

Minnesota State & Local Government Finances: Fact vs. Fiction

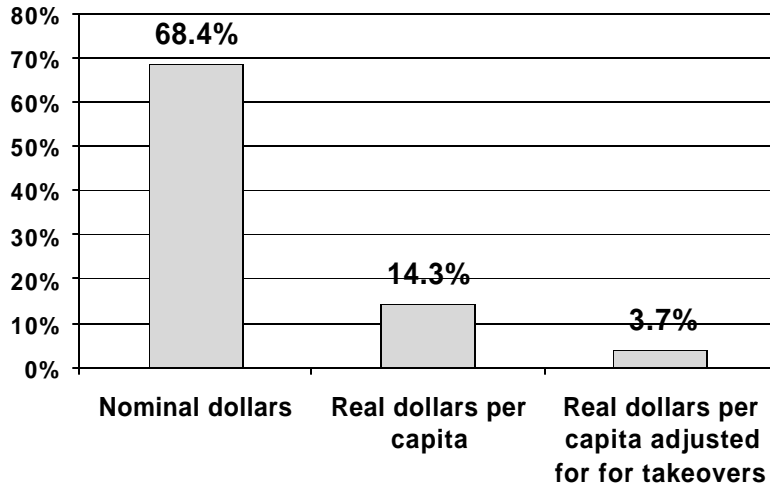
Jeff Van Wychen

Consultant to the cities of Duluth, Minneapolis, & Saint Paul, the counties of Ramsey & Saint Louis, and the Minneapolis & Saint Paul school districts

#4F

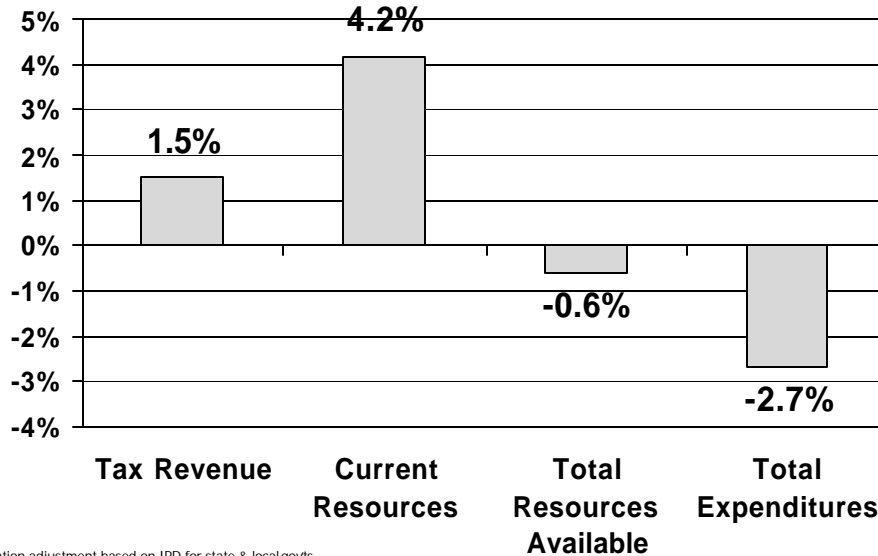
**How much has the
state general fund
grown in recent
years?**

