

**Sixth Edition
January 2005**



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

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**Minnesota
Data Book
for
Legislators**

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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 sixth edition of the Minnesota Data Book for Legislators. This book is a collective effort by House Research to provide legislators with important factual information about Minnesota.

Using the most recent data available, the data book 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 book 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.

The data book is also available with supplementary information on our web site (www.house.mn/hrd/hrd.htm).

We hope you find the 2005 Minnesota Data Book for Legislators to be a valuable resource.

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Demographic and Economic Data

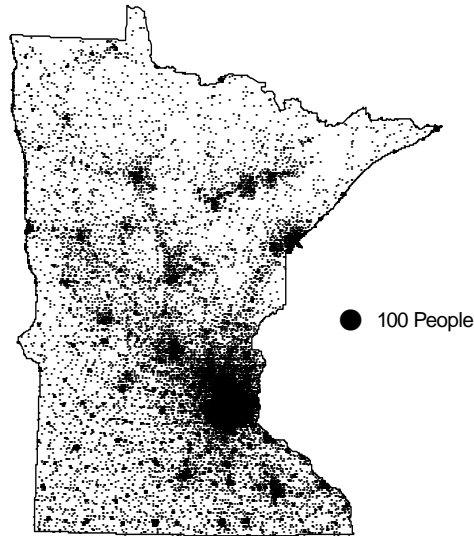
**Minnesotan
2003 Population Profile**

Age	Under 20	20-64	65+
Total	1,401,176	3,048,803	609,396
White	1,234,164	2,796,939	593,056
African American	100,361	123,275	7,034
American Indian & Alaska Native	33,315	46,146	3,880
Asian & Pacific Islander	75,998	111,148	7,149
Hispanic	69,410	96,720	3,951

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

Source: U.S. Census Bureau

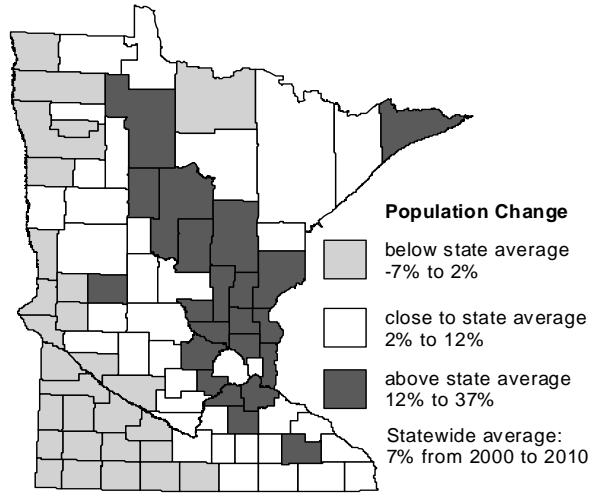
**Minnesota Population
(5.1 million in 2003)**



Ten Most Populous Cities in 2003

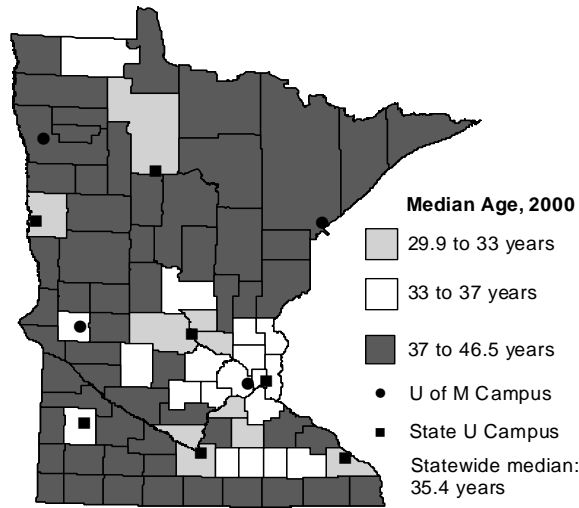
Minneapolis	382,295	Plymouth	70,238
St. Paul	287,604	Brooklyn Park	68,715
Rochester	93,037	Eagan	64,975
Duluth	86,082	St. Cloud	62,850
Bloomington	85,301	Coon Rapids	62,295

**Estimated County Population Change
2000-2010**



Source: Minnesota State Demographic Center

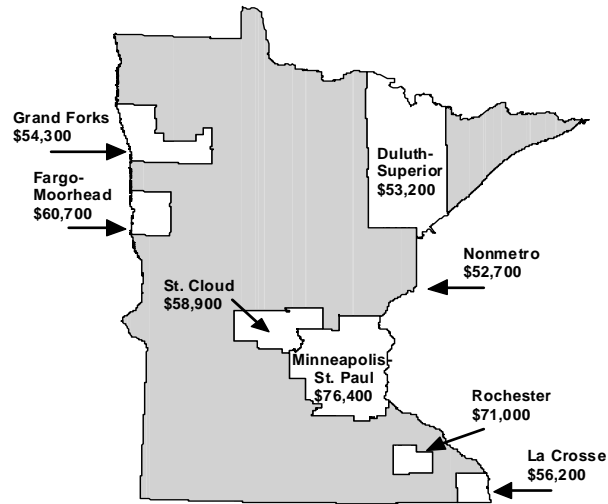
**Median Age by County, 2000,
and Public 4-year Universities**



Source: U.S. Census, 2000

Median age is typically lower in counties with a public four-year university.

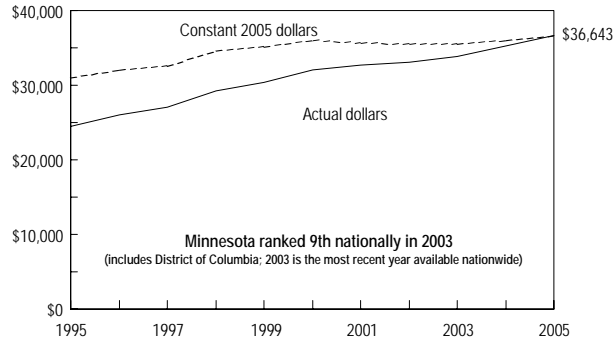
Median Family Income for Metropolitan Areas, 2004



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

“Family income” is defined as the total income from all sources of a family of four as reported in the 2000 U.S. Census and adjusted to 2004 levels using Bureau of Labor Statistics and U.S. Census Bureau data.

Minnesota Per Capita Personal Income (\$36,643 in CY 2005)



Source: Department of Finance

Employment by Industry, 2003
(2.6 million jobs in 2003; \$742 average weekly wage)

Type of Industry	Number of Jobs in 2003	Average weekly wage
Goods-Producing	497,395	\$878
Agriculture, Natural Resources, and Mining	21,034	594
Construction	131,945	873
Manufacturing	344,417	897
Service-Producing	1,962,281	\$707
Trade, Transportation, and Public Utilities	542,048	666
Information	64,304	925
Financial Activities	174,948	1,111
Professional and Business Services	296,945	958
Education and Health Services	547,748	688
Leisure and Hospitality	248,661	284
Other Services*	87,627	451
Public Administration	116,312	\$768
All Sectors	2,575,989	\$742

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

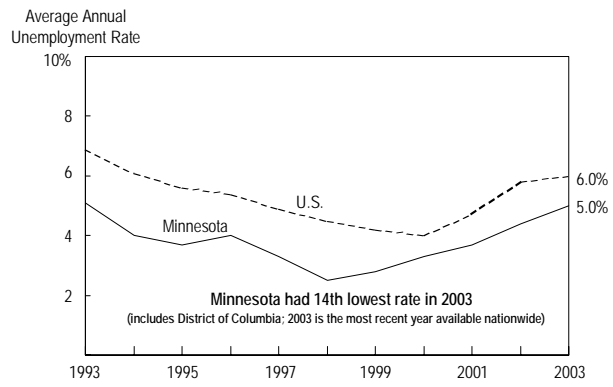
Source: Department of Employment and Economic Development

Gross State Product by Industry
(**\$200,061 million in 2002**)

