

**Tenth Edition
January 2013**



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

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January 2013**

**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 tenth edition of the Minnesota Government in Brief. 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 website (www.house.mn/hrd/).

We hope you find the 2013 edition of Minnesota Government in Brief to be a valuable resource.

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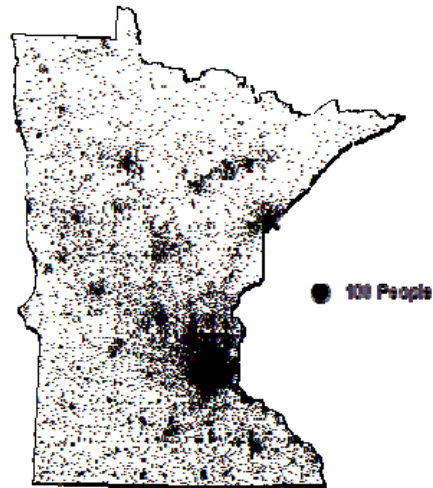
Demographic and Economic Data

**Minnesotan
2011 Population Profile (estimates)**

Age	Under 20	20-64	65+
Total	1,428,334	3,214,759	701,768
White	1,144,365	2,828,685	672,496
African American	109,297	165,405	11,599
American Indian & Alaska Native	25,225	39,369	3,818
Asian	77,709	136,412	11,186
Native Hawaiian & Pacific Islander	1,155	1,936	108
Two or more races	70,583	42,952	2,561
Hispanic	113,892	138,932	6,473

Note: Hispanic-origin persons can be of any race.
Source: U.S. Census Bureau

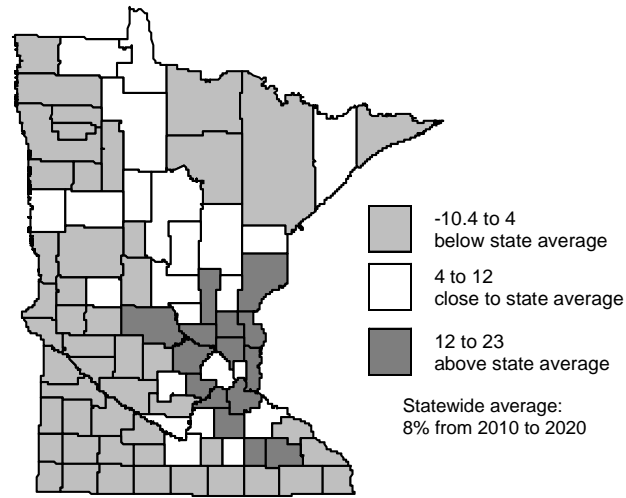
**Minnesota Population
(5.3 million in 2011)**



Ten Most Populous Cities in 2011

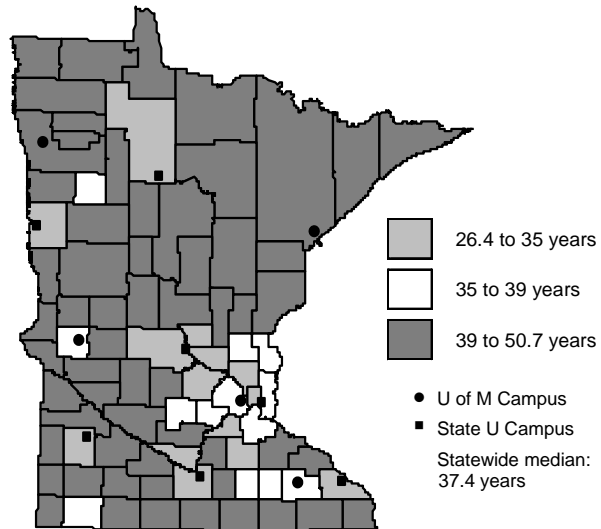
Minneapolis	387,873	Brooklyn Park	76,238
St. Paul	286,367	Plymouth	71,263
Rochester	107,630	St. Cloud	65,633
Duluth	86,256	Eagan	64,456
Bloomington	83,671	Woodbury	63,143

**Estimated County Population Change
2010-2020**



Source: Minnesota State Demographic Center

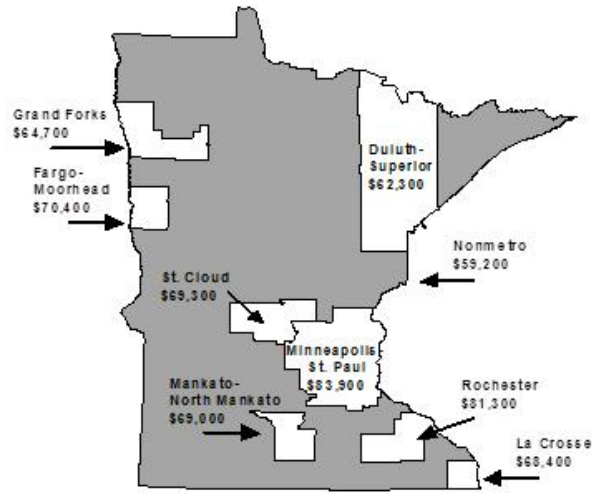
**Median Age by County, 2010,
and Public 4-year Universities**



Source: U.S. Census, 2010

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.

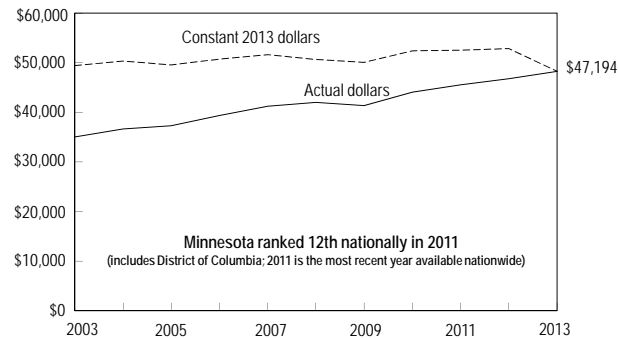
Median Family Income for Metropolitan Areas, 2011



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 2005-2009 American Community Survey (ACS) by the U.S. Census Bureau and adjusted to 2011 levels using Consumer Price Index and ACS data.

Minnesota Per Capita Personal Income (\$47,194 in CY 2013)



Source: Minnesota Management and Budget

Annual Average Employment by Industry, 2009-2011

Industry Type	Number of Jobs		
	2009	2010	2011
Total Employment	2,572,442	2,563,391	2,604,121
Natural Resources and Mining	22,717	23,770	25,018
Construction	100,829	95,168	98,589
Manufacturing	300,222	292,203	300,892
Trade, Transportation, and Utilities	514,784	508,267	514,267
Information	58,756	57,908	57,190
Financial Activities	171,550	170,728	172,257
Professional and Business Services	310,420	318,611	332,299
Education and Health Services	630,942	635,345	641,498
Leisure and Hospitality	254,609	252,602	255,797
Other Services	83,645	83,136	84,280
Public Administration	123,859	125,365	121,471
Unclassified	106	287	560

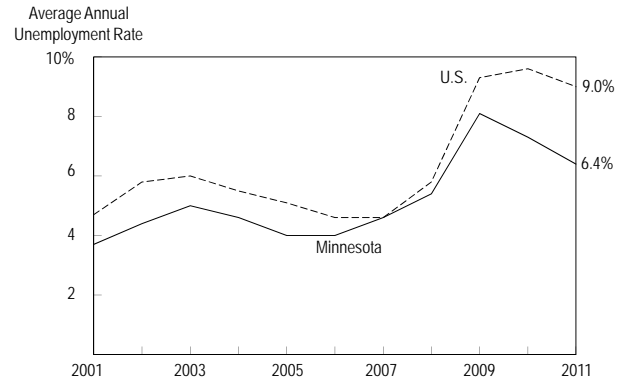
Source: U.S. Department of Labor, Bureau of Labor Statistics, Quarterly Census of Employment and Wages

Gross State Product by Industry, 2009-2011

Industry Type	Gross State Product (millions)		
	2009	2010	2011
Total Gross State Product	\$257,479	\$270,792	\$281,712
Agriculture, Forestry, Fishing, and Hunting	5,341	6,925	8,206
Mining	329	690	936
Construction	9,481	8,952	9,531
Manufacturing	31,889	36,830	39,958
Trade	30,691	32,118	33,636
Utilities	4,157	4,470	4,359
Transportation and Warehousing	7,032	7,164	7,505
Information	9,388	9,291	10,106
Finance and Insurance	25,100	27,334	28,425
Real Estate, Rental and Leasing	33,986	32,105	32,001
Professional, Scientific, and Technical Services	16,117	16,932	17,996
Management	9,350	10,822	10,736
Administrative and Waste Management Services	5,802	6,345	6,704
Educational Services	2,632	2,717	2,827
Health Care and Social Assistance	23,563	24,708	25,031
Arts, Entertainment, and Recreation	2,400	2,752	2,820
Accommodation and Food Services	6,040	6,557	6,936
Other Services (Except Government)	6,054	6,259	6,563
Government	28,127	27,823	27,436

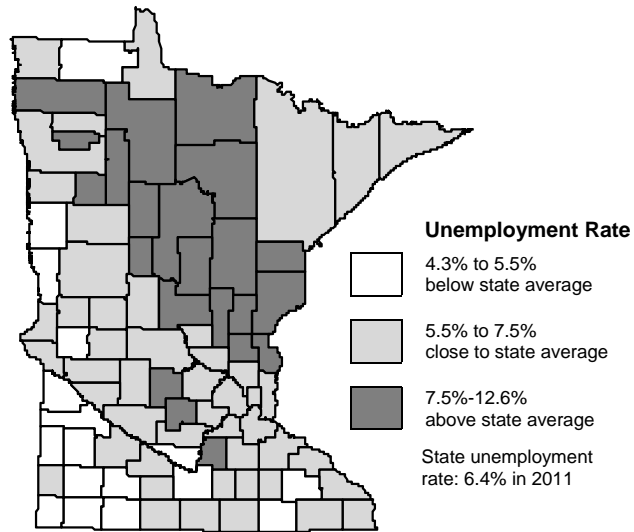
Industry data based on North American Industry Classification System (NAICS)
Source: U.S. Department of Commerce, Bureau of Economic Analysis

Unemployment Rate
(MN: 6.4% in 2011; U.S.: 9.0% in 2011)



Source: U.S. Bureau of Labor Statistics

Unemployment by County, 2011



Source: U.S. Bureau of Labor Statistics

Government Organization
and Employment

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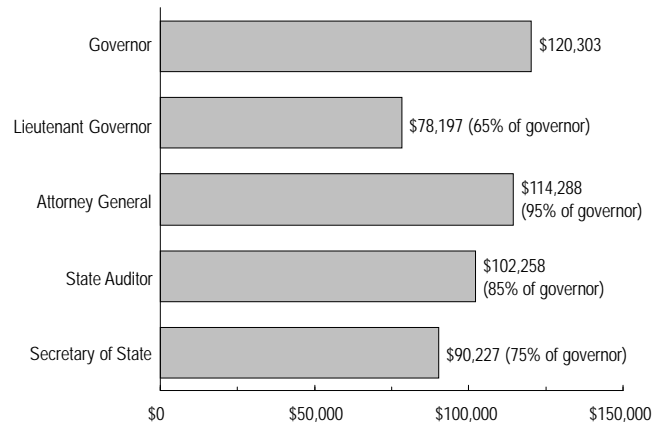
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State Executive Branch

Salary of Elected Constitutional Officers, January 2013

Salaries of constitutional officers are set in law as a percentage of the governor's salary. (Laws 2001, 1st spec. sess., ch. 10, art. 1, § 2.)



Major State Departments

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

Administration and Finance

Administration
Management and Budget
Revenue

Environment

Natural Resources
Pollution Control

Public Safety and

Transportation

Corrections
Military Affairs
Public Safety
Transportation

Business and Employment

Agriculture
Commerce
Employment and Economic
Development
Labor and Industry
Mediation Services

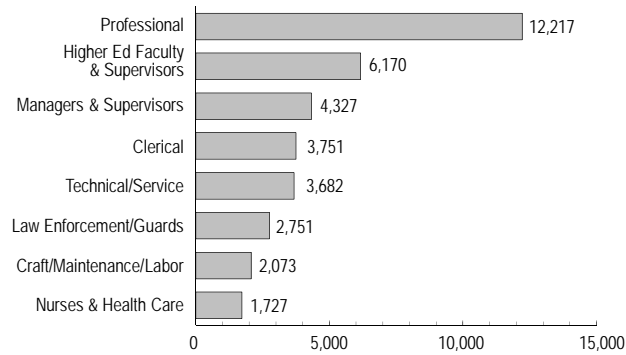
Education, Health, and Human Services

Education
Health
Human Rights
Human Services
Housing Finance
Veterans Affairs

Other Executive Branch Agencies

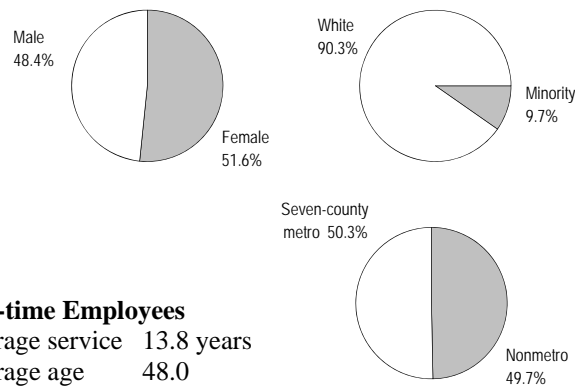
- There are dozens of boards, councils, commissions, and task forces, including about two dozen occupational licensing boards.
- Most of these groups are advisory to a major state agency.