Percent Change in State General Fund Spending from FY 1994-95 to FY 2004-05



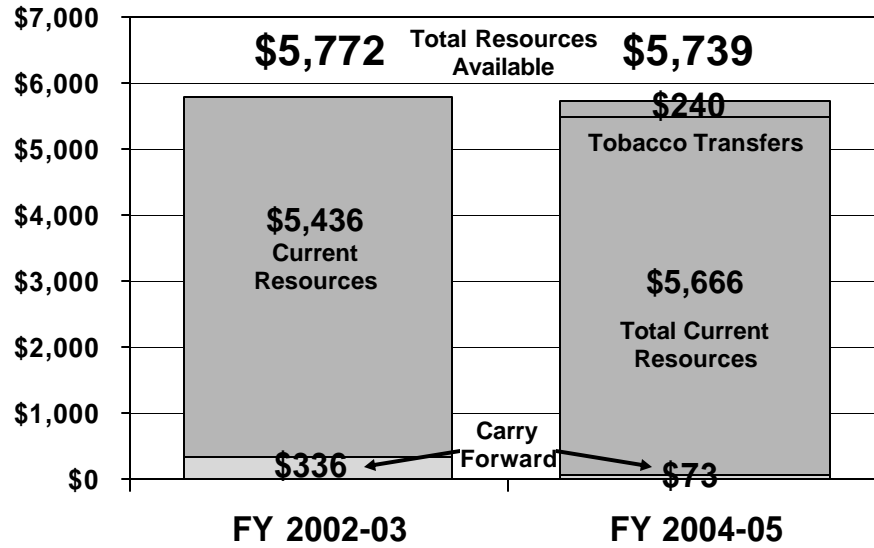
Inflation adjustment based on the implicit price deflator for state and local governments. Takeover adjustment based on estimated increase in general fund attributable to the state buy-down of education property taxes (which culminated with the general education takeover in pay 2002) and state takeover of transit. General fund revenue and expenditure data from MN Department of Finance.

Percent Growth/Decline in State General Fund Revenues & Expenditures from FY 2002-03 to FY 2004-05 in Real (i.e., inflation adjusted) Dollars Per Capita Based on February Forecast (current law)

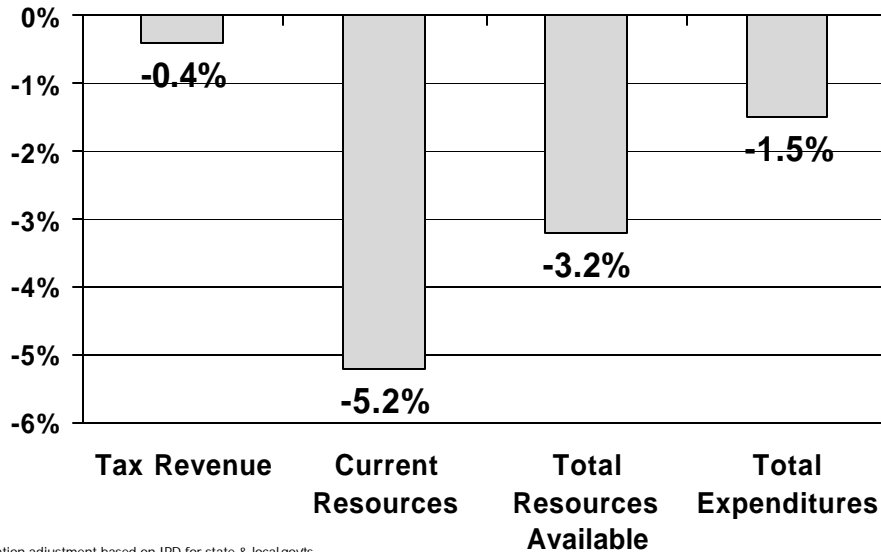


Inflation adjustment based on IPD for state & local govts.

General Fund Revenues in FY 2002-03 and FY 2004-05 in Constant FY 04-05 Dollars Per capita

