



How Does Minnesota Compare?

State Rankings of State and Local Government Revenues and Spending

For Fiscal Year 2014

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Sound tax policy. Efficient spending. Accountable government.

About the Minnesota Center for Fiscal Excellence

The Minnesota Center for Fiscal Excellence was founded in 1926 to promote sound tax policy, efficient spending, and accountable government.

We pursue this mission by

- educating and informing Minnesotans about sound fiscal policy;
- providing state and local policy makers with objective, non-partisan research about the impacts of tax and spending policies; and
- advocating for the adoption of policies reflecting principles of fiscal excellence

MCFE generally defers from taking positions on levels of government taxation and spending believing that citizens, through their elected officials, are responsible for determining the level of government they are willing to support with their tax dollars. Instead, MCFE seeks to ensure that revenues raised to support government adhere to good tax policy principles and that the spending supported by these revenues accomplishes its purpose in an efficient, transparent, and accountable manner.

The Center is a non-profit, non-partisan group supported by membership dues. For information about membership, call (651) 224-7477, or visit our web site at www.fiscalexcellence.org

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Introducing *How Does Minnesota Compare?*

For nearly 50 years, MCFE's *How Does Minnesota Compare* served as a one-stop resource for comparing Minnesota's tax collections and spending to other states. Using data from the Census Bureau – the most reliable and comparable available – the report ranked states' revenues and spending in various categories on a per-person basis (to control for differences in population) and on a per-\$1,000 of personal income basis (to control for differences in incomes). The report captured how Minnesota's reliance on particular revenue sources and its spending priorities compare to other states. Over the years this report also offered a unique and valuable perspective on how Minnesota's tax policy and our governments' spending priorities have evolved and changed.

But the most common use of these measures and accompanying rankings is in judging the adequacy and competitiveness of Minnesota's tax and spending policies. Comparing one state with other is irresistible, and these ratios allow comparisons in ways that are very simple both to grasp and to communicate to the public.

However, both population-based measures and personal income-based measures have limitations that often obscure complex underlying issues and can make state comparisons misleading:

- Per capita comparisons of revenues measure differences in per capita income between states more than they measure differences in revenue collections. According to the Minnesota Department of Revenue, in FY 2011 differences in per capita income explain 55 percent of the difference in tax revenue per capita (excluding energy-dependent states Alaska and Wyoming).¹
- Per capita spending comparisons implicitly suggest every person everywhere has an identical need for every public service. That is clearly not the case. Population age, degree of urbanization, poverty rates, and many other demographic characteristics have huge implications on the demand for (and ultimately spending on) a wide variety of public services, such education, health care, and transportation. For example, two states with similar populations will have very different per capita spending on education if one state is significantly “younger” than the other – with a much higher proportion of school-age children.
- Personal income comparisons show government revenues or spending in relation to a broad measure of state economic activity. The problem is that the taxes, fees and other revenues governments actually collect can't be paid for using a “broad measure of economic activity.” A significant portion of personal income includes non-money income that can't be used to pay taxes – like the value of medical benefits the government provides, the rental value of owner-occupied housing, and the contributions employers make toward employee retirement plans and health insurance. At the same time, personal income doesn't include other income sources that *can* be used to pay taxes – like capital gains and retirement income outside of Social Security
- Personal income-based comparisons are also complicated by the fact that purchasing power varies significantly across the country. \$1,000 of spending on schools goes a lot farther in Nebraska than it does in New York or California.

¹ http://www.revenue.state.mn.us/research_stats/Tax%20Rankings/rankings_faq.pdf

With these issues in mind, we redesigned this resource to create *How Does Minnesota Compare*. We've replaced the per capita and personal income comparisons with new measures that allow for more meaningful comparisons of spending and revenues. Our changes are as follows:

1. **“Total State Cash Income” metric is now the basis for comparing revenues**

To better match government revenues with the public's ability to finance state and local government, we created a “total state cash income” statistic to better measure the resources households actually have available to pay to the government. We calculate cash income by starting with the state personal income amounts the Bureau of Economic Analysis generates and subtract the following items:

- Contributions employers make toward pension and insurance plans
- Payment employers make to the government for Social Security and Medicare
- The value of government-sponsored medical benefits (mainly Medicare and Medicaid)
- Imputed interest²
- Imputed rent³
- The value of Supplemental Nutrition Assistance Program (food stamp) benefits
- The value of education and training assistance benefits⁴
- Government transfers to nonprofit institutions

We then add the following items that people ***can and do*** use to pay for governments' operating costs (at the state, local, and federal level) to the mix:

- Payments employees make to the government for Social Security and Medicare⁵
- Distributions from IRAs
- Pension and annuity benefits
- Capital gains

As a way to benchmark and compare states, cash income provides a better estimate of governments' claim on the collective income a state's residents actually have to pay for its operating costs than personal income does.

2. **On the spending side, we use “units served” as the basis for comparison**

To improve state spending comparisons we replaced simple “per capita” comparisons with proxy measures that better align government spending with its ultimate users and beneficiaries. For some spending areas, the beneficiaries or users can be readily identified (such as “number of pupils” for K-12 spending or “1,000 miles of road” for transportation spending). Other spending areas represent classic “public goods” benefitting society as whole. In these cases, we use total households in a state as the

² This is the value of investment income earned on life insurance and the value of services that depository institutions provide without an explicit charge for doing so.

