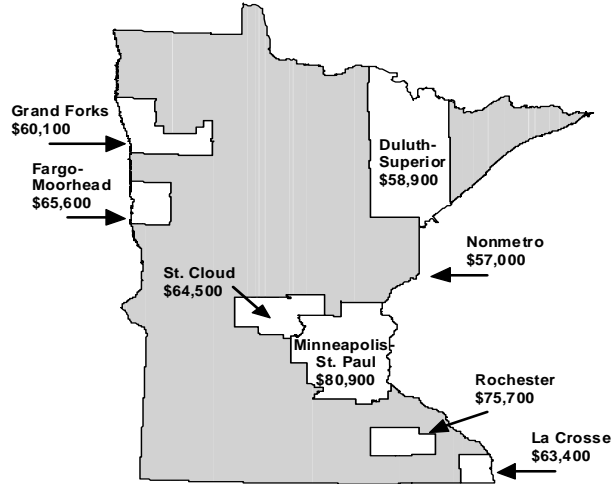
Median Age by County, 2000, and Public 4-year Universities



Source: U.S. Census, 2000

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

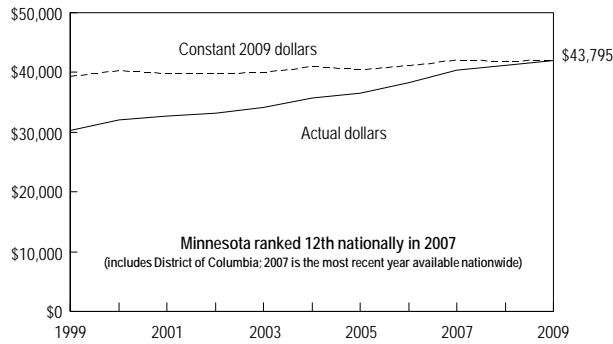
Median Family Income for Metropolitan Areas, 2008



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

“Family income” is defined as the total income from all sources of a family of four as reported in the 2000 U.S. Census and adjusted to 2008 levels using Bureau of Labor Statistics and U.S. Census Bureau data.

Minnesota Per Capita Personal Income (\$43,795 in CY 2009)



Source: Department of Finance

Annual Average Employment by Industry, 2005-2007

Industry Type	Number of Jobs		
	2005	2006	2007
Total Employment (Nonfarm)	2,640,325	2,670,222	2,687,541
<u>Goods Sector Total</u>	498,549	494,551	484,707
Natural Resources and Mining	22,032	22,401	22,893
Construction	129,449	126,393	120,528
Manufacturing	347,068	345,757	341,286
<u>Services Sector Total</u>	1,767,949	1,801,816	1,831,462
Trade, Transportation, and Utilities	523,964	522,327	523,417
Information	59,344	58,009	58,045
Financial Activities	177,713	178,417	177,471
Professional and Business Services	306,576	320,928	328,642
Education and Health Services	370,476	390,104	409,407
Leisure and Hospitality	242,304	244,200	248,118
Other Services	87,572	87,831	86,362
Government	373,827	373,855	371,372

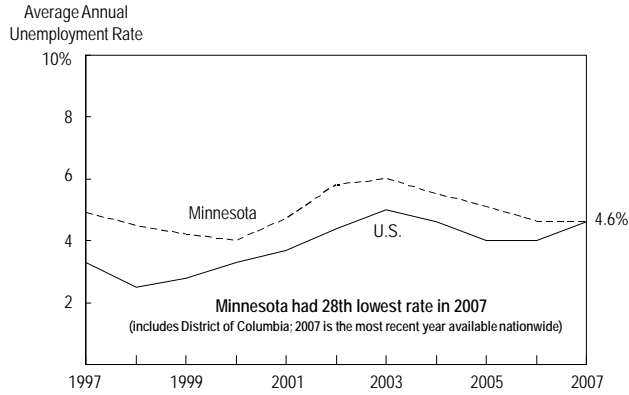
Source: U.S. Department of Labor, Bureau of Labor Statistics, Quarterly Census of Employment and Wages

Gross State Product by Industry, 2005-2007

Industry Type	Gross State Product (millions)		
	2005	2006	2007
Total Gross State Product	\$232,002	\$242,097	\$254,969
<u>Goods Sector Total</u>	\$48,379	\$48,918	\$50,614
Agriculture, Natural Resources, and Mining	5,258	5,666	7,157
Construction	11,255	11,042	9,602
Manufacturing	31,866	32,210	33,855
<u>Services Sector Total</u>	\$159,552	\$167,881	\$178,097
Trade, Transportation, and Utilities	40,945	42,258	44,069
Information	8,757	9,049	9,733
Financial Activities	22,096	22,992	23,986
Professional and Business Services	55,142	58,435	63,152
Education and Health Services	20,228	21,974	23,618
Leisure and Hospitality	7,016	7,604	7,850
Other services	5,368	5,569	5,689
Government	\$24,071	\$25,298	\$26,258

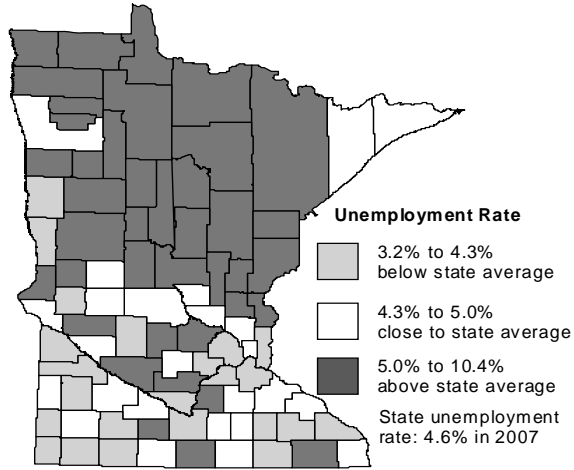
Industry data based on North American Industry Classification System (NAICS)
Source: U.S. Department of Commerce, Bureau of Economic Analysis/Regional Economic Accounts

Unemployment Rate
(MN: 4.6% in 2007; U.S.: 4.6% in 2007)



Source: U.S. Bureau of Labor Statistics

Unemployment by County, 2007



Source: U.S. Bureau of Labor Statistics

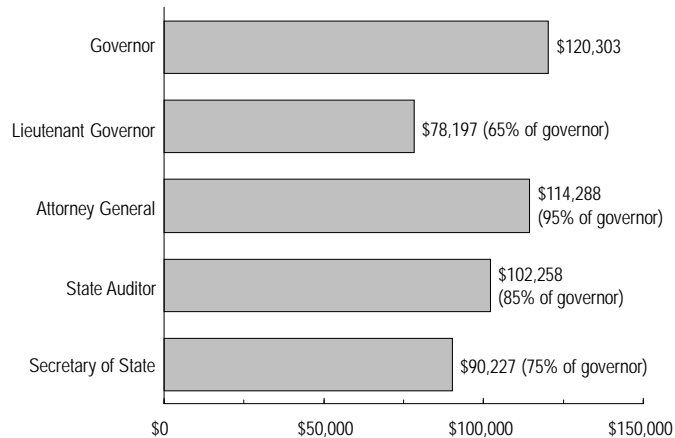
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State Executive Branch

Salary of Elected Constitutional Officers, January 2009

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



Major State Departments

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

Administration and Finance

Administration
Finance*
Revenue

Environment

Natural Resources
Pollution Control

Public Safety and Transportation

Corrections
Military Affairs
Public Safety
Transportation

Business and Employment

Agriculture
Commerce
Employment and Economic
Development
Labor and Industry
Mediation Services

Education, Health, and Human Services

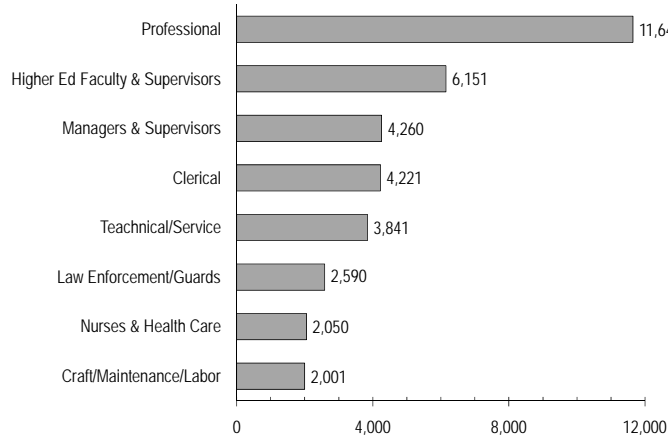
Education
Health
Human Rights
Human Services
Housing Finance
Veterans Affairs

* In 2008, the Department of Finance renamed itself Minnesota Management and Budget after the Department of Employee Relations was merged into the Department of Finance. The department will seek legislative approval for the name change in 2009.

Other Executive Branch Agencies

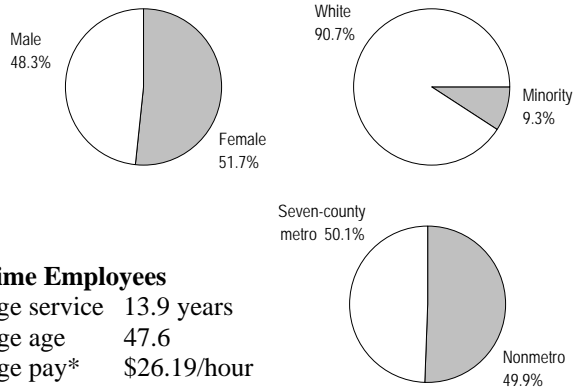
- There are dozens of boards, councils, commissions, and task forces, including about two dozen occupational licensing boards.
- Most of these groups are advisory to a major state agency.

**Full-time Executive Branch Employees
(37,914 in July 2008)**



(Does not include approximately 15,000 part-time or temporary employees or 1,153 employees who cannot be allocated to any of the occupational categories)

**Characteristics of Executive Branch Employees
(includes part-time and temporary employees
as of July 2008)**



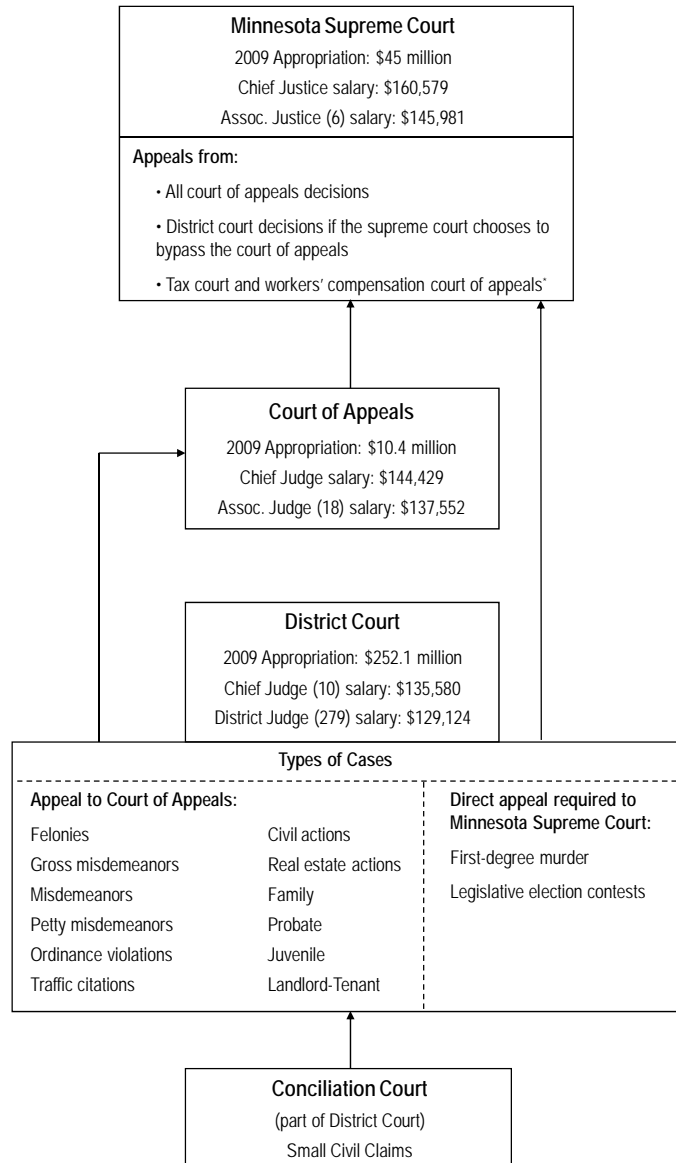
Full-time Employees

Average service 13.9 years
 Average age 47.6
 Average pay* \$26.19/hour

* Does not include MnSCU Faculty
 Source: Department of Finance

State Judicial Branch

State and Local Funding, Employees, Jurisdiction (\$307.5 million in state funding, FY 2009)



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

Judicial Branch Employees

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

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

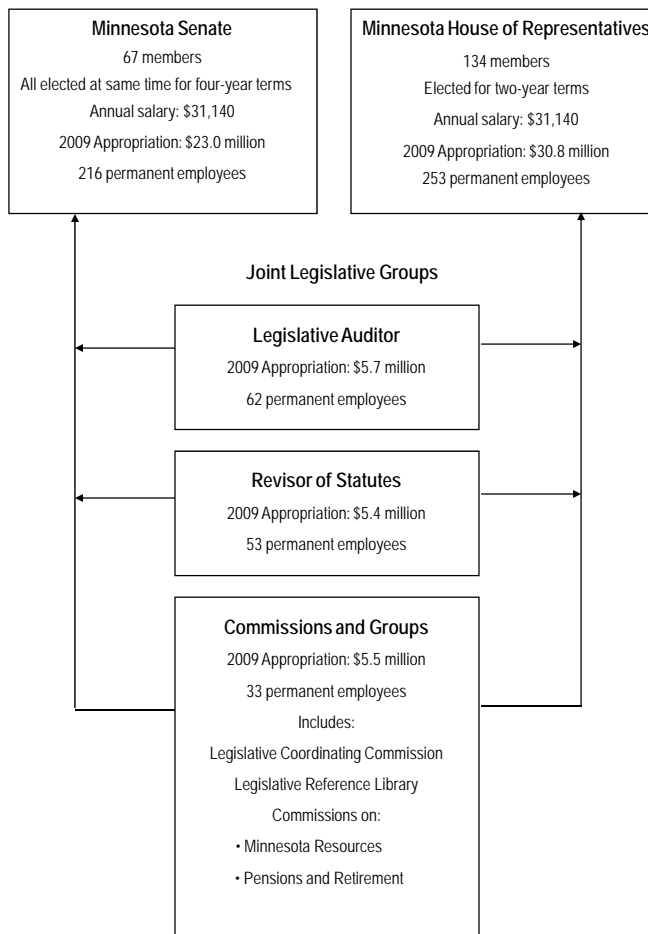
Public Defense System

Total state appropriations FY 2009: \$68.03 million

- The Board of Public Defense is located in the judicial branch but is not under the authority of the Minnesota Supreme Court. It oversees the state public defender (who handles appeals) and the district public defenders (who do trial work).
- There are approximately 514 full-time equivalent state employees, of which 371 are attorneys. Approximately 194 of the attorneys are part-time. In Hennepin and Ramsey counties, there are additional public defenders and staff who are county employees (if hired prior to January 1, 1999).