Sector	\$ in millions
Goods-Producing	\$39,621
Agriculture, Forestry, and Fisheries	2,486
Mining	516
Construction	9,967
Manufacturing	26,652
Service-Producing	\$139,496
Transportation and Public Utilities	9,115
Wholesale and Retail Trade	28,016
Information	7,389
Finance, Insurance, and Real Estate	41,866
Services	53,110
Government	\$20,942

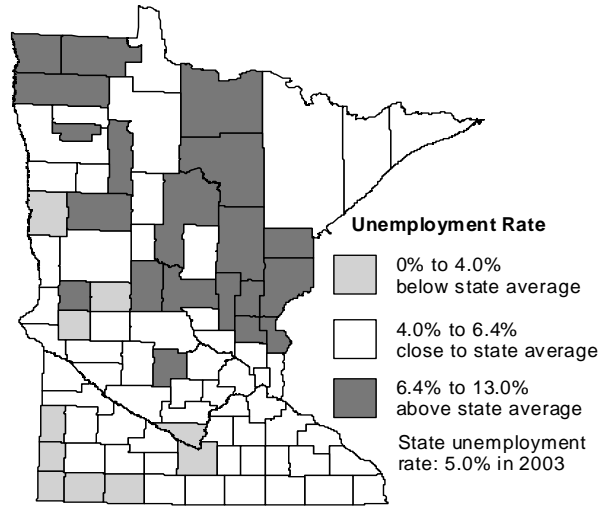
Source: U.S. Department of Commerce

Unemployment Rate
(MN: 5.0% in 2003; U.S.: 6.0% in 2003)



Source: Department of Economic Security

Unemployment by County, 2003



Source: U.S. Bureau of Labor Statistics

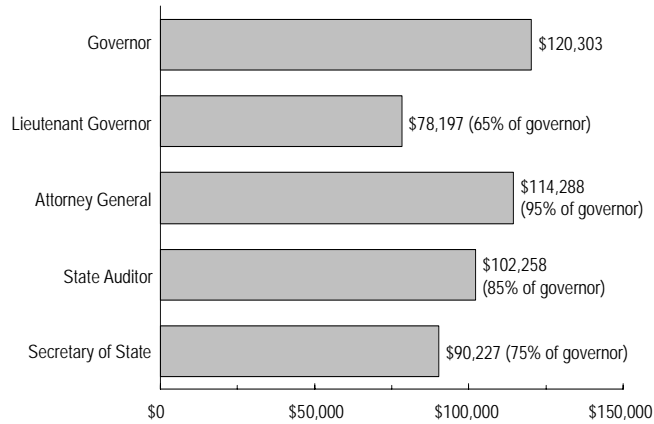
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State Executive Branch

Salary of Elected Constitutional Officers, January 2005

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



Major State Departments

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

Administration and Finance

Administration
Employee Relations
Finance
Revenue

Environment

Natural Resources
Pollution Control

Public Safety and Transportation

Corrections
Military Affairs
Public Safety
Transportation

Business and Employment

Agriculture
Commerce
Employment and Economic Development
Labor and Industry
Mediation Services

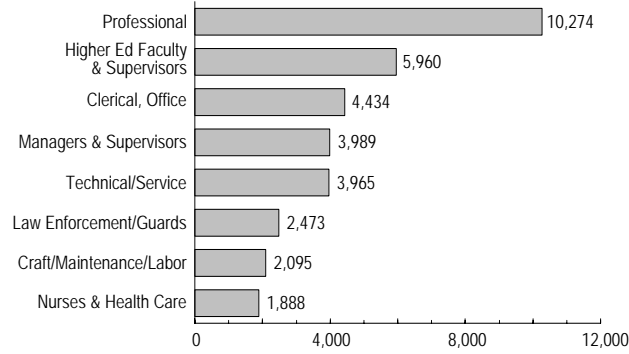
Education, Health, and Human Services

Education
Health
Human Rights
Human Services
Housing Finance
Veterans Affairs

Other Executive Branch Agencies

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

**Full-time Executive Branch Employees
(36,206 in July 2004)**



(Does not include approximately 15,000 part-time or temporary employees or 1,128 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 2004)**



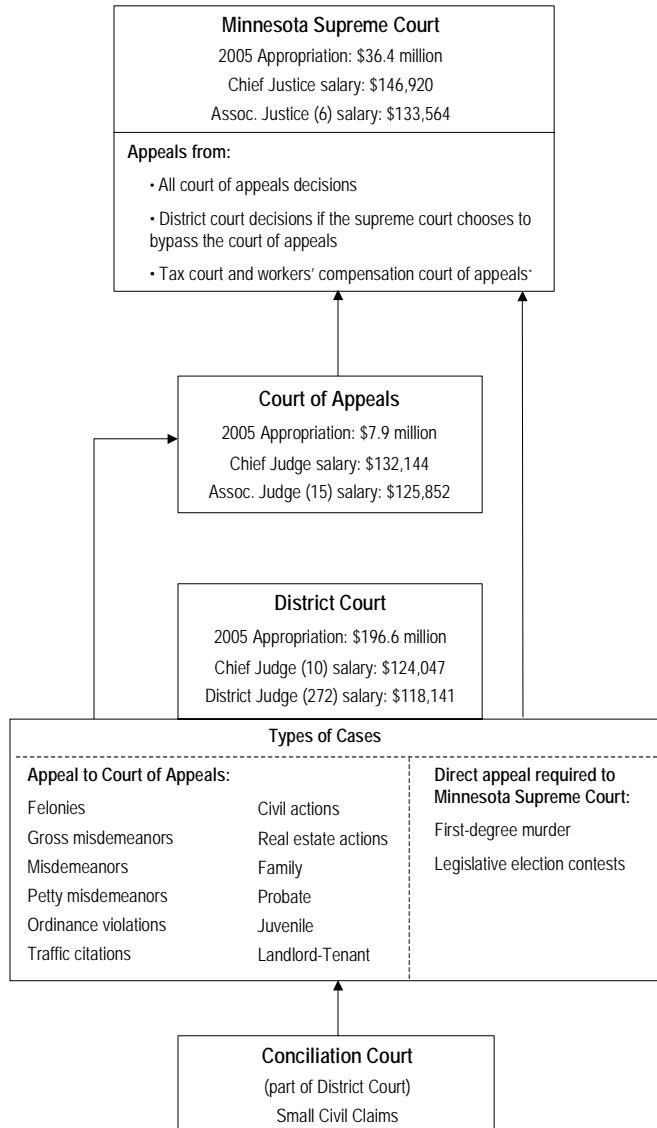
Full-time Employees

Average service 14.4 years
 Average age 47.4
 Average pay* \$23.21/hour

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

State Judicial Branch

State and Local Funding, Employees, Jurisdiction (\$241 million in state funding, FY 2005)



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

Judicial Branch Employees

There are 3,005 state employees of the appellate courts, district courts, and judicial agencies, including judges.

The state has taken over funding of all but two judicial districts. The state will assume responsibility for funding the 6th and 10th judicial districts beginning July 1, 2005, which will complete the state takeover of the trial courts. Counties will be required by statute to continue to provide and maintain facilities for the trial courts. According to Minnesota Supreme Court data, the funding provided by the counties in the 6th and 10th districts amounts to 4% of the statewide trial court budget.

