

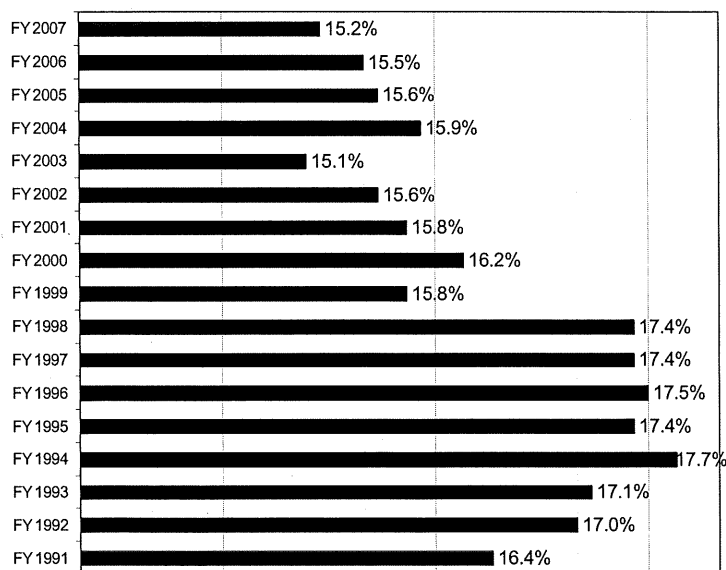
Price of Government

State and Local Government Revenues are Forecast Through 2007

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 15.6 percent. In other words, for every dollar of Minnesota taxpayer personal income, 15.6 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	\$14,225		\$14,966	
Non-Tax Revenues	<u>3,372</u>		<u>2,796</u>	
Total State Revenues	17,597	63%	17,762	62%
Local Non-School Revenues				
Tax Revenues	3,556		3,779	
Non-Tax Revenues	<u>4,993</u>		<u>5,290</u>	
Total Local Non-School Revenues	8,549	30%	9,069	31%
School District Revenues				
Tax Revenues	1,189		1,283	
Non-Tax Revenues	<u>716</u>		<u>756</u>	
Total School District Revenues	1,905	7%	2,039	7%
Total Own Source Revenues	28,050		28,870	
Minnesota Personal Income	\$176,571		\$184,522	
Governmental Revenue as Percent of Personal Income	15.9%		15.6%	

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 2003 forecast primarily 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 1997 through FY 2007 broken down by level of government.

November 2004 Forecast
Price of Government
State & Local Revenues, CY 1997-2008
as a Percent of Personal Income
(\$ in Thousands)