**Full-time Executive Branch Employees
(37,821 in July 2012)**



(Does not include approximately 15,000 part-time or temporary employees or 1,123 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 2012)**

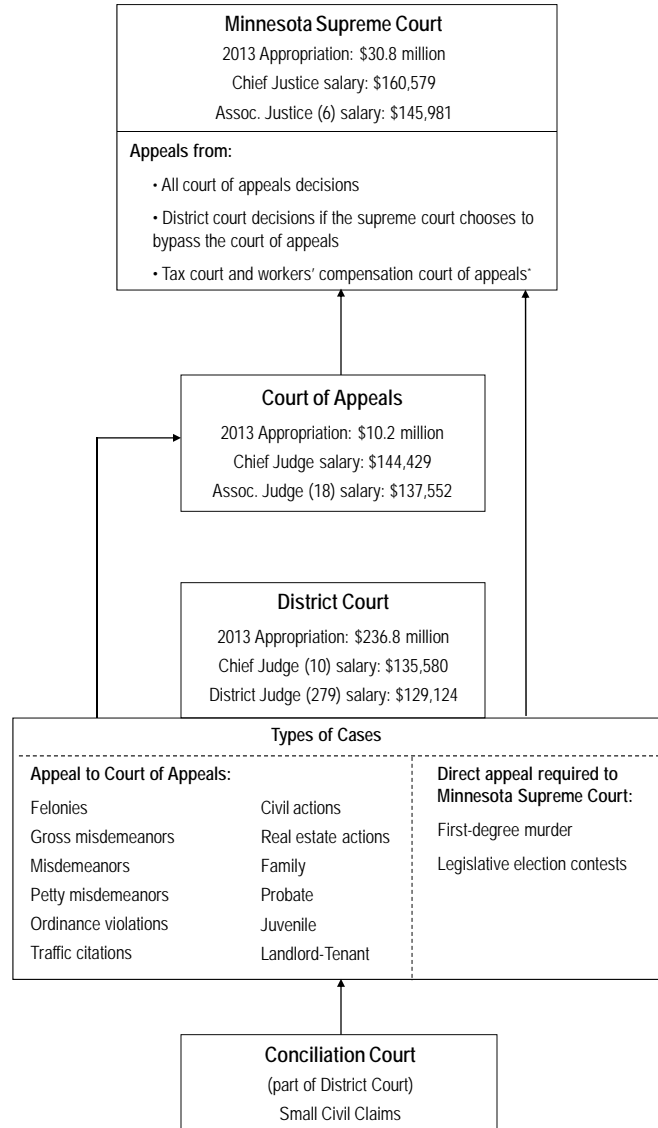


Full-time Employees
 Average service 13.8 years
 Average age 48.0
 Average pay* \$26.57/hour

* Does not include MnSCU Faculty
 Source: Department of Management and Budget

State Judicial Branch

State and Local Funding, Employees, Jurisdiction (\$277.8 million in state funding, FY 2013)



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

Judicial Branch Employees

There are over 2,900 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.

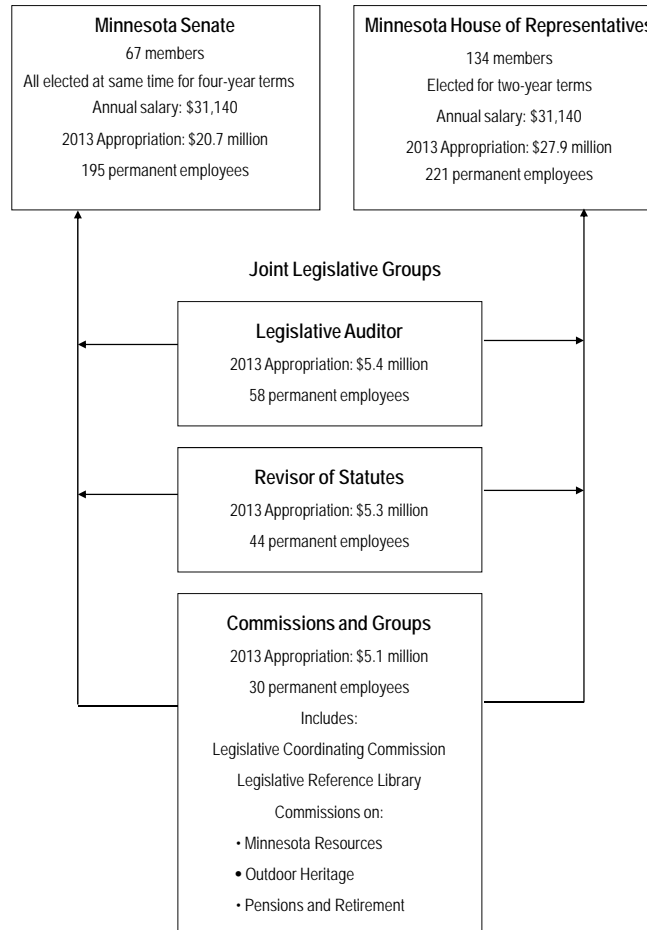
Public Defense System

Total state appropriations FY 2013: \$65.976 million

- The Board of Public Defense is located in the judicial branch but is not under the authority of the Minnesota Supreme Court. It appoints the state public defender (who oversees the public defender system), the chief appellate public defender (who oversees appellate services), and the chief district public defender for each judicial district (who oversee trial work).
- There are approximately 499 full-time equivalent state employees, of which 329 are attorneys. Approximately 180 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
\$64.4 million Appropriation in FY 2013
548 Permanent Employees



Each House district represents approximately 39,600 people, and each Senate district, 79,200.

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 and serving at the pleasure of 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)

- 33 members, including local elected officials, citizens, and representatives of agencies and modes of transportation, with a chair appointed by the council from among the members
- Lead in the federal Metropolitan Planning Organization (MPO) transportation planning process that governs use of federal transportation funds in the metro area

Metropolitan Airports Commission (MAC)

- Eight members from Twin Cities metropolitan area districts and four members from Greater Minnesota, serving staggered four-year terms, and a chair, all appointed by the governor; plus one member each from Minneapolis and St. Paul, appointed by the city's mayor
- Owns and operates Minneapolis-St. Paul International Airport and six other airports in region

Metropolitan Mosquito Control Commission (MMCC)

- 18 members; all metropolitan area county commissioners appointed by their respective counties
- Monitors and controls mosquitoes, ticks, and black flies in the Metropolitan Mosquito Control District to protect the public from disease and annoyance

Metropolitan Agency Budgets, 2013

	Percent of Revenue Sources				
	Property Taxes*	User Fees	State	Federal	Other
Agency Expenditures (CY 2013 for operating, debt service, and passthrough)					
Metropolitan Council (\$828.4 million)					
Regional Admin., Community Development, and HRA Admin. (\$20.5 million)	52%		1%	33%	14%
Transportation Planning and Transit Operations (\$425.7 million)	5.4	24.1	56.6	10.4	3.5
Transit Debt Service (\$41.3 million)	100				
Sewer System (\$126.8 million)		98.5	0.5		1
Sewer System Debt Service (\$100.2 million)		100			
Parks and Open Space Debt Service (\$4.4 million)	98				2
Passthrough Grants and Loans – e.g., housing, parks, suburban transit providers, RALF, MLCA** (\$109.2 million)	17		35	47	1
MAC Operating Expenses (\$143.2 million)		100			
MAC Nonoperating Expenses (\$132 million)		100			
MMCC (\$17.4 million in 2012)	98				2

* Property taxes includes other local sources (Counties Transit Improvement Board, County Regional Railroad Authority).

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

Sources: Proposed or adopted 2013 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 3,285 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

853 Cities

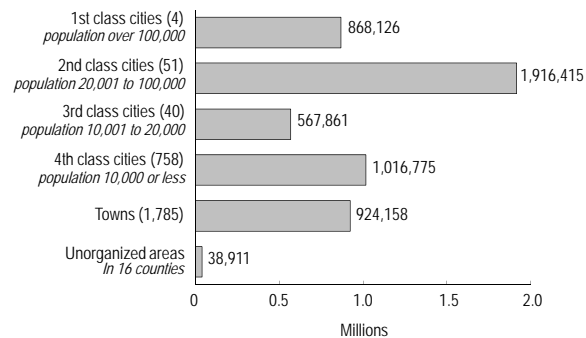
Statutory Cities (746) are organized and operate under the options provided in the statutory city code and other laws.

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 46 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, 2011 estimate



Note: Under statute, cities are classified based on the federal decennial census data, not estimates.

1,785 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 (217 towns are eligible) or within 20 miles of Minneapolis or St. Paul city hall

336 School Districts

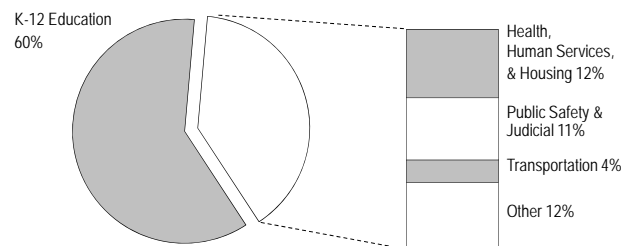
- Consolidation has eliminated 99 districts since 1990
- Most governed by six- or seven-member elected boards
- Most districts elect at-large board members for four-year terms

Other Special Districts

- Enabling law may be special or general, and determines financing
- Perform a single function (or several functions) as distinguished from general purpose governments
- Governance depends on the enabling law
- Examples are hospital, sanitary, and watershed districts, and housing redevelopment authorities (HRAs)

224 special taxing districts levied for taxes payable in 2011. There are other special taxing districts that do not levy. Examples of other special purpose districts that do not levy include subordinate service districts, special service districts, and districts established by joint powers agreements.

Local Government Employees by Function (197,507 full-time equivalent employees, March 2011)



Source: U.S. Census Bureau, August 2012

Minnesota Public Pension Plans

Pension Plan	Active Members	Assets (millions)	Liabilities (millions)
State Employee Plans (as of June 30, 2012)			
Minnesota State Retirement System (state employees)	48,207	\$9,162	\$11,083
State Patrol	823	554	761
State Correctional Employees	4,276	664	968
Local Government Plans (as of June 30, 2012)			
Public Employees Retirement Association (local gov't employees, other than police, fire, and corrections employees)	139,330	\$13,662	\$18,599
Public Employees Retirement Association (police and fire)	10,865	5,798	7,403
Local Government Correctional Employees	3,460	306	343
Teacher Plans (as of June 30, 2012)			
Teachers Retirement Association (teachers and administrators outside of St. Paul and Duluth)	76,649	\$16,805	\$23,025
St. Paul Teachers Retirement Association	3,828	912	1,471
Duluth Teachers Retirement Association	919	207	326

Other public pension plans:

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

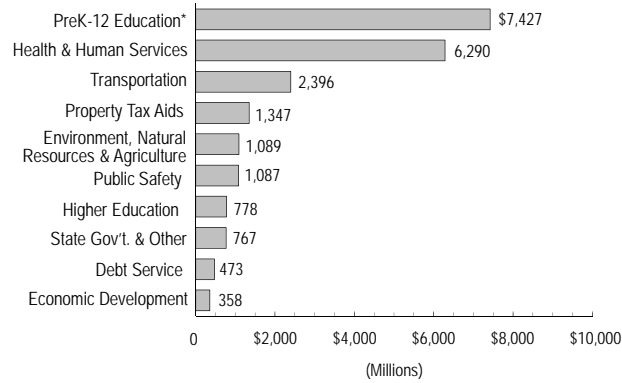
Government Finance

Total State Spending and Revenues, All Funds	29
Taxes	31
Government Debt	44

Note: The FY 2013 data are from the Department of Finance, November 2012 forecast. Other data are from the Department of Revenue, unless otherwise noted.

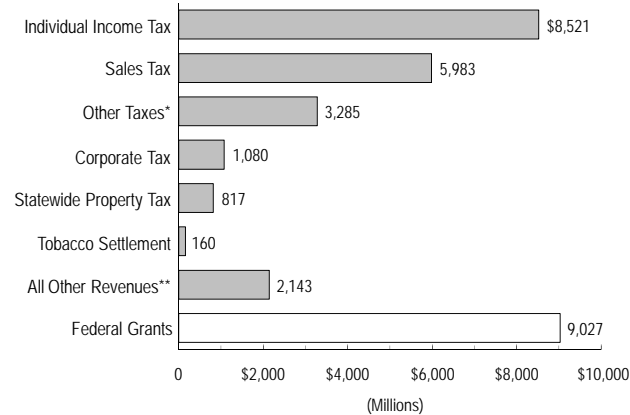
Total State Spending and Revenues, All Funds

Spending, Excluding Federal Funds (\$22,013 million in FY 2013)



*Does not include \$1,229.0 million in property tax recognition shift.

Revenues (\$21,989 million, state sources in FY 2013; \$9,027 million, federal grants in FY 2013)

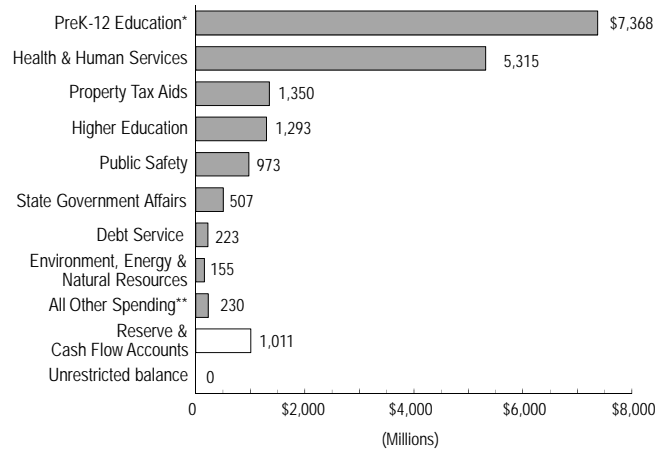


* "Other Taxes" includes taxes on motor vehicle fuels and licenses, cigarettes and tobacco (including the Health Impact Fee), insurance premiums, health care providers, mortgage and deed registration, and a variety of smaller taxes.

** "All Other Revenues" includes investment income, MinnesotaCare premiums, and user fees such as hunting and fishing licenses. In addition to the \$21,989 million in state revenues, the state carried forward a balance of \$6,085 million to FY 2013.

Source: Consolidated Fund Statement and Fund Balance Analysis, Minnesota Management and Budget

**State Spending, General Fund Only,
(\$17,413 million in FY 2013,
excluding \$1,011 million in reserves)**

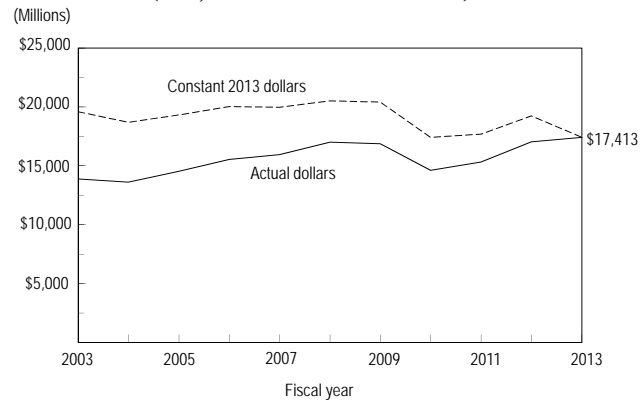


* Does not include \$1,229.0 million property tax recognition shift

** Includes capital projects

Source: Fund Balance Analysis, Minnesota Management and Budget

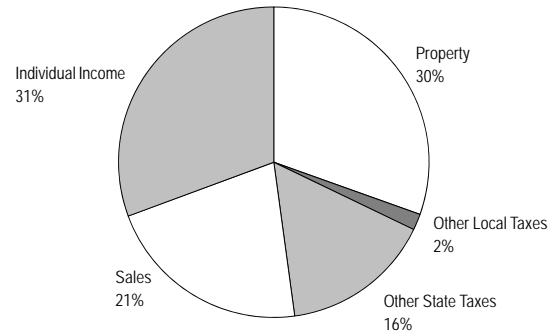
**General Fund Spending
(\$17,413 million in FY 2013)**



General fund spending in fiscal year 2010-2011 was reduced by \$2,272 million in federal stimulus funds, most occurring in 2010. In addition, general fund spending was adjusted to exclude the property tax recognition shift in fiscal years 2010 to 2013.