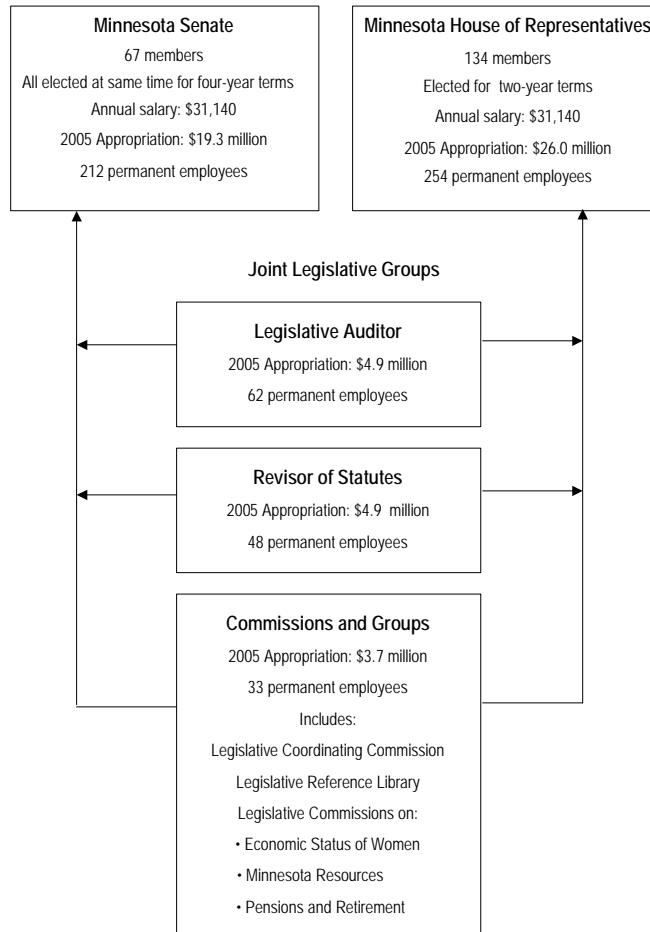
Public Defense System

Total state appropriations FY 2005: \$46.1 million

- The Board of Public Defense is located in the judicial branch but is not under the authority of the Minnesota Supreme Court. It oversees the state public defender (who handles appeals) and the district public defenders (who do trial work).
- There are approximately 312 full-time state employees, of which 162 are attorneys. There are also 198 part-time attorneys in the state public defense system. Hennepin and Ramsey counties hire additional public defenders to supplement the public defenders employed by the state in their judicial districts.

State Legislative Branch

201 Legislators
\$58.7 million Appropriation in FY 2005
609 Permanent Employees



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

Metropolitan Government

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

Metropolitan Council

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

Metropolitan Parks and Open Space Commission (MPOSC)

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

Transportation Advisory Board (TAB)

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

Metropolitan Airports Commission (MAC)

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

Metropolitan Sports Facilities Commission (MSFC)

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

Metropolitan Mosquito Control Commission (MMCC)

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

Metropolitan Agency Budgets, 2005

	Percent of Revenue Sources				
	Property Taxes**	User Fees	State	Federal	Other
Agency Expenditures (proposed CY 2005 for operating, debt service, and passthrough)					
Metropolitan Council (\$627.9 million)					
Regional Admin. Policy Alignment and Development and HRA Admin. (\$16.3 million)	58		5	27	10
Transportation Planning and Transit Operations (\$302.7 million)		25	63	10	2
Transit Debt Service (\$40.3 million)	100				
Sewer System (\$108.4 million)		99			1
Sewer System Debt Service (\$74.4 million)		100			
Solid Waste Debt Service (\$0.4 million)	100				
Parks and Open Space Debt Service (\$7.6 million)	100				
Public Safety Radio Debt Service (\$0.4 million)	100				
Passthrough Grants and Loans – e.g., housing, parks, RALF, MLCA** (\$79.5 million)	19		14	62	5
MAC Operating Budget (\$202 million)		100			
MAC Debt Service (\$134 million)		100			
MSFC (\$14.3 million)		100			
MMCC (\$14.9 million)	100				

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

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

Sources: Proposed or adopted 2005 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 3,368 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

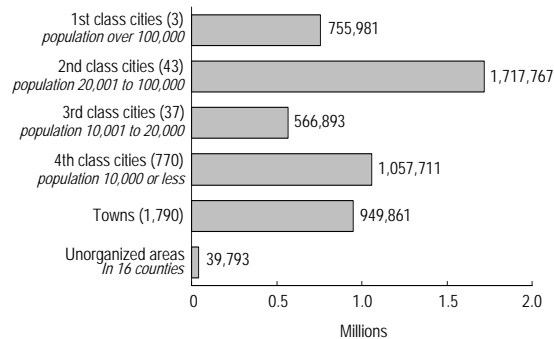
Statutory Cities (746) are organized and operate under the options provided in the statutory city code and other laws.

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 44 cities whose boundaries extend into more than one county.

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

Population by Type of Municipality, 2003 estimate



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

1,790 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 (228 towns are eligible)

343 School Districts

- Consolidation has eliminated 92 districts since 1990
- Most governed by six- or seven-member elected boards
- Most districts elect at-large board members for four-year terms

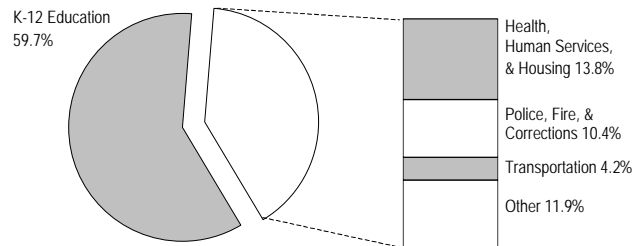
Other Special Districts (about 295)

There are about 295 other special taxing districts.

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

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

Local Government Employees by Function (203,370 full-time equivalent employees, 2002)



Source: U.S. Department of Commerce, November 2003

Minnesota Public Pension Plans

Pension Plan	Active Members	Assets (millions)	Liabilities (millions)
State Employee Plans (as of June 30, 2003)			
Minnesota State Retirement System (state employees)	48,136	\$7,757	\$7,831
State Patrol	805	592	539
State Correctional Employees	3,262	471	485
Local Government Plans (as of June 30, 2003)			
Public Employees Retirement Association (local gov't employees, other than police, fire, and corrections employees)	140,066	\$11,196	\$13,776
Public Employees Retirement Association (police and fire)	9,948	4,714	4,391
Local Government Correctional Employees	3,155	56	63
Minneapolis Employees Retirement Fund (2004)	552	1,513	1,643
Teacher Plans (as of June 30, 2004)			
Teachers Retirement Association (teachers and administrators outside of first-class cities)	72,008	\$17,520	\$17,519
Minneapolis Teachers Retirement Association	5,023	878	1,730
St. Paul Teachers Retirement Association	4,435	899	1,251
Duluth Teachers Retirement Association	1,178	277	301

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 Funds29

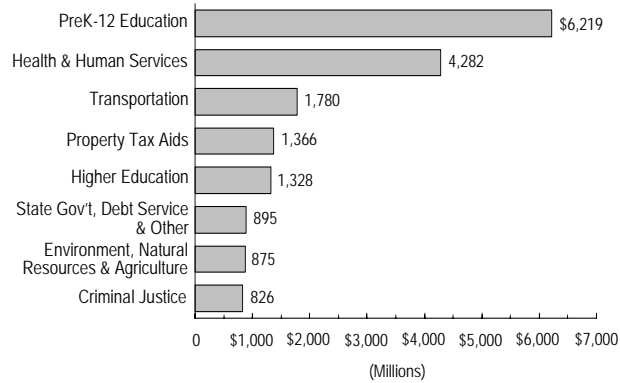
Taxes.....31

Government Debt.....43

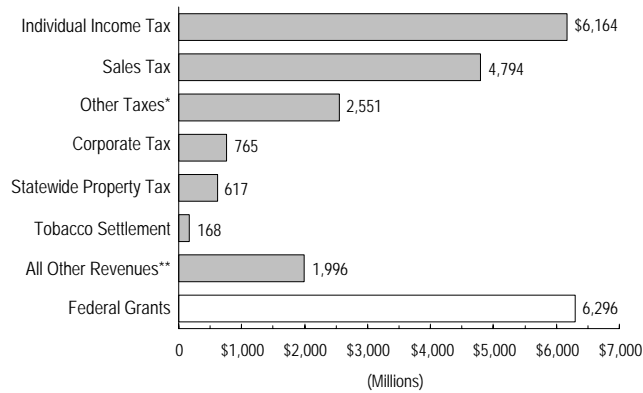
Note: The FY 2005 data are from the Department of Finance, November 2004 forecast. Other data are from the Department of Revenue, unless otherwise noted.

