



Price of Government Report
Legislative Commission on Planning and Fiscal Policy
October 30, 2013

Price of Government Background

- The Price of Government (POG) measures the relative cost of state and local government
- It reflects state and local tax and non-tax revenues divided by Minnesota personal income. It reflects how much of each dollar earned goes to support state and local government.
- POG provides state-local finance transparency:
 - Compares revenues raised as a percent of Minnesota personal income over time
 - Breaks out revenues by type: income, sales, property and other taxes, as well as fees and other non-tax revenues
 - Shows share of revenues collected at state and local government levels
- Prepared with state forecasts (MS 16A.103), as well as proposed and enacted budgets

Price of Government Components

- ***Own Source Revenues*** – those collected directly by the state or local units
 - ***Taxes*** (state, local property taxes, local taxes)
 - ***Non-Tax Revenues***
 - Licenses and permits
 - Charges for services
 - Investment Earnings
 - Special assessments
 - Tuition (post-secondary)
- ***Intergovernmental Revenues***
 - State Aids, Local Aids, Federal Grants
- ***POG Excludes*** – Enterprise revenues (i.e. local utilities, liquor stores)

Minnesota Personal Income

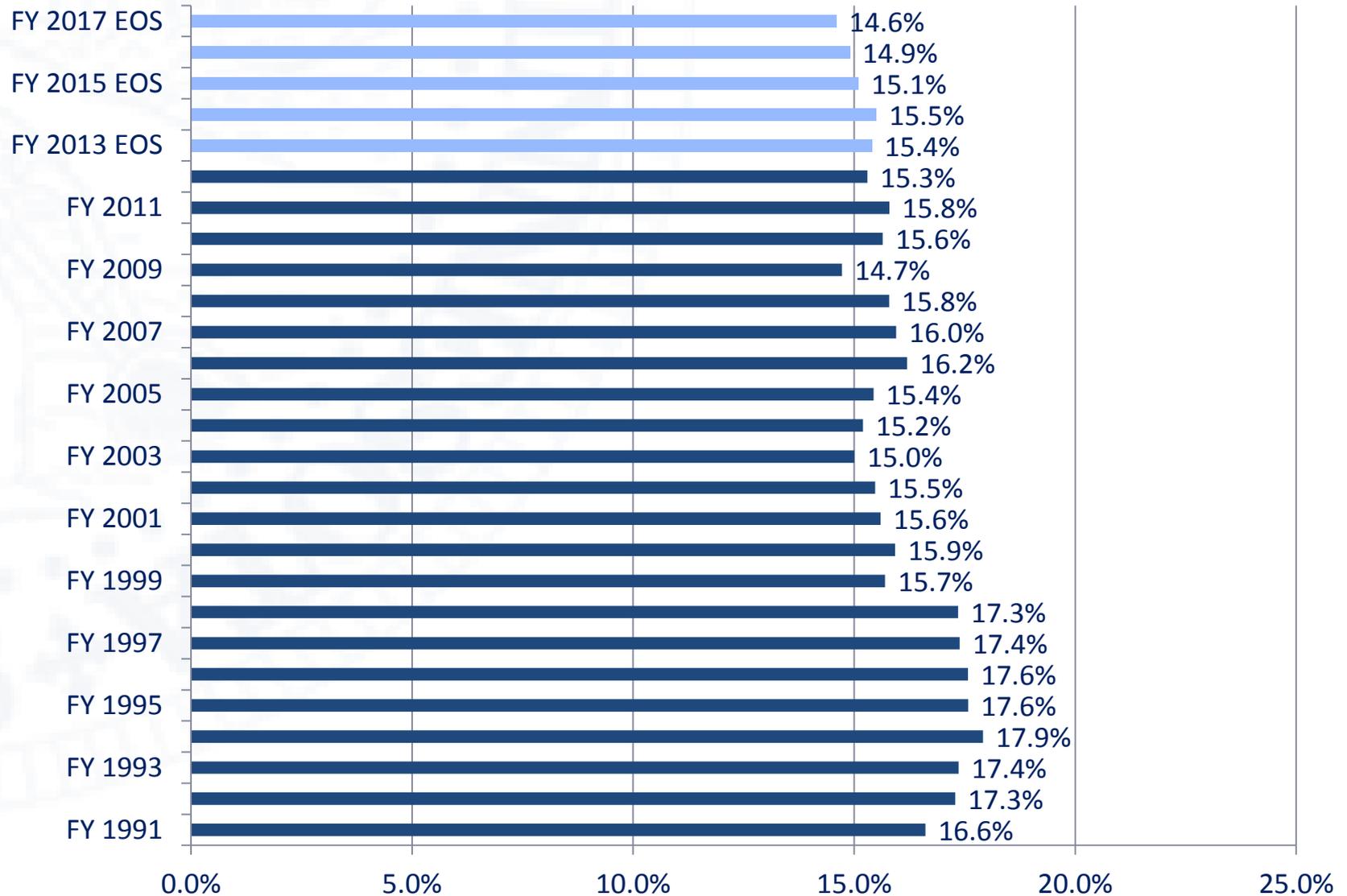
- Broadest real-time measure of Minnesota's economic activity
- Dollar value of all personal receipts
 - Wage and salary disbursements
 - Proprietor's income
 - Interest and dividends, rent income
 - Transfer payments (unemployment compensation, social security)
- Historical data series from Bureau of Economic Analysis, US Department of Commerce
- Projections by MMB economists using state and national econometric models