Taxes

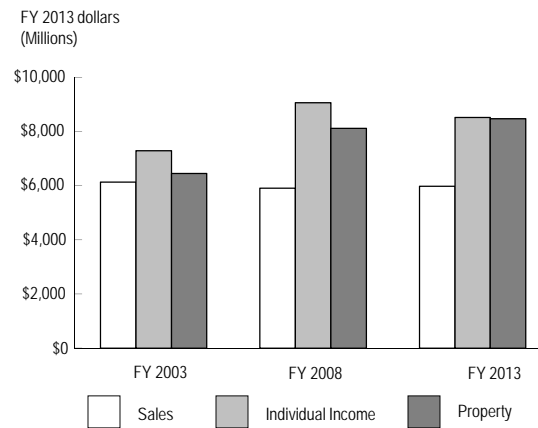
State and Local Taxes (\$27,808 million in FY 2013)



Minnesota State Tax Collections (\$19,685 million in FY 2013)

Individual Income	\$8,521	Cigarette & Tobacco	\$421
Sales	5,983	Insurance Premiums	376
Corporate Franchise	1,080	Mortgage and Deed	194
Motor Vehicle Fuels	880	Estate	140
State Property	817	Alcoholic Beverages	79
Motor Vehicle License	594	Gambling	54
MNCare Taxes	498	Other	48

Income, Sales, and Property Taxes



Individual Income Tax

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

2013 Tax Rates and Brackets

Rate	Income		
	Married Joint	Single	Head of Household
5.35%	\$0 to 35,480	\$0 to 24,270	\$0 to 29,880
7.05%	35,481 to 140,960	24,271 to 79,730	29,881 to 120,070
7.85%	Over 140,960	Over 79,730	Over 120,070

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

Nonrefundable credits:

Marriage Credit **\$64.5 million in FY 2013**

Long-term Care Credit **\$8.4 million in FY 2013**

Refundable credits (over \$1 million):

Dependent Care Expenses **\$14.6 million in FY 2013**

- Up to \$720 per dependent for up to two dependents available for filers with income up to \$38,570 in tax year 2013

Working Family Credit **\$196.2 million in FY 2013**

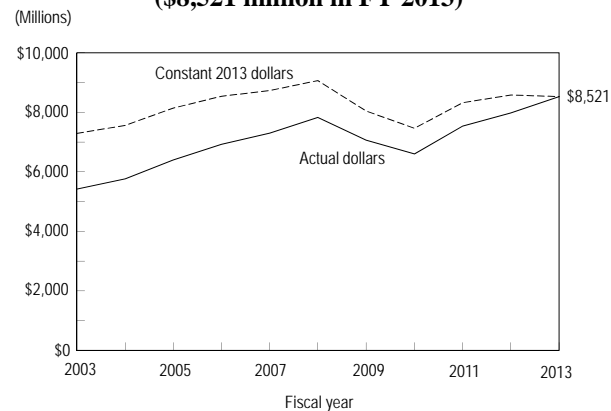
- Equals a percentage of earned income
- Maximum credit of \$1,879 in tax year 2013

K-12 Education Credit **\$14.4 million in FY 2013**

Military Combat Zone Credit **\$1.9 million in FY 2013**

Individual Income Tax Revenues

(\$8,521 million in FY 2013)



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 2013

- General Sales 6.875%
- Motor Vehicle Sales 6.5%
- Liquor, Wine, and Beer Sales 6.875%*
- Motor Vehicle Rental 13.075%

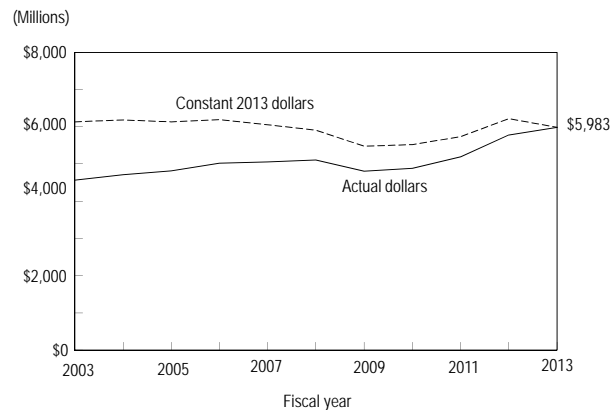
*A 2.5% gross receipts tax is also imposed on these sales.

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

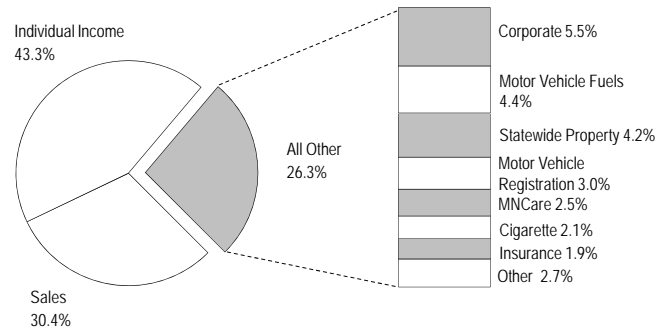
* Businesses must pay the sales tax on capital equipment at the time of purchase and then apply for a refund from the state.

Sales Tax Revenues (\$5,983 million in FY 2013)



Other State Taxes

Taxes, other than the income and sales taxes, yield almost 28% of state tax revenues. Many of these taxes are minor revenue sources. Taxes that yield at least 1% of state tax revenues for FY 2013 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 96% and property and payroll at 2% each for tax year 2013; sales-only apportionment is being phased in by 2014
- Most volatile revenue source of any major state tax

Motor Vehicle Fuels Tax

- \$.25/gallon
- Variable motor fuels surcharge (set at \$.035/gallon for FY 2013) to pay debt service on highway bonds
- Dedicated by constitution to the highway user trust fund

Statewide Property Tax

- Raised \$817 million in CY 2012; 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

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

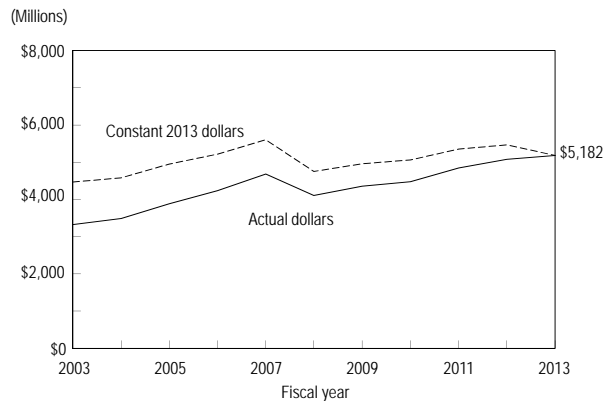
Cigarette and Tobacco Products Tax

- \$.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 \$0.35/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

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%
- A “retaliatory tax” applies to non-Minnesota companies with higher home state taxes

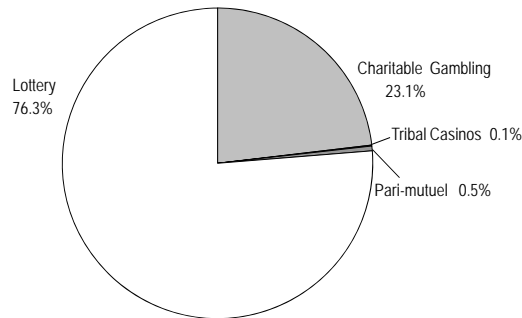
Other State Tax Revenue (\$5,182 million in FY 2013)



Gambling Revenue

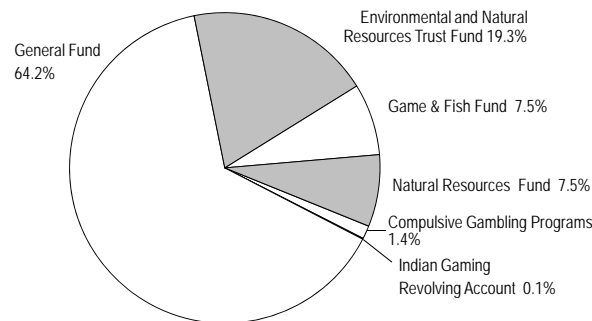
The state receives revenues from three state-authorized forms of gambling: pari-mutuel horse racing, charitable gambling, and the state lottery. The state also receives a nominal sum from Indian tribes that operate casinos; that money partly defrays state expenses in supervising state gaming compacts.

**Sources of State Revenue from Gambling
(\$160 million in FY 2011)**



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
(\$160 million in FY 2011)**



Gambling Taxes

Lawful gambling. The 2012 Legislature replaced existing charitable gambling taxes with a new net receipts tax. This new tax structure was part of legislation that also legalized electronic pulltabs and bingo. Revenues from this new tax structure and from the new forms of gambling have been estimated to increase future revenues to the general fund. It is important to note that, although these changes were part of the Vikings stadium bill, the new revenues go to the general fund and are not used directly to pay for stadium bonds.

Prior to these changes, taxes were levied on a “gross profits” basis. A tax on the ideal gross for pulltabs and a tax on the combined receipts for gambling organizations, combined to yield \$37.1 million in FY 2011.

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 and yielded nearly \$1 million in FY 2011.

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. No pari-mutuel taxes were paid to the general fund in FY 2011.

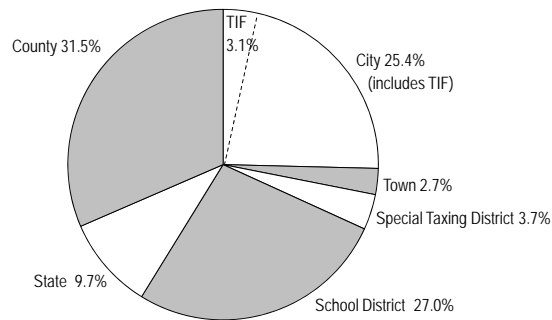
State lottery. In FY 2011, the lottery sent \$67.3 million to the general fund, of which \$2.2 million was dedicated to problem gambling treatment. This general fund revenue came in part from a 40% share of net proceeds from the lottery, paid out after prizes and administration, and in part from a portion of a 6.5% in-lieu of sales tax, taken out before other deductions. The lottery also funds game and fish (\$11.9 million), natural resources (\$11.9 million), and the Environment and Natural Resources Trust Fund (\$30.8 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

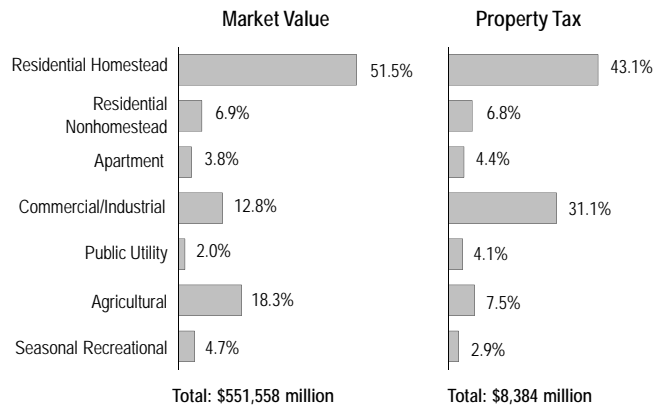
The property tax is a major source of revenue for local governments in Minnesota. The state also receives a portion of property tax revenues (from commercial-industrial and seasonal recreational properties only). Property taxes are levied annually and payable in two installments (May 15 and October/November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

Property Tax Levy by Type of Government*
(\$8,384 million in CY 2012)



* Amounts shown are after allocation of property tax credits.

Shares of Market Value and Property Tax by Property Type
(Taxes payable 2012)



Class Rates for Taxes Payable in 2013

Property Type	Class Rate	Tax Code ¹
Residential Homestead		
Up to \$500,000 ²	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 ³		
Ag land and buildings		
Up to \$1,290,000 ⁴	0.5	
Over \$1,290,000	1.0	
Nonhomestead		
Ag land and buildings	1.0	
Rural vacant land	1.0	
Noncommercial Seasonal Recreational		
Up to \$500,000	1.0	S2
Over \$500,000	1.25	S2
Commercial/Industrial/Public Utility		
Electric generation machinery	2.0	R
All other		
Up to \$150,000	1.5	S1, R
Over \$150,000	2.0	S1, R

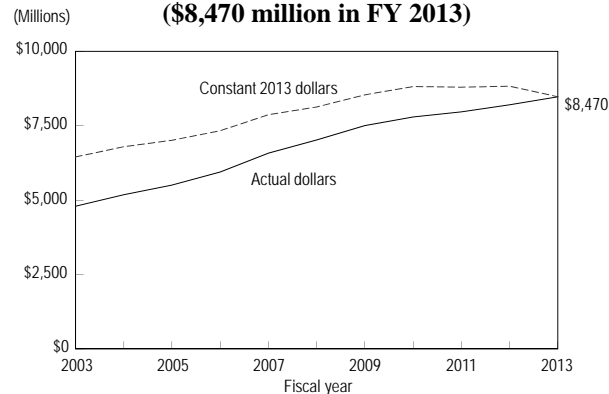
¹ Tax Codes: R = Subject to school operating referenda (all property is subject to school bond referenda); S1 = subject to state commercial-industrial tax rate; S2 = subject to state seasonal-recreational tax rate.

² After subtraction of market value homestead exclusion.

³ Class rate and tax code are the same as residential homestead.

⁴ The valuation limit is annually indexed based on the average growth rate in agricultural valuation.

Property Tax Revenues (\$8,470 million in FY 2013)



Property Tax Terminology

- The assessor determines each property’s **estimated market value**.
- For many properties, **taxable market value** equals estimated market value; for some types of properties, there are various exclusions (such as the homestead market value exclusion) and alternative valuation calculations that lead to taxable 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 agricultural market value credit) that the property is eligible to receive.