State Legislative Branch

201 Legislators
\$70.4 million Appropriation in FY 2009
617 Permanent Employees



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

Metropolitan Government

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

Metropolitan Council

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

Metropolitan Parks and Open Space Commission (MPOSC)

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

Transportation Advisory Board (TAB)

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

Metropolitan Airports Commission (MAC)

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

Metropolitan Sports Facilities Commission (MSFC)

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

Metropolitan Mosquito Control Commission (MMCC)

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

Metropolitan Agency Budgets, 2009

	Percent of Revenue Sources				
	Property Taxes*	User Fees	State	Federal	Other
Agency Expenditures (proposed CY 2009 for operating, debt service, and passthrough)					
Metropolitan Council (\$750 million)					
Regional Admin. Policy Alignment and Development and HRA Admin. (\$16.1 million)	63		1	28	8
Transportation Planning and Transit Operations (\$375.4 million)		27	52	9	12
Transit Debt Service (\$52.8 million)	100				
Sewer System (\$122.6 million)		97			3
Sewer System Debt Service (\$90.7 million)		100			
Parks and Open Space Debt Service (\$7.1 million)	100				
Passthrough Grants and Loans – e.g., housing, parks, RALF, MLCA** (\$78.3 million)	21		13	65	1
MAC Operating Budget (\$267 million)		100			
MAC Debt Service (\$136 million)		100			
MSFC (\$16.4 million)		100			
MMCC (\$18.0 million)	100				

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

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

Sources: Proposed or adopted 2009 agency budgets

Local Government

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

87 Counties

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

855 Cities

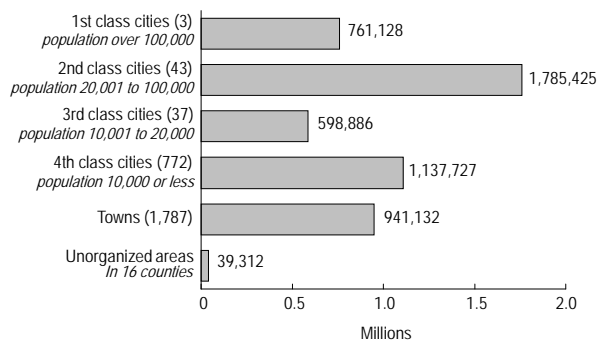
Statutory Cities (748) are organized and operate under the options provided in the statutory city code and other laws.

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

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

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

Population by Type of Municipality, 2007 estimate



Note: Under statute, cities are classified based on the federal decennial census data, not estimates. This graph reflects the incorporation of one town since 2007 estimates were made.

1,787 Towns

- Hold annual town meetings at which the electors exercise powers granted in law, such as setting the levy
- Governed by a three- or five-member elected board of supervisors
- May exercise “urban” town powers if population is at least 1,000 (219 towns are eligible)

340 School Districts

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

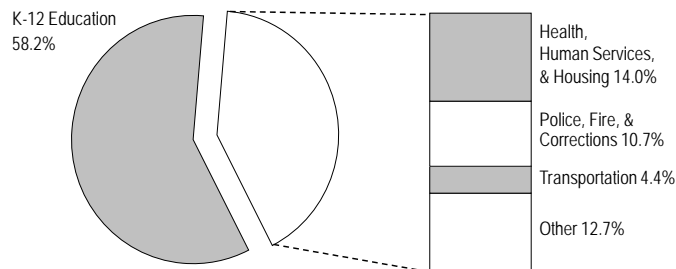
Other Special Districts (about 295)

There are about 295 other special taxing districts.

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

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

Local Government Employees by Function (195,599 full-time equivalent employees, 2006)



Source: U.S. Department of Commerce, March 2006

Minnesota Public Pension Plans

Pension Plan	Active Members	Assets (millions)	Liabilities (millions)
State Employee Plans (as of June 30, 2008)			
Minnesota State Retirement System (state employees)	48,816	\$9,013	\$9,995
State Patrol	840	595	693
State Correctional Employees	4,520	573	760
Local Government Plans (as of June 30, 2008)			
Public Employees Retirement Association (local gov't employees, other than police, fire, and corrections employees)	143,562	\$13,049	\$17,730
Public Employees Retirement Association (police and fire)	10,961	5,223	5,918
Local Government Correctional Employees	3,710	193	193
Minneapolis Employees Retirement Fund	211	1,215	1,577
Teacher Plans (as of June 30, 2008)			
Teachers Retirement Association (teachers and administrators outside of St. Paul and Duluth)	76,515	\$18,227	\$22,231
St. Paul Teachers Retirement Association	4,019	1,076	1,432
Duluth Teachers Retirement Association	1,140	298	363

Other public pension plans:

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

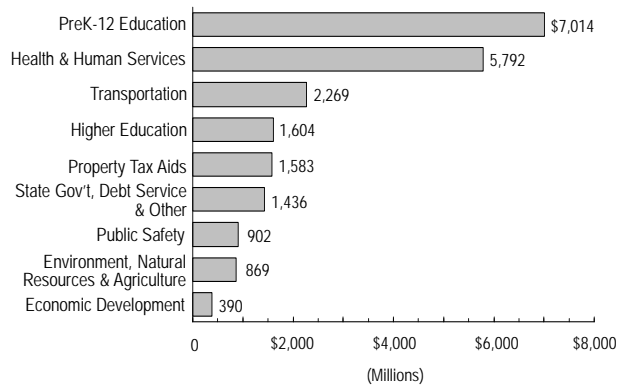
Government Finance

Total State Spending and Revenues, All Funds	29
Taxes	31
Government Debt	43

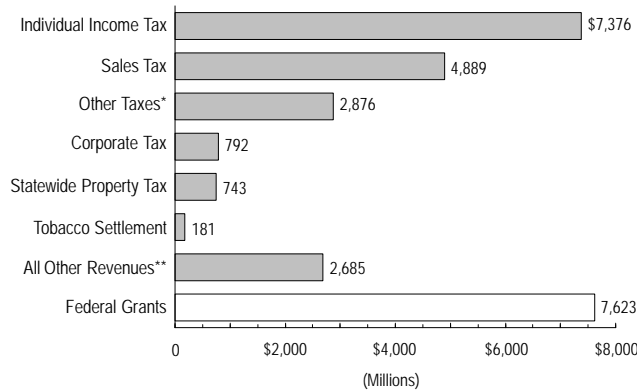
Note: The FY 2009 data are from the Department of Finance, November 2008 forecast. Other data are from the Department of Revenue, unless otherwise noted.

Total State Spending and Revenues, All Funds

Spending, Excluding Federal Funds (\$21,859 million in FY 2009)



Revenues (\$19,542 million, state sources in FY 2009; \$7,623 million, federal grants in FY 2009)

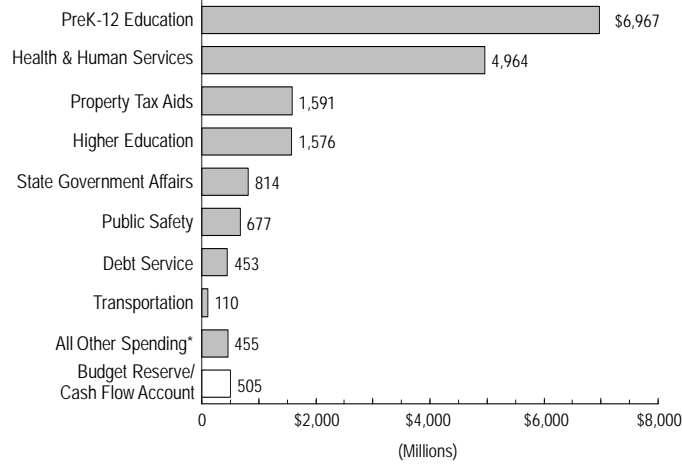


* "Other Taxes" includes taxes on motor vehicle fuels and licenses, cigarettes and tobacco (including the Health Impact Fee), insurance premiums, health care providers, mortgage and deed registration, and a variety of smaller taxes.

** "All Other Revenues" includes investment income, MinnesotaCare premiums, and user fees such as hunting and fishing licenses. In addition to the \$19,542 million in state revenues, the state carried forward a balance of \$4,474 million to FY 2009.

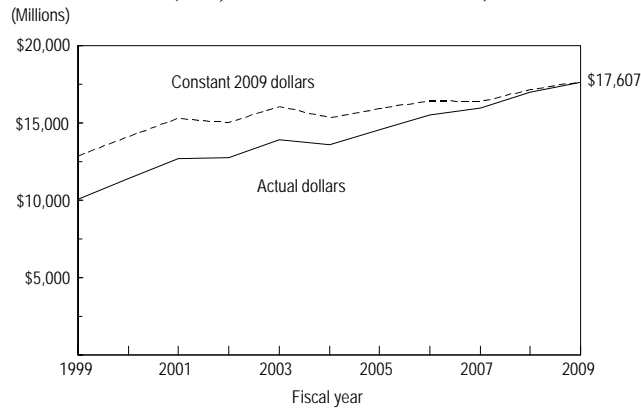
Source: Consolidated Fund Statement and Fund Balance Analysis, Department of Finance

**State Spending, General Fund Only,
Excluding reserves
(\$17,607 million in FY 2009)**



* Includes capital projects
Source: Fund Balance Analysis, Department of Finance

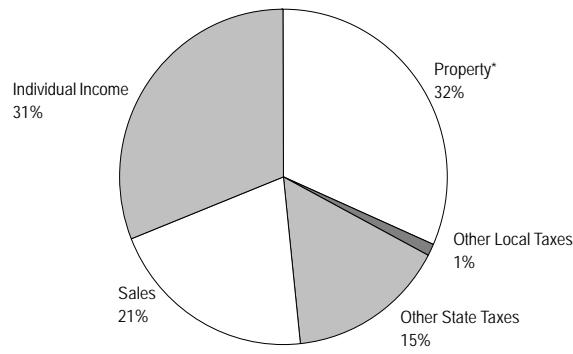
**General Fund Spending*
(\$17,607 million in FY 2009)**



* Excludes general fund appropriations for early childhood learning and child protection facilities (Minn. Stat. § 119A.45) in the capital budget for FY 1999-2001.
Source: Fund Balance Analysis, Department of Finance

Taxes

State and Local Taxes (\$23,720 million in FY 2009)

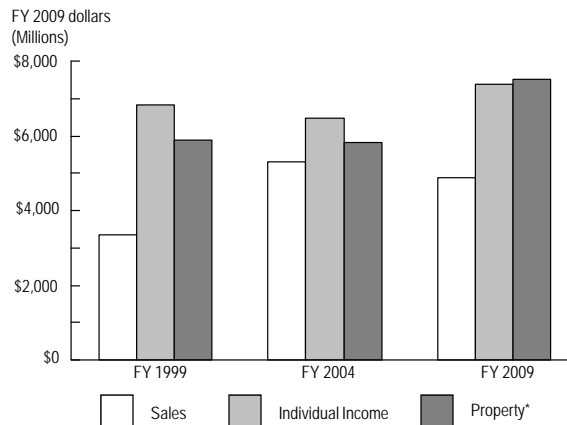


* Includes statewide property tax

Minnesota State Tax Collections (\$16,676 million in FY 2009)

Individual Income	\$7,376	Tobacco	\$422
Sales	4,889	Insurance Premiums	339
Corporate Franchise	792	Mortgage and Deed	135
Motor Vehicle Fuels	759	Estate	125
State Property	743	Alcoholic Beverages	75
Motor Vehicle License	485	Gambling	44
MNCare Taxes	452	Other	40

Income, Sales, and Property Taxes



*Includes statewide property tax

Individual Income Tax

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

2009 Tax Rates and Brackets

Rate	Income		
	Married Joint	Single	Head of Household
5.35%	\$0 to 33,220	\$0 to 22,730	\$0 to 27,980
7.05%	33,221 to 131,970	22,731 to 74,650	27,981 to 112,420
7.85%	Over 131,970	Over 74,650	Over 112,420

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

Nonrefundable credits:

Marriage Credit **\$61.5 million in FY 2009**
Long-term Care Credit **\$7.4 million in FY 2009**

Refundable credits (over \$1 million):

Dependent Care Expenses **\$13.9 million in FY 2009**

- Up to \$720 per dependent for up to two dependents available for filers with income up to \$36,980 in tax year 2009

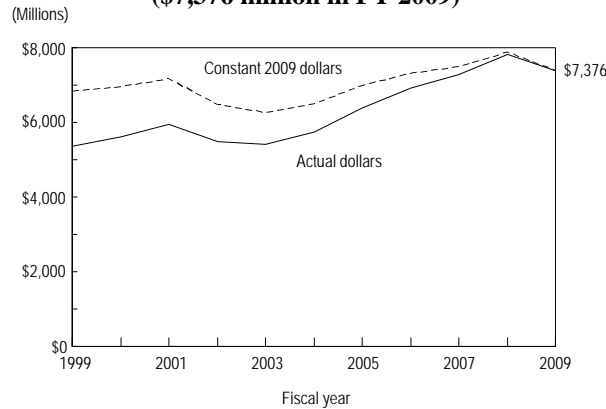
Working Family Credit **\$160.1 million in FY 2009**

- Equals a percentage of earned income
- Maximum credit of \$1,759 in tax year 2009

K-12 Education Credit **\$13.6 million in FY 2009**

Military Combat Zone Credit **\$1.1 million in FY 2009**

Individual Income Tax Revenues (\$7,376 million in FY 2009)



Sales Tax

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

General Sales and Use Tax Rates for FY 2009*

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

* All rates except the rate on motor vehicle sales will increase by 0.375% on July 1, 2009.

