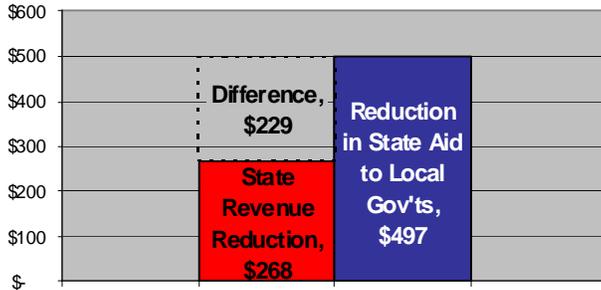


County Property Tax Facts

Cuts in aid to local governments exceed state revenue decline

State Revenue Reduction vs. Cuts in Aid to Local Governments
Constant 2008 Dollars Per Capita

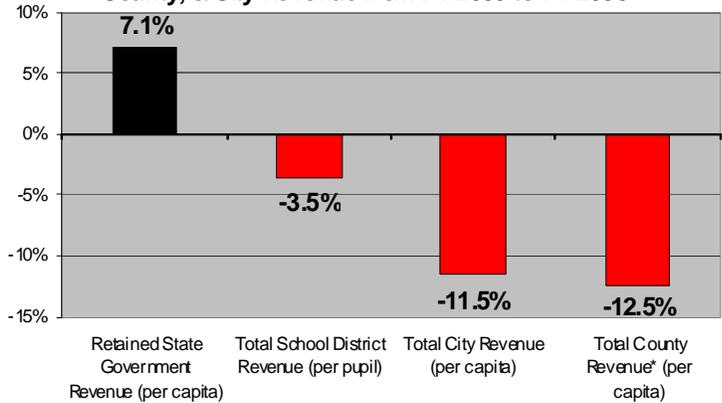


Over the past several years, the state has reduced aid to local governments to help balance its budget. These reductions in aid to local governments exceeded the state's own revenue reductions by \$229 million. The result has been that many state-mandated services are now paid for by local property tax payers rather than from income and sales taxes collected at the state level.

The real budget cutters: local governments

During recent periods of budget deficits, state government revenues continued to grow while local government shrank. Counties increased property taxes to pay for state mandates, local transportation projects and public safety needs but still *reduced* their total revenues by 12.5%. Over the same time period state revenues adjusted for population growth and inflation have *increased* 7.1%. RESULT: The state has refused to make difficult choices on its own and instead left local governments to do the heavy lifting needed to balance the state budget.

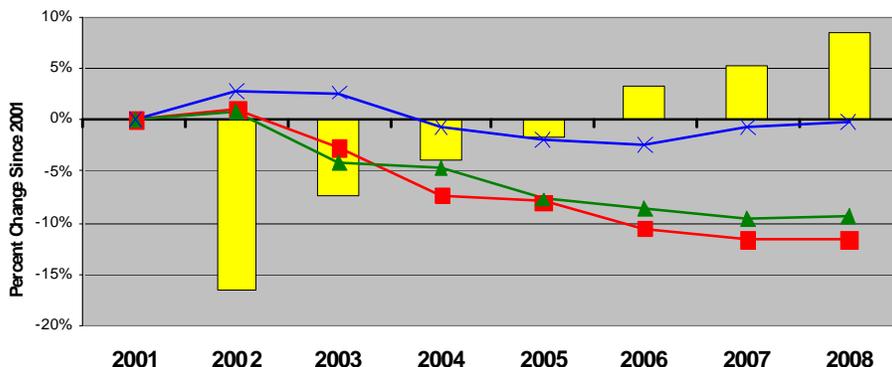
Change in Real Per Capita/Per Pupil State, School, County, & City Revenue from FY 2003 to FY 2008



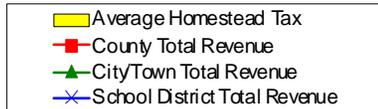
*County revenue estimates incorporate an approximate adjustment for the state take over of court administration

Homestead property tax increases not due to increase in local budgets

Percent change in inflation-adjusted average MN homestead property tax compared to change in inflation-adjusted school, city/town, and county revenue per capita since 2001



Revenue data from Nov. forecast FOG report. Average homestead tax calculated from Revenue Dept. data. Inflation adjustment based on IPD for state & local government purchases. FY 2001 to 2008 corresponds to school fiscal years 2002 to 2009.



The graph at left shows property tax trends since the reforms enacted in 2001. Despite an initial reduction in homeowners' property taxes, taxes on homes today are nearly 10% higher than they were in 2001. Over this same period of rising property taxes county revenues declined 12.5%. Recent reductions in state aids to counties have resulted on the use of local property taxes to pay for state mandated services rather than the income tax or sales tax. The sharp reduction in state aids to counties to pay for mandated services has resulted in rising property taxes, but declining county revenues.