Total State Spending and Revenues, All Funds

Spending, Excluding Federal Funds (\$17,571 million in FY 2005)



Revenues (\$17,056 million, state sources in FY 2005; \$6,296 million, federal grants in FY 2005)

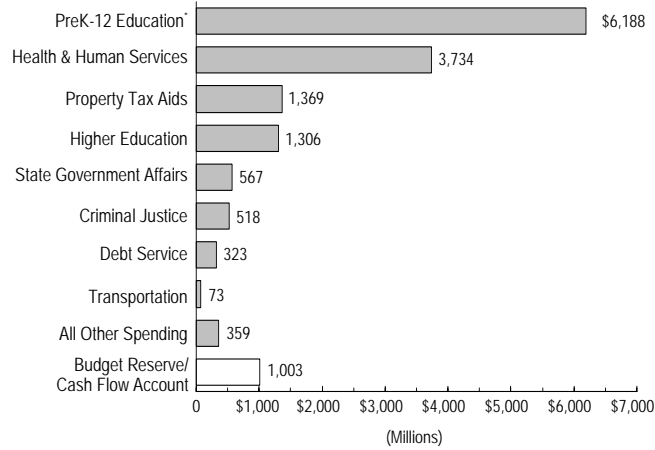


* "Other Taxes" includes taxes on motor vehicle fuels and licenses, cigarettes, and tobacco, insurance premiums, health care providers, mortgage and deed registration, and a variety of smaller taxes.

** "All Other Revenues" includes investment income, MinnesotaCare premiums, and user fees such as hunting and fishing licenses. In addition to the \$17,056 million in state revenues, the state carried forward a balance of \$3,665 million to FY 2005.

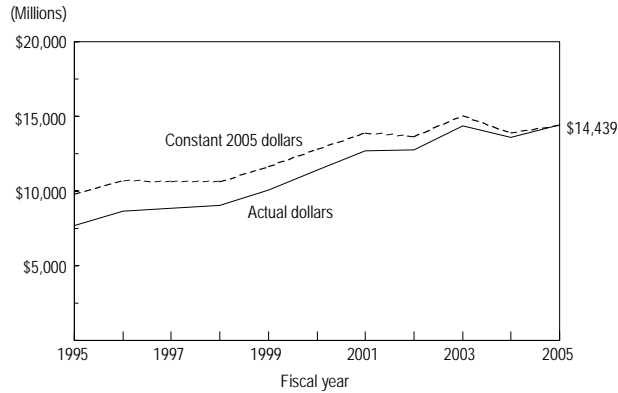
Source: Consolidated Fund Statement and Fund Balance Analysis, Department of Finance

**State Spending, General Fund Only,
excluding reserves
(\$14,439 million in FY 2005)**



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

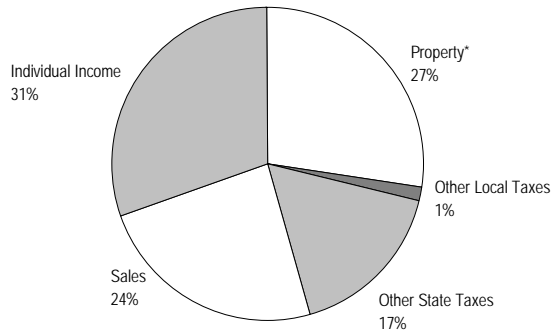
**General Fund Spending*
(\$14,439 million in FY 2005)**



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

Taxes

State and Local Taxes (\$20,089 million in FY 2005)

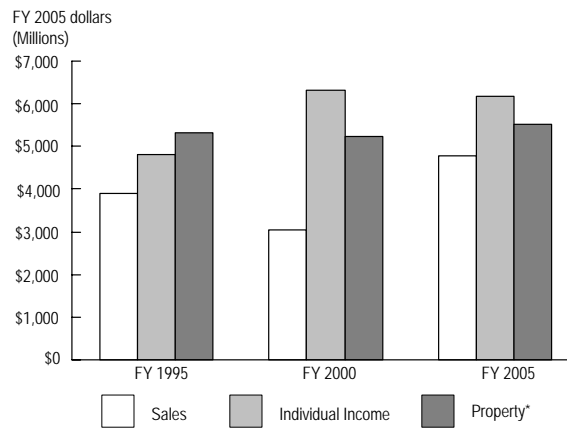


* Includes statewide property tax

Minnesota State Tax Collections (\$14,892 million in FY 2005)

Individual Income	\$6,164	Insurance Premiums	\$341
Sales	4,794	Mortgage and Deed	279
Corporate Franchise	765	Tobacco	179
Motor Vehicle Fuels	659	Estate	82
State Property	617	Alcoholic Beverages	66
Motor Vehicle License	501	Gambling	60
MNCare Taxes	353	Other	32

Income, Sales, and Property Taxes



*Includes statewide property tax

Individual Income Tax

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

2005 Tax Rates and Brackets

Rate	Income		
	Married Joint	Single	Head of Household
5.35%	\$0 to 29,070	\$0 to 19,890	\$0 to 24,490
7.05%	29,071 to 115,510	19,891 to 65,330	24,491 to 98,390
7.85%	Over 115,510	Over 65,330	Over 98,390

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

Nonrefundable credits:

Marriage Credit **\$57.6 million in FY 2005**
Long-term Care Credit **\$6.5 million in FY 2005**

Refundable credits:

Dependent Care Expenses **\$15.4 million in FY 2005**

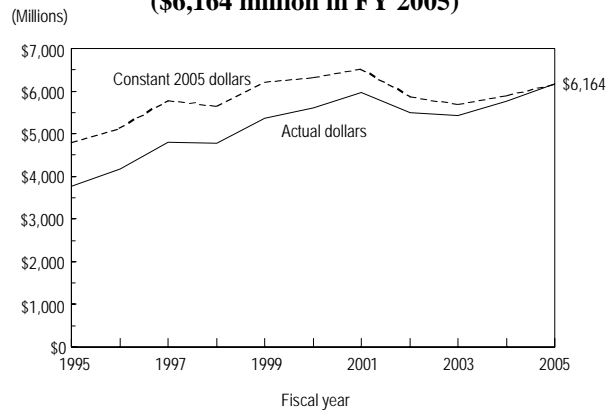
- Up to \$720 per dependent for up to two dependents available for filers with income up to \$34,070

Working Family Credit **\$134.5 million in FY 2005**

- Equals a percentage of earned income
- Maximum credit of \$1,540

K-12 Education Credit **\$13.8 million in FY 2005**

Individual Income Tax Revenues (\$6,164 million in FY 2005)



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 2005

- General and Motor Vehicle 6.5%
- Liquor, Wine, and Beer Sales 9.0%*
- Motor Vehicle Rental 12.7%*

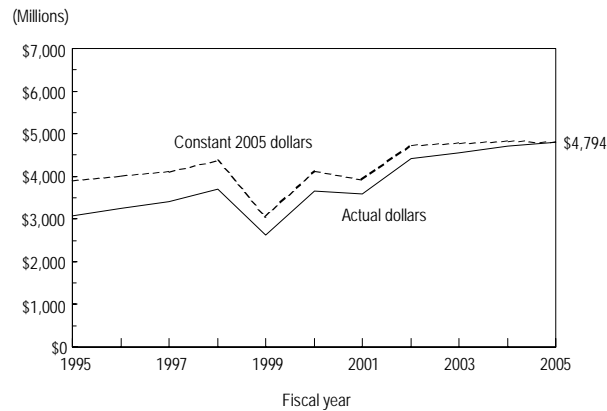
* These rates are reduced to 6.5% for sales after December 31, 2005, in order to meet the one-rate requirement of the proposed Streamlined Sales Tax Model Act. See the local government revenues page for local sales and local lodging taxes.