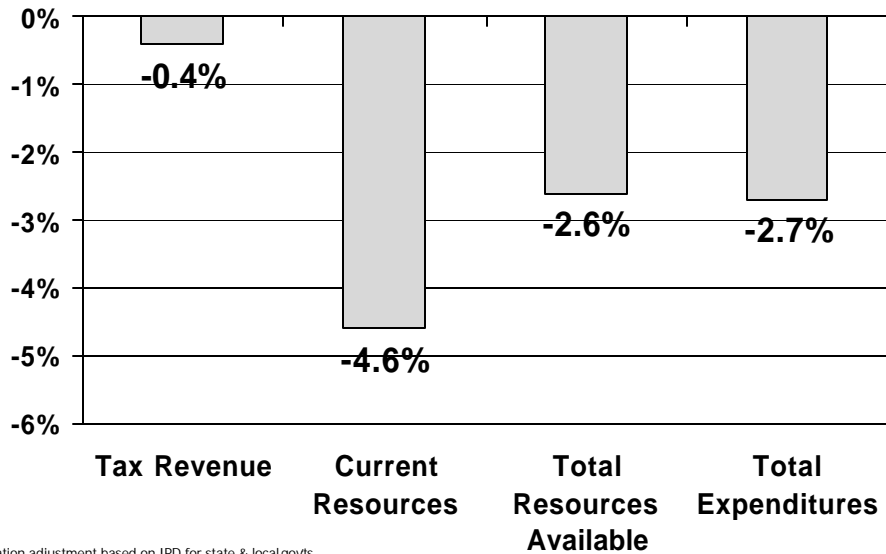


Percent Growth/Decline in State General Fund Revenues & Expenditures from FY 2004-05 to FY 2006-07 in Real (i.e., inflation adjusted) Dollars Per Capita Based on February Forecast (current law)



Inflation adjustment based on IPD for state & local govts.

**Percent Growth/Decline in State General Fund
Revenues & Expenditures from FY 2004-05 to FY 2006-
07 in Real (i.e., inflation adjusted) Dollars Per Capita
Based on Governor's Supplemental Budget**



**School Revenues Declining
Under Governor's Budget**

-2.6%

**Projected decline in real per pupil
state general fund expenditures on E-
12 education from FY 2004-05 to FY
2006-07 based on Governor's March
supplemental budget**

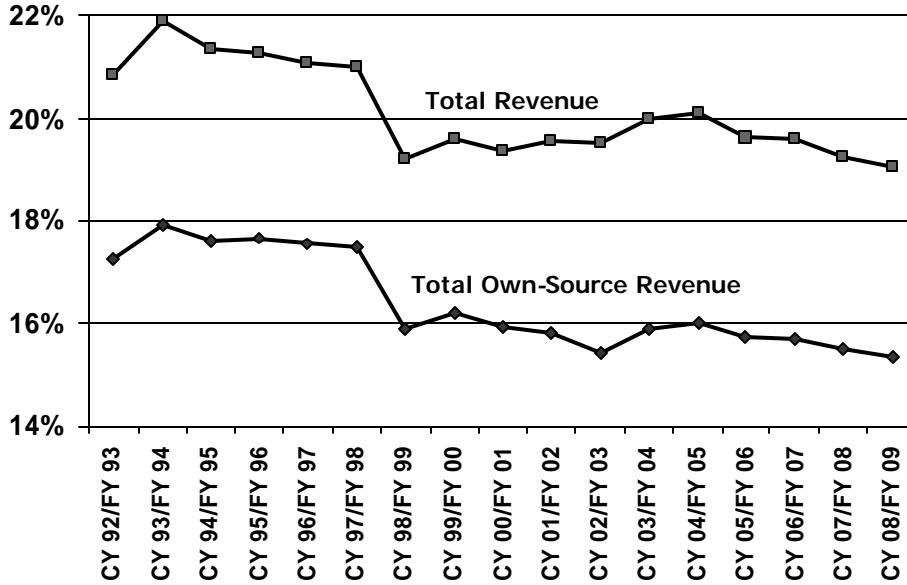
Conclusion

In real dollars per capita, the state general fund declined from FY 2002-03 to FY 2004-05 and will decline again in FY 2006-07 under the Governor's proposed budget.