Major Property Tax Relief Programs

CY 13/ FY 14 Approp. (millions)	Program	Recipients
\$427	Local government aid	Cities
347	Property tax refund– homeowners	Individuals
190	Property tax refund–renters	Individuals
166	County program aid	Counties
106	Referendum equalization aid	School districts
26	Payments in lieu of taxes (PILT)	Counties and towns
23	Agricultural market value credit	All taxing jurisdictions
20	Debt service equalization aid	School districts
18	Disparity reduction aid	Counties, towns, and school districts

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 (\$467.7 million, refunds filed 2011)

		Number of Filers	Refund Amount (millions)	Average Refund per Filer
Homeowners	Nonsenior	218,495	\$162.9	\$745
	Senior	144,414	\$109.4	\$758
Renters	Nonsenior	223,050	\$137.0	\$614
	Senior	86,350	\$58.4	\$676
Total		672,309	\$467.7	\$696

Program Limits, refunds filed 2013

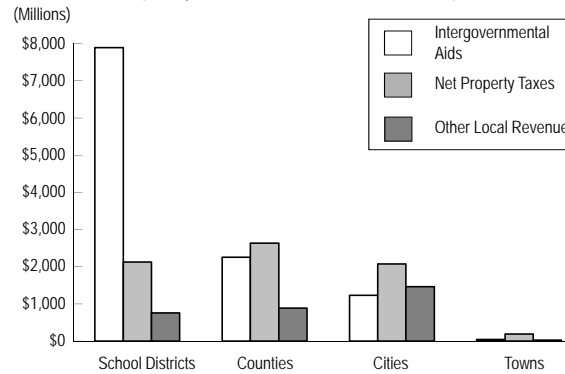
	Maximum Qualifying Income	Maximum Refund
Homeowners	\$103,729	\$2,530
Renters	\$56,219	\$1,600

Special Property Tax Refund (Targeting) (\$1.9 million, refunds filed 2011)

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 2011:
 - 23,016 returns
 - \$1.9 million total amount
 - \$83 average refund

**Local Government Revenues
(\$21,571 million in CY 2010)**



Major Sources of Local Government Revenues, CY 2010

\$ in millions	School			
	Districts*	Counties**	Cities**	Towns**
Intergovt. Aid (federal, state, and local)	\$7,886.4	\$2,256.7	\$1,226.9	\$44.3
Net Property Taxes (including TIF)	2,131.4	2,633.1	2,069.7	190.1
Other Local Revenue				
User Fees***	493.9	543.3	453.2	8.4
Interest Earnings	97.5	50.1	80.6	3.3
Special Assessments	- -	43.7	288.7	8.0
All Other	163.5	248.2	642.8	7.1
Subtotal Other	754.9	885.3	1,465.3	26.8
Total	\$10,772.7	\$5,775.1	\$4,761.9	\$261.2

* School district data for school fiscal year 2011

** Excludes public service enterprise funds, which are discussed below.

*** User fees consist of direct charges for government services, including tuition and payments received by a local government for services it provides to another local government.

**Public Service Enterprise Revenues
(\$4,913 million in CY 2010)**

	Counties	Cities	Towns
Operating Revenue (Charges)	\$1,223.0	\$3,405.6	\$5.3
Other Revenue	59.4	218.7	0.8
Total	\$1,282.4	\$3,624.3	\$6.1

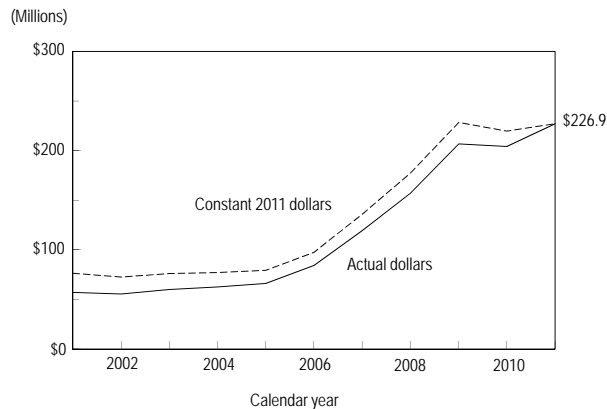
Local governments use public service enterprises to provide a variety of goods and services that are funded almost entirely from revenues derived from the sales of those goods and services. The majority of enterprise funds are public utilities, liquor stores, and economic development and housing redevelopment programs.

Local Sales and Use Taxes

Local sales and use taxes may be credited to either general or public service enterprise funds depending on their required purpose. The following 23 authorized general local sales taxes are imposed in 31 cities and counties as of July 1, 2012:

- 1.0%:** Duluth, Hermantown, Cook County
- 0.5%:** Albert Lea, Austin, Baxter, Bemidji, Brainerd, Clearwater, Cloquet, Central Minnesota (Sartell, Sauk Rapids, St. Augusta, St. Cloud, St. Joseph, Waite Park), Fergus Falls, Hutchinson, Lanesboro, Mankato, Marshall, Medford, Minneapolis, New Ulm, North Mankato, Proctor, Rochester, St. Paul, Two Harbors, Willmar, Worthington
- 0.25%:** Metropolitan Transit District (Anoka, Dakota, Hennepin, Ramsey, and Washington counties)
- 0.15%:** Hennepin County (for ballpark)

Local Sales and Use Tax Revenues (\$226.9 million in CY 2011)



Other major nonproperty tax revenues (CY 2010):

- Franchise taxes (mainly cities): \$110.6 million
- Lodging taxes (mainly cities and towns): \$59.0 million
- Local share of taconite taxes: \$40.8 million

Government Debt

State Debt

State Obligations Outstanding (August 7, 2012, dollars in millions)

General Obligation (G.O.) Bonds	\$5,841
Equipment Leases	20
Real Estate Financing	148
Certificates of Participation	65
Agency Obligations	
Housing Finance Agency	2,069
University of Minnesota	1,468
Office of Higher Education	546
State Colleges and Universities Board	274
Higher Education Facilities Authority	966
State Armory Commission	3
Rural Finance Authority	35
Public Finance Authority	1,115
Agricultural & Economic Development Board	423
Tobacco Securitization Authority	757
Minnesota Management and Budget	173
Total Agency Obligations	7,829
Total, All Obligations	\$13,904
G.O. Debt Authorized But Not Yet Issued	1,947

Source: Minnesota Management and Budget

Capital Investment Guidelines

- Total tax-supported principal outstanding shall be 3.25% or less of total state personal income. As of November 30, 2012, the total was 2.74%.
- Total amount of principal (both issued and authorized but unissued) for state general obligations, state moral obligations, equipment capital leases, and real estate capital leases are not to exceed 6% of state personal income. As of November 30, 2012, the total was 4.62%.
- 40% of general obligation debt shall be due within five years and 70% within ten years, if consistent with the useful life of the financed assets and market conditions.

State Bond Ratings

For the August 7, 2012, bond sale, Standard & Poors Ratings Group and Fitch Ratings, each rated the state's bonds at "AA+" (one grade lower than the highest rating of AAA), indicating the state's capacity to pay interest and repay principal is strong. Similarly, 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. In general, the higher the rating the less interest the state has to pay.

Local Government Debt

Bonded Debt of Local Governments (\$20,015 million in CY 2010/FY 2011)

	General Obligation	Revenue	Total Bonded Indebtedness
Cities	\$6,889	\$1,250	\$8,139
Counties	2,670	600	3,270
Towns	54	0	54
School Districts	8,552	0	8,552
Total	\$18,165	\$1,850	\$20,015

Special district debt data is not available. School district data is for school fiscal year 2011.

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
(\$2,851.1 million net outstanding)**

**Metropolitan Council
(\$1,321 million net outstanding general
obligation bonds as of December 31, 2012)**

Wastewater	\$1,081.2
Transit	224.3
Parks	15.5
Total	\$1,321

**Metropolitan Airports Commission (MAC)
(\$1,530.1 million net outstanding as of December 31, 2012)**

General Obligation Revenue Bonds	\$9.2
General Airports Revenue Bonds	1,502.7
Notes Payable	18.2
Total	\$1,530.1

The Metropolitan Council and the MAC are authorized to issue debt. As of December 31, 2012, 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.

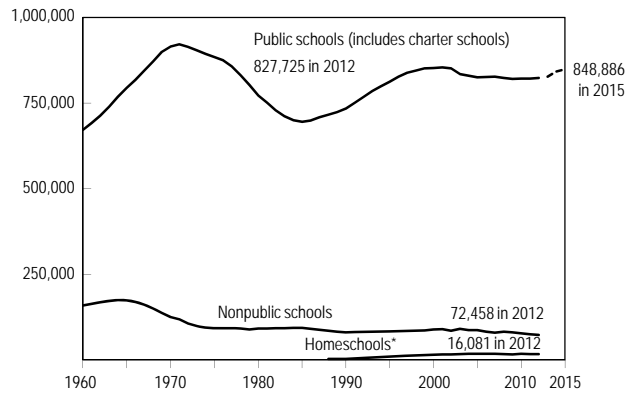
The Metropolitan Council may issue an unlimited amount of debt for the wastewater collection and treatment system. As of September 30, 2012, the Metropolitan Council could issue \$74.9 million more for transit fleet and facilities and \$24.4 million for capital improvement grants for regional parks.

Major Government Functions & Services

K-12 Education	49
Higher Education.....	57
Family Assistance	63
Corrections	74
Transportation	78
Agriculture	82
Natural Resources	85
Pollution Control.....	88
Public Facilities Authority.....	90

K-12 Education

Student Enrollment (848,886 projected for 2015)



Enrollment projections for nonpublic schools and homeschools only available through 2012.

* Homeschool counts are not available prior to 1988.

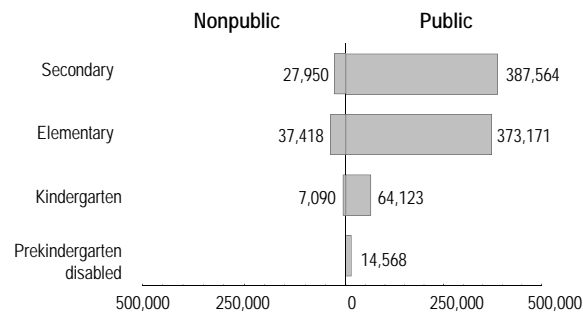
Enrollment Options Programs

- 58,408 open enrollment students - FY 2011
- 8,483 postsecondary (PSEO) students - FY 2012
- 20,288 college in high school students - FY 2011

Charter Schools 2012-2013

- 148 charter schools in operation as of September 2012
- 41,909 students as of September 2012
- 215 charters granted as of November 2012

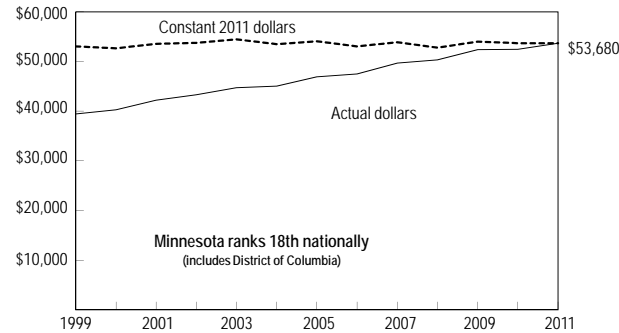
Students by Grade, 2011-2012 (72,458 nonpublic; 839,426 public)



Teacher Characteristics 2011-2012

- 98.7% of teachers are fully certified and licensed
- 54.4% have advanced degrees
- 61.8% have taught more than ten years

Average Minnesota Public School Teacher Salary (\$53,680 in 2011; 52,676 FTE teachers)



Sources: National Education Association (Ranking of the States 2011),
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

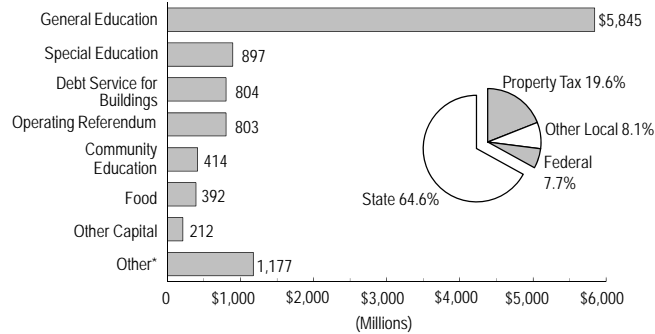
- The State Board of Teaching oversees teacher preparation requirements and licensure. The licensure system complements high school graduation standards.
- Teacher candidates must pass exams on math, reading, and writing skills, and on general pedagogical knowledge and skills and licensure-specific content.
- 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.
- Teachers must complete 125 clock hours of continuing education to renew a five-year professional license for another five-year period.

Administrator Licensure and Qualifications

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

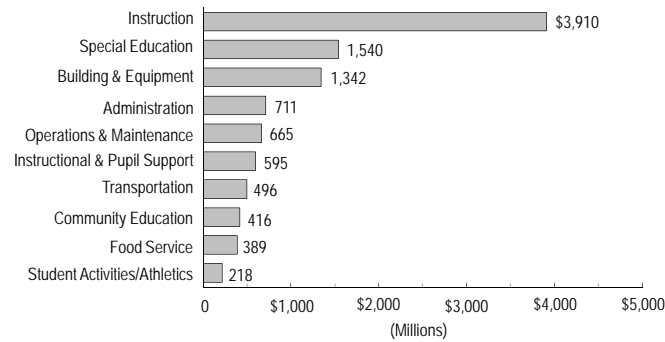
K-12 Revenue and Expenditures

School District Revenue (\$10,544 million in FY 2011)



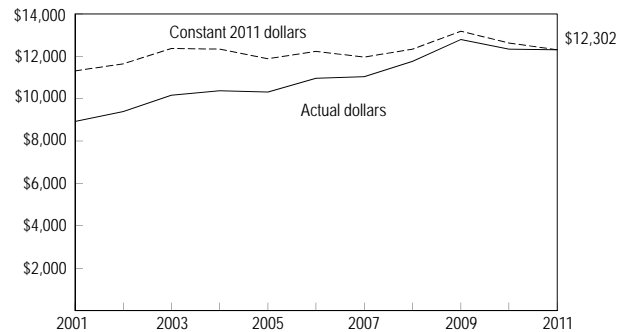
*"Other" includes federal aid (excluding community education and food funds), interest, interdistrict transfers, local revenues such as fees for hot lunches, athletics, and other categorical funding programs.

Public School District Expenditures (\$10,282 million in FY 2011)*



*The difference between revenue and expenditures primarily represents bond refundings and fund balance changes carried forward to FY 2012.

Average Total Expenditures per Public School Pupil (\$12,302 in FY 2011)



Source: Department of Education, school district profiles

Minnesota's K-12 Academic Standards and Assessments

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

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

The Commissioner of Education must build technology and information literacy standards into the state's academic standards and graduation 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 program 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 must review and revise required academic standards, related benchmarks, and elective standards according to a statutorily prescribed cycle. 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. The commissioner must include in the assessment results a value-added component that measures low, medium, and high growth in student achievement over time.

Elective Requirements

Students also must 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.

High School Graduation Tests

Public high school students must pass the MCAs (Minnesota Comprehensive Assessments) or GRAD (Graduation-Required Assessments for Diploma) tests in reading (administered in grade 10) and math (administered in grade 11) in order to graduate, except that students enrolled in grade 8 in any school year from the 2005-2006 to 2009-2010 school year who do not pass the 11th grade math GRAD test may receive a high school diploma if they meet other criteria. The GRAD tests replaced the basic skills reading and math tests as the graduation-required assessment. Students also must take and pass a written composition test, first administered in grade 9. Unlike the earlier basic skills tests (BSTs), the MCAs are standards-based exams.

Student MCA and GRAD Test Results in Reading and Math

School Year	Percent of Students Tested Who Received a Passing Score				Number of Students Who Did Not Pass	
	Math		Reading		Math	Reading
	MCA	GRAD	MCA	GRAD		
2011-12	42.5%	57.7%	76.8%	80.4%	25,075	11,815
2010-11	48.6	59.2	75.3	78.7	24,670	13,055
2009-10	43	57.8	75	78.1	26,157	13,865
2008-09	42	57.3	74	77.6	26,592	14,436
2007-08	34	NA	71	75.1	NA	16,249

NA: Not available

Grade 10 students first needed to pass the MCA or the GRAD retest in reading beginning in the 2007-2008 school year and the MCA or the GRAD retest in math beginning in the 2008-2009 school year.

