

1 A senate concurrent resolution
 2 relating to adoption of revenue targets under
 3 Minnesota Statutes 2004, section 16A.102, subdivision
 4 2.

5

6 BE IT RESOLVED, by the Senate, the House of Representatives
 7 concurring, that the following revenue targets be adopted under
 8 the requirements of Minnesota Statutes 2004, section 16A.102:

| | Fiscal Years 2006 and 2007 | Fiscal Years 2008 and 2009 |
|--------------------------------------|--|-------------------------------|
| 9 (1) the maximum share | 16 percent | 16 percent |
| 10 of personal income to be | | |
| 11 collected in taxes and | | |
| 12 other revenues | | |
| 13 | | |
| 14 | | |
| 15 (2) the division of the | | |
| 16 share between | | |
| 17 state services | 63 percent | 63 percent |
| 18 local services | 37 percent | 37 percent |
| 19 (3) the appropriate | This resolution assumes a reduction in the local share of taxes. | |
| 20 mix of rates | | |
| 21 | | |
| 22 | | |

Agenda #1

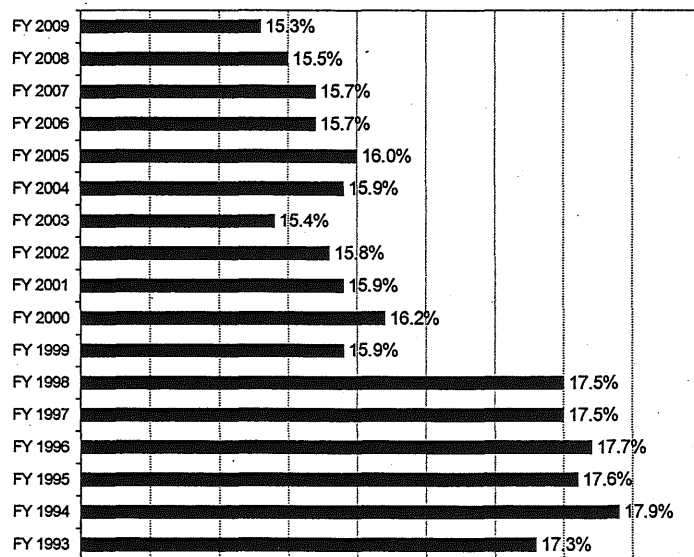
Price of Government

State and Local Government Revenues are Forecast Through 2009

The state general fund forecast represents only a portion of public sector revenues and spending in Minnesota. In broad terms, the "Price of Government" is a measure of the cost of all general government services statewide. It answers the question: *How much do Minnesotans pay to state and local governments in total?* It is comprehensive and includes nearly all revenues generated by state and local units of government as well as public school districts. All state taxes, property taxes, special assessments, fees and charges are included. Federal taxes are not included.

The aggregate annual receipts collected by each unit of government are considered to be a surrogate for the aggregate costs that Minnesota taxpayers pay for public services. The "Price of Government" measures that cost for each fiscal year relative to Minnesota Personal Income. The result is stated as a percentage of statewide personal income. For calendar year 2004, fiscal year 2005, it is estimated at 16.0 percent. In other words, for every dollar of Minnesota taxpayer personal income, 16.0 cents will be paid to state, county, township, and school districts for services during that year.

Minnesota Price of Government
State and Local Revenues as % of Personal Income



Since the price of government focuses on revenues collected by the state, local governments and school districts, it is designed to be a performance measure for both taxpayers in general and policymakers during the budget formation process. Because the emphasis is on aggregate revenues, the measure serves as a financial index for the cost of public services in Minnesota.

The following table shows the revenues raised at each level of government, excluding federal grants or aids and excluding intergovernmental revenues such as state aid to school districts, cities and counties. The results are called "own source" revenues and represent the taxes, fees and charges at each level of government.