**What is the
“Price of
Government”
in Minnesota?**

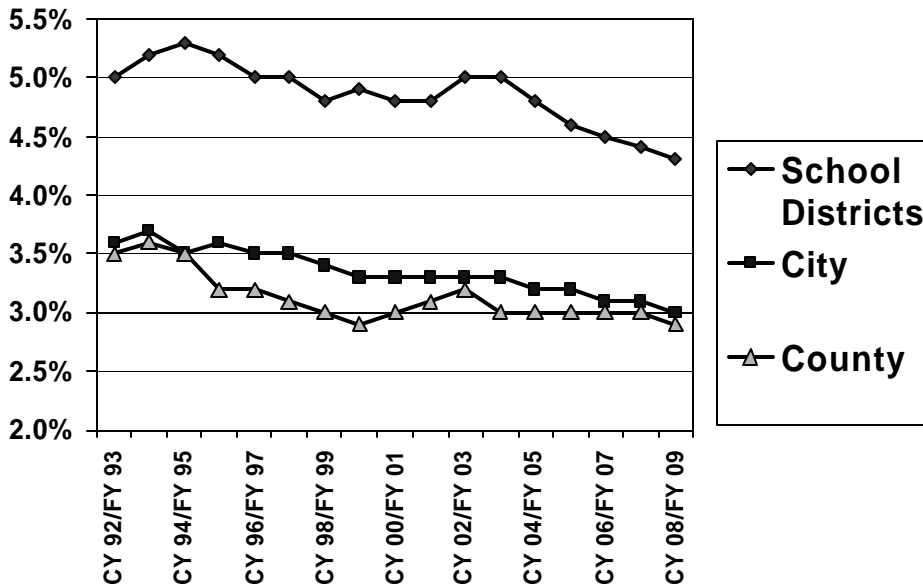
State & Local Government Revenue as a Percent of Total Minnesota Personal Income

Based on Feb. 2005 Price of Gov't Report. Revenue after FY 2003 is projected.



County, City, & School District Total Revenue as a Percent of Minnesota Personal Income

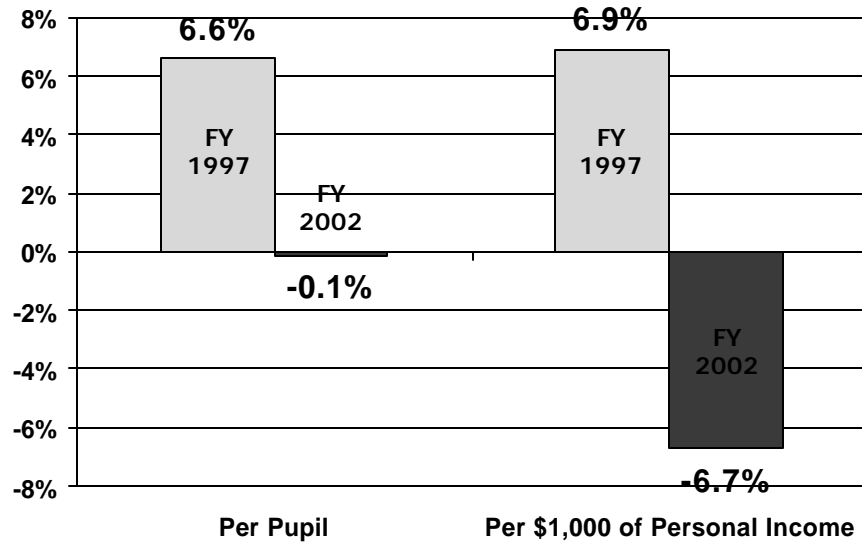
Based on Feb. 2005 Price of Gov't Report. Revenue after FY 2003 is projected.



Minnesota's "Price of Government" has fallen in recent years. This decline is projected to continue in future years.

Is Minnesota a big government or a small government state?

**Elementary & Secondary Current Spending
Per Pupil & Per \$1,000 of Personal Income:
Minnesota Relative to U.S. Average**