Source: Department of Education

Federal Testing Requirements

To satisfy federal No Child Left Behind Act (NCLB) requirements and measure annual student progress in meeting state academic standards requirements, students entering grade 8 in the 2005-2006 school year and later needed to pass MCAs in grade 10 reading and grade 11 math. In 2007 state law was changed to allow students who did not pass the annually administered MCAs to retake the GRAD portion of the MCAs. The GRAD portions of the MCAs fulfill Minnesota's graduation requirement for an assessment and are administered multiple times during the school year. Minnesota administers the MCAs annually to comply with NCLB requirements.

High School Graduation Test Outcomes by Ethnicity and Remedial Instruction

When students' combined MCA/GRAD results in math and reading are categorized by student ethnicity—American Indian, Asian/Pacific Islander, black, Hispanic, and white—significant differences in performance appear.

Percent of Students by Ethnicity Meeting State Graduation Requirements in Reading and Math

Ethnicity	11th Grade Math		10th Grade Reading		
	2011	2012	2010	2011	2012
American Indian	30%	30.8%	58%	60.5%	62.1%
Asian/Pacific Islander	52	52.9	64	66.8	68.8
Black	22.2	21.5	50	51.4	56
Hispanic	31	30.4	54	57.2	57.5
White	66.2	64.4	84	84.7	86.3

Source: Department of Education

Students with a passing score on the MCAs or GRAD tests do not necessarily meet the preparation requirements for two- or four-year colleges and universities. University of Minnesota and Minnesota State Colleges and Universities (MnSCU) data show that some recent high school graduates who enroll in two-year or four-year public postsecondary institutions in Minnesota take remedial courses in math, writing, and reading before enrolling in credit-bearing courses.

Percent of Minnesota Public School Graduates Taking One or More Developmental Courses Within Two Years of Graduation

Institutions	High School Graduating Class							
	2002	2003	2004	2005	2006	2007	2008	2009*
All U of M	8%	8%	8%	7%	4%	3%	2%	2%
All MnSCU	42	42	44	46	47	48	48	47
Two-year	46	45	47	49	51	53	54	57
Four-year	29	29	29	27	26	26	22	19

Source: MnSCU and the University of Minnesota

*One year only

2001 No Child Left Behind Act; 2012 Federal Waiver

Minnesota public schools are subject to the federal 2001 No Child Left Behind Act that seeks to ensure all students, and specific subgroups of students, achieve state reading and math proficiency by 2014. NCLB school improvement requirements apply to high poverty schools receiving federal Title I funds.

In 2012, Minnesota received a two-year NCLB waiver that may be extended to a third year. The waiver of federal law replaces the goal of 100% of students proficient in reading and math by 2014 with a goal of reducing Minnesota's student achievement gap by 50% by 2017. It also replaces the federal adequate yearly progress (AYP) measure with an annual multiple measures rating (MMR) based on student graduation rates, student academic proficiency and growth measures, and school success in reducing the achievement gap for specific student subgroups.

Schools that receive Title I and School Improvement Grant funding receive one of the following school designations:

Priority Schools: The bottom 5% of the most persistently low-performing schools (42 schools, including 19 SIG schools).

Focus Schools: The 10% of schools with the largest student achievement gap and high schools with graduation rates below 60% (85 schools).

Continuous Improvement Schools: The bottom 25% of lowest performing schools, including most priority and focus schools (86 schools).

Priority, focus, and continuous improvement schools must develop a school turnaround or improvement plan and set aside 20% of their Title I funds to implement the plan.

Celebration Schools: The 10% of schools with MMR ratings between the 60th and 85th percentile in their category of school (211 schools).

Reward Schools: The top 15% of highest performing schools (128 schools).

Under the waiver, schools need not provide supplemental education or transportation services for intradistrict transfers, are no longer sanctioned for failing to make AYP, and have greater flexibility in allocating Title I funds. If the U.S. Congress reauthorizes NCLB before the waiver period ends, the reauthorization may affect the status of the waiver.

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.

Head Start

- Federal program that 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.

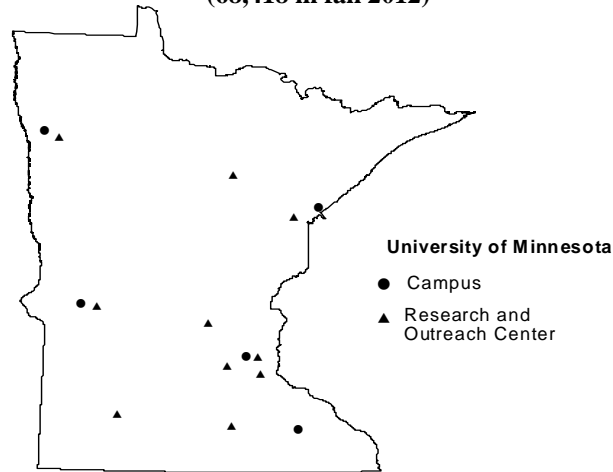
Funding for Early Childhood Programs

Program (ages eligible)	Funding FY 13 (in millions)	Participants FY 13
ECFE (up to kindergarten)	\$22.4 state aid 22.1 property tax	333 out of 336 districts
School Readiness (3½ to kindergarten)	10.1 state aid	333 out of 336 districts
Head Start (3 to 5)	102.3 federal aid 20.1 state aid	35 grantees
Part C (up to age 2)	7.1 federal aid	5,077 children
Total For Listed Programs	\$109.4 federal aid \$52.7 state aid \$22.1 property tax	

Higher Education

University of Minnesota

Enrollment by Campus (68,418 in fall 2012)



	Undergraduate	Graduate	Professional	Total*
Twin Cities	30,375	13,124	3,824	51,853
Duluth	9,452	753	354	11,491
Crookston	1,802			2,764
Morris	1,788			1,896
Rochester	385			414
Total	43,802	13,877	4,178	68,418

* Total enrollments include nondegree students

Other facilities

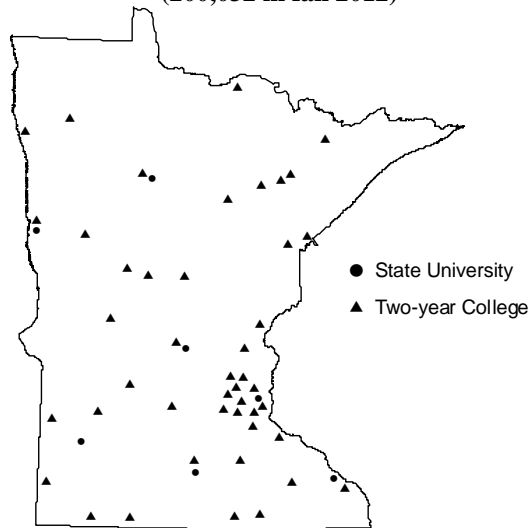
The university operates ten agricultural experiment station research and outreach centers at Grand Rapids, Becker, Crookston, Cloquet, Chanhassen, Rosemount, Waseca, Lamberton, St. Paul, and Morris.

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 (200,032 in fall 2012)



Note: Enrollment based on MnSCU data

Fall 2012 Enrollment by Level

	Undergraduate	Graduate	Total
2-year state colleges (24)	132,012		132,012
Community Colleges	25,915		25,915
Technical College	14,194		14,194
Consolidated Colleges	91,903		91,903
4-year state universities (7)	61,855	6,165	68,020
Total Enrollment	193,867	6,165	200,032

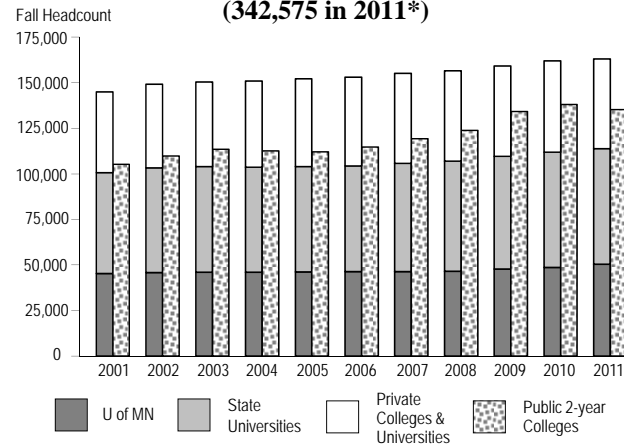
Campuses

MnSCU's 31 institutions operate 54 campuses in 47 communities. An institution is one or more campuses with a single president.

Governance

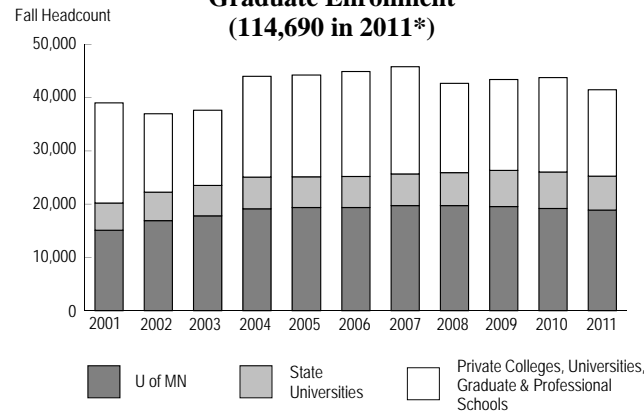
- MnSCU is a public higher education system that consolidated the operation of two-year colleges and four-year universities in 1995.
- MnSCU is governed by a 15-member Board of Trustees appointed by the governor with the advice and consent of the Senate, and a chancellor appointed by the board.
- Eight 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 (342,575 in 2011*)



* Includes private career school enrollment of 28,210 undergraduates and 16,228 at private online schools, including institutions with national enrollments, not included in the graph.

Graduate Enrollment (114,690 in 2011*)



* Includes private career school and graduate and professional enrollment of 4,052 graduate students and 69,127 graduate students at private online schools, including institutions with national enrollments, not included in the graph.

Tuition and Fees Full-time, Minnesota Resident Undergraduate

	2012-13 Academic Year	2010-11 Academic Year	2008-09 Academic Year
Public			
2-year colleges	\$4,920-5,690	\$4,490-5,300	\$4,100-4,909
State Universities	\$6,640-8,720	\$5,920-8,080	\$5,473-7,508
University of MN	\$11,450-13,520	\$10,620-12,290	\$9,381-10,756
Private			
4-year colleges*	\$11,370-44,470	\$10,380-41,310	\$9,495-38,046
Career schools	\$5,150-22,500	\$5,150-30,150	\$4,584-30,150

*Includes nonprofit and for-profit institutions offering baccalaureate degrees.

Minnesota Office of Higher Education (OHE)

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

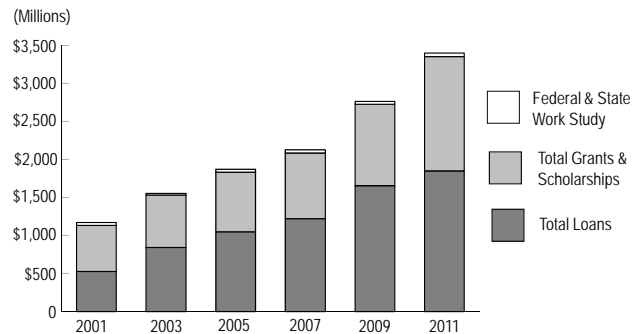
Registration: A postsecondary school operating in Minnesota must register annually with OHE if it is a private institution that grants baccalaureate or higher degrees, or an institution with academy, college, institute, or university in its name. Out-of-state public institutions must register if they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

Licensing: Most private career schools must be licensed by OHE to offer programs in Minnesota below the baccalaureate level.

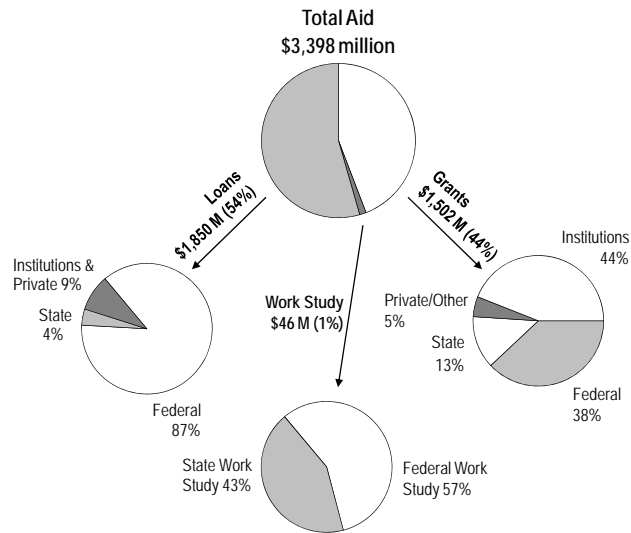
Minnesota State Grant Program

Grants are awarded to eligible undergraduate Minnesota residents based on financial need, the price of postsecondary education, and available appropriations. In the grant program, parents, students, and taxpayers share responsibility 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 (\$3,398 million in FY 2011)

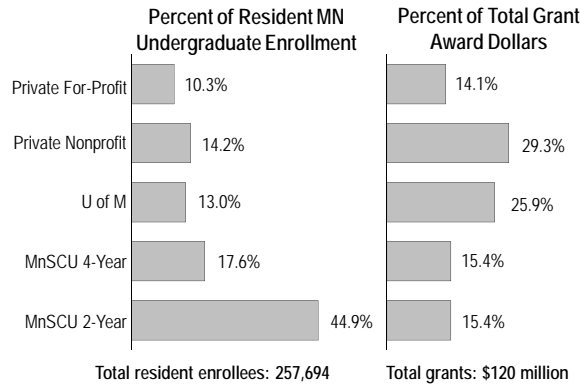


Type and Source of Financial Aid Received by Minnesota Students
(\$3,398 million in FY 2011)



2011 Student Aid Awards		
	Number of MN Undergraduates	Average Award
Federal Pell Grant (\$5,550 maximum)	153,295	\$3,344
State Grant Program	88,783	\$1,350

Participation in State Grant Program FY 2011
(257,694 resident undergraduate enrollees; 88,783 with grants; \$120 million in grants)



Tuition Reciprocity Programs

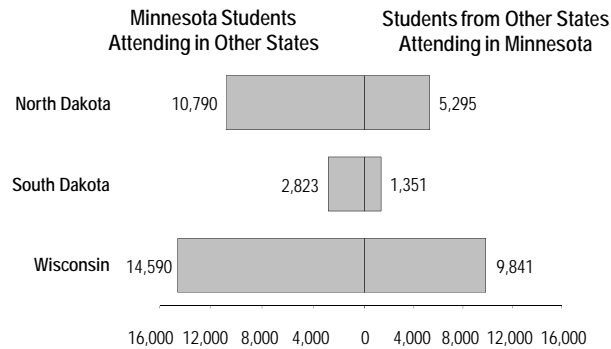
OHE administers the reciprocity agreements that provide reduced tuition for nonresident students.

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.