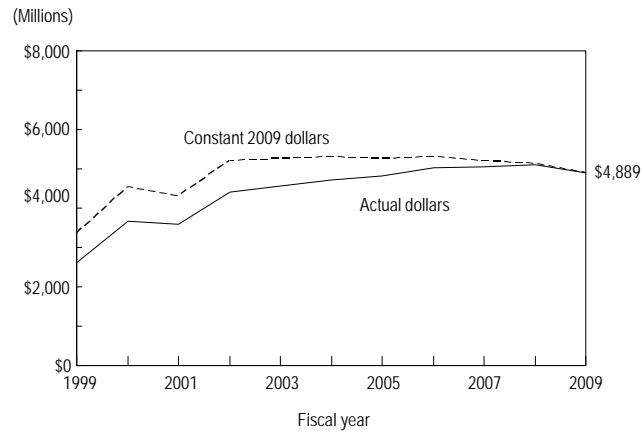
**A 2.5% gross receipts tax is also imposed on these sales.

Major Exemptions

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

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

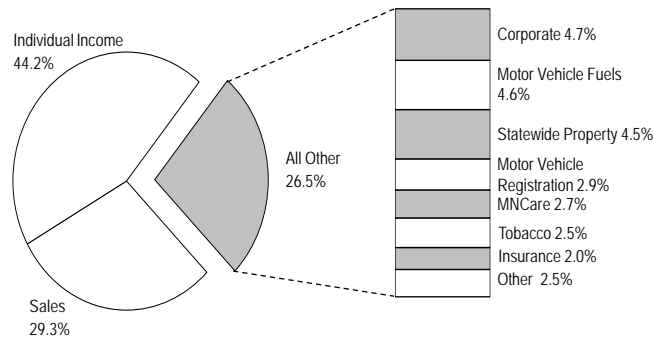
Sales Tax Revenues (\$4,889 million in FY 2009)



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

Other State Taxes

Taxes, other than the income and sales taxes, yield a little over 26% of state tax revenues. Many of these taxes are minor revenue sources. Taxes that yield at least 1% of state tax revenues for FY 2009 are described following the graph.



Corporate Franchise (Income) Tax

- 9.8% of federal taxable income after numerous adjustments
- Multistate corporations apportion income under a three-factor formula using Minnesota shares of property, payroll, and sales; the formula weights sales at 84% and property and payroll at 8% each for tax year 2009; sales-only apportionment is being phased in by 2014
- Most volatile revenue source of any major state tax

Motor Vehicle Fuels Tax

- \$.25/gallon (as of 10/1/2008)
- Variable motor fuels surcharge (ranging from \$.05/gallon to \$.035/gallon) to pay debt service on highway bonds
- Dedicated by constitution to the highway user trust fund

Statewide Property Tax

- Raised \$732 million in CY 2008; adjusted annually for inflation
- Levied against commercial/industrial and seasonal recreational property only

Motor Vehicle Registration (License) Tax

- Tax on passenger vehicles is 1.25% of the value, plus a minimum fee of \$10 (total tax cannot be less than \$35)
- Value is manufacturer's base value, reduced under a depreciation schedule after the first year
- Trucks, buses, and other vehicles pay based on weight and age
- Dedicated by constitution to the highway user trust fund

Cigarette and Tobacco Products Tax

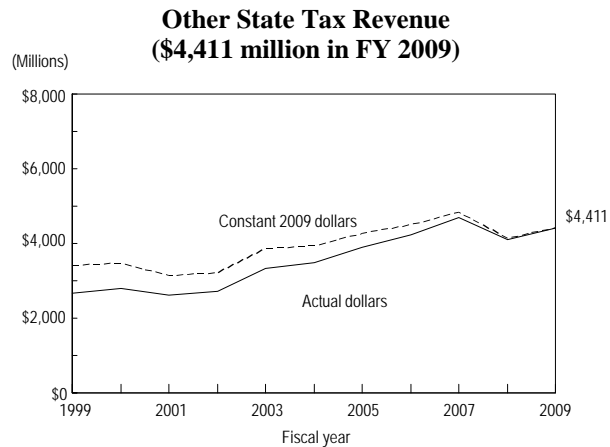
- \$.48/pack of 20 cigarettes; 35% of wholesale price of tobacco products; \$22.25 million goes to the Academic Health Center fund, \$8.55 million to the medical education and research costs account, and the rest to the general fund
- Additional fee of \$.35/pack on cigarettes made by companies not part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

MinnesotaCare Taxes

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

Insurance Premiums Tax

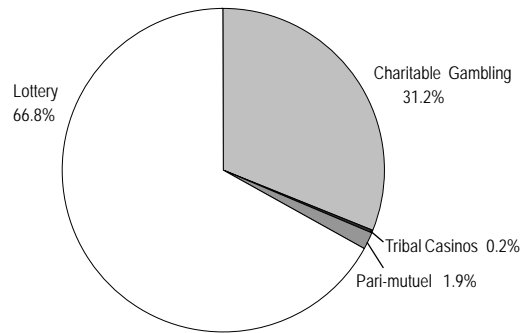
- Basic tax is 2% of insurance premiums
- Mutual property-casualty insurers with 12/31/89 assets of no more than \$5 million, 0.5% rate; \$1.6 billion, 1.26% rate
- HMOs and nonprofit health insurance companies (e.g., Blue Cross) are subject to a 1% rate
- Life insurance rate is 1.5% (effective 1/1/09)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



Gambling Revenue

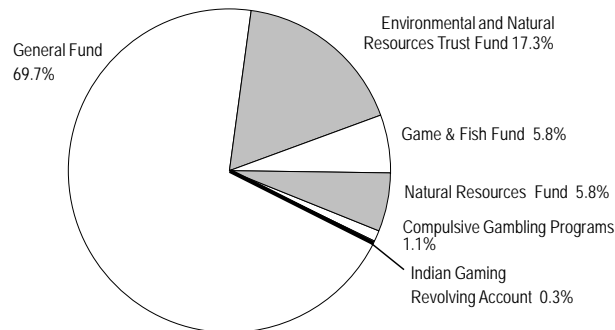
The state receives revenues from three state-authorized forms of gambling: pari-mutuel horse racing, charitable gambling, and the state lottery. The state also receives a nominal sum from Indian tribes that operate casinos; that money partly defrays state expenses in supervising state gaming compacts.

**Sources of State Revenue from Gambling
(\$168 million in FY 2007)**



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

**Disposition of State Revenue from Gambling
(\$168 million in FY 2007)**



Gambling Taxes

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

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

Total lawful gambling tax revenue in FY 2007 was about \$52 million.

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

Pari-mutuel betting. The state tax on pari-mutuel betting is 6% of the “takeout”—the percentage deducted by the racetrack from each pari-mutuel pool before payouts on winning tickets. At Canterbury Park in Shakopee the takeout averages about 20% of total betting. The first \$12 million in takeout is exempt from tax. Total pari-mutuel revenue for FY 2007 was \$1.2 million, of which about \$149,000 went to the general fund.

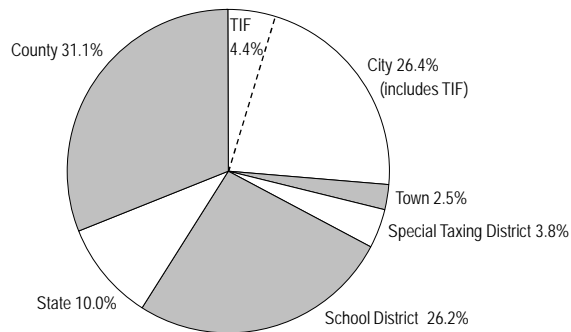
State lottery. In FY 2008, the lottery sent \$63.9 million to the general fund, of which \$1.95 million was dedicated to problem gambling treatment. This general fund revenue came in part from a 40% share of net proceeds from the lottery, paid out after prizes and administration, and in part from a portion of a 6.5% in-lieu of sales tax, taken out before other deductions. The lottery also funds game and fish (\$10.865 million), natural resources (\$10.865 million), and the Environmental Trust Fund (\$30.64 million), in part from the in-lieu of sales tax and in part from a dedication of net proceeds after prizes and administration.

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

Property Tax

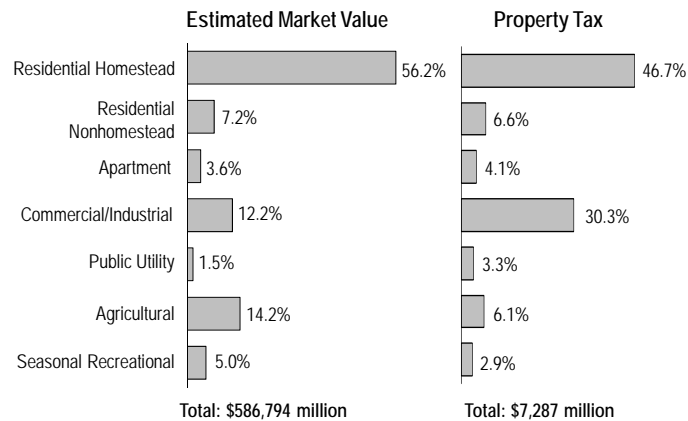
The property tax is a major source of revenue for local governments in Minnesota. Beginning with taxes payable in 2002, the state also receives a portion of property tax revenues (from commercial-industrial and seasonal recreational properties only). Property taxes are levied annually and payable in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

Property Tax Levy by Type of Government*
(\$7,287 million in CY 2008)



* Amounts shown are after allocation of property tax credits.

Shares of Market Value and Property Tax by Property Type
(Taxes payable 2008)



Class Rates for Taxes Payable in 2009

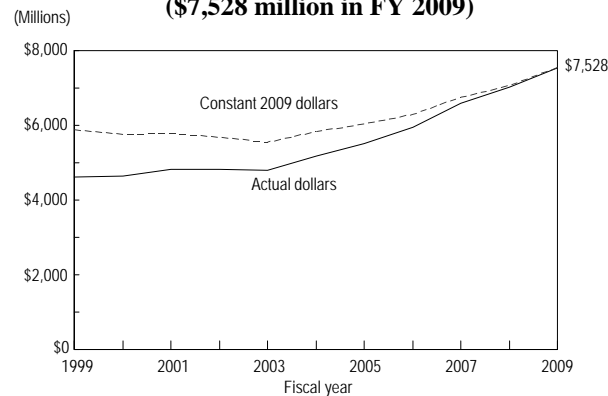
Property Type	Class Rate	Tax Code*
Residential Homestead		
Up to \$500,000	1.0%	R
Over \$500,000	1.25	R
Residential Nonhomestead		
Single-unit		
Up to \$500,000	1.0	R
Over \$500,000	1.25	R
Two- and three-unit	1.25	R
Apartments (4 or more units)	1.25	R
Agricultural Homestead		
House, garage, and one acre	**	**
Ag land & buildings		
Up to \$890,000***	0.5	
Over \$890,000	1.0	
Agricultural Nonhomestead	1.0	
Seasonal-Recreational-Residential		
Up to \$500,000	1.0	S
Over \$500,000	1.25	S
Commercial/Industrial/Public Utility		
Electric generation machinery	2.0	R
All other		
Up to \$150,000	1.5	S, R
Over \$150,000	2.0	S, R

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

** Same as residential homestead

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

Property Tax Revenues (\$7,528 million in FY 2009)



Property Tax Terminology

- The assessor determines each property’s **estimated market value**.
- A statutory provision (due to expire after taxes payable in 2009) limits growth in value for certain types of property; properties covered by that provision may have a **limited market value** less than the estimated market value.
- Each property’s **taxable market value** is its limited market value, if applicable; otherwise it is the property’s estimated market value.
- Each property’s **net tax capacity** is a percentage of its taxable market value; the percentage varies by type of property.
- Each local taxing jurisdiction certifies a **levy**, which is the amount of property tax revenue it intends to collect.
- Each local taxing jurisdiction’s **local tax rate** is determined by dividing its levy by the net tax capacity of all properties within the jurisdiction.
- A property’s **gross property tax** is determined by multiplying its net tax capacity by the local tax rates of all jurisdictions in which the property is located (called the total local tax rate).
- A property’s **net property tax** is the gross property tax minus any **property tax credits** (such as the homestead market value credit) that the property is eligible to receive.