	CY 1997 FY 1998	CY 1998 FY 1999	CY 1999 FY 2000	CY 2000 FY 2001	CY 2001 FY 2002	CY 2002 FY 2003	CY 2003 FY 2004	CY 2004 FY 2005	CY 2005 FY 2006	CY 2006 FY 2007	CY 2007 FY 2008	CY 2008 FY 2009
State Revenues												
<i>Tax Revenues:</i>												
Individual Income Tax	4,746,569	5,320,918	5,556,366	5,915,494	5,443,342	5,371,829	5,709,584	6,109,600	6,495,200	6,916,300	7,353,100	7,813,600
General Sales Tax	3,251,685	2,140,351	3,120,309	3,037,362	3,805,851	3,956,283	4,119,075	4,218,175	4,363,829	4,408,783	4,542,244	4,699,562
Corporate Income Tax	752,061	777,491	800,129	728,970	529,458	588,656	628,048	765,100	688,500	691,400	697,100	727,400
Gasoline & Special Fuels Taxes	557,200	583,264	612,894	612,070	623,898	643,392	653,626	663,639	677,929	686,424	698,128	710,044
Motor Vehicle License Tax	511,876	556,282	606,844	454,554	473,232	491,714	492,339	499,717	515,705	533,239	551,369	570,116
Motor Vehicle Sales Tax	444,976	487,041	540,961	546,157	614,147	605,561	593,855	573,400	579,600	609,800	626,900	643,800
Statewide Property Tax	0	0	0	0	305,573	585,416	599,622	617,308	633,922	654,796	671,350	688,232
Health Care Taxes	140,390	137,529	151,034	167,315	173,923	201,080	266,804	416,537	450,596	486,349	522,413	559,786
All Other Taxes	882,777	943,589	979,500	963,368	1,027,662	1,263,867	1,330,247	1,283,856	1,264,096	1,277,698	1,312,556	1,328,430
Subtotal - State Taxes	11,287,534	10,946,465	12,368,037	12,425,290	12,997,086	13,707,798	14,393,200	15,147,332	15,669,377	16,264,789	16,975,160	17,740,970
<i>Non-Tax Revenues:</i>												
Fees & Charges	481,655	471,427	524,857	525,751	614,121	732,266	870,674	881,182	913,867	928,146	899,356	901,069
Investment Earnings	271,782	315,222	278,512	342,461	250,735	176,775	86,107	65,723	93,662	101,783	112,846	127,528
Post-Secondary Tuition	463,147	479,621	509,774	550,302	650,771	740,164	876,000	995,417	1,002,181	1,007,136	1,012,768	1,018,069
Tobacco Settlements	297	0	104,926	130,254	156,646	152,566	168,467	167,642	164,975	161,176	157,480	153,886
All Other Resources	741,117	688,087	620,461	1,201,570	648,002	633,353	620,225	869,429	843,392	773,095	671,579	665,719
Subtotal - State Non Tax Revenues	1,957,998	1,954,357	2,038,530	2,750,338	2,320,275	2,435,124	2,621,473	2,979,393	3,018,077	2,971,336	2,854,029	2,866,271
Subtotal - State Own Source Revenues	13,245,532	12,900,822	14,406,567	15,175,628	15,317,361	16,142,922	17,014,673	18,126,725	18,687,454	19,236,125	19,829,189	20,607,241
Federal Grants	3,684,064	3,805,703	4,144,935	4,505,453	5,054,788	5,712,555	5,918,416	6,296,400	6,199,313	6,456,686	6,221,489	6,304,561
TOTAL STATE REVENUES	16,929,596	16,706,525	18,551,502	19,681,081	20,372,149	21,855,477	22,933,089	24,423,125	24,886,767	25,692,811	26,050,678	26,911,802
Local Non-School Revenues												
<i>Tax Revenues:</i>												
Property Tax	2,561,031	2,670,768	2,781,292	2,907,883	3,134,397	3,031,936	3,285,294	3,496,448	3,693,168	3,849,041	4,012,017	4,184,150
Sales Tax	85,349	94,470	101,717	109,814	110,537	108,939	113,328	118,205	123,631	127,984	132,491	137,262
Other Taxes	123,116	125,676	128,689	136,011	130,443	124,165	136,456	131,701	135,454	139,385	142,436	145,666
Subtotal - Local Taxes	2,769,496	2,890,914	3,011,698	3,153,708	3,375,377	3,265,040	3,535,078	3,746,354	3,952,253	4,116,410	4,286,944	4,467,078
<i>Non-Tax Revenues:</i>												
Special Assessments	236,273	270,853	269,433	271,870	268,097	291,122	298,801	306,719	314,886	323,312	334,692	346,740
Licenses and Permits	105,568	122,067	134,092	146,620	153,870	161,960	172,482	183,688	195,622	208,331	215,666	223,431
Charges for Services	644,330	640,733	704,342	744,613	814,858	872,775	941,615	1,016,127	1,096,793	1,184,139	1,226,169	1,270,657
Investment Earnings	363,843	355,497	200,421	468,041	363,928	274,022	274,022	274,022	274,022	274,022	274,022	274,022
Selected Enterprise Revenues	1,963,385	2,049,239	2,132,810	2,264,000	2,420,201	2,597,337	2,776,479	2,969,516	3,177,641	3,402,154	3,521,875	3,648,627
Miscellaneous Revenues	416,599	398,050	465,472	476,004	486,557	468,200	478,176	488,650	499,648	511,195	523,200	535,807
Subtotal - Local Non Tax Revenues	3,729,998	3,836,439	3,906,570	4,371,148	4,507,511	4,665,416	4,941,575	5,238,722	5,558,612	5,903,153	6,095,624	6,299,284
Subtotal - Local Own Source Revenues	6,499,494	6,727,353	6,918,268	7,524,856	7,882,888	7,930,456	8,476,653	8,985,076	9,510,865	10,019,563	10,382,568	10,766,362
<i>Intergovernmental Revenue:</i>												
State Aid	1,951,178	2,157,447	2,258,959	2,383,423	2,511,171	2,840,932	2,432,081	2,359,432	2,492,344	2,512,947	2,533,258	2,552,459
Local Aid	87,949	82,756	96,302	97,932	120,046	109,320	109,320	109,320	109,320	109,320	109,320	109,320
Federal Aid	538,262	486,020	483,643	558,693	573,518	605,645	605,645	605,645	605,645	605,645	605,645	605,645
Subtotal - Intergovernmental Revenue	2,577,389	2,726,223	2,838,904	3,040,048	3,204,735	3,555,897	3,147,046	3,074,397	3,207,309	3,227,912	3,248,223	3,267,424
TOTAL LOCAL NON-SCHOOL REVENUES	9,076,883	9,453,576	9,757,172	10,564,904	11,087,623	11,486,353	11,623,699	12,059,473	12,718,174	13,247,475	13,630,791	14,033,786

November 2004 Forecast
Price of Government
State & Local Revenues, CY 1997-2008
as a Percent of Personal Income
(\$ in Thousands)