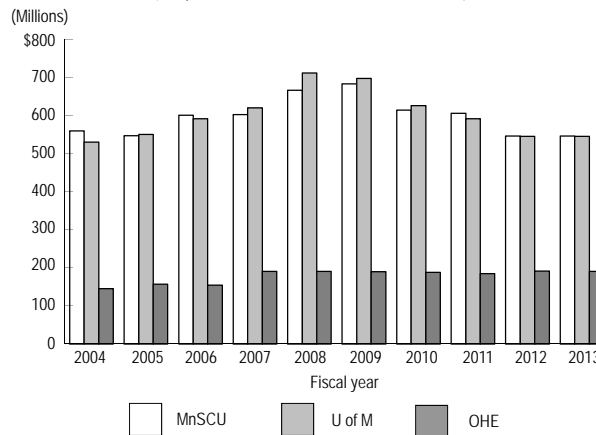
Wisconsin paid Minnesota \$9.1 million in FY 2010 under the reciprocity program, and Minnesota paid \$3.2 million in FY 2011 to North Dakota for tuition reciprocity.

Fall 2011 Headcount Reciprocity Enrollment*



*Preliminary headcounts, Office of Higher Education

State Higher Education General Fund Appropriation (\$1,283 million in FY 2013*)



*Includes reductions and additions to appropriations by the governor and the legislature for FY 2004 to 2005 and 2008 to 2011. FY 2010 appropriations exclude federal American Recovery and Reinvestment Act appropriations.

Family Assistance

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

- Medical Assistance (MA)
- MinnesotaCare (MNCare)
- Children's Health Insurance Program (CHIP)
- 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:

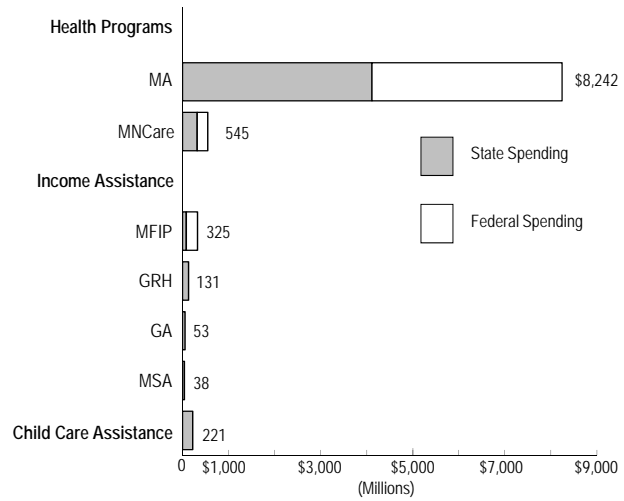
- HUD Rental Housing Assistance
- Food Support (Food Stamps) (FS)
- Supplemental Security Income (SSI)

Note: The FY 2013 projections listed in this section are from the Department of Human Services, November 2012 forecasts of family self-sufficiency and medical programs. Other data are from DHS, MDE, MHFA, and other sources.

Funding and Administration

- MA, 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, CHIP, MFIP, and Child Care Assistance are funded jointly by the federal and state governments.
- GA, MSA, and GRH are state-financed.
- MNCare is administered directly by DHS; some counties have elected to process applications and determine eligibility.
- Food Support and SSI are federally financed.
- SSI is administered by the federal Social Security Administration.

Family Assistance State and Federal Spending*
(\$9,555 million in FY 2013)

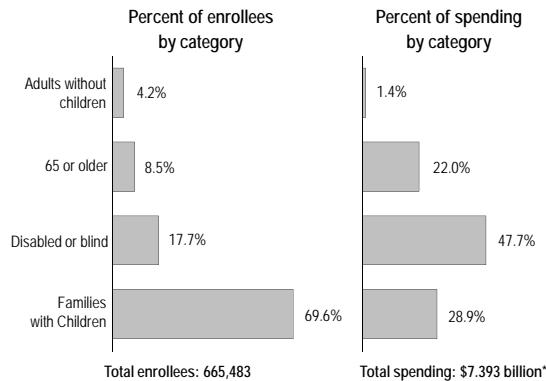


Note: MA spending total includes Children's Health Insurance Program (CHIP). State MNCare spending includes enrollee premiums and drug rebates. MNCare spending excludes the Healthy Minnesota defined contribution program.
 * Excludes SSI and Food Support programs. The state spending figure includes any county share.

Medical Assistance (MA)

- A federal-state Medicaid program that pays for health care services for eligible individuals with income and assets below program limits.
- Eligible groups are low-income families; needy children in foster care; aged, blind, or disabled persons; pregnant women; adults without children; and certain other low-income children and adults.
- Federal law allows state Medicaid programs to cover adults without children with incomes not exceeding 133% of FPG beginning January 1, 2014, and allows states to expand coverage to this group before this date. Minnesota implemented this early expansion by executive order on March 1, 2011, for adults without children with incomes not exceeding 75% of FPG.
- MA provides all federally mandated services and most services designated by the federal program as optional.
- As of September 2012, 495,121 people received services through prepaid health plans.

Minnesota Medical Assistance Eligibles - SFY 2011



*Does not include consumer support grant expenditures, pharmacy rebates, and adjustments.

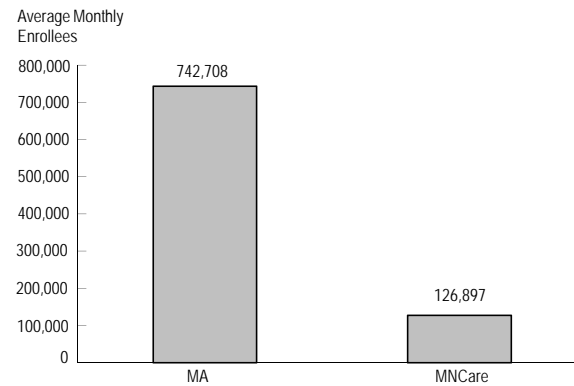
Source: Department of Human Services

Persons who are disabled, blind, or elderly, made up 26% of enrollees but accounted for 70% of expenditures in FY 2011.

MinnesotaCare (MNCare)

- A federal-state program that provides subsidized health coverage for low-income children, families, and adults without children through prepaid health plans.
- Some adults without children are served under the Healthy Minnesota defined contribution program.
- Enrollee premiums are based on a sliding scale. Children with very low incomes are charged a reduced premium.
- State funding comes from a 2% tax on gross revenues of health care providers and a 1% premium tax on nonprofit health plans.

Projected Health Care Enrollees (869,605 in FY 2013)



The enrollment figures for MA and MNCare assume current law and do not reflect any optional MA expansion beginning January 1, 2014. The enrollment figures for MNCare do not include adults without children served under the Healthy Minnesota defined contribution program.

Children's Health Insurance Program (CHIP)

- A federal-state program that provides enhanced federal funding for: (1) MA services to children under age 2 with household incomes between 275% and 280% of FPG; (2) MA services to uninsured pregnant women who are nonimmigrants or undocumented, through the period of pregnancy, including labor and delivery and, subject to federal approval, 60 days postpartum; (3) MinnesotaCare services to children with household incomes greater than or equal to 133% but not exceeding 275% of FPG; and (4) MA services to children with incomes greater than or equal to 133% but not exceeding 150% of FPG.

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 \$764 per month. The food portion is adjusted as needed to reflect cost-of-living adjustments in the federal Food Support 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.

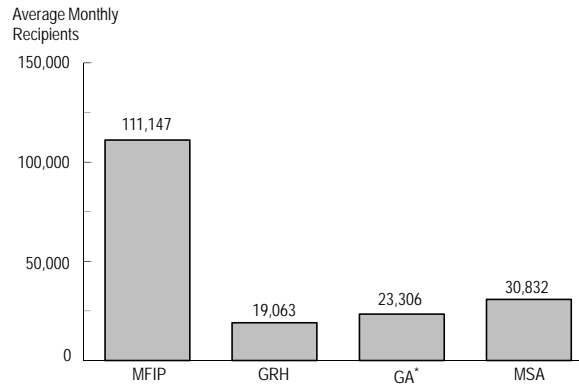
General Assistance (GA)

- 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.

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 2013 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 47% of state median income at program entry, up to 67% of state median income at program exit; and
- 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

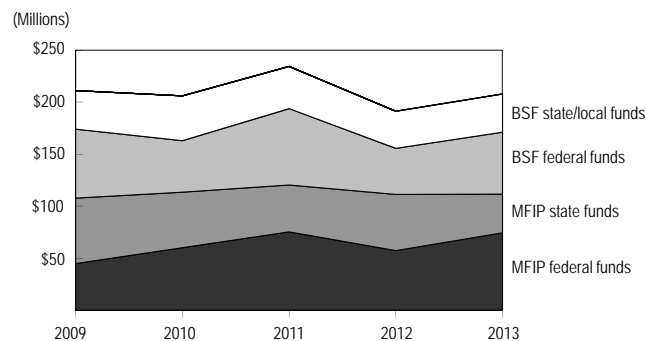
MFIP Child Care

- 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 (\$74.1 million state and local; \$133.7 million federal in FY 2013)



Child Care Assistance

The monthly average number of families receiving child care assistance in FY 2011 was 19,888.

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 2011

Type of Care (% of children)*	BSF & MFIP	
Legal nonlicensed	19.5%	
Registered center	6.5%	
Licensed family day care home	30.6%	
Licensed child care center	43.4%	
Type of Parental Activity (% of families)	BSF	MFIP
Students	5.9%	NA
Employment	81.6%	43.0%
Education and Training	12.5%	8.3%
Education, Employment, and Training	NA	8.6%
Other MFIP Activity	NA	8.4%
Transition Year	NA	31.7%
Average families/month	10,090	9,798
Average cost per family	\$9,767	\$11,530

Note: MFIP includes transition year and transition year extension child care
 * Percentages do not add to 100% due to the use of more than one type of care per child.

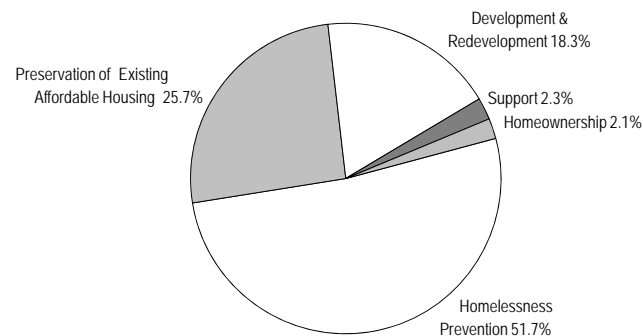
Source: Department of Human Services

State Housing Assistance

The Minnesota Housing Finance Agency (MHFA) is a state agency that provides various forms of housing-related financial assistance, primarily oriented toward programs for low- and moderate-income families. State appropriations to the MHFA are less than 10% of the agency's total budget. (The largest revenue sources are mortgage revenue bond proceeds and federal funding.) MHFA activities with state funding 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.** 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.

State Appropriations to MHFA (\$76.1 million for 2012-2013 biennium)



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 programs are generally for persons with incomes up to 50%, or in some cases 80%, of the area median income, where median incomes are adjusted for family size. (See page 11 for the median incomes.)

The tenant's portion of rent payment generally equals 30% of adjusted income, and HUD pays the balance up to the actual amount of rent due or fair market rent (FMR). FMRs are essentially caps on rent subsidies under various HUD programs.

HUD sets FMRs each year for each metropolitan area and each county outside metropolitan areas. FMRs are adjusted for the number of bedrooms. FMRs for 2012 range from a low of \$378 for an efficiency in a nonmetropolitan county to a high of \$1,330 for a four-bedroom unit in the Twin Cities metropolitan area.

HUD Programs

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.
- **Housing Choice Vouchers (Section 8).** The primary assistance for rent subsidies is in the form of certificates or vouchers that tenants can take with them when they move. Long-term rental subsidies for the owners of units of affordable rental housing ("project-based rental assistance") are also provided.
- **Community Development Block Grants (CDBG).** Formula-based block grants to local governments that may be used for a wide variety of purposes, including housing; \$51.9 million in FY 2011.
- **Neighborhood Stabilization Program (NSP).** Aid allocated by formula to state and local jurisdictions to purchase and rehabilitate residential properties that have become vacant or foreclosed; \$12.4 million statewide in 2011 from NSP 3.

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 2011, an average of 221,364 Minnesota households received food support benefits each month. These benefits were worth a total of \$668.4 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 2011, an average of 87,063 Minnesotans received SSI each month. During federal FY 2011, \$556.7 million in federal SSI benefits were paid to Minnesota recipients.

Corrections

Minnesota's Crime, Incarceration, and Probation Rates, and State Rankings (2010)

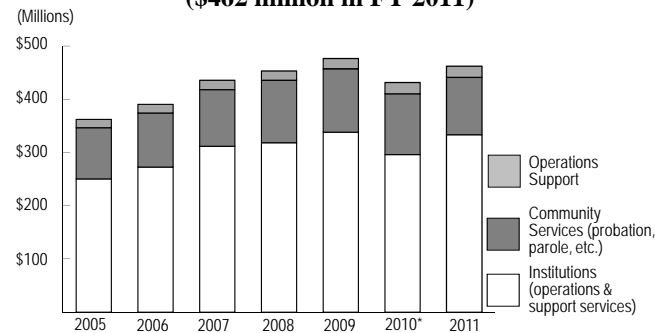
	Rate per 100,000	Rank Among States
Crime Rate, Total	2,808	34th
Violent*	236	42nd
Property**	2,572	31st
Incarceration Rate, State Prisoners	185	49th
Whites (2005)	212	43rd
African Americans (2005)	1,937	38th
Probation Rate, Adults	2,760	5th

* Murder, forcible rape, robbery, aggravated assault

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

Source: *Crime: State Rankings 2012*, CQ Press (based on U.S. Department of Justice data)

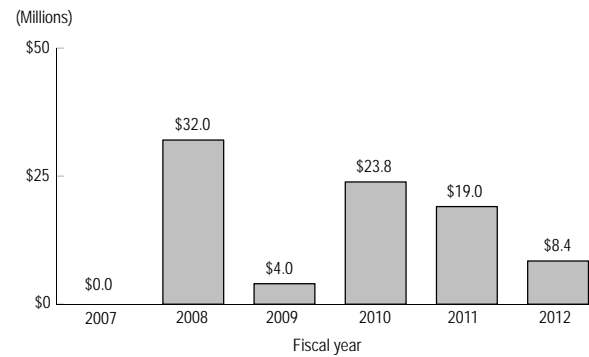
Department of Corrections Expenditures (\$462 million in FY 2011)



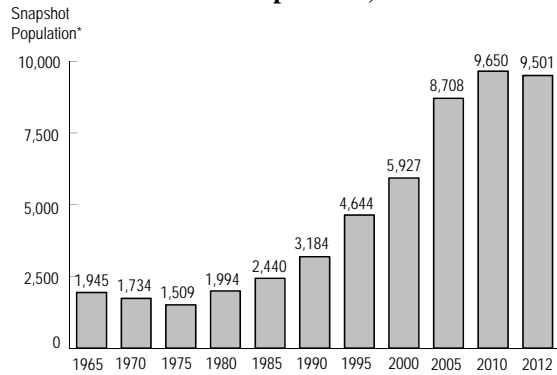
*Excludes \$38 million in federal stimulus funds

Source: Biennial Budget Book

Department of Corrections Bonding Authority (\$8.4 million in FY 2012)



Adult Prison Population, 1965-2012



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

Expansions to the Prison System

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

2000-2002: Oak Park Heights, 60-bed administrative control 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

2009: Willow River, 90 beds

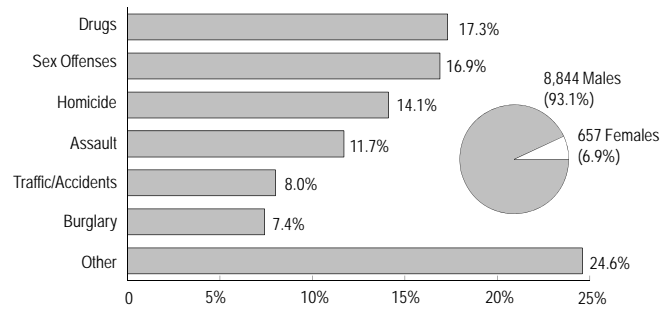
Level of Custody Definitions

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 Electronic monitoring
Level 1 (Minimum security)	Red Wing MSU* Willow River CIP** Lino Lakes MSU* Stillwater MSU* Togo CIP**	Multiple occupancy No fence Electronic monitoring for Lino Lakes and Stillwater MSUs
Level 1-5 (All security levels)	Shakopee	Multiple occupancy No fence

* MSU stands for minimum security unit.