Major Property Tax Relief Programs

FY 09 Approp. (millions)	Program	Recipients
\$484	Local government aid	Cities
268	Homestead market value credit	All taxing jurisdictions
256	Property tax refund– homeowners	Individuals
206	County program aid	Counties
173	Property tax refund–renters	Individuals
90	Referendum equalization aid	School districts
25	Agricultural market value credit	All taxing jurisdictions
20	Disparity reduction aid	Counties, towns, and school districts
9	Debt service equalization aid	School districts
7	Property tax refund–targeting	Individuals

Property Tax Refund

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

Property Tax Refund (\$363.5 million, refunds filed 2007)

		Number of Filers	Refund Amount (millions)	Average Refund per Filer
Homeowners	Nonsenior	198,206	\$132.0	\$667
	Senior	120,691	\$80.9	\$670
Renters	Nonsenior	196,738	\$104.3	\$530
	Senior	77,051	\$46.3	\$601
	Total	592,686	\$363.5	\$613

Program Limits, refunds filed 2009

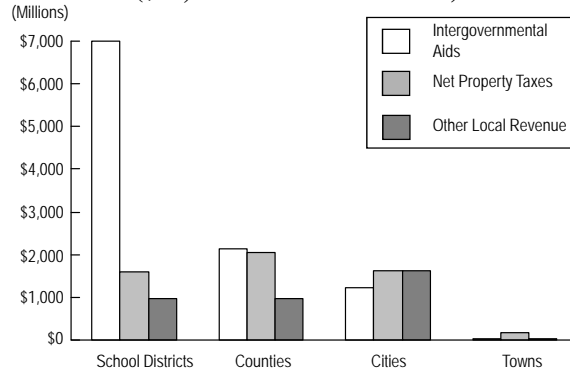
	Maximum Qualifying Income	Maximum Refund
Homeowners	\$96,939	\$2,310
Renters	\$52,299	\$1,490

Special Property Tax Refund (Targeting) (\$7.6 million, refunds filed 2007)

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

- Household income of taxpayer not considered
- For returns filed in 2007:
 - 104,000 returns
 - \$7.6 million total amount
 - \$73 average refund

**Local Government Revenues
(\$19,401 million in CY 2006)**



Major Sources of Local Government Revenues, CY 2006

\$ in millions	School			
	Districts*	Counties	Cities	Towns
Intergovt. Aid (federal, state, and local)	\$6,991.7	\$2,132.1	\$1,225.7	\$42.4
Net Property Taxes (including TIF)	1,600.1	2,036.8	1,629.9	159.1
Other Local Revenue				
User Fees**	456.8	518.4	430.0	9.0
Interest Earnings	170.0	161.4	191.5	6.0
Special Assessments	--	36.8	289.3	9.1
All Other***	335.3	247.5	710.6	11.2
Subtotal Other	962.1	964.1	1,621.4	35.3
Total	\$9,554.0	\$5,133.0	\$4,477.0	\$236.8

* School district data for school fiscal year 2007

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

*** Includes \$240 million in other local taxes such as general sales, lodging, franchise, gambling, and aggregate production (gravel). These taxes are mainly collected by cities.

The following 29 local governments impose a general sales tax as of October 1, 2008:

1.0%: Duluth

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

0.25%: Anoka, Dakota, Hennepin, Ramsey, Washington
counties (for transit funding)

0.15%: Hennepin County (for ballpark)

Government Debt

State Debt

State Obligations Outstanding (November 1, 2008, dollars in millions)

General Obligation (G.O.) Bonds	\$4,255
Equipment Leases	25
Real Estate Financing	171
Agency Obligations	
Commissioner of Finance	\$58
Housing Finance Agency	2,203
Higher Education Facilities Authority	740
University of Minnesota	753
State Colleges and Universities Board	172
Office of Higher Education	527
Public Facilities Authority	1,023
Rural Finance Authority	35
Agricultural & Economic Development Board	12
State Armory Commission	4
IRRRRA (Giant's Ridge Rec. Area)	12
Total Agency Obligations	5,539
Total, All Obligations	\$9,990
G.O. Debt authorized but not yet issued	\$3,143

Source: Department of Finance

Department of Finance Debt Management Guidelines

- The general fund appropriation for debt service should not exceed 3% of nondedicated general fund revenues. (For the biennium ending June 30, 2007, the general fund appropriation for debt service was 2.34%.)
- The principal of G.O. debt of the state should not exceed 2.5% of state personal income. (For biennium ending June 30, 2007, it was 1.9%.)
- Total amount of all G.O. debt, moral obligation debt, state bond guarantees, equipment capital leases, and real estate leases should not exceed 5% of state personal income. (For biennium ending June 30, 2007, it was 3.03%.)
- Total revenue and G.O. debt of state agencies, public corporations, and the University of Minnesota should not exceed 3.5% of state personal income. (For the 2006/2007 biennium, it was 3.03%.)
- 40% of general obligation debt must be due within five years, and 70% within ten years.

State Bond Ratings

For the July 22, 2008, bond sale, Standard & Poors Ratings Group and Fitch Ratings, each rated the state's bonds at the highest ratings (AAA), indicating the state's capacity to pay interest and repay principal is strong. A good rating reduces the interest rate the state has to pay. Moody's Investors Services, Inc., rates the state's bonds as Aa1. As the bond sale statement says, these ratings are subject to change or withdrawal by the rating agencies at any time.

Local Government Debt

Bonded Debt of Local Governments (\$18,041 million in CY 2006/FY 2007)

	General Obligation	Revenue	Total Bonded Indebtedness
Cities	\$6,367	\$1,303	\$7,670
Counties	1,845	258	2,103
Towns	45	0	45
School Districts	8,223	0	8,223
Total	\$16,480	\$1,561	\$18,041

Special district debt data is not available. School district data is for school fiscal year 2007.

Source: State Auditor's reports; Department of Education

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

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

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

**Twin Cities Metropolitan Regional Government Debt
(\$3,032.5 million net outstanding as of December 31, 2008)**

**Metropolitan Council
(\$1,170.5 million net outstanding general
obligation bonds as of December 31, 2008)**

Wastewater	\$970.9
Transit	191.0
Parks	8.6
Total	\$1,170.5

**Metropolitan Airports Commission (MAC)
(\$1,861.5 million net outstanding as of December 31, 2008)**

General Obligation Revenue Bonds	\$276.0
General Airports Revenue Bonds	1,583.5
Commercial Paper	32.0
Total	\$1,891.5

The Metropolitan Council and the MAC are authorized to issue debt. As of December 31, 2008, the MAC could issue \$55 million more in general obligation revenue bonds. The MAC has not levied property taxes to pay general obligation revenue bonds since 1969.

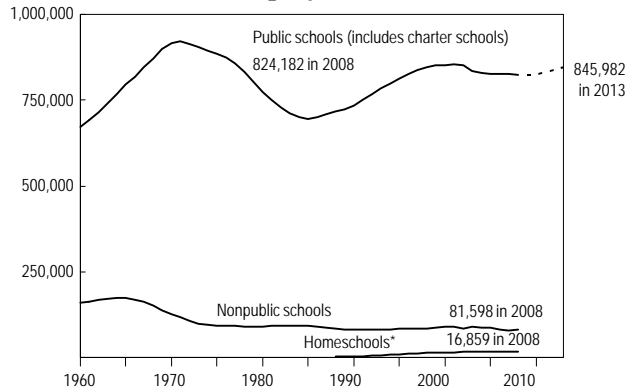
The Metropolitan Council may issue an unlimited amount of debt for the wastewater collection and treatment system. As of December 31, 2008, the Metropolitan Council could issue \$66.7 million more for transit fleet and facilities and \$31.4 million for capital improvements grants for regional parks.

Major Government Functions & Services

K-12 Education	49
Higher Education.....	58
Family Assistance	64
Corrections	75
Transportation	79
Agriculture	83
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Public Facilities Authority.....	92

K-12 Education

Student Enrollment (845,982 projected for 2013)



Enrollment projections for nonpublic schools and homeschools only available through 2008.

* Homeschool counts are not available prior to 1988.

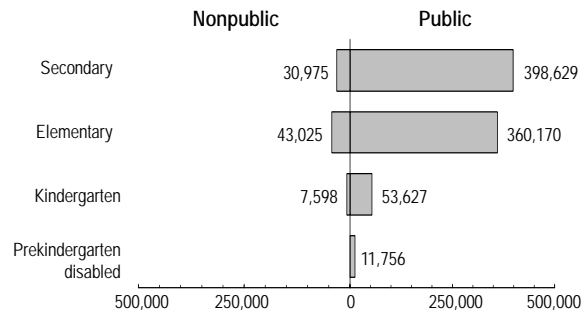
Enrollment Options Programs 2007-2008

- 42,035 open enrollment students
- 7,347 postsecondary (PSEO) students
- 17,000 college in high school students

Charter Schools 2008-2009

- 152 charter schools in operation as of October 2008
- 31,676 students attending charter schools as of October 2008
- 199 charters granted as of October 2008

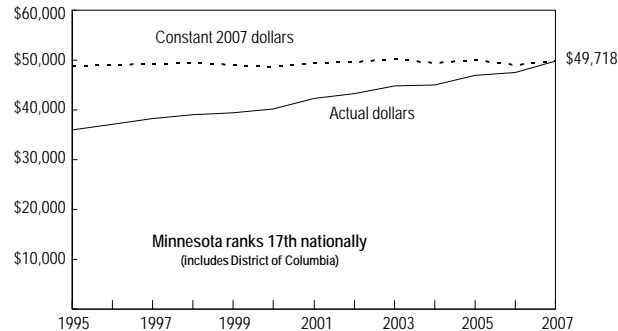
Students by Grade (824,182 public 2007-2008; 81,598 nonpublic 2007-2008)



Teacher Characteristics 2007-2008

- 97% of teachers are fully certified and licensed
- 51% have advanced degrees
- 57% have taught more than ten years

Average Minnesota Public School Teacher Salary (\$49,718 in 2007; 52,796 FTE teachers)



Sources: National Education Association (State Rankings 2006), Minnesota Department of Education, salary data

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

Teacher Licensure and Qualifications

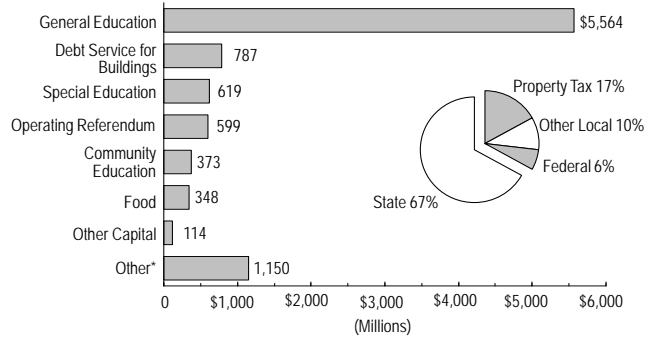
- The State Board of Teaching oversees teacher preparation requirements and licensure. The licensure system complements high school graduation standards.
- Teacher candidates must pass exams on math, reading, and writing skills, and general pedagogical knowledge and licensure-specific teaching skills.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

Administrator Licensure and Qualifications

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

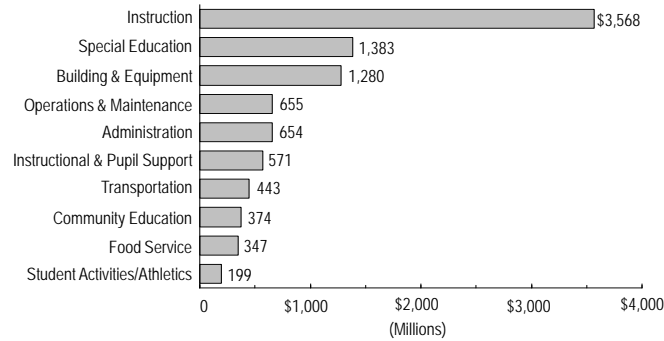
K-12 Revenue and Expenditures

School District Revenue (\$9,554 million in FY 2007)



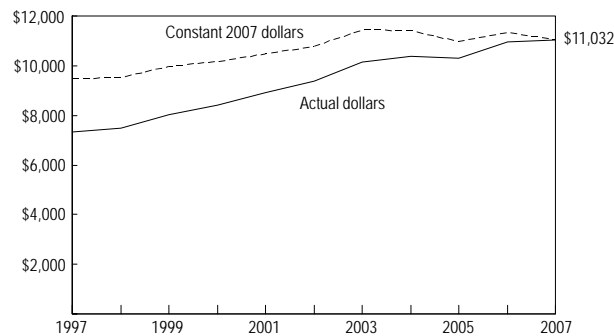
*"Other" includes federal aid other than for special education, interest, interdistrict transfers, local revenues such as fees for hot lunches, athletics, and other categorical funding programs.

Public School District Expenditures (\$9,478 million in FY 2007)*



*The difference between revenue and expenditures primarily represents fund balance carried forward to FY 2008.

Average Total Expenditures per Public School Pupil (\$11,032 in FY 2007)



Source: Department of Education, school district profiles

Minnesota's High School Graduation Rule

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

- language arts
- math, including an algebra I credit beginning in the 2010-2011 school year and an algebra II credit for students scheduled to graduate in the 2014-2015 school year or later
- science, including biology, and for students scheduled to graduate in the 2014-2015 school year or later, a chemistry or physics credit
- social studies, including U.S. and world history, geography, economics, government and citizenship
- health and physical education, subject to local academic standards
- the arts

The Minnesota Legislature added health and physical education as a sixth required subject area in 2004. In 2006, the legislature imposed additional math and science course requirements on the class of 2014-2015 and later. All public high school students became subject to the new state graduation requirements in the 2007-2008 school year.

Minnesota's K-12 Academic Standards and Assessments

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

Subject	No. of credits, students entering 9 th grade	Assessment required?
Language arts	4	Yes
Mathematics	3	Yes
Science	3	Yes
Social studies	3.5	No; prohibited
Arts	1	No; prohibited
Physical education/Health		No; locally developed

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

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

Benchmarks

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

Assessments

Students in grades 3 through 8 and at the high school level began taking annual language arts and mathematics assessments in the 2005-2006 school year. Students began taking science assessments one time in each grade span 3-5, 6-9, and 10-12 in the 2007-2008 school year. The state and local districts must publicly report student, school, district, and state assessment results. By the 2008-2009 school year, the commissioner must include in the assessment results a value-added component that measures students' growth in achievement over time.

Elective requirements

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

Basic Standards and GRAD Tests

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

Statewide Basic Standard Tests 8th Grade Public School Students through the class of 2009

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

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

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

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

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

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

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

NA: Not available

Source: Department of Education

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

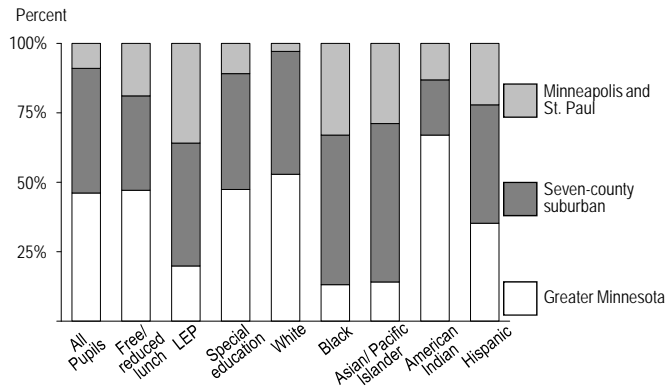
Students with a passing score on the MCA-II-GRAD tests do not necessarily meet the preparation requirements for two- or four-year colleges and universities.