Major Exemptions

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

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

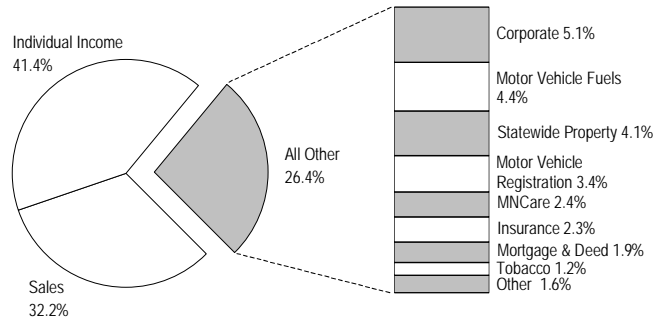
Sales Tax Revenues (\$4,794 million in FY 2005)



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

Other State Taxes

Taxes, other than the income and sales taxes, yield a little over 25% of state tax revenues. Many of these taxes are minor revenue sources. Taxes that yield at least 1% of state tax revenues for FY 2005 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 75% and property and payroll at 12.5% each
- Most volatile revenue source of any major state tax

Motor Vehicle Fuels Tax

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

Statewide Property Tax

- Raised \$624 million in CY 2004; 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)
- Tax is limited to \$189 in the second year of a vehicle's life, and \$99 in the third through tenth years of its life
- Trucks, buses, and other vehicles pay based on weight and age
- Dedicated by constitution to the highway user trust fund

MinnesotaCare Taxes

- 2% of gross revenues tax on hospitals, surgical centers, health care providers, and wholesale drug distributors
- Exemptions for Medicare, Medical Assistance, General Assistance Medical Care, and MinnesotaCare revenues
- Revenues pay for MinnesotaCare program

Insurance Premiums Tax

- Basic tax is 2% of insurance premiums
- Mutual property-casualty insurers with 12/31/89 assets of no more than \$5 million, 0.5% rate; \$1.6 billion, 1.26% rate
- HMOs and nonprofit health insurance companies (e.g., Blue Cross) are subject to a 1% rate
- Under a “retaliatory tax” provision, non-Minnesota companies pay tax as if their home state taxes apply when those taxes are higher than the Minnesota tax

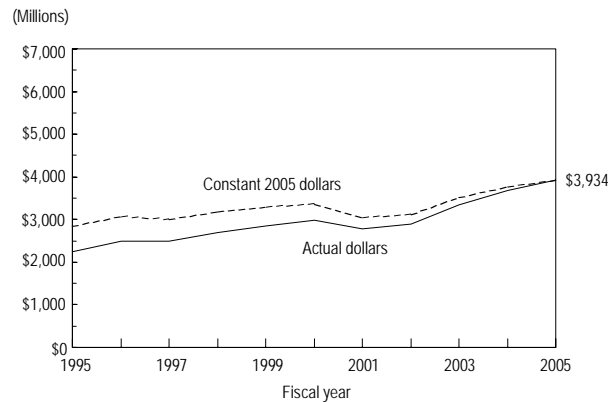
Mortgage and Deed Taxes

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

Cigarette and Tobacco Products Tax

- \$.48/pack of 20 cigarettes; 35% of wholesale price of tobacco products
- Revenues from \$.065/pack goes to the Academic Health Center fund, \$.025/pack to the medical education and research costs account, and the rest to the general fund
- Additional fee of \$.35/pack of 20 cigarettes applies to cigarettes made by the four companies that were not part of the legal settlement with the state

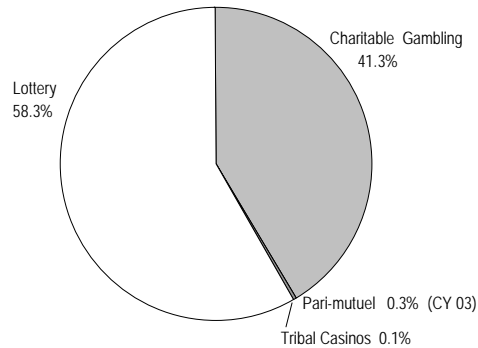
Other State Tax Revenue (\$3,934 million in FY 2005)



Gambling Revenue

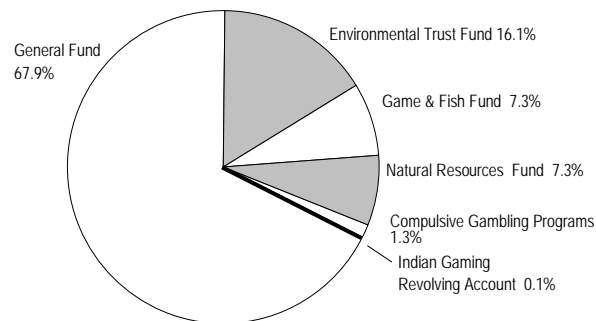
The state receives revenues from three state-authorized forms of gambling: pari-mutuel horse racing, charitable gambling, and the state lottery. The state also receives a nominal sum from Indian tribes that operate casinos; that money partly defrays state expenses in supervising state gaming compacts.

Sources of State Revenue from Gambling (\$136 million in FY 2003)



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 (\$136 million in FY 2003)



Gambling Taxes

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

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

Total lawful gambling tax revenue in FY 2003 was about \$56 million.

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

Pari-mutuel betting. The state tax on pari-mutuel betting is 6% of the “takeout”—the percentage deducted by the racetrack from each pari-mutuel pool before payouts on winning tickets. At Canterbury Park in Shakopee the takeout averages about 20% of total betting. The first \$12 million in takeout is exempt from tax. Total pari-mutuel tax revenue for the 2003 racing season was about \$242,000.

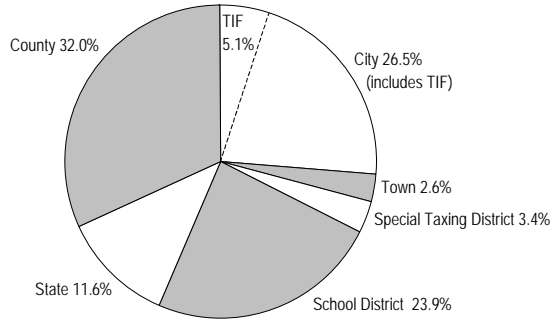
State lottery. A payment by the lottery of 6.5% of gross receipts is made in lieu of the sales tax. This in-lieu tax generated about \$22.9 million in FY 2003. This is in addition to the approximately \$55 million in lottery net profits that are dedicated to the general fund and environmental trust fund. Another \$4 million also went to the general fund and to provide compulsive gambling programs.

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

Property Tax

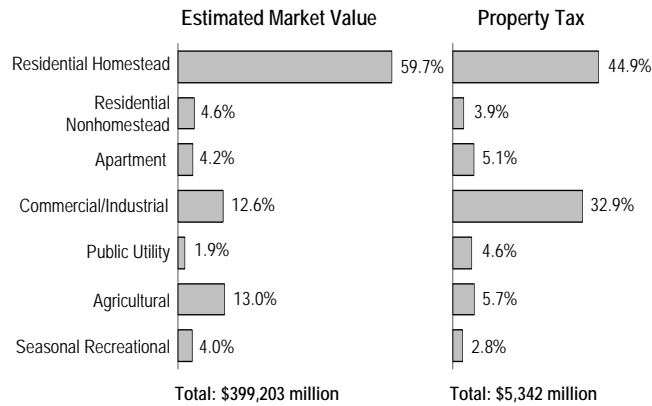
The property tax is a major source of revenue for local governments in Minnesota. Beginning with taxes payable in 2002, the state also receives a portion of property tax revenues (from commercial-industrial and seasonal recreational properties only). Property taxes are levied annually and payable in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

Property Tax Levy by Type of Government*
(\$5,342 million in CY 2004)



* Amounts shown are after allocation of property tax credits.