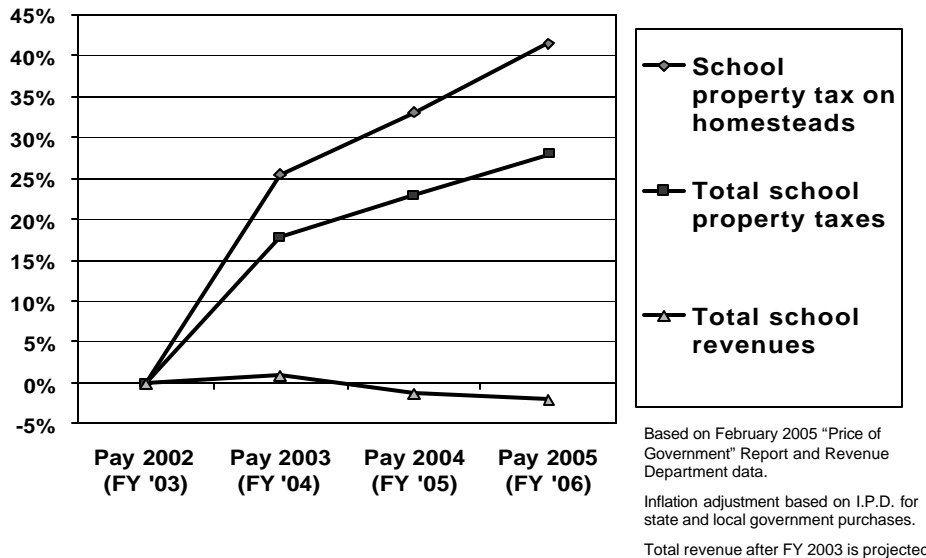


Source: 1997 and 2002 Census of Governments

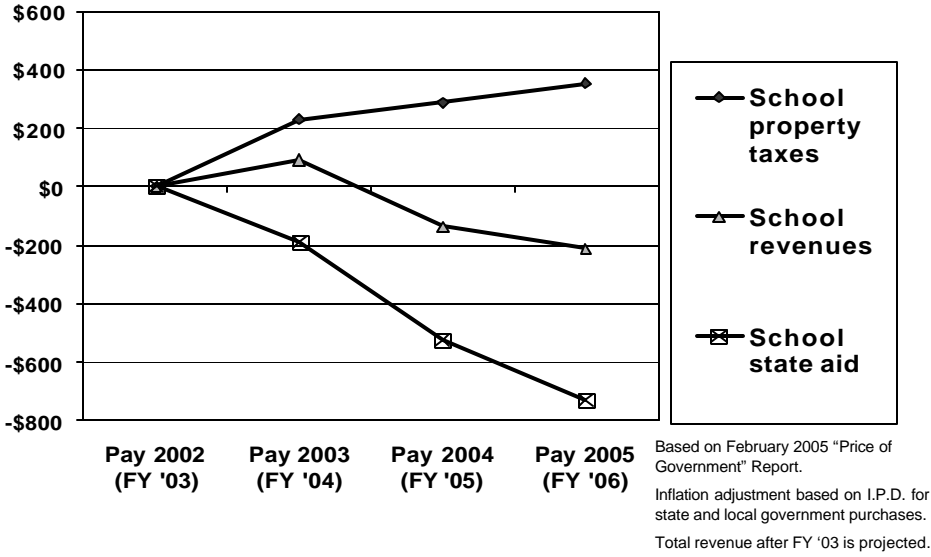
**As of FY 2002,
Minnesota was fairly
typical relative to
other states in terms
of the size of state &
local government.**

What is the cause of property tax increases in recent years?

Percent Change in Total School Revenue, School Property Taxes, & School Homestead Property Taxes in Real Dollars Per Pupil since Pay 2002 (FY 2003)

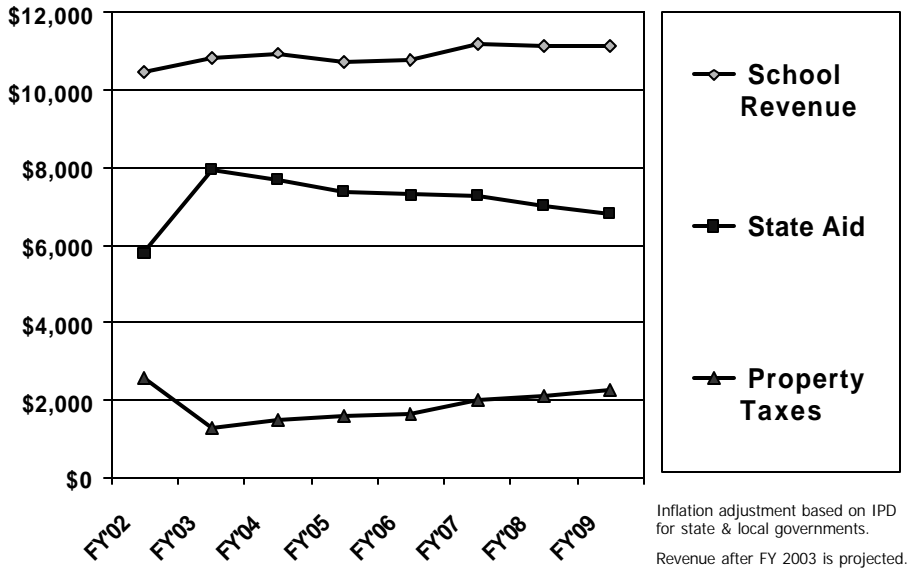


Change in Total School Revenue, School Property Taxes, & State Aid to School Districts in Constant FY 2006 Dollars Per Pupil since Pay 2002 (FY 2003)