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

**Adult Prison Population by Offense and Gender
(9,501 as of July 1, 2012)**



**Adult Prison Population by Facility
and Cost per Offender FY 2011**

Facility	Number ¹	Percent	Per diem ²	Annual ³
Faribault	1,995	21.1%	\$69.73	\$25,451
Stillwater	1,607	17.0	75.63	27,605
Lino Lakes	1,305	13.8	84.26	30,755
Moose Lake	1,024	10.8	82.89	30,255
Rush City	985	10.4	81.78	29,850
St. Cloud	996	10.5	95.12	34,719
Shakopee	560	5.9	98.58	35,982
Oak Park Heights	441	4.7	162.86	59,444
Willow River	171	1.8	105.20	38,398
Red Wing	42	0.4	57.67	21,050
Togo	28	0.3	209.78	76,570
Male Work Release	179	1.9	68.46	24,988
Female Work Release	19	0.2	71.66	26,156
Contract Beds ⁴	64	0.7	68.63	25,050
ICWC	42	0.4	61.64	22,499
Total/Average	9,458	100%	\$85.51	\$31,211

¹ Average daily population for FY 2011.

² Daily costs per offender based on FY 2011 operational per diem. Per diem includes facility operations, mental health care, and health care expenses.

³ Annual cost per offender.

⁴ Contract bed are rental beds, including operational and health care costs.

**Adults Under Community Supervision
(113,024 on December 31, 2011)**

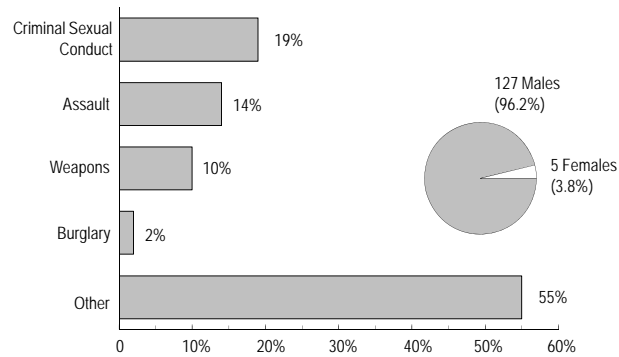
Supervision provided by the state (DOC), Community Corrections Act (CCA), or county probation officers (CPO).

Type	DOC	CCA/CPO	Number of Adults
Probation	18,205	89,581	107,786
Supervised Release	1,492	3,746	5,238
Total	19,697	93,327	113,024

Juvenile Offenders

Juvenile offenders are defined as those beginning their sentences when under age 18 and not certified as adults. Many juvenile offenders are held by DOC as a precursor to future supervision on the streets, but remain under the supervision of the presiding court. Others have been committed to the supervision and jurisdiction 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 State Correctional Facility Population (by offense for 23 males and 5 females committed to DOC; by gender for 132 in total population on July 1, 2012)



Juveniles under Community Supervision (8,546 as of December 31, 2011)

Type of Supervision	Number of Juveniles
Probation	8,540
Parole	6
Total*	8,546

*1,210 are supervised by state agents; the remainder (7,336) by local agents.

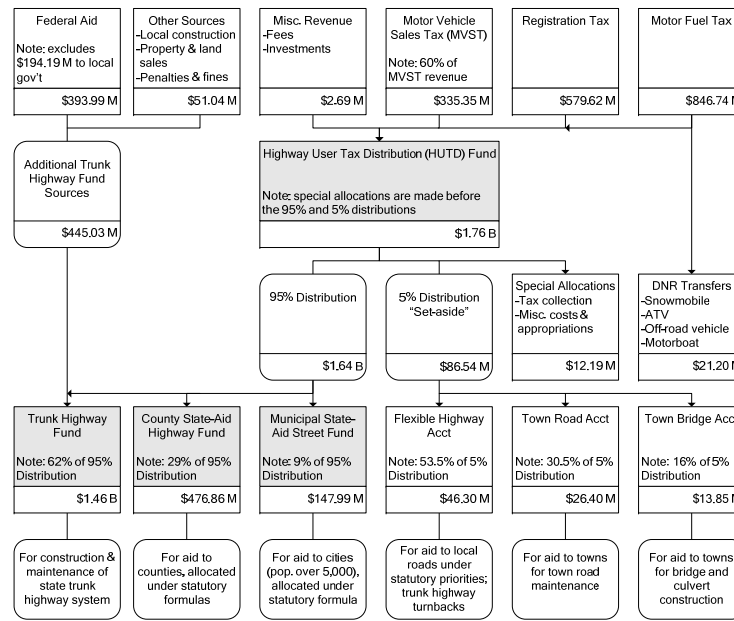
Transportation

Highway Finance Framework

The Minnesota Constitution establishes a basic framework for financing state highways. It (1) dedicates certain funding to be “used solely for highway purposes” through authorized taxes on motor fuels, motor vehicle registration, and motor vehicle sales; (2) establishes various accounting funds for distributing the tax revenues; (3) allocates revenues among state, county, and municipal roads; and (4) establishes requirements related to use of the funds as well as characteristics of each road system.

State statutes further specify finance and policy elements such as taxation rates, allocation formulas, and local aid program requirements. A portion of the motor vehicle sales tax revenue goes to transit, while the registration tax and motor fuels tax revenue (after some deductions) go exclusively to state and local highways.

Highway Funding Sources and Distribution (\$2.4 billion in FY 2012)



Highway Funding Sources

Most funding for the trunk highway system, as well as for state assistance to local governments for their roads, comes from transportation-related taxes and federal aid.

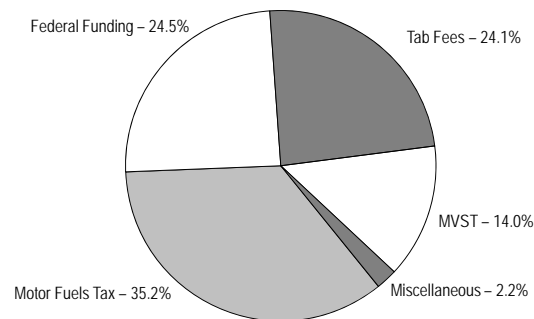
- The **motor fuels tax** is imposed at a per-gallon rate. A law passed in 2008 phases in an 8.5-cent tax increase over FY 2008 to 2013.
- The **registration tax** (also known as tab fees) applies annually to motor vehicles domiciled in Minnesota that use public streets and highways. For passenger vehicles, the tax depends on a combination of the vehicle's original value and its age. Other vehicles, such as trucks, are mainly taxed on the basis of weight and age.
- The **motor vehicle sales tax**, or MVST, is a 6.5% tax applied to the sale of new and used motor vehicles based on the purchase price of the vehicle. Voters in 2006 approved a constitutional amendment that dedicates all MVST revenue to transportation purposes, phased in over FY 2008 to 2012.
- **Federal aid** is another significant highway funding source for both state and local road systems.

Motor Fuels Tax Phase-In

Period	Rate (in cents)*
FY 2007	20.0
FY 2008-09	20.0 - 25.5 (varies)
FY 2010	27.1
FY 2011	27.5
FY 2012	28.0
FY 2013 & After	28.5

*Rates apply to gasoline, diesel, and certain gasoline blends.

State and Federal Funding Sources (\$2.4 billion in FY 2012)



Transit Systems

Throughout **Greater Minnesota** there are over 60 transit systems. Each one is placed under state law into one of four classes based on its location and system characteristics.

Class	Count	Examples
Urbanized	6	Duluth, Moorhead, St. Cloud
Small urban	13	Hibbing, Northfield, Winona
Rural	40	Arrowhead, Becker, Steele
Elderly/disabled	5	E. Grand Forks, Rochester

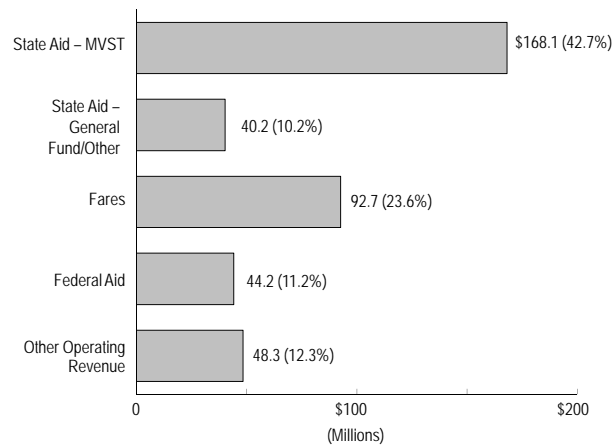
The **metropolitan area** is served by several transit options:

- Metro Transit, encompassing an extensive bus system as well as the state’s only light rail transit (LRT) line and only commuter rail line
- Metro Mobility paratransit for those with disabilities or health conditions
- Transit Link dial-a-ride minibus or van service for the general public in those parts of the metropolitan area not served by regular route transit
- “Opt-out” systems consisting of seven suburban transit providers that replace Metro Transit regular route service in several metropolitan cities
- Other operators like the University of Minnesota

Transit Riders (105.4 million in CY 2011)

Category	Ridership (in millions)	Percent
Met Council Bus	72.0	68.3%
LRT	10.4	9.9
Opt-Outs	5.1	4.9
Other Metro	6.5	6.1
Greater MN Urban	7.5	7.1
Other Greater MN	4.0	3.8
Total	105.4	100.0%

**Metropolitan Council Transportation Division
Revenue Sources
(\$393.6 million in CY 2012)**



Source: Metropolitan Council, 2012 Unified Operating Budget

**Greater Minnesota Transit Finance
(\$31.1 million state funding in CY 2010)**

State operating assistance to Greater Minnesota transit systems was \$31.1 million in CY 2010, including all appropriations. A legislative formula determines the allocation of state funding, establishing a maximum percentage of total operating cost for each class of transit system. After federal aid, the remainder must be paid locally from a combination of farebox revenue and local tax subsidies.

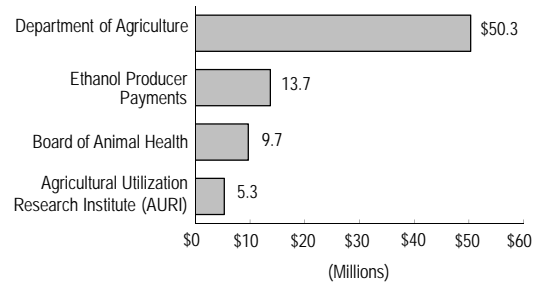
**Greater MN Transit Operating Funding
(\$58.5 million in CY 2010)**

Class of System	State				Total
	Fed.	GF	MVST	Local	
Urbanized	\$2.9	\$6.9	\$5.9	\$7.3	\$22.9
Small Urban	0.0	1.5	1.3	1.7	4.5
Rural	1.1	1.1	1.0	1.1	4.3
Elderly/disabled	6.5	7.3	6.2	6.8	26.8
Total	\$10.5	\$16.8	\$14.3	\$16.9	\$58.5

Source: Department of Transportation 2011 Transit Report

Agriculture

General Fund Agriculture Appropriations (\$79.0 million in FY 2012-2013)



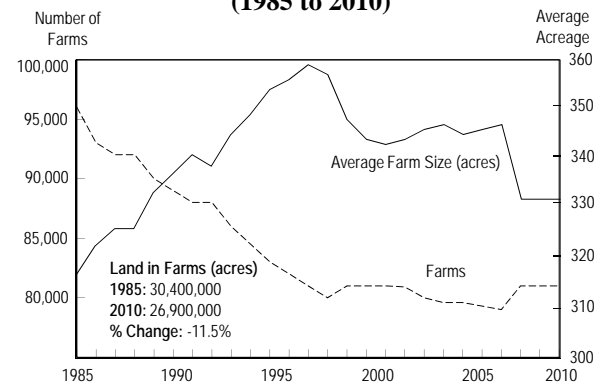
Minnesota Farming Facts

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

- **First** in oats, sugarbeets, sweet corn for processing, and green peas for processing
- **Third** in soybeans, spring wheat, canola, hogs and pigs, pig crops, hogs marketed, and cheddar cheese
- **Fourth** in corn, dry edible beans, and flaxseed
- **Fifth** in all sunflowers and mink pelts

In 2010, the state was home to approximately 81,000 farms totaling 26.9 million acres, for an average acreage of 332.

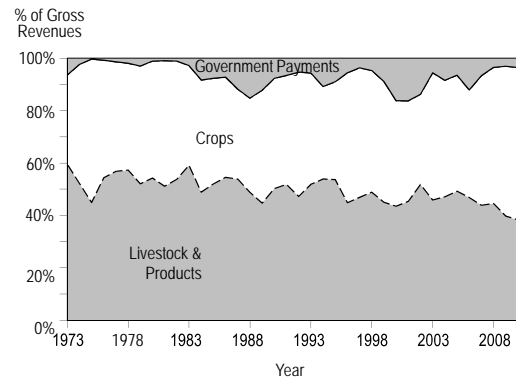
Farm Numbers and Average Size (1985 to 2010)



Source: U.S. Department of Agriculture; Minnesota 2011 Agricultural Statistics

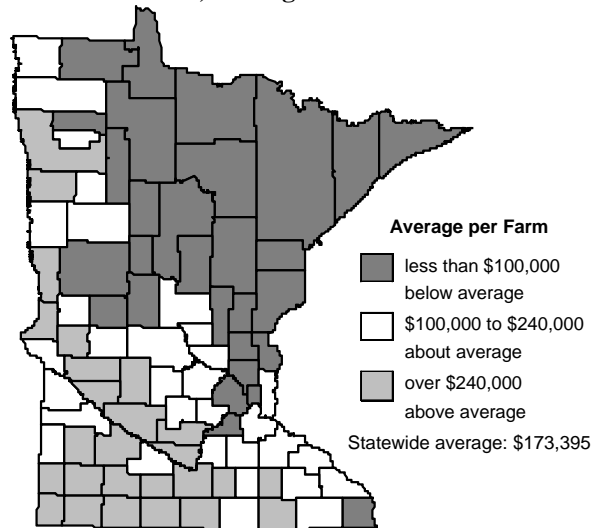
In 2011, Minnesota farmers grossed over \$19 billion from the sale of livestock and crops and \$488 million from government payments.