No Child Left Behind

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

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

FY 2008 Distribution of Subgroups Subject to AYP Review



Charter school’s populations are included in each region’s totals.

Early Childhood Programs

Early Childhood Family Education (ECFE)

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

School Readiness

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

Pre-kindergarten Exploratory Projects

- Three projects located in St. Paul, Hennepin County, and Blue Earth County are conducted in partnership with the Early Learning Foundation to promote school readiness.
- Low-income families are eligible to receive an allowance up to \$4,000 per child per year to pay for their children's education in a quality early education program.

Head Start

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

Interagency Early Intervention (Part C)

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

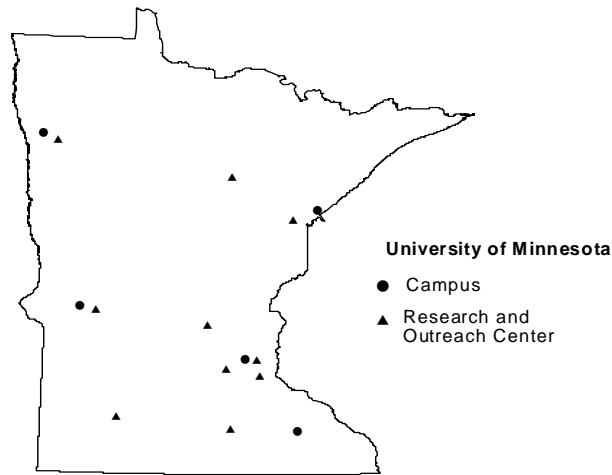
Funding for Early Childhood Programs

Program (ages eligible)	Funding FY 09 (in millions)	Participants FY 08
ECFE (up to kindergarten)	\$21.1 state aid 22.1 property tax	335 out of 340 districts
School Readiness (3½ to kindergarten)	10.1 state aid	336 out of 340 districts
Pre-K Epl. Proj.	4.0 state aid	3 projects
Head Start (3 to 5)	84.8 federal aid 20.1 state aid	35 grantees
Part C (up to 2)	12.1 federal aid 0 state aid	3,924 children
Total	\$96.9 federal aid \$55.3 state aid \$22.1 property tax	

Higher Education

University of Minnesota

Enrollment by Campus (66,312 in fall 2008)



	Undergraduate	Total
Twin Cities	28,505	51,140
Duluth	9,324	11,366
Crookston	1,207	2,199
Morris	1,510	1,607
Rochester	NA	NA

Other facilities

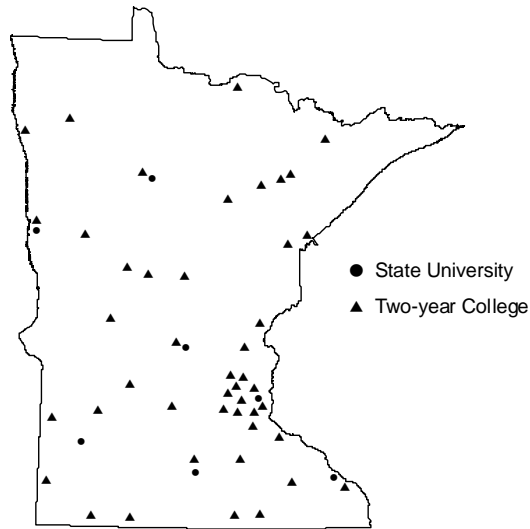
The university operates ten agricultural experiment station research and outreach centers at Grand Rapids, Becker, Crookston, Cloquet, Chanhassen, Rosemount, Waseca, Lamberton, St. Paul, and Morris. The university does not separately report enrollment for the Rochester campus, established in law in 2006.

Governance

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

Minnesota State Colleges and Universities (MnSCU)

Enrollment by Institution Type (186,150 in fall 2008)



Note: Enrollment based on MnSCU data

2-year state colleges (25)	120,256
Community Colleges	39,124
Technical Colleges	24,685
Consolidated Colleges	56,447
4-year state universities (7)	65,894

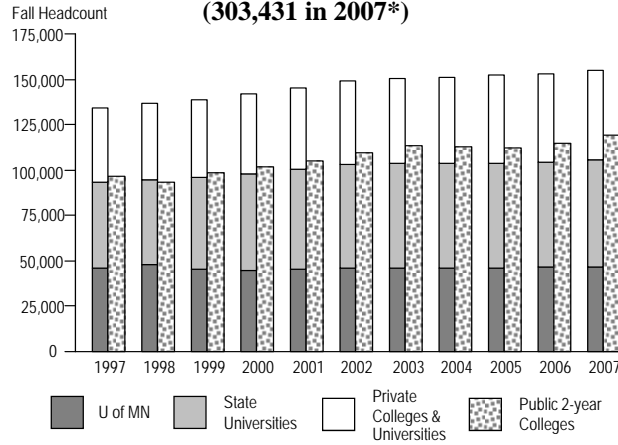
Campuses

MnSCU's 32 institutions operate campuses in 46 communities.

Governance

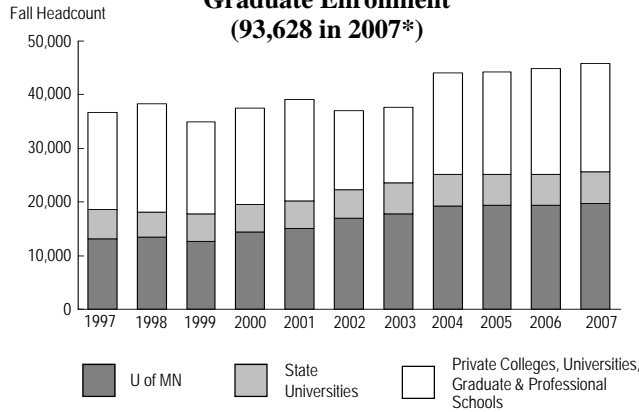
- MnSCU is a public higher education system, headed by a chancellor.
- Since 1995, the operation of two-year colleges and four-year universities has been consolidated in the MnSCU system.
- MnSCU is governed by a 15-member Board of Trustees appointed by the governor with the advice and consent of the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

Undergraduate Enrollment (303,431 in 2007*)



* Includes private career school enrollment of 24,408 undergraduates and 4,657 at private online schools omitted from the graph.

Graduate Enrollment (93,628 in 2007*)



* Includes private career school and graduate and professional enrollment of 1,235 graduate students and 46,571 graduate students at private online schools omitted from the graph.

Tuition and Fees

Full-time, Minnesota Resident* Undergraduate

	2008-09 Academic Year	2006-07 Academic Year	2004-05 Academic Year
Public			
2-year colleges	\$4,100-4,909	\$3,800-4,590	\$3,460-4,050
State Universities	\$5,473-7,508	\$5,080-7,100	\$4,390-6,330
University of MN	\$9,381-10,756	\$8,570-10,310	\$7,610-9,060
Private			
4-year colleges	\$9,495-38,046	\$8,270-34,270	\$5,880-30,670
Career schools	\$4,584-30,150	\$4,190-23,990	\$3,740-21,350

*Nonresident tuition at some public colleges and universities may be two or more times the resident rate.

Minnesota Office of Higher Education (MOHE)

Governance and Responsibilities

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

Private Postsecondary Institutions

Registration: A postsecondary school operating in Minnesota must register annually with MOHE if it is a nonprofit, private institution that grants baccalaureate or higher degrees, or an institution with academy, college, institute, or university in its name. Out-of-state public institutions must register if they offer courses or programs in Minnesota.

Licensing: Most for-profit, private career schools must be licensed by MOHE to offer programs in Minnesota below the baccalaureate level.

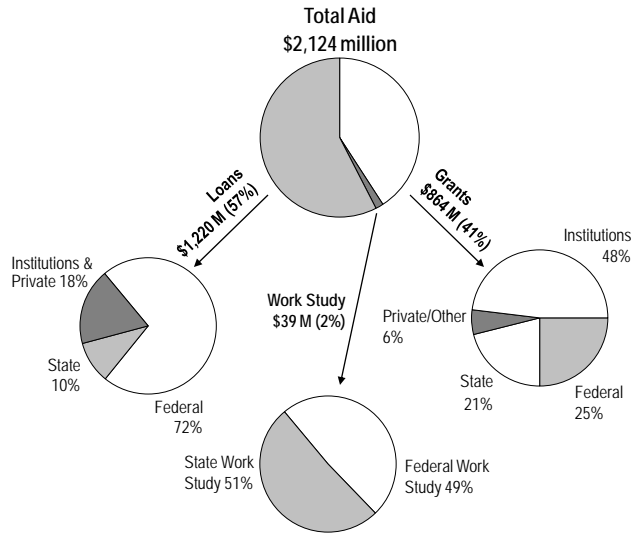
Minnesota State Grant Program

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

Student Financing for Higher Education (\$2,124 million in FY 2007)

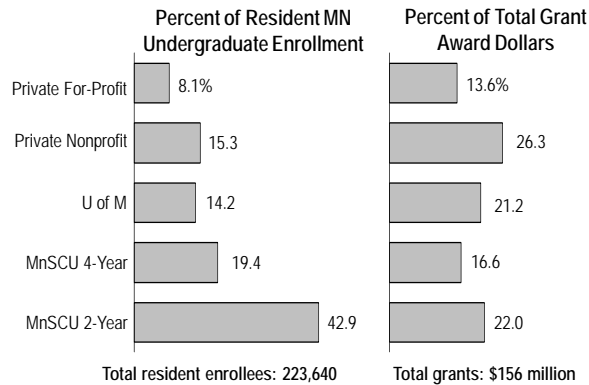


Type and Source of Financial Aid Received by Minnesota Students
(\$2,124 million in FY 2007)



2007 Student Aid Awards		
	Number of MN Undergraduates	Average Award
Federal Pell Grant (\$4,050 maximum)	80,366	\$2,225
State Grant Program	80,180	\$1,946

Participation in State Grant Program FY 2007
(223,640 resident enrollees; 80,180 with grants; \$156 million in grants)



Tuition Reciprocity Programs

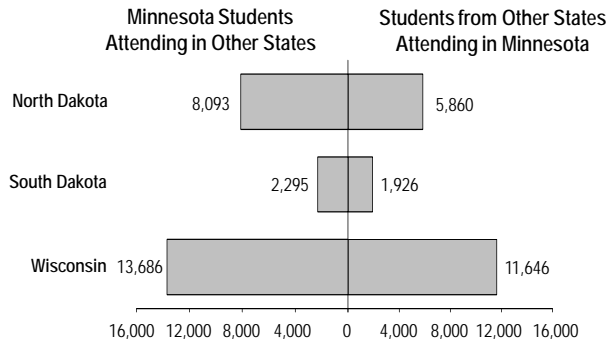
MOHE administers the reciprocity agreements that provide reduced tuition for nonresident students.

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

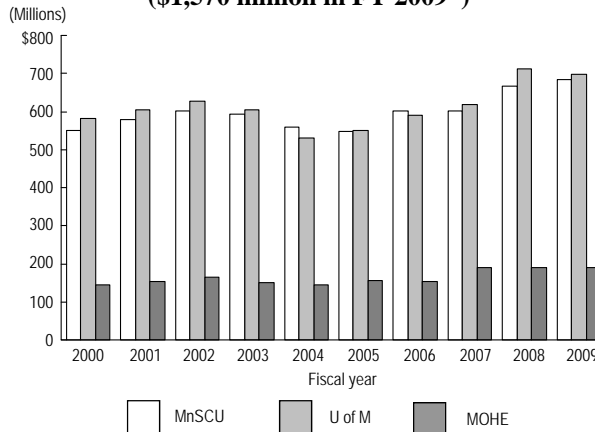
The North Dakota and Wisconsin agreements require interstate payments based, in part, on relative enrollments.

Wisconsin paid Minnesota \$10 million in fiscal year 2007 under the reciprocity program, an amount that is likely to decrease due to changes in the agreements that send more money directly to Minnesota institutions.

Fall 2006 Headcount Reciprocity Enrollment



State Higher Education General Fund Appropriation (\$1,570 million in FY 2009*)



*Includes reductions and additions to appropriations by the governor and the legislature for fiscal years 2002 to 2005, 2008, and 2009

Family Assistance

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

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

Other assistance programs are funded entirely by the federal government:

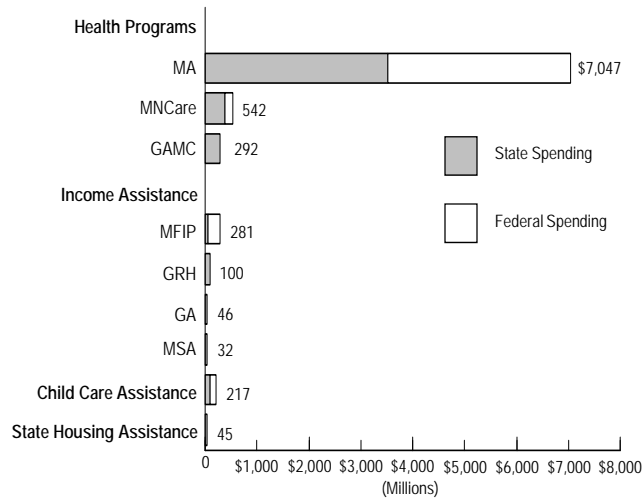
HUD Rental Housing Assistance	
Food Support (Food Stamps)	FS
Supplemental Security Income	SSI

Note: The FY 2009 projections listed in this section are from the Department of Human Services, November 2008 forecasts of family self-sufficiency and medical programs. Other data are from DHS, MDE, MHFA, and other sources.