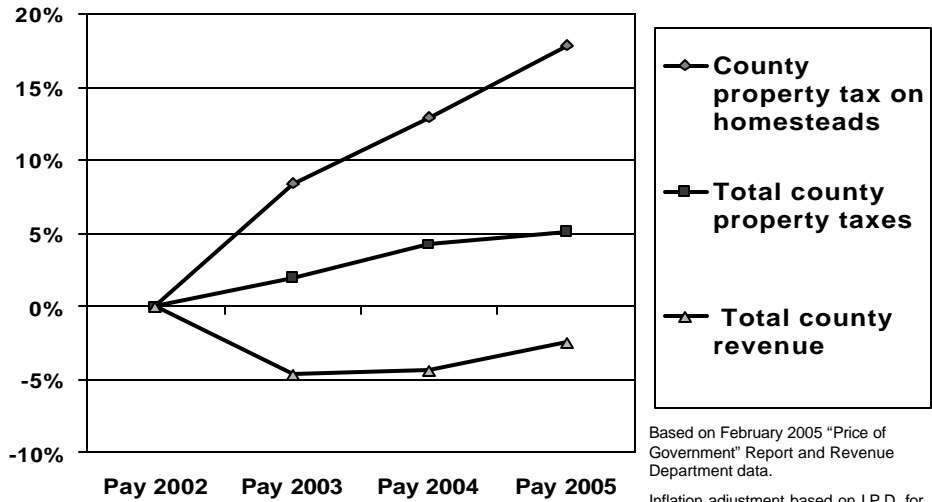


Minnesota School District Revenue & State Aid in Constant FY 2006 Dollars Per Pupil Under Governor's Budget

Based on January 2005 Price of Government report updated based on Governor's budget.
Amounts do not reflect Governor's supplemental budget.

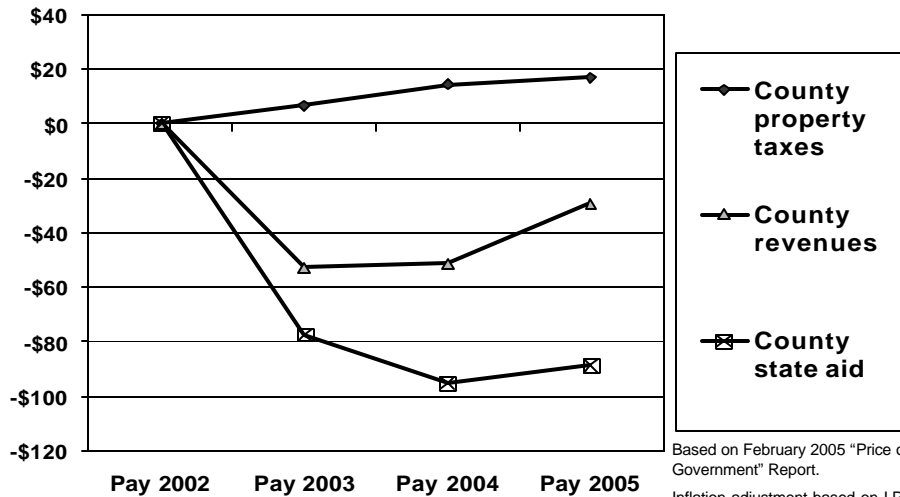


Percent Change in Total County Revenue, County Property Taxes, & County Homestead Property Taxes in Real Dollars Per Capita since Pay 2002