Gross Revenues by Source: All Minnesota Farm Operations



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

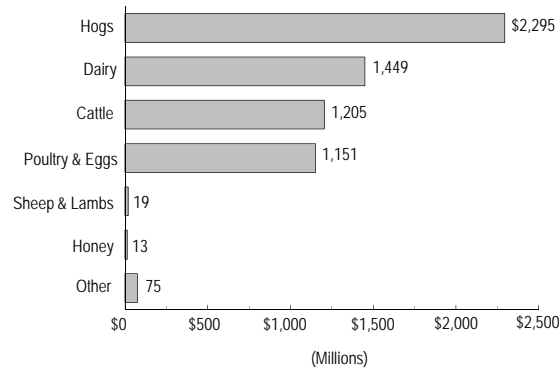
Farm Geography: Market Value of Agricultural Products Sold, Average Per Farm 2009



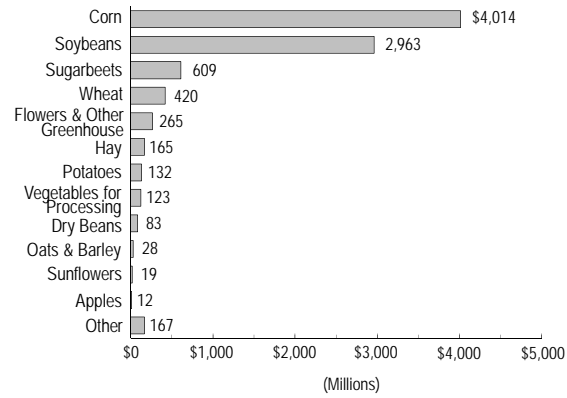
The average value of Minnesota farm land (including buildings) was \$3,350 per acre on January 1, 2011. That's an increase of 12% over 2010; U.S. average growth was 6.8%.

In 2009, 175,329 acres of farmland were sold statewide, down from 310,041 in 2008. In 2010, the average price per acre ranged from a high of \$4,573 in south central Minnesota to a low of \$1,451 in the northwest.

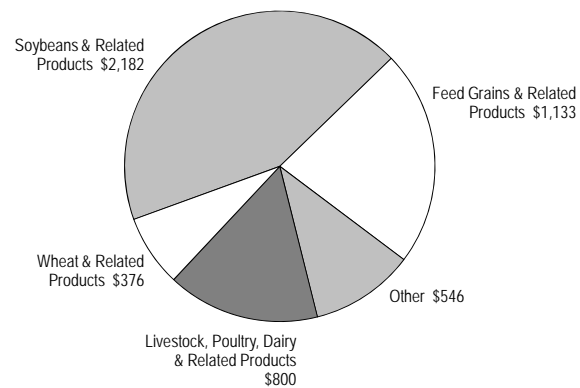
**Cash Receipts from Livestock and Products
(\$6.2 billion in 2010)**



**Cash Receipts from Crops and Vegetables
(\$9.0 billion in 2010)**

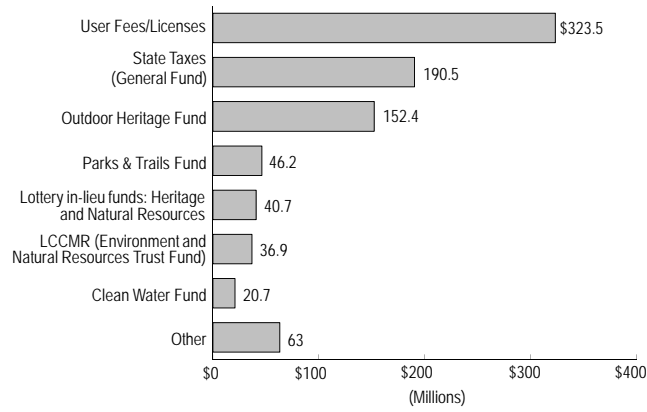


**Minnesota Agricultural Exports
(\$5.0 billion in FY 2010)**



Natural Resources

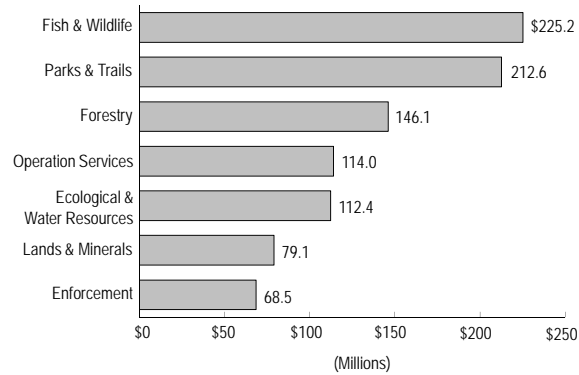
DNR State Revenues for Budgeted Expenditures, by Source (\$873.9 million in FY 2012-13)



Source: Department of Natural Resources

The Department of Natural Resources (DNR) general fund budget is about 0.6% of total general fund spending.

DNR Expenditures by Program (\$957.9 million in FY 2012-13)



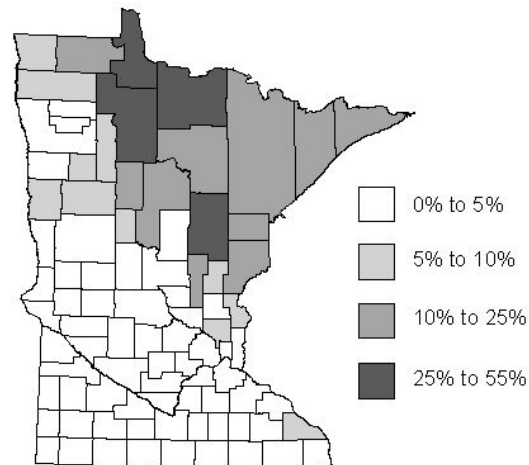
Source: Department of Natural Resources

Natural Resources Facts

Minnesota has

- 5,545,850 acres of DNR land, about 10% of Minnesota's land area
- 3,311,101 acres of lakes administered by the DNR
- 10,620,000 acres of wetlands
- 69,200 miles of rivers and streams administered by the DNR
- 2,769 full-time equivalent DNR employees
- 1,500,000 licensed anglers
- 600,000 licensed hunters and trappers
- 809,000 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
- 1,300,000 wildlife management acres
- 184,720 scientific and natural area acres
- 230,000 state park, state recreation area, and state wayside acres
- 38,131 aquatic management area acres
- 25,640 miles of off-road vehicle, snowmobile, cross-country ski, multiple-use, and bike trails
- 1,496 public water access sites

Board of Water and Soil Resources (BWSR)

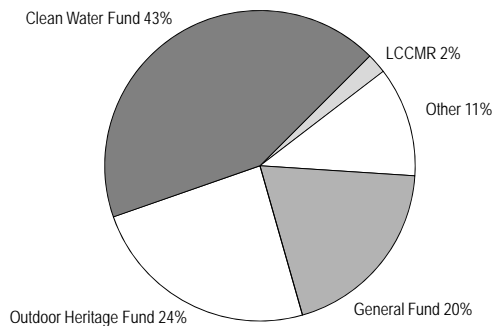
The mission of BWSR is to improve and protect water and soil resources by working with local organizations and private landowners. There are 20 board members of BWSR, 50 staff in the metro area, and eight field offices in Greater Minnesota.

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 Fund Competitive Grants, 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), counties, watershed districts, metropolitan watershed management organizations, and other local government units.

BWSR is responsible for implementing conservation and clean water projects and practices that restore impaired waters and protect high-quality lakes, rivers, streams, and wetlands by providing grants to local governments. The Clean Water Legacy Act allocated over \$16 million in funds for these purposes from 2007 to 2009. The clean water fund, as established by the clean water, land, and legacy constitutional amendment, allocated over \$50 million for these purposes in 2012-2013.

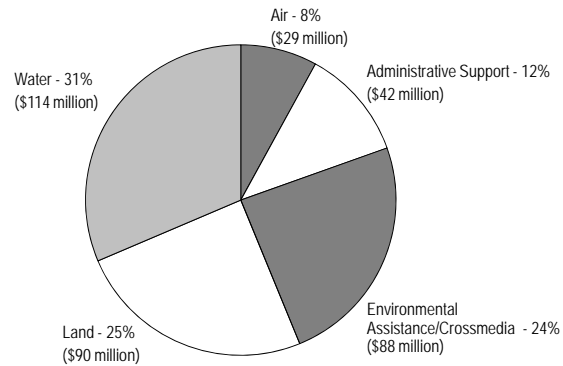
The RIM Reserve conservation easement program improves soil conservation and water quality and provides wildlife habitat on privately owned lands. BWSR began enrolling lands in the RIM Reserve program in 1986 and currently holds approximately 5,500 easements on over 223,000 acres at a cost of \$204 million in state funds, leveraging \$309 million in federal funds.

BWSR Budget (\$126 million in FY 2012-2013, excluding bonding authorization)



Pollution Control

PCA Authorized Budget by Program (\$362.8 million in FY 2012-2013)



Land Program activities include:

- Issuing permits to solid waste landfills and hazardous waste facilities and generators
- Managing 112 closed solid waste landfills for which the state has assumed responsibility
- Distributing grants to counties to support recycling and hazardous waste collection
- Overseeing cleanup activities at 74 Superfund sites and 1,100 petroleum-contaminated sites

Water Program activities include:

- Permitting and inspecting 1,100 animal feedlots and 1,700 facilities that discharge to state water bodies
- Developing and enforcing water quality standards
- Issuing permits requiring cities, industrial facilities, and construction sites to reduce the amount of stormwater runoff carrying sediment and pollution to surface and ground water
- Monitoring water quality in surface water and groundwater

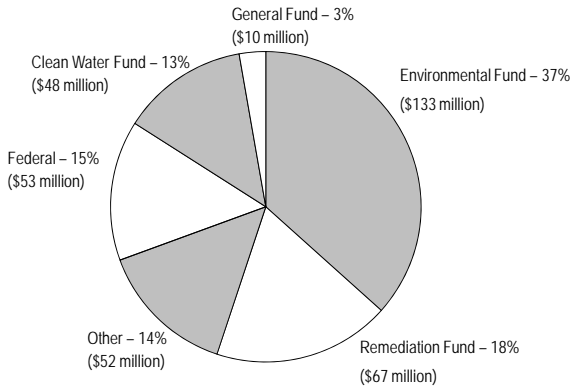
Air Program activities include:

- Permitting and inspecting air emission sources
- Monitoring ambient air quality at 52 statewide sites
- Developing and enforcing air quality standards

Environmental Assistance and Crossmedia Program activities include:

- Providing scientific and technical support for all PCA programs
- Assisting Minnesota businesses to implement pollution prevention programs

**PCA Authorized Budget by Fund
(\$362.8 million in FY 2012-2013)**



Pollution-based fees and taxes in the Environmental and Remediation funds account for more than half of PCA's 2012-2013 budget.

The Environmental Fund collects revenues from the following major sources:

- Solid waste management taxes paid by individuals and businesses
- Fees paid by hazardous waste generators
- Air and water permit fees
- Motor vehicle transfer fee

The Remediation Fund collects revenues from the following major sources:

- Reimbursement for cleanup activities at Superfund sites
- A portion of funds recovered from insurance companies for remediation at closed landfills
- A fee of 2 cents per gallon on petroleum products stored in tanks (Petrofund)

Revenues from the Remediation Fund support PCA's Land Program exclusively, while the Environmental Fund contributes to all programs.

Federal funds make up 15% of PCA's budget; the state's General Fund contributes 3%, about \$1.89 per state resident. The Clean Water Fund, created by a ballot referendum in 2008 that added three-eighths of 1% to the state sales tax, contributes about \$48 million to PCA's Water Program.

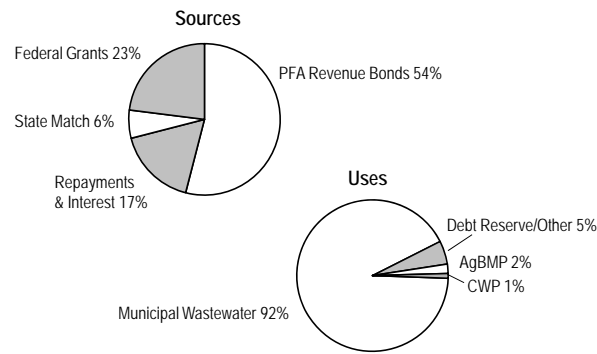
Public Facilities Authority

The Public Facilities Authority (PFA), in coordination with other state agencies and the federal government, administers and oversees municipal financing programs for public infrastructure, primarily facilities for clean water, including wastewater, stormwater, and drinking water. The PFA board consists of the commissioners of employment and economic development (chair), management and budget, pollution control, agriculture, health, and transportation. Funded projects must be approved by the appropriate agency.

Clean Water Revolving Fund: \$2.8 billion 1989-2012. 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 (\$2.8 billion in 1989-2012)



Other PFA Programs

Drinking Water Revolving Fund: Capitalized with \$741.2 million 1998-2012; 38% federal, 8% state, 38% revenue bonding, 16% net revenues. For loans to municipalities to provide safe drinking water. The PFA estimates it has an average lending capacity of \$42 million per year.

Wastewater Infrastructure Program (WIF): \$222.6 million appropriated 1995-2012. 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.

Clean Water Legacy Grants: Since 2005, Total Maximum Daily Load (TMDL) grants to municipalities for up to 50% of eligible capital costs up to a maximum of \$3 million for publicly owned wastewater or stormwater projects. Since 2006, grants of up to \$500,000 per project to municipalities for up to 75% of eligible capital costs of wastewater treatment projects to reduce phosphorus discharges. Beginning in FY 2011, phosphorus reduction grants are for up to 50% of costs.

Transportation Revolving Loan Fund: Established in 1997 to take advantage of the federal State Infrastructure Bank (SIB) program. Administered by the PFA and MnDOT to provide below-market-rate loans of federal and state funds to state and local government entities for projects approved by MnDOT.

City and 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, solid waste facilities, and qualified housing projects, and for certain bonds issued by cities and counties for wastewater, drinking water, and stormwater facilities, and for publicly owned infrastructure funded in part by various programs administered by the Department of Employment and Economic Development. As of August 7, 2012, the total principal on bonds, plus interest on the bonds, enrolled in the program through 2040 was approximately \$503 million. The maximum amount of outstanding principal debt allowed under this program is \$1 billion.

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