Funding and Administration

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

**Family Assistance State and Federal Spending*
(\$8,603 million in FY 2009)**



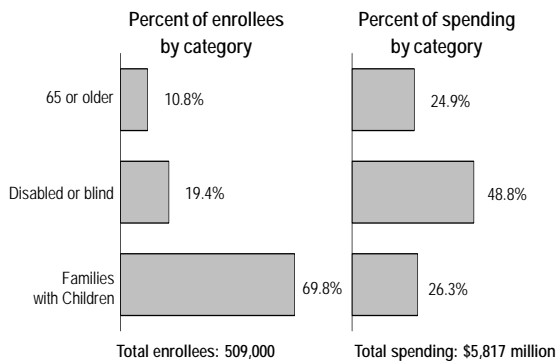
Note: MA spending total includes State Children's Health Insurance program (SCHIP).
State MNCare spending includes enrollee premiums and drug rebates.

* Excludes HUD Rental Housing Assistance, SSI, and Food Support programs.
The state spending figure includes any county share.

Medical Assistance (MA)

- A federal-state Medicaid program that pays for certain health care services for eligible individuals with income and assets below limits set by the state legislature and federal government.
- Eligible groups are low-income families; needy children in foster care; certain aged, blind, or disabled persons; pregnant women; and certain other low-income children and adults.
- MA provides all federally mandated services and most services designated by the federal Medicaid program as optional.
- As of September 2008, 328,149 MA recipients received services through an HMO or other prepaid health plan, or through county-based purchasing.

MA Enrollees and Spending, FY 2007



Persons who are disabled or blind, or elderly, made up 30% of MA enrollees but accounted for over 70% of MA expenditures in FY 2007.

MinnesotaCare (MNCare)

- A federal-state program that provides subsidized health coverage for low-income children, families, and adults without children through prepaid health plans.
- Enrollees' premiums are based on a sliding scale. Children with very low incomes are charged a reduced premium.
- All enrollees must meet program income limits and be permanent Minnesota residents. Most enrollees must also meet requirements related to lack of health insurance. An asset limit applies to parents and adults without children.
- Estimated state cost for FY 2009 is \$38.4 million. Federal funding of \$158 million is expected, and enrollee premiums and drug rebates are expected to total \$31 million.
- State funding comes from a 2% tax on gross revenues of health care providers and a 1% premium tax on nonprofit health plans.

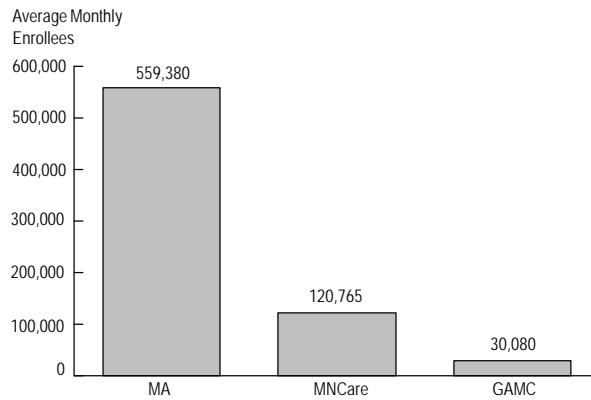
State Children’s Health Insurance Program (SCHIP)

- A federal-state program that provides enhanced federal funding for MA coverage for children under age two with family incomes greater than 275% but less than or equal to 280% of the federal poverty guidelines, coverage of prenatal care and labor and delivery services for uninsured pregnant women who are ineligible for MA with federal funding due to immigration status, and effective February 1, 2009, MNCare coverage for children with incomes exceeding 150% of the federal poverty guidelines.

General Assistance Medical Care (GAMC)

- A state program that pays for certain health services for persons with income and assets below limits set by state legislature and who are not eligible for MA or other medical programs.
- State legislature determines list of covered services.
- As of August 2008, 16,977 GAMC recipients received services through an HMO or other prepaid health plan, or through county-based purchasing.
- GA recipients are automatically eligible for GAMC.

**Projected Health Care Enrollees
(710,225 in FY 2009)**



Minnesota Family Investment Program (MFIP)

- MFIP is a state program begun in January 1998 that replaced the Aid to Families with Dependent Children (AFDC) entitlement program.
- MFIP provides cash assistance and employment and training services to eligible families with children.
- With some exceptions, MFIP is provided for no more than 60 months. In July 2002, families began reaching that 60-month limit. However, some of these families received exemptions or extensions. Exempt families may receive assistance without that month counting toward the 60-month time limit. Families with extensions may continue to receive cash assistance, but that month of assistance counts toward the 60-month time limit. Families without extensions and with more than 60 months of assistance are ineligible to receive assistance.
- Eligible families must be citizens or qualified noncitizens, have income and assets below limits set by the legislature, and include at least one minor child or pregnant woman and the child's parents or stepparents.
- MFIP caregivers are expected to meet hourly work requirements. The program provides supports to make work possible (including child care assistance) and imposes sanctions for noncompliance.
- MFIP is funded by the federal Temporary Assistance for Needy Families (TANF) block grant and by state appropriations.
- The legislature sets benefit levels, which include cash and food assistance portions. Benefits vary by family size; a family with one adult and one child receives up to \$722 per month. The food portion is adjusted each October 1 to reflect cost-of-living adjustments in the federal Food Stamp program.

Group Residential Housing (GRH)

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

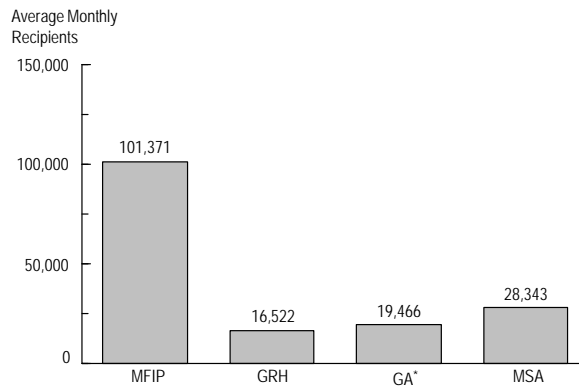
General Assistance (GA)

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

Minnesota Supplemental Aid (MSA)

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

**FY 2009 Income Assistance Projections
for MFIP, GRH, GA, MSA**



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

Child Care Assistance Programs

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

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

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

Basic Sliding Fee (BSF) Program for Working Families

- Assistance is limited by funding
- Waiting lists exist in some counties
- Priority is given to non-MFIP parents without a GED or diploma, families completing the MFIP transition year, and families receiving assistance from the portability pool

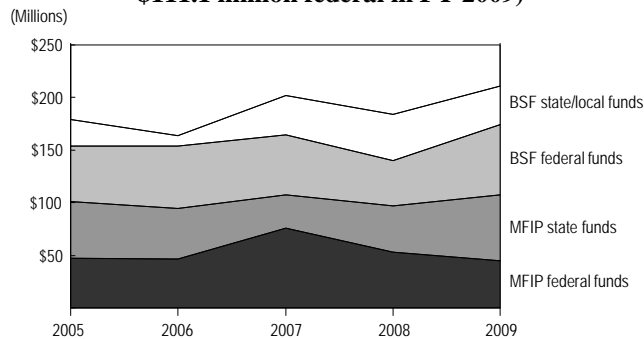
MFIP Child Care

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

Transition Year Child Care

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

Child Care Assistance Funding
(\$99.9 million state and local;
\$111.1 million federal in FY 2009)



Child Care Assistance

The monthly average number of families receiving child care assistance in FY 2007 was 16,523.

Assistance may be provided for care by:

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

Child Care Assistance Profile, FY 2007

Type of Care (% of children)*	BSF & MFIP	
Registered provider	26.1%	
Registered center	4.2%	
Licensed family day care home	29.2%	
Licensed child care center	40.5%	
Type of Parental Activity (% of families)	BSF	MFIP
Students	4.5%	NA
Employment	78.6%	45.1%
Education and Training	16.9%	10.2%
Education, Employment, and Training	NA	9.2%
Other MFIP Activity	NA	3.4%
Transition Year	NA	31.5%
Average families/month	8,465	8,058
Average cost per family	\$9,141	\$12,648

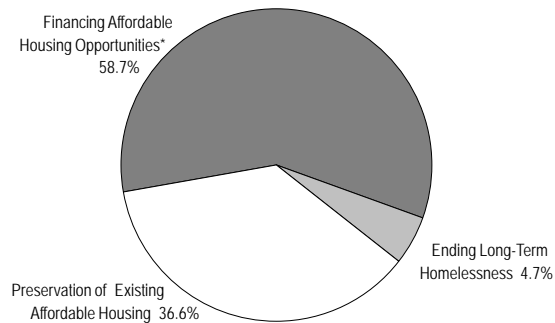
Note: MFIP includes transition year child care

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

Source: Department of Human Services

State Housing Assistance

MHFA Funding for Housing Assistance (\$114.5 million state appropriation for 2008-2009 biennium)



* Includes 9.8% for increasing emerging market homeownership.

State appropriations to the MHFA are about 10% of the agency's total budget. (The rest is from mortgage revenue bond issues, federal funding, and other resources.) MHFA activities include:

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

U.S. Department of Housing and Urban Development

HUD Rental Housing Assistance

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

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

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

HUD sets FMRs each year by metropolitan area and by county outside metropolitan areas. FMRs are adjusted for the number of bedrooms. FMRs for 2008 range from a low of \$374 for an efficiency in a nonmetropolitan county to a high of \$1,284 for a four-bedroom unit in the Twin Cities metropolitan area.

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

- **Public housing.** Operating and modernization funding for housing owned, operated, and managed by public housing authorities; \$86 million allocated in 2008.
- **Section 8.** Most assistance is for rent subsidies in the form of certificates or vouchers that tenants can take with them when they move ("Housing Choice vouchers"); \$202 million in 2008. Long-term rental subsidies for the owners of units of affordable rental housing ("project-based assistance") are also provided; \$184 million in 2008.
- **Community Development Block Grants (CDBG).** Grants to local governments that may be used for a wide variety of purposes, including housing; \$57 million was anticipated in FY 2008.
- **Neighborhood Stabilization Program (NSP).** Grants to state and local jurisdictions to purchase and rehabilitate residential properties that have been abandoned or foreclosed; \$58 million for 2008.

Other Federal Assistance

Food Support (FS)

- A federal USDA program providing food purchasing assistance to low-income households; there is also a Minnesota Food Assistance Program for certain persons not eligible for the federal program.
- Eligible households must be citizens or qualified noncitizens; have assets and gross income below specified limits; and have net monthly income at or below the federal poverty guidelines.
- Most able-bodied adults must meet work requirements.
- Federal government sets benefit levels. Benefits are provided in electronic debit card (EBT) format, eliminating the traditional paper food stamp coupons.
- In FY 2008, an average of 132,196 Minnesota households received food support benefits each month. These benefits were worth a total of \$326.9 million for the fiscal year.

Supplemental Security Income (SSI)

- A federal program providing cash assistance to needy aged, blind, and disabled persons.
- Eligible persons must be citizens or noncitizens meeting certain criteria; have assets and income below federal limits; and be 65 or older or meet program criteria for blindness or disability.
- The amount of monthly benefit varies with housing arrangement.
- Some SSI recipients also receive a state supplement to their SSI grant through the state MSA program. Most SSI recipients are eligible for MA.
- In federal FY 2008, an average of 79,368 Minnesotans received SSI each month. During federal FY 2008, \$460.8 million in federal SSI benefits were paid to Minnesota recipients.

Corrections

Minnesota's Crime, Incarceration, and Probation Rates, and State Rankings (2006)

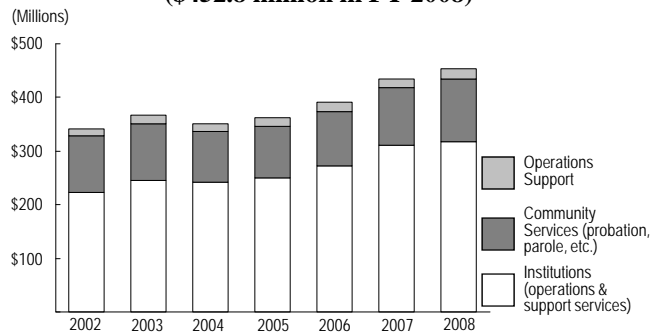
	Rate per 100,000	Rank Among States
Crime Rate, Total	3,391	31st
Violent*	312	30th
Property**	3,080	30th
Incarceration Rate, State Prisoners	176	49th
Whites (2005)	212	43rd
African Americans (2005)	1,937	38th
Probation Rate, Adults	3,243	2nd

* Murder, forcible rape, robbery, aggravated assault

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

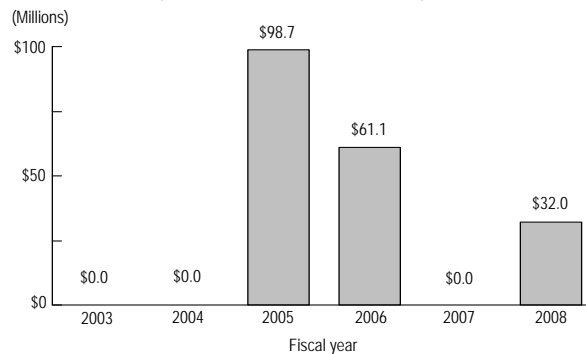
Source: *Crime: State Rankings*, Morgan Quitno Corp. (published annually, based on U.S. Department of Justice data)

Department of Corrections Expenditures (\$452.8 million in FY 2008)

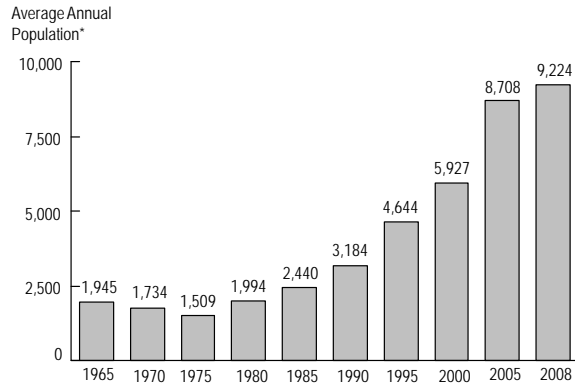


Source: Biennial Budget Book

Department of Corrections Bonding Authority (\$32 million in FY 2008)



Adult Prison Population, 1965-2008



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

Expansions to the Prison System

- 1996-1998:** Approximately 400 beds
- 1998-2000:** Rush City close-custody facility, 950 beds; Shakopee, 52 beds; Lino Lakes segregation unit, 160 beds
- 2000-2002:** Oak Park Heights, 60-bed mental health unit; Red Wing, conversion of 14-bed unit for mental health
- 2003-2004:** Lino Lakes, 416-bed unit; Shakopee, conversion of an independent living center into 48-bed general living unit
- 2005:** Faribault Phase 1, 701 beds; Willow River, 90 beds
- 2006:** Faribault Phase 2, 181 beds; Stillwater segregation unit, 150 beds; Shakopee, 92 beds

Level of Custody Definitions

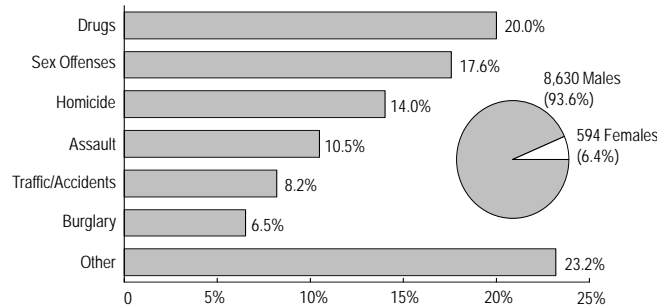
Level 5 (Maximum security)	Oak Park Heights	Single cells Secure perimeter
Level 4 (Close-custody)	Rush City St. Cloud Stillwater	Single/Double cells Secure perimeter
Level 3 (Medium security)	Faribault Lino Lakes Moose Lake	Double cells Multiple occupancy Secure perimeter
Level 2 (Minimum security)	Faribault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

* MSU stands for minimum security unit.