Shares of Market Value and Property Tax by Property Type
(Taxes payable 2004)



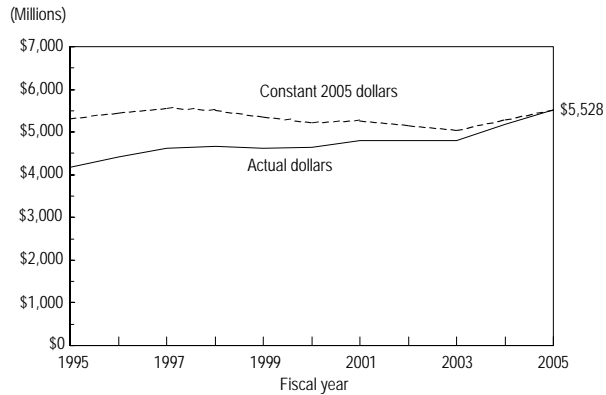
Class Rates for Taxes Payable in 2005

Property Type	Class Rate	Tax Code*
Residential Homestead		
Up to \$500,000	1.0%	R
Over \$500,000	1.25	R
Residential Nonhomestead		
Single-unit		
Up to \$500,000	1.0	R
Over \$500,000	1.25	R
Two- and three-unit	1.25	R
Apartments (4 or more units)	1.25	R
Agricultural Homestead		
House, garage, and one acre	**	R
Ag land & buildings		
Up to \$600,000	0.55	
Over \$600,000	1.0	
Agricultural Nonhomestead	1.0	
Seasonal-Recreational-Residential		
Up to \$500,000	1.0	S
Over \$500,000	1.25	S
Commercial/Industrial/Public Utility		
Electric generation machinery	2.0	R
All other		
Up to \$150,000	1.5	S, R
Over \$150,000	2.0	S, R

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

** Same as residential homestead

Property Tax Revenues (\$5,528 million in FY 2005)



Property Tax Terminology

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

Major Property Tax Relief Programs

FY 05 Approp. (millions)	Program	Recipients
\$438	Local government aid	Cities
288	Homestead market value credit	All taxing jurisdictions
151	Property tax refund– homeowners	Individuals
147	Property tax refund–renters	Individuals
112	County program aid	Counties
107	Referendum equalization aid	School districts
32	Debt service equalization aid	School districts
24	Agricultural market value credit	All taxing jurisdictions
19	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.

Property Tax Refund (\$251 million, refunds filed 2003)

		Number of Filers	Refund Amount	Average Refund per Filer
Homeowners	Nonsenior	136,338	\$67,343,204	\$494
	Senior	97,931	\$47,871,833	\$489
Renters	Nonsenior	193,466	\$94,409,654	\$488
	Senior	77,513	\$41,917,741	\$541
Total		505,248	\$251,542,432	\$498

The maximum refund for claims filed in 2004 was \$1,560 for homeowners and \$1,280 for renters. The maximum refund amount for both homeowners and renters is adjusted annually for inflation.

Program Limits, Refunds filed 2005

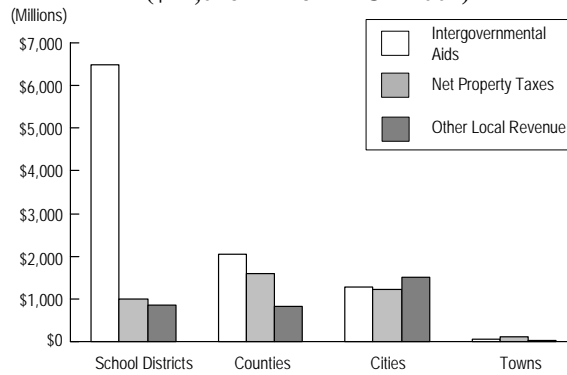
	Maximum Qualifying Income	Maximum Refund
Homeowners	\$85,210	\$1,590
Renters	\$45,970	\$1,310

Special Property Tax Refund (Targeting) (\$7.6 million, refunds filed 2003)

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 2003:
 - 90,000 returns
 - \$7.6 million total amount
 - \$84 average refund

**Local Government Revenues
(\$17,026 million in CY 2002)**



Major Sources of Local Government Revenues, CY 2002

\$ in millions	School			
	Districts*	Counties	Cities	Towns
Intergovt. Aid (federal, state, and local)	\$6,495.1	\$2,062.5	\$1,285.6	\$52.6
Net Property Taxes (including TIF)	983.7	1,596.2	1,222.3	119.8
Other Local Revenue				
User Fees **	469.5	434.7	368.5	8.4
Interest Earnings	90.4	113.7	154.1	6.2
Special Assessments	--	28.7	253.9	8.6
License and Permits	--	21.9	140.0	3.5
Fines and Forfeits	--	20.4	37.2	NA
Other	294.1	192.6	554.8	7.0
Subtotal Other	854.0	812.1	1,508.5	33.7
Total	\$8,332.8	\$4,470.9	\$4,016.4	\$206.1

* School district data for school fiscal year 2003

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

Other Local Taxes (\$180 million in CY 2002)

Includes: General sales tax Franchise tax
 Lodging tax Gambling tax
 Aggregate production tax (gravel)

The following 13 local governments impose a general sales tax as of January 1, 2005:

1.0%: Duluth, Cook County
0.5%: Hermantown Mankato Minneapolis
 New Ulm Proctor Rochester
 Sartell St. Augusta St. Cloud
 St. Paul Sauk Rapids

Government Debt

State Debt

State Obligations Outstanding (November 1, 2004, dollars in millions)

General Obligation (G.O.) Bonds	\$3,461
Equipment Leases	28
Real Estate Financing	201
Agency Obligations	
Commissioner of Finance	\$65
Housing Finance Agency	1,753
Higher Education Facilities Authority	642
University of Minnesota	610
State Colleges and Universities Board	54
Higher Education Services Office	387
Public Facilities Authority	936
Rural Finance Authority	32
Agricultural & Economic Development Board	28
State Armory Commission	6
IRRRA (Giant's Ridge Rec. Area)	15
Total Agency Obligations	4,528
Total, All Obligations	\$8,218
G.O. Debt authorized but not yet issued	\$535

Source: Department of Finance

Department of Finance Debt Management Guidelines

- The general fund appropriation for debt service should not exceed 3% of general fund revenues. (For the biennium ending June 30, 2005, the general fund appropriation for debt service is estimated to be 2.23%.)
- G.O. debt of the state should not exceed 2.5% of state personal income. (For biennium ending June 30, 2005, estimated to be 1.83%.)
- Total amount of all G.O. debt, moral obligation debt, state bond guarantees, equipment capital leases, and real estate leases should not exceed 5% of state personal income. (For biennium ending June 30, 2005, estimated to be 3.0%.)
- Total revenue and G.O. debt of state agencies, public corporations, and the University of Minnesota should not exceed 3.5% of state personal income. (On June 30, 2003, it was 3.01%.)
- 40% of general obligation debt must be due within five years, and 70% within ten years.

State Bond Ratings

For the November 1, 2004, bond sale, Standard & Poors Ratings Group and Fitch Investors Service, L.P., each rated the state's bonds at the highest ratings (AAA), indicating the state's capacity to pay interest and repay principal is strong. A good rating reduces the interest rate the state has to pay. Moody's Investors Services, Inc., rates the state's bonds as Aa1. As the bond sale statement says, these ratings are subject to change or withdrawal by the rating agencies at any time.

Local Government Debt

Bonded Debt of Local Governments (\$14,501 million in CY 2002/FY 2003)

	General Obligation	Revenue	Total Bonded Indebtedness
Cities	\$5,088	\$1,256	\$6,344
Counties	1,330	195	1,525
Towns	38	0	38
School Districts	6,594	0	6,594
Total	\$13,050	\$1,451	\$14,501

Special district debt data is not available. School district data is for school fiscal year 2003.

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

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

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

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

**Twin Cities Metropolitan Regional Government Debt
(\$2,804.8 million net outstanding as of December 31, 2004)**

**Metropolitan Council
(\$976.8 million net outstanding general
obligation bonds as of December 31, 2004)**

Sanitary Sewers	\$770.6
Solid Waste	0.4
Transit	182.4
Parks	22.0
Public Safety Radio	1.4
Total	\$976.8

**Metropolitan Airports Commission (MAC)
(\$1,828 million net outstanding as of January 2, 2005)**

General Obligation Revenue Bonds	\$317
General Airports Revenue Bonds	1,410
Commercial Paper	<u>101</u>
Total	\$1,828

The Metropolitan Council and the MAC are authorized to issue debt. As of December 31, 2004, the MAC could issue \$55 million more in general obligation revenue bonds and an unlimited amount of airport revenue bonds for specified purposes. The MAC has not levied property taxes to pay general obligation revenue bonds since 1969.