Own Source Revenues
(\$ in millions)

| | <u>FY 2004</u> | <u>Percent of Total</u> | <u>FY 2005</u> | <u>Percent of Total</u> |
|---|------------------|-----------------------------|------------------|-----------------------------|
| State Revenues | | | | |
| Tax Revenues | \$14,393 | | \$15,253 | |
| Non-Tax Revenues | <u>2,619</u> | | <u>2,982</u> | |
| Total State Revenues | 17,012 | 62% | 18,235 | 62% |
| Local Non-School Revenues | | | | |
| Tax Revenues | 3,535 | | 3,744 | |
| Non-Tax Revenues | <u>4,942</u> | | <u>5,239</u> | |
| Total Local Non-School Revenues | 8,477 | 31% | 8,983 | 31% |
| School District Revenues | | | | |
| Tax Revenues | 1,189 | | 1,283 | |
| Non-Tax Revenues | <u>690</u> | | <u>727</u> | |
| Total School District Revenues | 1,879 | 7% | 2,010 | 7% |
| Total Own Source Revenues | 27,367 | | 29,228 | |
| Minnesota Personal Income | \$172,217 | | \$182,633 | |
| Governmental Revenue as Percent of Personal Income | 15.9% | | 16.0% | |

In FY 2005, of all dollars Minnesotans will pay in taxes, fees and charges, the state will collect 62 percent. Counties, cities, and townships will collect about 31 percent, while school districts will collect about 7 percent. However, once intergovernmental aids are considered, the state will spend only 33 percent of the total while non-school local governments will spend 39 percent, and school districts 28 percent.

The Price of Government has decreased slightly from the November 2004 forecast due to increased estimates of Minnesota personal income.

A table showing price of government data follows. It includes major taxes and other revenues sources for FY 1998 through FY 2009 broken down by level of government.

Subd. 3. **Duties to governor-elect.** Immediately after the election of a governor, the commissioner shall report the budget estimates and make available to the governor-elect all department information, staff, and facilities relating to the budget.

History: (53-18m) 1939 c 431 art 3 s 14; 1977 c 455 s 72,73; 1984 c 628 art 1 s 1; 1989 c 335 art 1 s 59; 1993 c 192 s 50,51; 1997 c 202 art 2 s 12; 1998 c 366 s 21; 1999 c 250 art 1 s 45; 2003 c 10 art 2 s 21; 2003 c 112 art 1 s 3,4

16A.101 SERVICE CONTRACTS.

The state accounting system must list expenditures for professional and technical service contracts, as defined in section 16C.08, subdivision 1, as a separate category. Other expenditures may be included in this category.

History: 1995 c 254 art 1 s 44; 1998 c 386 art 2 s 11

16A.102 BUDGETING REVENUES RELATIVE TO PERSONAL INCOME.

Subdivision 1. **Governor's recommendation.** By the date specified in section 16A.11, subdivision 1, for submission of parts one and two of the governor's budget, the governor shall submit to the legislature a recommended revenue target for the next two bienniums. The recommended revenue target must specify:

- (1) the maximum share of Minnesota personal income to be collected in taxes and other revenues to pay for state and local government services;
- (2) the division of the share between state and local government revenues; and
- (3) the mix and rates of income, sales, and other state and local taxes including property taxes and other revenues.

The recommendations must be based on the November forecast prepared under section 16A.103.

Subd. 2. **Legislative budget resolution.** By March 15 of each odd-numbered year the legislature shall by concurrent resolution adopt revenue targets for the next two bienniums. The resolution must specify:

- (1) the maximum share of Minnesota personal income to be collected in taxes and other revenues to pay for state and local government services;
- (2) the division of the share between state and local government services; and
- (3) the mix and rates of income, sales, and other state and local taxes including property taxes and other revenues.

The resolution must be based on the February forecast prepared under section 16A.103 and take into consideration the revenue targets recommended by the governor under subdivision 1.

Subd. 3. **Even-numbered year and special sessions.** The governor or the legislature may elect to modify their revenue targets in a special session or an even-numbered year regular session. The requirements of subdivisions 1 and 2 apply, except that within ten days of the start of the session the dates provided in those subdivisions must be modified to be consistent with the planned date of adjournment.

Subd. 4. **Reporting information.** When updated information is available at the time of a state revenue and expenditure forecast as specified in section 16A.103, subdivision 1, and after the completion of a legislative session, the Department of Finance must report on revenue relative to personal income as specified in subdivision 1.

History: 1994 c 587 art 7 s 1; 1998 c 389 art 16 s 8,9; 1999 c 250 art 1 s 45; 1Sp2000 c 1 art 2 s 31; 2004 c 284 art 2 s 4

16A.103 FORECASTS OF REVENUE AND EXPENDITURES.