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

*** Shakopee has all security levels with multiple occupancy and no fence.

**Adult Prison Population by Offense and Gender
(9,224 as of July 1, 2008)**



**Adult Prison Population by Facility
and Cost per Inmate 2008**

Facility	Number*	Percent	Per diem*	Annual*
Stillwater	1,400	15.2%	\$83.24	\$30,383
Lino Lakes	1,299	14.1	81.64	29,799
Faribault	1,244	13.5	86.99	31,751
Prairie Correctional	998	10.8	60.86	22,214
St. Cloud	992	10.8	90.15	32,905
Rush City	982	10.6	78.67	28,715
Moose Lake	768	8.3	99.63	36,365
Shakopee**	539	5.8	91.40	33,361
Oak Park Heights	431	4.7	161.29	58,871
County Jail	195	2.1	56.10	20,477
Work Release	175	1.9	62.22	22,710
Willow River	105	1.1	107.44	39,216
Red Wing	37	0.4	179.69	65,587
ICWC	36	0.4	55.29	20,181
Togo	23	0.3	153.61	56,068
Total/Average	9,224	100.0%	\$89.59	\$32,700

ICWC stands for Institution/Community Work Crews

* Population as of July 1, 2008; costs are on a per-prisoner basis for FY 08. Per diem includes base, mental health, and health care expenditures.

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

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

**Adults Under Community Supervision
(132,555 as of December 31, 2007)**

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

Type	DOC	CCA/CPO	Number of Adults
Probation	16,793	111,004	127,797
Supervised Release	1,742	3,016	4,758
Total	18,535	114,020	132,555

Juvenile Offenders

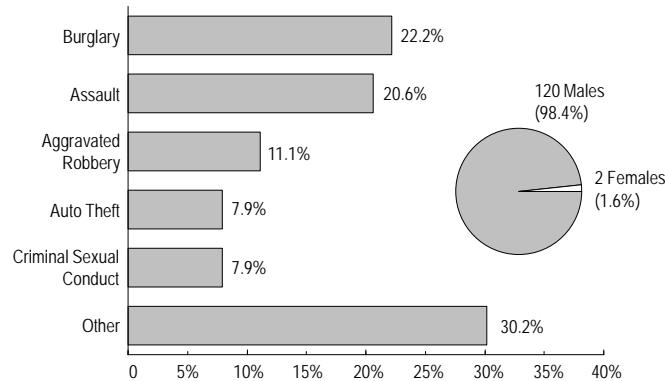
Juvenile offenders are defined as under age 18 and not certified as adults. Many juvenile offenders are held by DOC but are under the supervision of the presiding court. Others have been committed to the supervision of DOC. The sentences for some serious crimes require that the offender be committed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

Juvenile Correctional Facility Population by Facility and Per Diem Cost Per Person (as of July 1, 2008)

Facility	Number	Percent	Per diem FY 08 est.	Annual Cost
Red Wing (males)*	120	98.4%	\$181	\$65,937
Female placements	2	1.6%	\$197	\$71,894
Total	122	100%		

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

Juvenile State Correctional Facility Population (by offense for 61 males and 2 females committed to DOC; by gender for 122 in total population as of July 1, 2008)



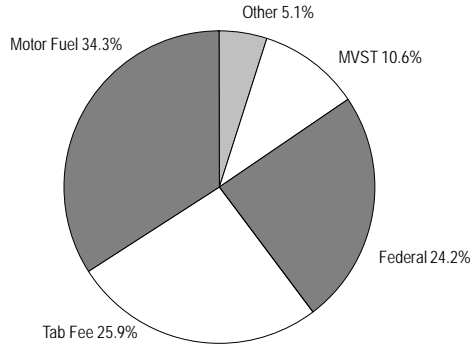
Juveniles under Community Supervision (14,203 as of December 31, 2007)

Type of Supervision*	Number of Juveniles
Probation**	14,181
Parole	22
Total	14,203

* Supervision provided by state and local authorities.

** 1,597 are supervised by state agents; the remainder (12,584) by local agents.

Highway Funding Sources FY 2008



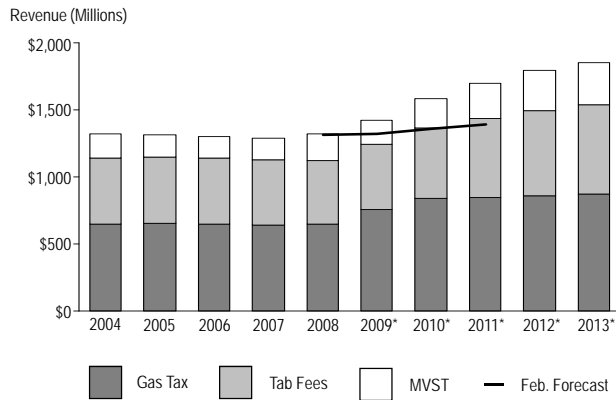
2008 Legislation

The 2008 Legislature enacted several changes to transportation funding that increased revenue and modified how funds are allocated (Laws 2008, ch. 152). The changes include:

- phasing in an 8.5-cent gas tax increase;
- amending the motor vehicle registration tax;
- authorizing metropolitan counties to impose a 0.25% metropolitan transit sales tax;
- reallocating motor vehicle lease sales tax revenue; and
- establishing a new trunk highway bridge improvement program.

The following table shows historical and projected highway funding from the three main state revenue streams.

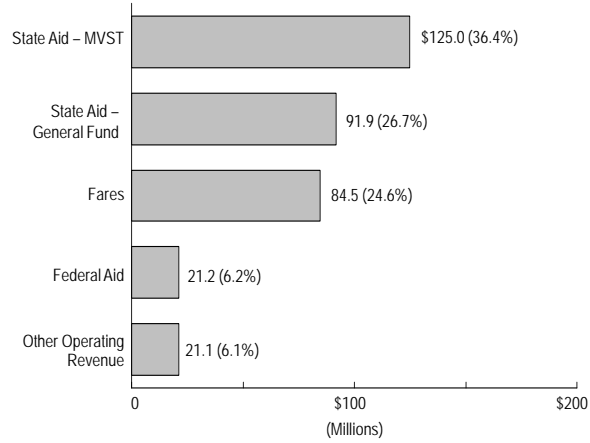
Major Revenue Sources, FY 2002-2011



* The figures for FY 2009-2013 are estimates that include the estimated additional revenue from the 2008 legislation. The "Feb. Forecast" line estimates the total revenue from these sources without the additional revenue for FY 2008-2011.

Metropolitan Area Transit Systems

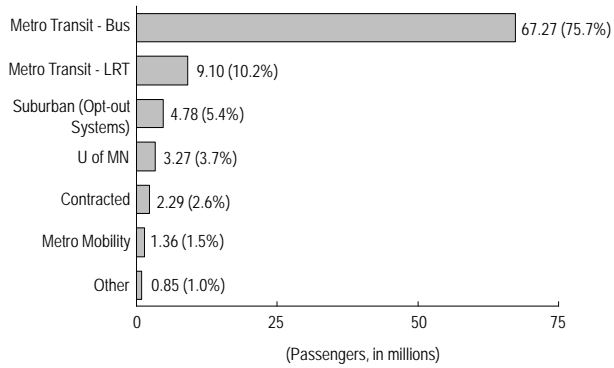
Metropolitan Council Transit Operations Revenue Sources (\$343.7 million in CY 2008)



Source: Metropolitan Council 2030 Transportation Policy Plan, 2008 Update Draft

Metro Transit, the regular route transit system operated by the Metropolitan Council, accounts for around 86% of the ridership on all transit systems in the metropolitan area. “Opt-out systems” are community-based transit services that replace Metro Transit.

Metropolitan Area Transit Ridership (88.9 million Passengers in CY 2007)



Source: Metropolitan Council

**Greater Minnesota Transit Systems
(\$25.7 million state funding in FY 2006)**

State operating assistance to Greater Minnesota transit systems was \$25.7 million in FY 2006, including all appropriations. The Greater Minnesota transit program supports 68 transit systems in Greater Minnesota, carrying about 9.8 million passengers a year. A legislative formula determines the allocation of state funding, establishing a maximum percentage of total operating cost for each type of transit system. After federal aid, the remainder must be paid locally from a combination of farebox revenue and local tax subsidies.

**Greater MN Transit Operating Funding
(\$46.3 million in FY 2006)**

Type of System	State				Total
	Fed.	GF	MVST	Local	
Urbanized	\$2.3	\$7.5	\$2.9	\$6.9	\$19.6
Small Urban	0.7	1.4	0.7	1.0	3.8
Rural	3.6	7.7	3.3	4.8	19.4
Elderly/disabled		1.7	0.5	1.3	3.5
Total	\$6.6	\$18.3	\$7.4	\$14.0	\$46.3

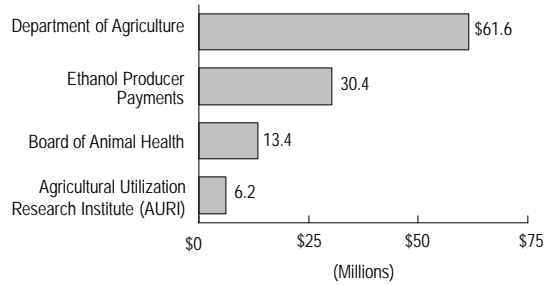
Source: Department of Transportation 2007 Minnesota Transit Report

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

Type of system	Number of systems	CY 2006 Ridership (millions)
Urbanized	6	6.4
Small Urban	14	0.9
Rural	43	2.3
Elderly/disabled	5	0.2

Agriculture

Agriculture Appropriations (\$111.6 million in FY 2008-2009, including supplemental appropriations)



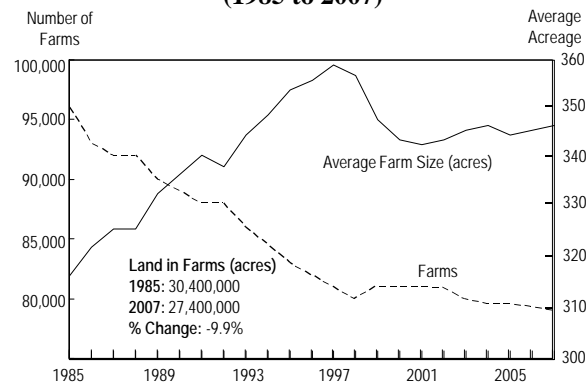
Minnesota Farming Facts

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

- **First** in sugarbeets, turkeys, and green peas for processing
- **Second** in canola, spring wheat, oats, and sweet corn for processing
- **Third** in soybeans, hogs and pigs, American cheese, dry edible beans, and flaxseed
- **Fourth** in corn and sunflowers
- **Fifth** in total cheese and mink pelts

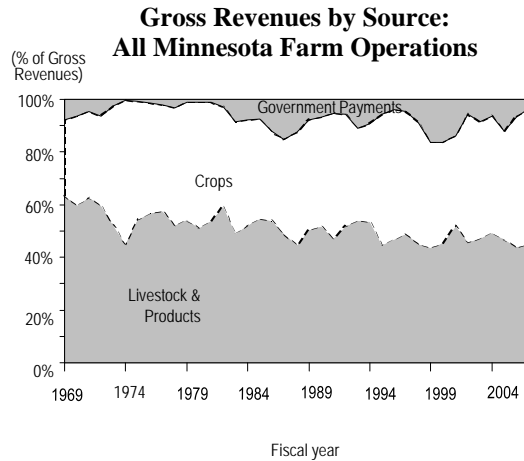
In 2007, the state was home to approximately 79,000 farms totaling 27.4 million acres, for an average acreage of 347.

Farm Numbers and Average Size (1985 to 2007)



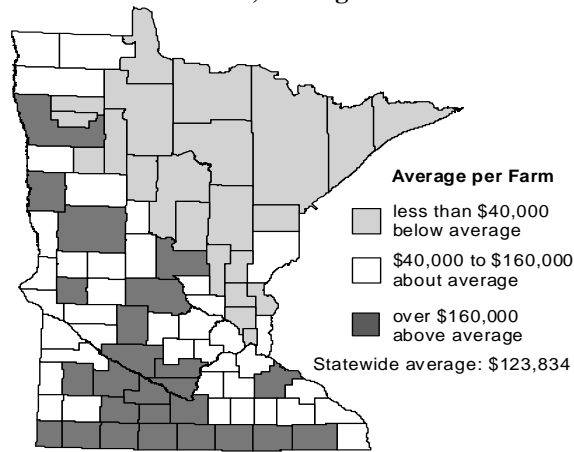
Source: U.S. Department of Agriculture; Minnesota 2008 Agricultural Statistics

In 2007, Minnesota farmers grossed just over \$13 billion from the sale of livestock and crops and \$482 million from government payments.