The Price of Government Highlights the Differences in Who Raises and Who Spends Revenues

- Who collects the revenue:
 - State collects 61 percent of the total (\$23.8 billion)
 - Cities, counties, towns, special districts collect 31 percent (\$11.9 billion)
 - School districts raise 8 percent (\$3.1 billion)
- Who spends the revenue:
 - State spends 36 percent of the total (\$14.0 billion)
 - Cities, counties, towns, special districts spends 37 percent (\$14.4 billion)
 - School districts spend 27 percent of the total (\$10.4 billion)

Price of Government (History and Projected)

State and Local Revenues as % of MN Personal Income



Price of Government was Projected to Decline to 14.7 Percent by 2015

	Feb Fcst FY 2013	Feb Fcst FY 2015
Income Tax	8,649	9,138
Percent of Pers. Income	3.4%	3.3%
State & Local Sales Tax	5,438	5,784
Percent of Pers. Income	2.2%	2.1%
Statewide & Local Property Tax	8,401	8,722
Percent of Pers. Income	3.3%	3.2%
Other Taxes	5,392	5,453
Percent of Pers. Income	2.1%	2.0%
Total Tax Revenues	27,880	29,097
Percent of Pers. Income	11.1%	10.6%
Non-Tax Revenues	10,892	11,215
Percent of Pers. Income	4.3%	4.1%
Total Own Source Revenues	38,772 →	40,312
Percent of Pers. Income	15.4%	14.7%
Mn Personal Income	252,230	273,633

2013 Session Actions Increased Income and Other Taxes, Decreased Property Taxes

	Feb Fcst <u>FY 2015</u>	End of Session <u>FY 2015</u>	<u>Change</u>
Income Tax	9,138	9,683	545
Percent of Pers. Income	3.3%	3.5%	0.2%
State & Local Sales Tax	5,784	5,787	3
Percent of Pers. Income	2.1%	2.1%	0.0%
Statewide & Local Property Tax	8,722	8,547	(175)
Percent of Pers. Income	3.2%	3.1%	(0.1)%
Other Taxes	5,453	6,141	688
Percent of Pers. Income	2.0%	2.2%	0.2%
Total Tax Revenues	29,097	30,158	1,061
Percent of Pers. Income	10.6%	11.0%	0.4%
Non-Tax Revenues	11,215	11,056	(159)
Percent of Pers. Income	4.1%	4.0%	(0.1)%
Total Own Source Revenues	40,312	41,214	902
Percent of Pers. Income	14.7%	→ 15.1%	0.4%
Mn Personal Income	273,633	273,633	

The “Price” is Sensitive to Projected Revenue and Personal Income Forecasts

	State/Local Own Source Revenues	% Change	Minnesota Personal Income	% Change
<i>(\$ in billions)</i>				
CY02/FY03	25.659		166.968	
CY03/FY04	27.078	5.5%	178.147	6.7%
CY04/FY05	29.074	7.4%	188.330	5.7%
CY05/FY06	31.424	8.1%	193.989	3.0%
CY06/FY07	32.838	4.5%	205.857	6.1%
CY07/FY08	34.241	4.3%	216.841	5.3%
CY08/FY09	33.584	-1.9%	228.070	5.2%
CY09/FY10	33.839	0.8%	216.267	-5.2%
CY10/FY11	35.678	5.4%	225.853	4.4%
CY11/FY12	37.072	3.9%	241.826	7.1%
CY12/FY13	38.772	4.6%	252.230	4.3%
CY13/FY14	40.342	4.0%	260.920	3.4%
CY14/FY15	41.214	2.2%	273.633	4.9%
CY15/FY16	42.731	3.7%	287.298	5.0%
CY16/FY17	44.004	3.0%	300.885	4.7%