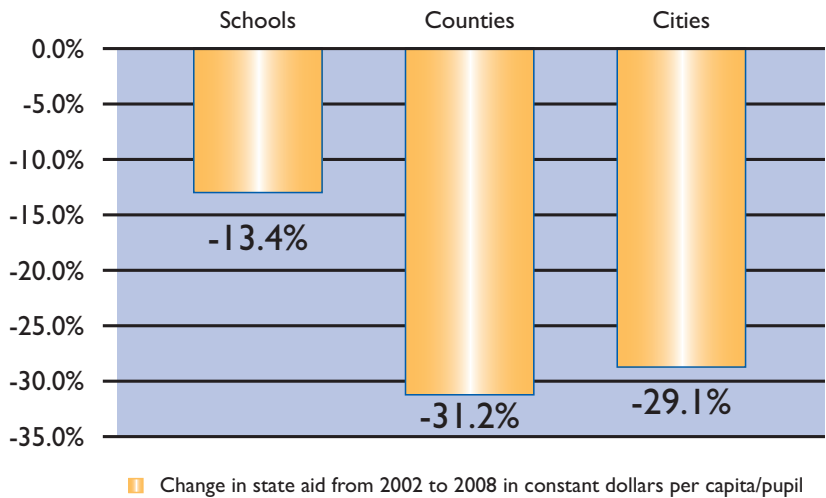


# A new direction is needed to solve Minnesota's fiscal crisis

## Local governments running on fumes

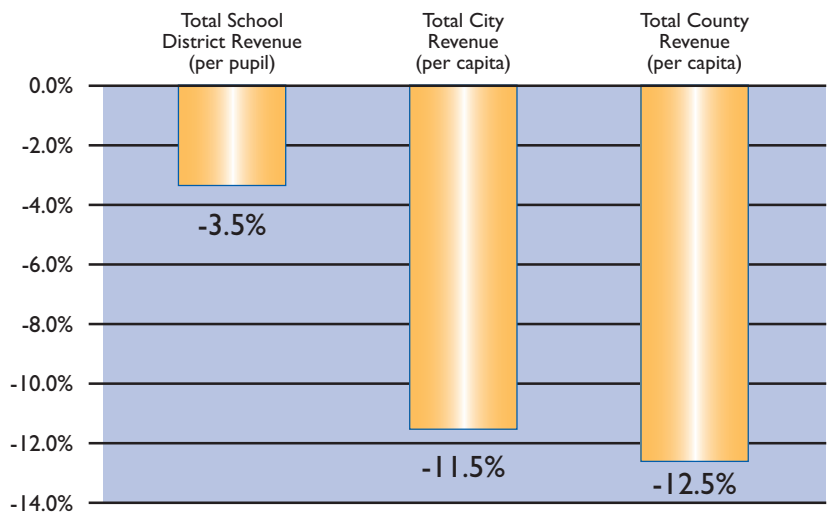
Cities, schools and counties have done their best to cope with aid cuts made during the state's last budget crisis, but they are now down to running on fumes. Despite cities' best efforts, the 2003 decision to shift Minnesota's fiscal problems on to local units of government has proven to be a losing proposition for local property taxpayers. In a nutshell, citizens have had to deal with reduced services and delayed infrastructure needs while being asked to provide more in property tax dollars. As **Chart A** demonstrates, cities, schools and counties still haven't recovered from cuts.



*Chart A: State aid to local governments has been cut dramatically since 2002. Source: "The 'Why' Behind Homestead Property Tax Increases," MN 2020, Jeff Van Wychen*

## Property tax increases driven by aid cuts

Property taxes have increased over 19% since 2002, but this has been due to aid cuts, not to excessive spending by local units of government. The rise in property taxes did not even begin to keep pace with the aid cuts, which meant that, on the local level, revenues declined at the same time as spending was reduced, as shown in **Chart B**.



