



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

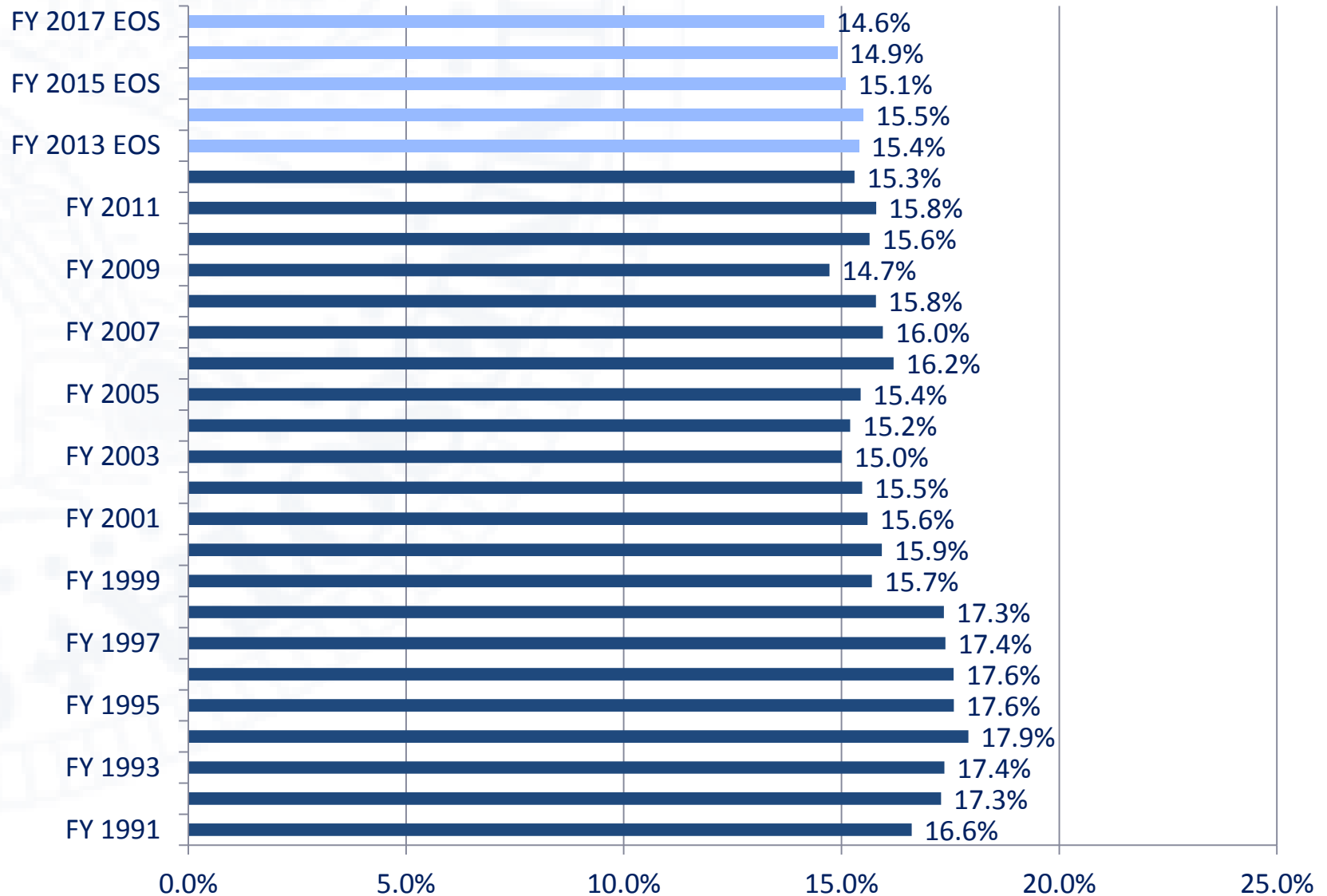
- Broadest real-time measure of Minnesota's economic activity
- Dollar value of all personal receipts
 - Wage and salary disbursements
 - Proprietor's income
 - Interest and dividends, rent income
 - Transfer payments (unemployment compensation, social security)
- Historical data series from Bureau of 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 <u>FY 2013</u>	Feb Fcst <u>FY 2015</u>
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	<u>5,392</u>	<u>5,453</u>
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	<u>10,892</u>	<u>11,215</u>
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%