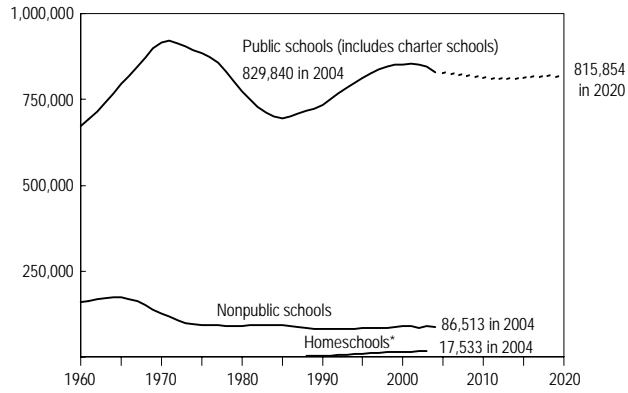
The Metropolitan Council may issue an unlimited amount of debt for the wastewater collection and treatment system. As of December 31, 2004, the Metropolitan Council could issue \$55 million more for transit fleet and facilities and the public safety radio system and \$10.5 million for capital improvements grants for regional parks

Major Government Functions & Services

K-12 Education	49
Higher Education	58
Family Assistance	64
Corrections	75
Transportation	79
Agriculture	83
Natural Resources	86
Pollution Control	89
Public Facilities Authority	92

K-12 Education

Student Enrollment (815,854 projected for 2020)



Enrollment projections for nonpublic schools and homeschools only available through 2003.

* Homeschool counts are not available prior to 1988.

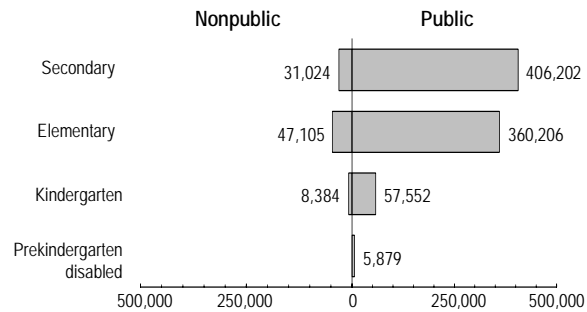
Enrollment Options Programs 2003-2004

- 36,000 open enrollment students
- 7,163 post-secondary (PSEO) students
- 13,500 college in high school students

Charter Schools 2004-2005

- 113 charter schools in operation
- 17,965 students attending charter schools as of October 2004
- 138 charters granted as of October 2004

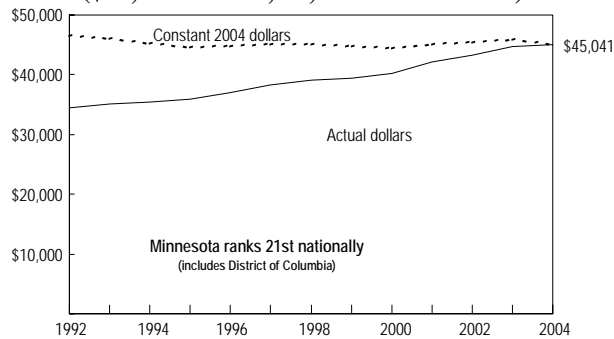
Students by Grade (829,839 public 2003-2004; 86,513 nonpublic 2003-2004)



Teacher Characteristics 2003-2004

- 97% of teachers are licensed
- 48% have advanced degrees
- 56% have taught more than 10 years

Average Minnesota Public School Teacher Salary (\$45,041 in 2004; 52,420 FTE teachers)



Source: National Education Association

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

Teacher Licensure and Qualifications

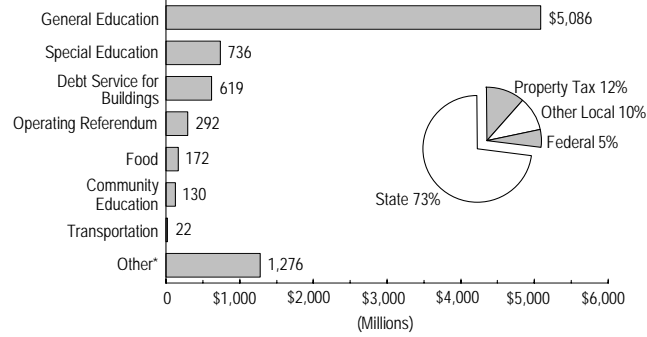
- The State Board of Teaching oversees teacher preparation requirements and licensure. The board recently restructured the licensure system to complement high school graduation standards.
- Candidates for teacher licensure must pass exams on math, reading, and writing skills, and of general pedagogical knowledge and licensure-specific teaching skills.
- Applicants for initial licensure must pay for and undergo a BCA-conducted criminal history background check.
- Newly graduated teachers hold provisional two-year entrance licenses and are probationary teachers during the first three years of consecutive employment in a district.
- Experienced teachers renew continuing licenses every five years after meeting continuing education requirements.
- Teachers teaching outside their licensure area may complete the HOUSS process to satisfy the federal NCLB definition of a highly qualified teacher.

Administrator Licensure and Qualifications

- The Board of School Administrators oversees administrator preparation and licensure.
- A code of ethics for supervisory personnel contains standards of professional practices.

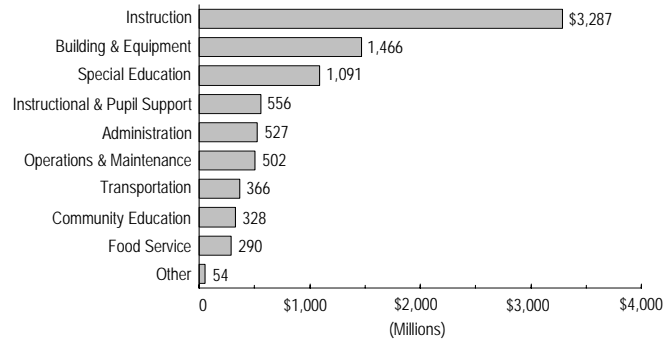
K-12 Revenue and Expenditures

School District Revenue (\$8,333 million in FY 2003)



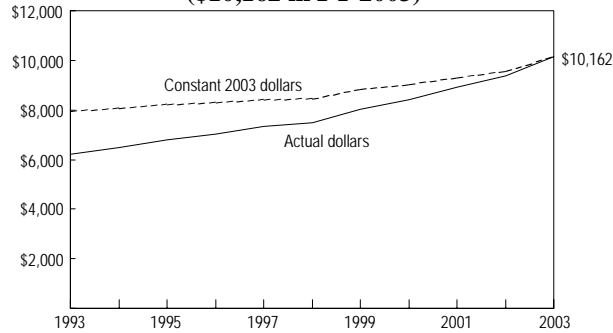
*"Other" includes federal aid other than for special education, interest, interdistrict transfers, local revenues such as fees for hot lunches, community education and athletics, and other categorical funding programs.

Public School District Expenditures (\$8,467 million in FY 2003)*



*The difference between revenue and expenditures primarily represents fund balance carried forward to FY 2004.

Average Total Expenditures per Public School Pupil (\$10,162 in FY 2003)



Source: Department of Education

Minnesota's High School Graduation Rule

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

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

In 2004, the Minnesota Legislature added health and physical education as a sixth required subject area.

Basic Standards Tests

To graduate, public school students must receive a passing score of 75% on the reading and math basic standards tests and three out of four points on the writing test. A passing score requires students to:

- Understand math through pre-algebra
- Read at a level equal to popular adult nonfiction
- Respond to an adult reader in writing with short answers to two statements or requests for information

Students generally first take the reading and math tests in eighth grade and the writing test in tenth grade.

Statewide Basic Standard Tests 8th Grade Public School Students

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

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

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

³ As of 2000, all test reports include scaled scores (statistical conversions of the number of correct answers) and the total number of correct answers.

⁴ A passing score of 70% applied in the 1996-97 school year only.

