



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

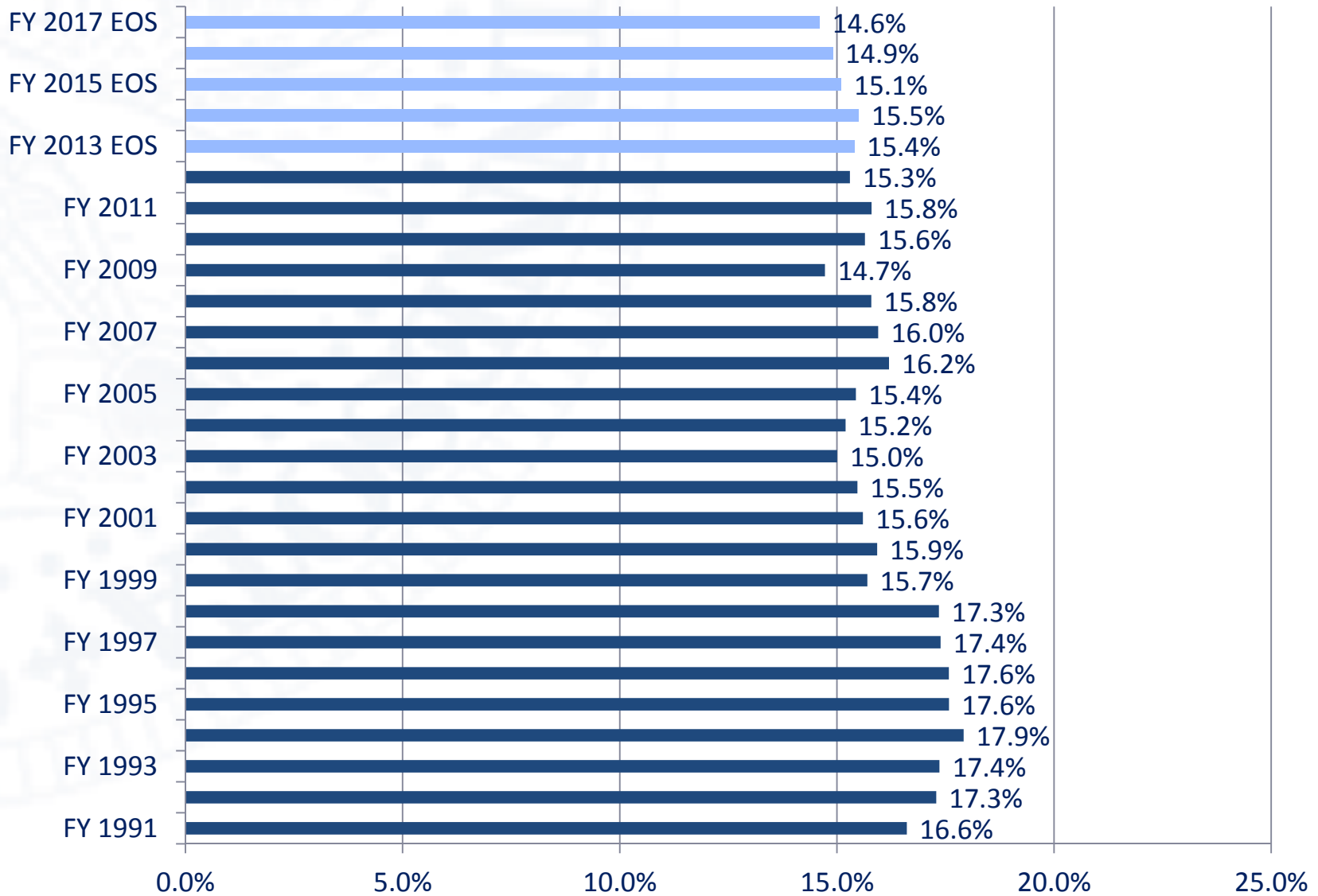
- Broadest real-time measure of Minnesota's economic activity
- Dollar value of all personal receipts
  - Wage and salary disbursements
  - Proprietor's income
  - Interest and dividends, rent income
  - Transfer payments (unemployment compensation, social security)
- Historical data series from Bureau 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

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

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



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