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

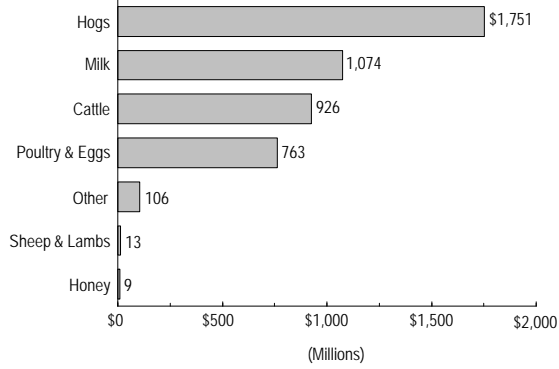
**Farm Geography: Market Value of Agricultural
Products Sold, Average Per Farm 2006**



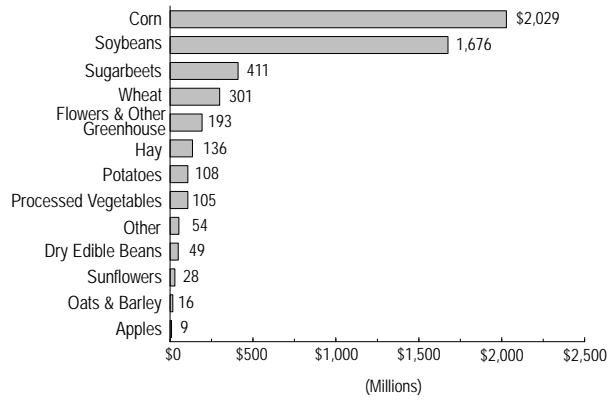
The average value of Minnesota farmland (including buildings) was \$2,780 per acre on January 1, 2007. That's an increase of 16% over 2006; U.S. average growth was 14%. Since 2004, farmland values have climbed 54% on average in Minnesota and 59% nationwide.

In 2006, 264,056 acres of farmland were sold statewide, down from 279,938 in 2005. In 2007, the average price per acre ranged from a high of \$3,909 in southeast Minnesota to a low of \$1,182 in the northwest.

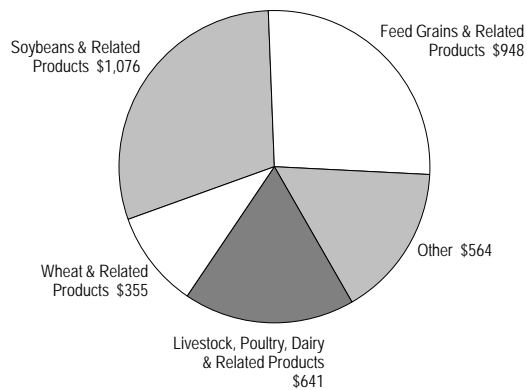
**Cash Receipts from Livestock
(\$4.6 billion in CY 2006)**



**Cash Receipts from Crops and Vegetables
(\$5.1 billion in CY 2006)**

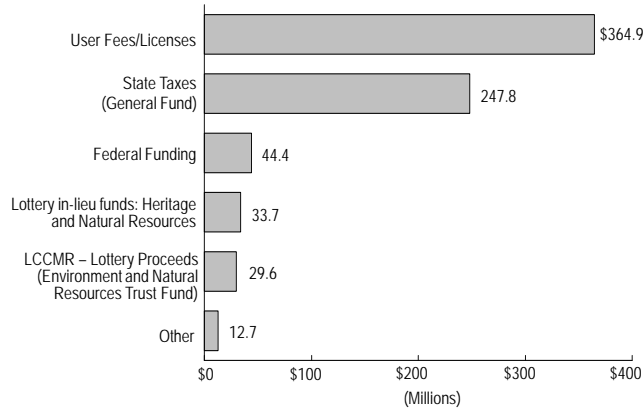


**Minnesota Agricultural Exports
(\$3.6 billion in CY 2007)**



Natural Resources

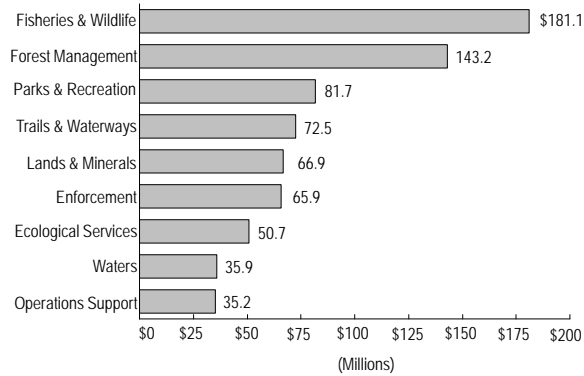
DNR Revenue by Source
(\$733.1 million in FY 2008-09)



Source: Department of Natural Resources

The Department of Natural Resources (DNR) general fund budget is about 1% of total general fund spending. On a per capita basis, DNR revenue sources amount to about \$139 per state resident over the biennium.

DNR Expenditures by Program
(\$733.1 million in FY 2008-09)



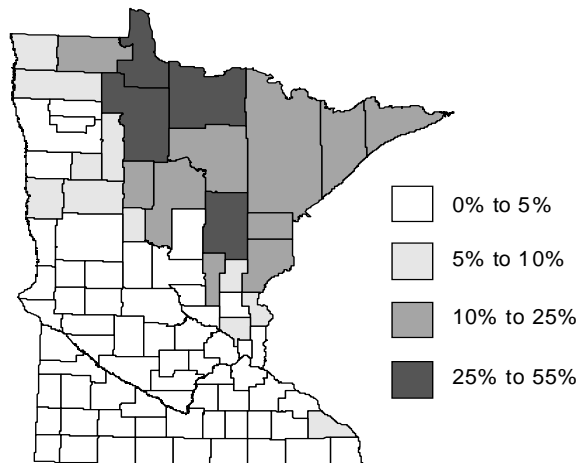
Source: Department of Natural Resources

Natural Resources Facts

Minnesota has

- 5,526,350 acres of DNR land, about 10% of Minnesota's land area
- 3,311,101 acres of lakes administered by the DNR
- 9,300,000 acres of wetlands administered by the DNR
- 69,200 miles of rivers and streams administered by the DNR
- 3,980 full-time equivalent DNR employees, about 6% of total state employment
- 1,400,000 licensed anglers
- 578,000 licensed hunters and trappers
- 866,000 recreational boats
- 67 state parks and seven state recreational areas; second oldest state park system in the United States, after New York

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



Public Lands and Recreational Facilities Administered by the DNR

- 4,800,000 state forest acres
- 1,277,000+ wildlife management acres
- 182,900 scientific and natural area acres
- 226,831 state park, state recreation area, and state wayside acres
- 38,041 aquatic management area acres
- 26,002 miles of off-road vehicle, snowmobile, cross-country ski, multiple-use, and bike trails
- 1,585 public water access sites

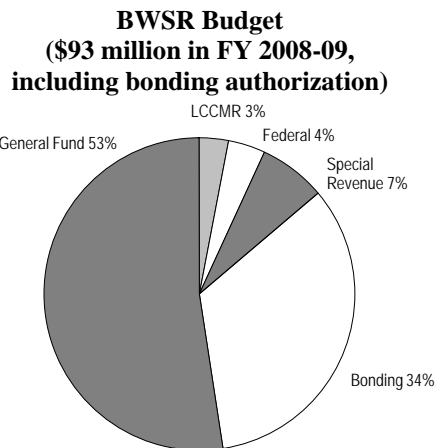
Board of Water and Soil Resources (BWSR)

The mission of BWSR is to improve and protect water and soil resources by working in partnership with local organizations and private landowners. There are 17 board members of BWSR, 79 staff in the metro area, and eight field offices around the state.

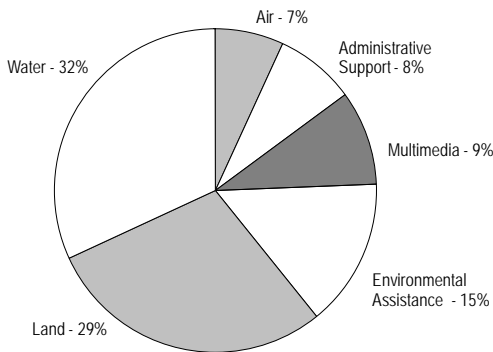
BWSR provides financial, technical, and administrative assistance to local government units, so that state conservation policy is implemented with local priorities in mind. BWSR programs include Conservation Cost-Share, Clean Water Legacy, Reinvest in Minnesota (RIM) Reserve, Wetland Conservation Act (WCA), and Comprehensive Local Water Management. These programs are administered locally by the state's soil and water conservation districts (SWCDs), county water planners, watershed districts, metropolitan watershed management organizations, and other local government units.

The **Clean Water Legacy Act (CWLA)** of 2006 established BWSR as the agency to lead nonpoint source pollution reduction activities. Most BWSR funds through CWLA provide grants to implement local conservation practices that clean up impaired waters and protect high-quality lakes, rivers, streams, and wetlands.

The **Reinvest in Minnesota (RIM) Reserve** conservation easement program improves soil conservation and water quality and provides wildlife habitat on privately owned lands. Since 1986, BWSR, in partnership with SWCDs and other organizations, has enrolled 197,000 acres in about 5,200 easements at a cost of \$164 million in state funds, which has leveraged \$215 million in federal funds.



Pollution Control
PCA Base Budget
(\$344.4 million in FY 2008-09)



Land activities include:

- Administering the Superfund program (159 sites cleaned up since 1983, with 96 sites awaiting action)
- Managing closed landfills
- Responding to emergency spills and abandoned chemicals
- Regulating hazardous waste generators
- Cleaning up leaking underground storage tanks

Air Quality activities include:

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

Water Pollution Control activities include:

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

Multimedia activities include:

- Providing scientific and technical support for all PCA programs

Environmental Assistance activities include:

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

PCA Base Budget by Fund
(\$344.4 million in FY 2008-09)

Pollution-based fees and taxes in the Environmental and Remediation funds account for more than three-fifths of PCA's authorized FY 2008-09 budget (61%). These funds comprise the following revenue sources:

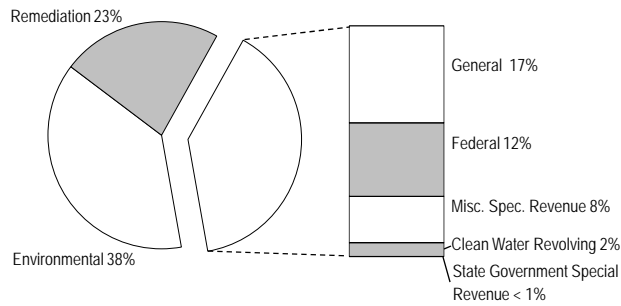
Environmental Fund

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

Remediation Fund (used for cleanup programs)

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

Federal sources contribute 12%. General fund revenues provide about \$5.40 per state resident.



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

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

In 2006, the legislature enacted the **Clean Water Legacy Act** which included new tools and initial funding to accelerate testing of Minnesota's waters in order to comply with the federal Clean Water Act (CWA). The CWA requires states to assess their waters to determine if they meet water quality standards, list waters that do not meet the standards, and conduct total maximum daily load (TMDL) plans on those impaired waters in order to restore water quality. The PCA's 2008 list of waters needing a TMDL study contained 1,475 impairments on 336 rivers and 510 lakes. The PCA has identified a total of 2,575 impairments, which includes those needing a TMDL study, those with approved TMDL plans, and those that are naturally impaired.

Public Facilities Authority

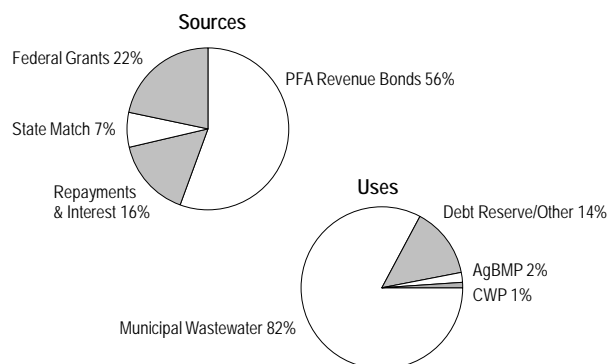
The Public Facilities Authority (PFA) provides low-interest loans and other assistance to local governments for wastewater treatment and other public infrastructure projects. Its board consists of the commissioners of employment and economic development (chair), finance, pollution control, agriculture,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

Clean Water Revolving Fund: \$2.22 billion 1989-2008.

Sources include federal grants, state matching funds, PFA revenue bonds (principal amount of revenue bonds issued and outstanding at any time may not exceed \$1.5 billion), and interest earnings. Loans are for:

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

Clean Water Revolving Fund (\$2.22 billion in 1989-2008)



Other PFA Programs

Wastewater Infrastructure Program (WIF): \$146.91 million appropriated 1995-2007. Provides supplemental assistance grants to municipalities for wastewater treatment projects, based on need. Grants are provided together with revolving fund loans or to match grants provided by USDA Rural Development.

Drinking Water Revolving Fund: Capitalized with \$476.84 million 1998-2008; 42% federal, 10% state, 37% revenue bonding, 11% net revenues. For loans to municipalities to provide safe drinking water. Has funded \$414 million in loans from 1999 to 2008.

Transportation Revolving Loan Fund: Capitalized with \$17.5 million; 38% federal, 62% state general fund and trunk highway bonds. Provides below-market rate financing to governmental entities for transportation-related projects. Has funded about \$136.7 million in loans as of June 2008.

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

Total Maximum Daily Load (TMDL) Grants: Established in 2005, approximately \$9,000,000 has been appropriated for grants to municipalities for up to 50% of eligible capital costs for publicly owned wastewater or stormwater projects.

County Credit Enhancement Program: Provides a limited state guarantee for certain bonds issued by counties to build jails, correctional facilities, law enforcement facilities, social and human services facilities, and solid waste facilities. As of June 30, 2008, the total principal on bonds, plus interest on the bonds, enrolled in the program through 2031 was approximately \$317 million.

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