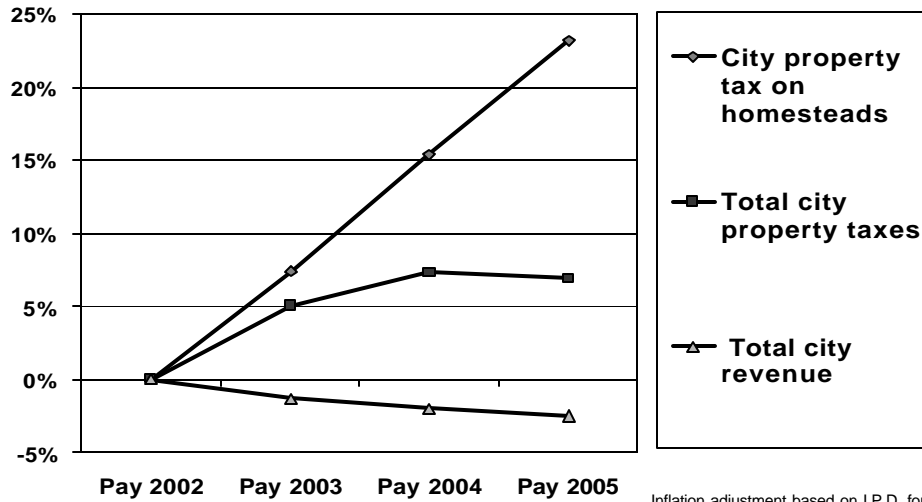
Based on February 2005 "Price of Government" Report and Revenue Department data.
 Inflation adjustment based on I.P.D. for state and local government purchases.
 Total revenue after 2003 is projected.

Change in Total County Revenue, County Property Taxes, & State Aid to Counties in Constant 2005 Dollars Per Capita since Pay 2002



Based on February 2005 "Price of Government" Report.
 Inflation adjustment based on I.P.D. for state and local govt purchases.
 Total revenue after 2003 is projected.

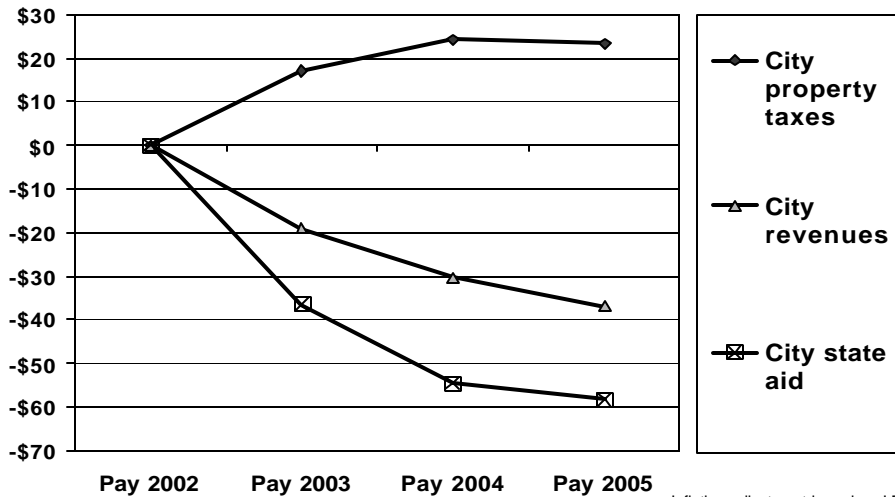
Percent Change in Total City Revenue, City Property Taxes, & City Homestead Property Taxes in Real Dollars Per Capita since Pay 2002



Based on February 2005 "Price of Government" Report and Revenue Department data.

Inflation adjustment based on I.P.D. for state and local government purchases. Total revenue after 2003 is projected.

Change in Total City Revenue, City Property Taxes, & State Aid to Cities in Constant 2005 Dollars Per Capita since Pay 2002



Based on February 2005 "Price of Government" Report.

Inflation adjustment based on I.P.D. for state and local gov't purchases. Total revenue after 2003 is projected.

**The primary cause
of property tax
increases since pay
2002 is state aid
reductions, not local
revenue increases.**

**“Turbo-charged TnT”
is not the answer**

- Turbo-charged TnT caps local government revenue, but revenue growth is not the problem
- Turbo-charged TnT does not address the real cause of property tax increases: state aid cuts
- Turbo-charged TnT is a distraction