	CY 1997 FY 1998	CY 1998 FY 1999	CY 1999 FY 2000	CY 2000 FY 2001	CY 2001 FY 2002	CY 2002 FY 2003	CY 2003 FY 2004	CY 2004 FY 2005	CY 2005 FY 2006	CY 2006 FY 2007	CY 2007 FY 2008	CY 2008 FY 2009
School District Revenues												
<i>Tax Revenues:</i>												
Property Tax	2,163,208	1,973,608	1,838,874	1,793,014	1,922,340	983,539	1,180,578	1,272,491	1,368,799	1,529,041	1,632,355	1,766,295
Taconite Production Tax	23,576	23,274	12,110	11,553	11,393	0	8,031	7,983	7,841	8,426	8,528	8,790
Subtotal - School District Tax Revenues	2,186,784	1,996,882	1,850,984	1,804,567	1,933,733	983,539	1,188,609	1,280,474	1,376,640	1,537,467	1,640,883	1,775,085
<i>Non-Tax Revenues:</i>												
Sales & Fee Revenue	151,682	165,450	180,258	187,693	202,486	218,422	228,059	244,023	261,105	279,382	298,939	319,865
Other Miscellaneous Revenue	378,101	403,241	414,646	461,506	437,667	459,428	488,178	512,587	538,216	565,127	593,383	623,053
Subtotal - School District Non Tax Revenues	529,783	568,691	594,904	649,199	640,153	677,850	716,237	756,610	799,321	844,509	892,322	942,918
Subtotal - School Dist Own Source Revenues	2,716,567	2,565,573	2,445,888	2,453,766	2,573,886	1,661,389	1,904,846	2,037,084	2,175,961	2,381,976	2,533,205	2,718,003
<i>Intergovernmental Revenue:</i>												
State Aid	3,267,620	3,564,226	3,955,138	4,268,222	4,334,571	6,088,481	6,052,652	6,003,987	5,963,905	5,918,871	5,871,453	5,819,571
State Paid Tax Credits	113,573	77,649	48,189	39,129	28,168	8,959	10,411	10,517	11,075	11,126	11,179	11,235
Education Homestead Credit	0	160,271	304,629	395,013	404,102	806	239	84	78	78	78	78
Education Agricultural Credit	0	0	0	45,979	55,116	0	0	0	0	0	0	0
Market Value Homestead Credit	0	0	0	0	0	68,860	68,406	67,906	60,128	58,575	56,734	54,848
Homestead Agric Land MV Credit	0	0	0	0	0	3,854	5,879	5,209	5,316	5,316	5,316	5,316
Local Aid	32,998	30,023	27,426	32,547	29,823	26,273	26,087	26,087	26,087	26,087	26,087	26,087
Federal Aid	294,325	317,583	341,744	370,319	436,648	498,291	527,826	575,330	627,110	683,550	745,069	812,126
Subtotal - Intergovernmental Revenue	3,708,516	4,149,752	4,677,126	5,151,209	5,288,428	6,695,524	6,691,500	6,689,120	6,693,699	6,703,603	6,715,916	6,729,261
TOTAL SCHOOL DISTRICT REVENUES	6,425,083	6,715,325	7,123,014	7,604,975	7,862,314	8,356,913	8,596,346	8,726,204	8,869,660	9,085,579	9,249,121	9,447,264

Total State, Local & School District Revenues

<i>Tax Revenues</i>	16,243,814	15,834,261	17,230,719	17,383,565	18,306,196	17,956,377	19,116,887	20,174,160	20,998,270	21,918,666	22,902,987	23,983,133
<i>Non-Tax Revenues</i>	6,217,779	6,359,487	6,540,004	7,770,685	7,467,939	7,778,390	8,279,285	8,974,725	9,376,010	9,718,998	9,841,975	10,108,473
<i>Intergovernmental Revenue</i>	9,969,969	10,681,678	11,660,965	12,696,710	13,547,951	15,963,976	15,756,962	16,059,917	16,100,321	16,388,201	16,185,628	16,301,246
TOTAL ALL REVENUES	32,431,562	32,875,426	35,431,688	37,850,960	39,322,086	41,698,743	43,153,134	45,208,802	46,474,601	48,025,865	48,930,590	50,392,852
Less: Intergovernmental Revenues	(9,969,969)	(10,681,678)	(11,660,965)	(12,696,710)	(13,547,951)	(15,963,976)	(15,756,962)	(16,059,917)	(16,100,321)	(16,388,201)	(16,185,628)	(16,301,246)

Total Own Source Revenues	22,461,593	22,193,748	23,770,723	25,154,250	25,774,135	25,734,767	27,396,172	29,148,885	30,374,280	31,637,664	32,744,962	34,091,606
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Minnesota Personal Income	128,387,750	139,553,250	146,721,500	157,963,750	162,751,000	166,718,500	172,217,000	181,173,300	190,435,250	200,036,700	210,560,500	222,144,175
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Revenue as Percent of Personal Income	17.5%	15.9%	16.2%	15.9%	15.8%	15.4%	15.9%	16.1%	15.9%	15.8%	15.6%	15.3%
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