



State of Minnesota
Department of Finance

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February 3, 2005

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

FROM: Peggy S. Ingison, Commissioner
Department of Finance

PSI

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
State Personal Income	190,435	200,037	390,472	210,561	222,144	432,705

**January 2005 Governor's Recommendation
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	6,505,713	6,917,513	7,355,348	7,812,728
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	4,393,892	4,435,183	4,556,583	4,714,225
Corporate Income Tax	752,061	777,491	800,129	728,970	529,458	588,656	628,048	765,100	687,465	685,800	689,665	711,715
Gasoline & Special Fuels Taxes	555,840	582,263	611,909	611,094	623,068	641,802	651,563	662,689	676,979	685,474	697,178	709,094
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	449,666	600,117	644,613	682,506
All Other Taxes	884,137	944,590	980,485	964,344	1,028,492	1,265,457	1,332,310	1,284,806	1,330,311	1,284,486	1,314,388	1,333,012
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	15,773,253	16,406,408	17,107,394	17,865,428
<i>Non-Tax Revenues:</i>												
Fees & Charges	481,655	471,427	524,857	525,751	614,121	732,266	870,674	882,791	979,881	968,606	948,065	950,915
Investment Earnings	271,782	315,222	278,512	342,461	250,735	176,775	86,107	65,723	92,551	97,087	103,753	103,494
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	904,394	1,015,974	741,491	752,276	748,327
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	3,015,967	3,255,562	2,975,496	2,974,342	2,974,691
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	18,163,299	19,028,815	19,381,904	20,081,736	20,840,119
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	6,264,993	6,504,608	6,492,406	6,805,616
TOTAL STATE REVENUES	16,929,596	16,706,525	18,551,502	19,681,081	20,372,149	21,855,477	22,933,089	24,459,699	25,293,808	25,886,512	26,574,142	27,645,735
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	2,473,044	2,493,947	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	3,188,009	3,208,912	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	12,698,874	13,228,475	13,630,791	14,033,786

**January 2005 Governor's Recommendation
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	1,373,501	1,686,119	1,832,919	1,996,803
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	1,381,342	1,694,545	1,841,447	2,005,593
<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	2,180,663	2,539,054	2,733,769	2,948,511
<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	6,087,976	6,206,955	6,152,250	6,095,945
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	6,817,770	6,991,687	6,996,713	7,005,635
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	8,998,433	9,530,741	9,730,482	9,954,146

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	21,106,848	22,217,363	23,235,785	24,338,099
<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	9,011,299	9,613,495	9,723,158	9,962,288	10,216,893
<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	16,270,772	16,705,207	16,737,342	17,078,675
TOTAL ALL REVENUES	32,431,562	32,875,426	35,431,688	37,850,960	39,322,086	41,698,743	43,153,134	45,245,376	46,991,115	48,645,728	49,935,415	51,633,667
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)	(16,270,772)	(16,705,207)	(16,737,342)	(17,078,675)
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	29,185,459	30,720,343	31,940,521	33,198,073	34,554,992
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
Revenue as Percent of Personal Income	17.5%	15.9%	16.2%	15.9%	15.8%	15.4%	15.9%	16.1%	16.1%	16.0%	15.8%	15.6%

**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