Subdivision 1. **State revenue and expenditures.** In February and November each year, the commissioner shall prepare a forecast of state revenue and expenditures. The November forecast must be delivered to the legislature and governor no later than the end of the first week of December. The February forecast must be delivered to the

February 17, 2005

Price of Government Resolution vs. Actual

| | FY 96-97 | FY 98-99 | FY 00-01 | FY 02-03 | FY 04-05 | FY 06-07 | FY 08-09 |
|------------------------------|----------|----------|----------|----------|----------|----------|----------|
| Concurrent Resolution | 18.2 | 17.8 | 17.7 | | | | |
| Senate | | | 17.6 | 16.2 | 15.6 | 15.4 | |
| House | | | 17.3 | 15.9 | 15.6 | 15.4 | |
| Actual | 17.4 | 16.7 | 16.2 | 15.5 | 16.0 | | |
| Governor's Rec | | | | | | 16.0 | 15.7 |

Resolution figures for 1996-97 are from Senate Concurrent Resolution No. 6, adopted by the House March 9, 1995.

Resolution figures for 1998-99 and 2000-01 are from Senate Concurrent Resolution No. 7, adopted by the House March 13, 1997.

Senate figures for 2000-01 are from Senate Concurrent Resolution No. 7, adopted by the Senate March 15, 1999.

Senate figures for 2002-03 are from Senate Concurrent Resolution No. 6, adopted by the Senate March 15, 2001.

Senate figures for 2004-05 and 2006-07 are from Senate Concurrent Resolution No. 5, introduced March 31, 2003.

House figures for 2000-01 are from Senate Concurrent Resolution No. 7, adopted by the House March 15, 1999.

House figures for 2002-03 are from House Concurrent Resolution No. 1, adopted by the House March 15, 2001.

House figures for 2004-05 and 2006-07 are from House Concurrent Resolution No. 2, adopted by the House March 17, 2003.

"Actual" figures for FY 96-97 are from "Price of Government," posted March 14, 2003, on the Department of Finance Web site.

"Actual" figures for FY 1998 to 2009 and Governor's Recommendation are from "Price of Government," posted February 3, 2005, on the Department of Finance Web site.



State of Minnesota
Department of Finance

4

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658 Cedar Street
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Voice: (651) 296-5900
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TTY: 1-800-627-3529

February 3, 2005

TO: Senator Dick Cohen
Senator Larry Pogemiller
Representative Jim Knoblach
Representative Philip Krinkie

FROM: Peggy S. Ingison, Commissioner *PSI*
Department of Finance

SUBJECT: Price of Government Recommendations

The Governor has asked me to communicate his recommendations for state and local revenue targets as specified in Minnesota Statutes 16A.102. Commonly, this information is referred to as the Governor's Price of Government recommendations.

This presents the Governor's finance plan for state and local governments for FY 2006-07 and the following biennium. The starting point for the Governor's revenue targets is the November 2004 forecast of state and local revenues. The forecast, prepared jointly by the Departments of Finance and Revenue, projected state and local revenues based on current law, using current tax rates.

The Governor is recommending no tax increases. However, the Governor's recommendations do include specific proposals to enhance state revenue collections as presented in his FY 2006-07 budget.

The attached materials present revenue targets by governmental unit and by tax type, displaying revenue totals by year and as a percent of forecast Minnesota personal income.

Cc: Senator Dean Johnson
Senator Dick Day
Representative Steve Sviggum
Representative Matt Entenza

Price of Government Recommendations

For the 2006-07 biennium, the Governor recommends revenue targets of \$38.4 billion, or 9.8% of state personal income, for state government and \$24.3 billion, or 6.2% of state personal income, for local governments. For the 2008-09 biennium, the Governor recommends targets of \$40.9 billion, or 9.5% of state personal income, for state government and \$26.8 billion, or 6.2% of state personal income for local governments.

