



Price of Government Report

Legislative Commission on Planning and Fiscal Policy

February 22, 2013

Price of Government Background

- The Price of Government (POG) is a measurement used to describe the relative cost of state and local government
- It is defined as total state and local revenues divided by total 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
 - Breaks out revenue mix by type: income, sales, property and other taxes, as well as fees and other non-tax revenues
 - Share of revenues collected at state and local government levels
- Prepared with state forecasts (MS 16A.103)

Price of Government Components

- **Own Source Revenues** – those collected directly by the state or local units
 - **Taxes** (state, local property taxes, local option 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), pension revenues

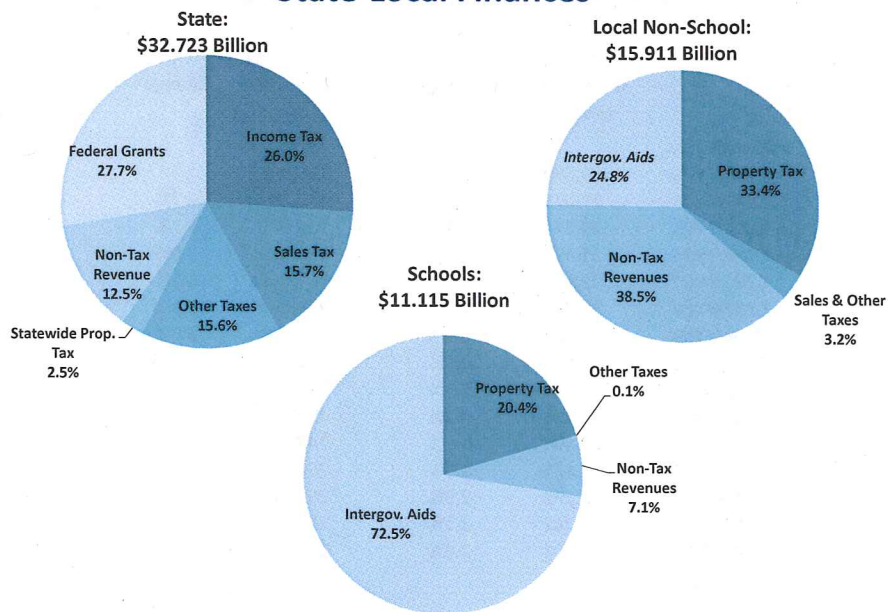
Minnesota Personal Income

- 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)
- Estimated by Bureau of Economic Analysis, US Department of Commerce
- Projected by MMB economists using state and national econometric models

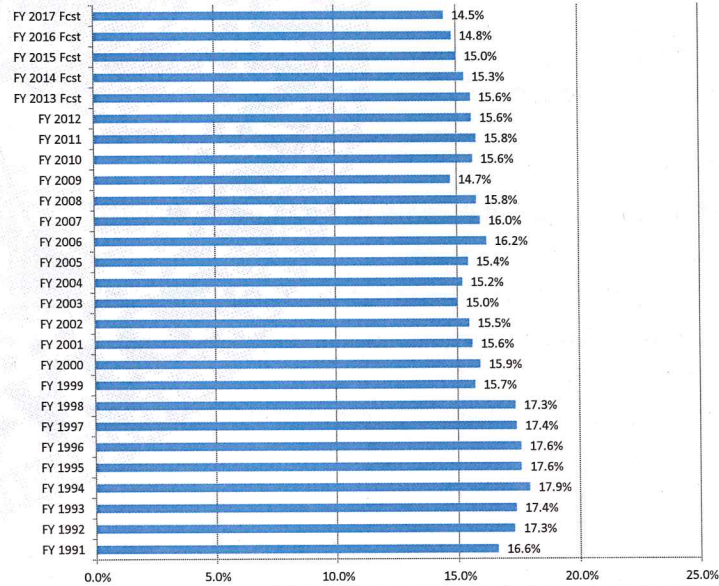
The Price of Government Highlights State-Local Finances

- In FY 2013, about *15.6 cents of every dollar* will go for state and local services
- Total “own source” revenues for FY 2013 will reach *\$38.7 billion*
- Minnesota personal income will exceed *\$248 billion*
- Who collects the revenue:
 - State collects 61 percent of the total (\$23.7 billion)
 - Cities, counties, towns, special districts collect 31 percent (\$11.9 billion)
 - School districts raise 8 percent of the total (\$3.1 billion)

FY 2013 Total Revenues Provide a Picture of State-Local Finances



MN Price of Government (History and Projected) State and Local Revenues as % of MN Personal Income



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%	205.856	6.1%
CY07/FY08	34.241	4.3%	216.841	5.3%
CY08/FY09	33.584	-1.9%	228.070	5.2%
CY09/FY10	33.893	0.9%	216.267	-5.2%
CY10/FY11	35.678	5.3%	225.853	4.4%
CY11/FY12	37.183	4.2%	238.166	5.5%
CY12/FY13	38.694	4.1%	248.323	4.3%
CY13/FY14	39.125	1.1%	256.443	3.3%
CY14/FY15	40.270	2.9%	268.063	4.5%
CY15/FY16	41.742	3.7%	281.468	5.0%
CY16/FY17	42.901	2.8%	295.213	4.9%

Revenue as Percent of Personal Income is Projected to Decline to 15.0 Percent by FY 2015.

(\$ in millions)	FY13 Fcst	FY15 Fcst
Income Tax	8,521	8,929
<i>Percent of Pers. Income</i>	<i>3.4%</i>	<i>3.3%</i>
Sales Tax	5,461	5,823
<i>Percent of Pers. Income</i>	<i>2.2%</i>	<i>2.2%</i>
Statewide & Local Property Tax	8,401	8,591
<i>Percent of Pers. Income</i>	<i>3.4%</i>	<i>3.2%</i>
Other Taxes	5,294	5,584
<i>Percent of Pers. Income</i>	<i>2.1%</i>	<i>2.1%</i>
Total Tax Revenues	27,676	28,927
<i>Percent of Pers. Income</i>	<i>11.1%</i>	<i>10.8%</i>
Non-Tax Revenues	10,928	11,344
<i>Percent of Pers. Income</i>	<i>4.4%</i>	<i>4.2%</i>
Total "Own Source Revenues"	38,694	40,270
<i>Percent of Pers. Income</i>	<i>15.6%</i>	<i>15.0%</i>
Mn Personal Income	248,323	268,063

Under the Governor's Budget, Revenues will Increase to 15.7 Percent of Personal Income in FY 2015.

(\$ in millions)	FY15 Fcst	FY15 Gov
Income Tax	8,929	8,740
<i>Percent of Pers. Income</i>	<i>3.3%</i>	<i>3.3%</i>
Sales Tax	5,823	7,632
<i>Percent of Pers. Income</i>	<i>2.2%</i>	<i>2.8%</i>
Statewide & Local Property Tax	8,591	8,646
<i>Percent of Pers. Income</i>	<i>3.2%</i>	<i>3.2%</i>
Other Taxes	5,584	5,632
<i>Percent of Pers. Income</i>	<i>2.1%</i>	<i>2.1%</i>
Total Tax Revenues	28,927	30,649
<i>Percent of Pers. Income</i>	<i>10.8%</i>	<i>11.4%</i>
Non-Tax Revenues	11,344	11,420
<i>Percent of Pers. Income</i>	<i>4.2%</i>	<i>4.3%</i>
Total "Own Source Revenues"	40,270	42,070
<i>Percent of Pers. Income</i>	<i>15.0%</i>	<i>15.7%</i>
Mn Personal Income	268,063	268,063