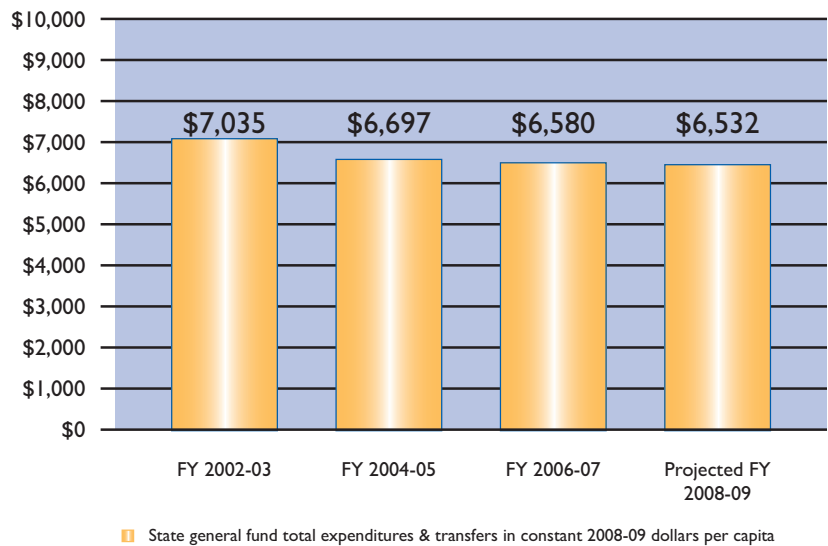
*Chart B: Change in real per capita/per pupil school, city, and county revenue from FY 2003 to FY 2008. Source: "Government Revenues Decline," MN 2020, Jeff Van Wychen*

*Despite cities' best efforts, the 2003 decision to shift Minnesota's fiscal problems on to local units of government has proven to be a **losing proposition** for local property taxpayers.*



## State spending is not the problem

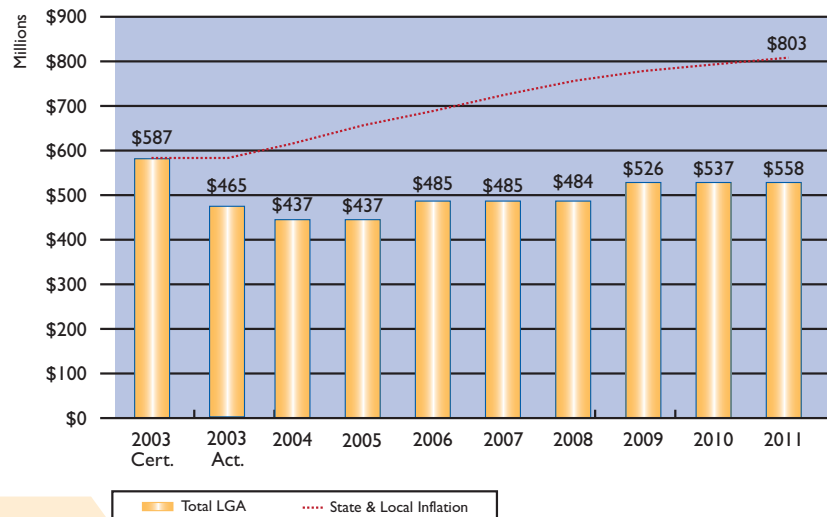
Allegations from “no new taxes” proponents that spending is causing the state’s budget problems are wrong. As seen in **Chart C**, state general fund spending has declined by 7.1%, which amounts to \$503 a person. Additional spending cuts will not cure the state’s current financial crisis. Spending is down for all units of government in Minnesota, which points to a revenue problem—not a spending problem—in the state.



**Chart C:** State general fund expenditures down 7% since 2002. Source: “The State’s Budget Problem: All Options Need to be on the Table,” MN 2020, Jeff Van Wychen

## LGA is still below 2003 level

The Local Government Aid program is key to providing fairness in the property tax system and to enabling all cities to offer services to their citizens, but that was undermined by aid cuts made in 2003. Last year, the Legislature approved LGA increases of 2% in 2010 and 4% in 2011, but as shown in **Chart D**, the previous cuts were so drastic that even after the current law increases in aid, the total dollars in the program will be lower in 2011 than they were in 2003.



**Chart D:** LGA program still \$157 below its 2003 level, despite 2010/2011 increases.

## NEEDED: A fair, stable and sustainable revenue system

We must take a lesson from the past and work together to develop a fair, stable and sustainable revenue system for Minnesota. In order to do this, all levels of government—the state, counties, cities and school districts—need to partner together to address the state’s economic problems in a way that strengthens, not weakens, our state.

- **Fair.** Every resident, regardless of geographic location, deserves access to quality government services at an affordable level compared with their ability to pay.
- **Stable.** Minnesota’s fiscal rollercoaster ride will not stabilize until it includes predictability in taxation for its taxpayers and reliability in its revenue sources.
- **Sustainable.** A lasting, sustainable revenue source is needed to carry the state through today’s current fiscal crisis and reduce the chance of it occurring again in the future.

Don’t repeat the *mistakes* of the past. The state, cities, counties and schools must *partner together* to develop a fair, stable and sustainable revenue system for Minnesota.