Governor's January 2005 Price of Government Recommendations Share of State and Local Revenues (\$ in millions)

| | FY 2006 | FY 2007 | 2006-07 Biennium | FY 2008 | FY 2009 | 2008-09 Biennium |
|---|-------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| STATE GOVERNMENT | | | | | | |
| State Tax Revenues as a percent of personal income | 15,773 8.3% | 16,406 8.2% | 32,180 8.2% | 17,107 8.1% | 17,865 8.0% | 34,973 8.1% |
| State Non-Tax Revenues as a percent of personal income | 3,256 1.7% | 2,975 1.5% | 6,231 1.6% | 2,974 1.4% | 2,975 1.3% | 5,949 1.4% |
| Subtotal -- State Revenues as a percent of personal income | 19,029 10.0% | 19,382 9.7% | 38,411 9.8% | 20,082 9.5% | 20,840 9.4% | 40,922 9.5% |
| LOCAL GOVERNMENT | | | | | | |
| Local Tax Revenues as a percent of personal income | 5,334 2.8% | 5,811 2.9% | 11,145 2.9% | 6,128 2.9% | 6,473 2.9% | 12,601 2.9% |
| Local Non-Tax Revenues as a percent of personal income | 6,358 3.3% | 6,748 3.4% | 13,106 3.4% | 6,988 3.3% | 7,242 3.3% | 14,230 3.3% |
| Subtotal -- Local Revenues as a percent of personal income | 11,692 6.1% | 12,559 6.3% | 24,250 6.2% | 13,116 6.2% | 13,715 6.2% | 26,831 6.2% |
| TOTAL STATE AND LOCAL GOVERNMENT | | | | | | |
| Total Revenues as a percent of personal income | 30,720 16.1% | 31,941 16.0% | 62,661 16.0% | 33,198 15.8% | 34,555 15.6% | 67,753 15.7% |
| Total Revenues - November 2004 Forecast | 30,374 | 31,638 | 62,012 | 32,745 | 34,092 | 66,837 |
| Change from Nov'04 Forecast | 346 | 303 | 649 | 453 | 463 | 916 |
| <i>State Personal Income</i> | <i>190,435</i> | <i>200,037</i> | <i>390,472</i> | <i>210,561</i> | <i>222,144</i> | <i>432,705</i> |

Governor's January 2005 Price of Government Recommendations
Combined State and Local Revenues
(\$ in millions)

| | FY 2006 | FY 2007 | 2006-07 Biennium | FY 2008 | FY 2009 | 2008-09 Biennium |
|---|----------------|----------------|-----------------------------|----------------|----------------|-----------------------------|
| Income Tax | 6,506 | 6,918 | 13,423 | 7,355 | 7,813 | 15,168 |
| percent of personal income | 3.4% | 3.5% | 3.4% | 3.5% | 3.5% | 3.5% |
| Sales Tax | 4,518 | 4,563 | 9,081 | 4,689 | 4,851 | 9,541 |
| percent of personal income | 2.4% | 2.3% | 2.3% | 2.2% | 2.2% | 2.2% |
| Statewide & Local Property Tax | 5,701 | 6,190 | 11,891 | 6,516 | 6,869 | 13,385 |
| percent of personal income | 3.0% | 3.1% | 3.0% | 3.1% | 3.1% | 3.1% |
| Other Taxes | 4,383 | 4,547 | 8,930 | 4,675 | 4,805 | 9,480 |
| percent of personal income | 2.3% | 2.3% | 2.3% | 2.2% | 2.2% | 2.2% |
| Total Tax Revenues | 21,107 | 22,217 | 43,324 | 23,236 | 24,338 | 47,574 |
| percent of personal income | 11.1% | 11.1% | 11.1% | 11.0% | 11.0% | 11.0% |
| Non-Tax Revenues | 9,613 | 9,723 | 19,337 | 9,962 | 10,217 | 20,179 |
| percent of personal income | 5.0% | 4.9% | 5.0% | 4.7% | 4.6% | 4.7% |
| Total Revenues | 30,720 | 31,941 | 62,661 | 33,198 | 34,555 | 67,753 |
| percent of personal income | 16.1% | 16.0% | 16.0% | 15.8% | 15.6% | 15.7% |
| State Personal Income | 190,435 | 200,037 | 390,472 | 210,561 | 222,144 | 432,705 |

3-15-05

Date

Senator

Pogemiller

Senate Concurrent Res. # 5

The House amended ~~S. F. No.~~ _____ . Please see the attached House amendments:

See House Journal, MAR 14, Page No. see attached

See House Journal, _____, Page No. _____.