⁵ The reading and math tests became effective in the 1996-97 school year.

NA: Not available

Source: Department of Education

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

Minnesota's New K-12 Academic Standards and Assessments

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

Subject	Statewide standards in place?	# Credits, students entering 9 th grade in 2004-2005 or later	State assessments required?
Language arts	No	4	Yes
Mathematics	No	3	Yes
Science	Yes, 05-06	3	Yes
Social studies	Yes, 05-06	3.5	No; prohibited
Arts	No	1	No; prohibited
Physical education/Health	No; to be locally developed		No

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

Benchmarks

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

Assessments

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

Elective requirements

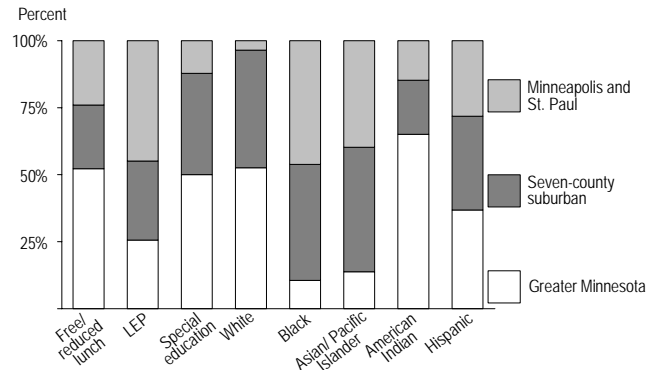
Students must also complete at least seven elective course credits. Districts must establish local elective standards for and offer courses in vocational and technical education and world languages.

No Child Left Behind

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

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

FY 2004 Distribution of Subgroups Subject to AYP Review



LEP stands for Limited English Proficiency.

Distribution of ethnic categories on PreK-12 statewide enrollment of 842,915; distribution of other categories on K-12 statewide enrollment of 832,039.

Early Childhood Programs

Early Childhood Family Education (ECFE)

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

School Readiness

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

First Grade Preparedness

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

Head Start

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

Even Start Family Literacy Program

- Money from “federal share” state grants funds five programs that integrate early childhood education and adult literacy or basic education classes

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

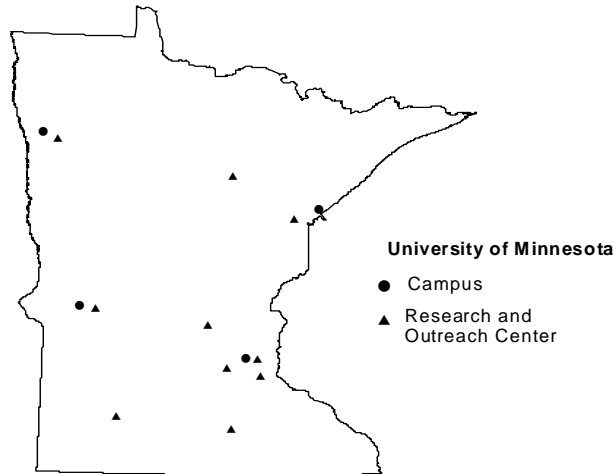
Program (ages eligible)	Funding FY 05 (in millions)	Participants FY 03
ECFE (up to kindergarten)	\$11.8 state aid 22.1 property tax	315,000 children and parents
School Readiness (3½ to kindergarten)	9.1 state aid	38,063 children 41,752 parents
First Grade Preparedness (4 to 5)	7.3 state aid	2,950 pupils
Head Start (3 to 5)	83.0 federal 17.1 state aid*	16,000 children
Even Start (up to 7)	2.4 federal	723 children
Part C (up to 2)	7.0 federal	3,052 children
Total	\$92.4 federal \$45.3 state aid \$22.1 property tax	

* For FY 2004

Higher Education

University of Minnesota

Enrollment by Campus (63,769 in fall 2004)



	Undergraduate	Total
Twin Cities	28,747	49,663
Duluth	8,662	9,925
Crookston	1,187	2,320
Morris	1,728	1,861

Other facilities

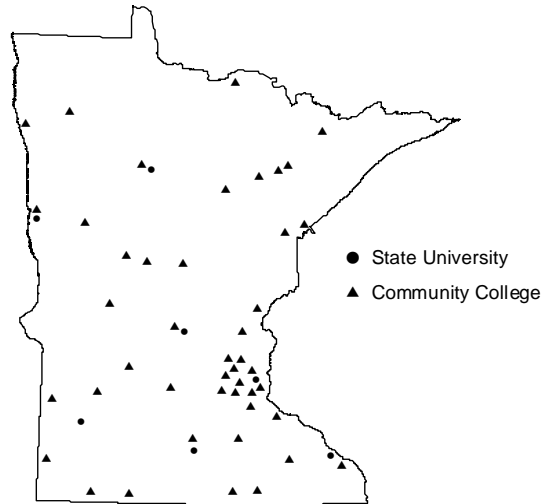
The university operates ten agricultural experiment station research and outreach centers at Grand Rapids, Becker, Crookston, Cloquet, Chanhassen, Rosemount, Waseca, Lamberton, St. Paul, and Morris.

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 (170,549 in fall 2004)



Note: Enrollment based on MnSCU data

2-year state colleges	108,369
Community Colleges (9)	33,372
Technical Colleges (9)	22,024
Consolidated Colleges (12)	52,973
4-year state universities (7)	62,180

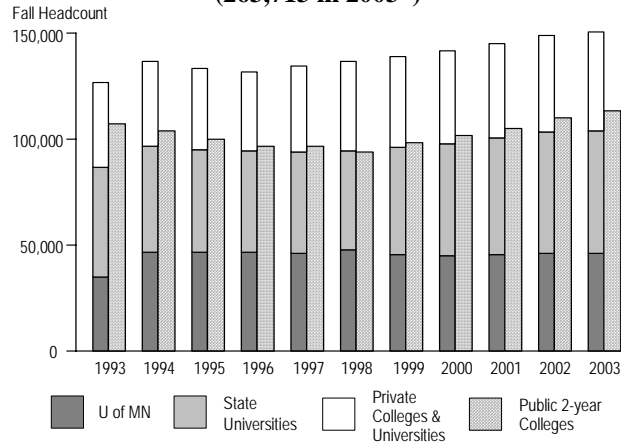
Campuses

MnSCU's 33 institutions operate campuses in 46 communities.

Governance

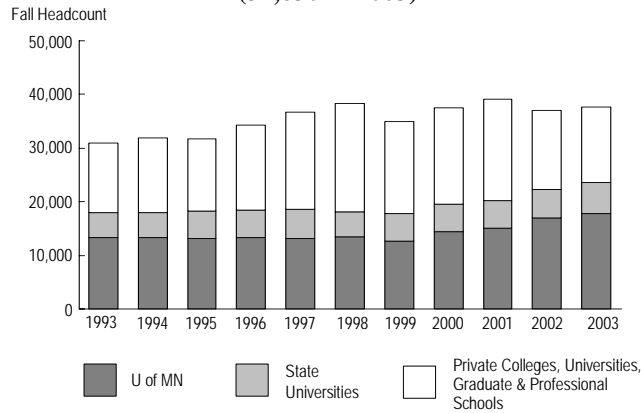
- MnSCU is a public higher education system, headed by a chancellor.
- Since 1995, the operation of two-year colleges and four-year universities has been consolidated in the MnSCU system.
- MnSCU is governed by a 15-member Board of Trustees appointed by the governor with the advice and consent of the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

Undergraduate Enrollment (263,713 in 2003*)



* Private career schools enrolled at least 16,400 undergraduates.

Graduate Enrollment (37,630 in 2003)



Tuition and Fees Full-time, Minnesota Resident* 2004-05 Academic Year

	Undergrad	Graduate	Professional
Public			
2-year colleges	\$3,456-4,053	—	—
State Universities	\$4,392-6,325	\$6,156-6,739	—
University of MN	\$7,608-9,056	\$9,362-22,129	\$14,992-18,981
Private			
4-year colleges	\$5,876-30,666	NA	NA
Career schools	\$3,740-21,353	NA	NA

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