See House Journal, _____, Page No. _____.

Senate Printed Page No. _____.

Third Reading, Senate Journal MAR 14, Page No. _____.

When we receive the Message from the House, do you want to move to concur? yes no

If you do not concur in the House amendments, you must move for a conference committee of three or five members. Please suggest names of senators for the conference committee:

Please return this signed form to Patrice or Colleen at the Senate Desk as soon as possible.

Senator

1 *Kendall*..... moves to amend senate concurrent resolution
 2 No. 5 as follows:

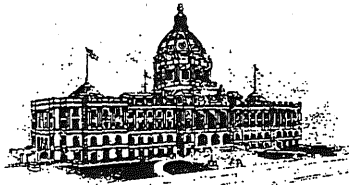
3 Page 1, delete lines 11 to 21 and insert:

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 5 personal income to be
 6 collected in taxes and
 7 other revenues 15.9 percent 15.6 percent

8 (2) the division of the
 9 share between
 10 state services 61 percent 61 percent
 11 local services 39 percent 39 percent

12 (3) the appropriate
 13 mix of rates This resolution assumes no
 14 change in the appropriate
 15 mix and rates of state and
 local taxes."

Memorandum



March 1, 2005

To: Sen. Larry Pogemiller, Chair
Members of the Senate Taxes Committee

From: M.J. Hedstrom, Fiscal Analyst

Subject: *Taxes included in the Department of Revenue Tax Incidence Study, and Taxes and fees included in the Price of Government targets for revenues relative to personal income*

This is Table 1-1, from the 2005 Minnesota Tax Incidence Study, published March 2005 by the Department of Revenue. The table shows the state and local taxes included in and omitted from that study, and the estimated revenues from each type of tax according to the November 2004 revenue forecast. This report does not include nontax revenue of the state or local government.

Table 1-1
Minnesota State and Local Tax Collections in 2003
(**\$ Millions**)

| State | | Local | | Total State and Local |
|---------------------------------------|-----------------|---|----------------|--|
| Included | | Included | | Included |
| Individual income tax | \$5,408 | Gross property taxes (after credits) | | |
| Corporate franchise tax | 560 | Homestead property taxes | \$1,936 | |
| Estate tax | 97 | Property taxes on second homes | 84 | |
| General sales and use tax | 3,829 | Rental property taxes (residential) | 416 | |
| Motor vehicle sales tax | 609 | Other business property taxes (including farming and taconite) | 1,634 | |
| Motor fuels excise taxes | 632 | Subtotal | \$4,071 | |
| Alcoholic beverage excise taxes | 61 | Sales taxes | 114 | |
| Cigarette & tobacco excise taxes | 178 | Gross earnings taxes | 45 | |
| Insurance premiums tax | 202 | | | |
| Gambling taxes | 57 | | | |
| MinnesotaCare taxes | 191 | | | |
| Motor vehicle registration tax | 483 | | | |
| Mortgage and deed taxes | 263 | | | |
| Waste taxes | 56 | | | |
| State property taxes | 585 | | | |
| Property tax refunds | -268 | | | |
| Total | \$12,945 | Total | \$4,239 | \$17,174 |
| Omitted | | Omitted | | Omitted |
| Controlled substances tax | | Tree growth tax | | |
| Airflight property tax | | Auxiliary forest tax | | |
| Aircraft registration tax | | Contamination tax | | |
| Rural electric cooperatives tax | | Saved mineral interests tax | | |
| Metropolitan solid waste landfill fee | | Unmined taconite tax | | |
| | | Local gambling tax | | |
| Total | \$19 | Total | \$4 | \$23 |
| Total Tax Collections | \$12,964 | Total Tax Collections | \$4,233 | Total Tax Collections \$17,197 |

The "Price of Government" calculation is inclusive of all own-source state and local government revenue (including taxes and nontax revenue such as fees, licenses and permits, surcharges, interest, and tuition). Revenues do not include federal funds. Since state and local government finances are interrelated, intergovernmental aids are netted out to prevent double counting.

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| 19 (3) the appropriate 20 mix of rates | This resolution assumes no change in the appropriate mix and rates of state and local taxes. | |
| 21 22 | | |