³ This includes the value of things such as the rental value of owner-occupied housing, the value of farm products consumed at home by the producers, and pay-in-kind in the form of meals and lodging.

⁴ Largely federal fellowship payments and interest subsidy on higher education loans, Pell Grants, Job Corps payments, education exchange payments, and state education assistance payments.

⁵ Except for one-half of the self-employment taxes, which are essentially a mandatory business expense.

preferable “economic unit served” because most of these services benefit households as a whole (for instance, a fire or police call to a home will benefit everyone in the home at the same time, even if they are not there at the time).

For “public welfare” spending, we define the unit served as individuals at or below 150% of the federal poverty guidelines. There is significant variability in the income eligibility standards for the safety net programs these spending numbers cover. We believe 150% of poverty represents a reasonable standard for defining “poor and near-poor”.

3. The comparisons now account for differences in purchasing power from state to state

We adjusted spending to accommodate state-to-state differences in the price of goods and services. Some states are more (or less) expensive than others, and this filters through to the costs governments incur in providing public services. To account for these cost differentials, we modify the spending numbers based on the federal Bureau of Economic Analysis’ Regional Price Parity data. Making this adjustment provides a better comparison of the cost structures each state has in providing public services.

We have also made a minor modification to the data on sales and excise taxes to improve interstate comparability. Most states report the tax on motor vehicle sales as part of their sales tax. However, seven states – including Minnesota – report that tax separately, and for those states the Census includes it in the excise taxes instead of the sales taxes. To have consistent treatment we moved all motor vehicle excise taxes into the sales tax total.⁶

Key Issues in Interpreting the Findings

Even with these adjustments, the report’s findings should still be interpreted with some caution. Readers should keep in mind the following.

Separate vs. Combined State and Local Data

The Census Bureau does provide financial information separately for state governments and for local governments. Although state government-only and local government-only comparisons are possible, combining state and local data provides the best measure for making comparisons between states for two reasons.

First, state and local taxes together best reflect the total burden governments impose on citizens. Second, states differ significantly in allocating responsibility between state and local governments to provide and pay for government services. For example, according to Census data Minnesota had the fifth-most state-reliant public education finance system in the nation in FY 2013, with 69.0% of K-12 funding coming from state government. Many other states remain highly dependent on local property taxes for K-12 education and nationally only 46.7% of K-12 funding comes from state governments.

Focusing on state or local tax burdens independently leads to inappropriate and misleading “apples to oranges” comparisons. States that transfer substantial sums of the

⁶ We were encouraged to make this change by Minnesota Department of Revenue staff. The Department makes a similar adjustment in preparing its own set of rankings.

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revenue they collect to local governments will overstate state government-only tax rankings and understate local government-only tax rankings.

Other Considerations

- Tax Importing and Exporting: We cannot account for taxes paid by nonresident workers (a significant issue in the seven-county metropolitan area) and consumers (think Mall of America). In both cases, these tax dollars are included in the Census tax data, but the people paying them are not included in the cash income totals. To some extent, including these revenues paid by non-residents makes the governments' claim on Minnesotans' cash income seem higher than it actually is. The error is somewhat mitigated by Minnesota residents paying out-of-state taxes, but measuring the aggregate effect would be very difficult.
- Interaction with Federal Taxation: Many state and local taxes (income or sales and property taxes, for example) are deductible from federal taxes. This effectively exports part of the state-local tax burden to the federal level. This report does not measure the effect of such exporting.
- Influence of Business Severance Taxes on Rankings: Several states have unusually high tax and/or spending numbers that affect their rankings, but do not accurately reflect costs governments in that state impose on residents. Alaska is the most prominent one; while its gas and oil industry generates substantial revenues for the state, most of those taxes are exported to consumers across the country as part of the price of gasoline or other petroleum-based products. Other examples include Wyoming and Montana, which tax their coal industries very heavily, thus shielding the average taxpayer from the cost of higher than average spending. Consider data from natural resource-rich states with this in mind.

For more information on our findings and methodology see the *Frequently Asked Questions* section at the end of this report.

Revenues: Summary of Results and Historical Data

MINNESOTA STATE & LOCAL GOVERNMENT REVENUES						
As % of Total State Cash Income						
Category	FY 2013		FY 2014		Rank	
	Amount	% of US	Amount	% of US	2013	2014
Ind. Income Tax	4.11%	116.2%	4.40%	123.9%	6	6
Corp. Income Tax	0.63%	112.9%	0.61%	106.7%	8	11
Property Tax	3.85%	99.2%	3.52%	88.8%	19	26
Sales Tax	2.63%	90.8%	2.87%	93.6%	29	23
Excise Tax	1.76%	125.9%	1.76%	126.4%	10	11
Other Taxes	0.83%	87.3%	0.91%	96.4%	29	23
Total Taxes	13.82%	111.3%	14.09%	111.1%	9	9
Other Own-Source Revenues	5.22%	94.1%	5.37%	94.9%	39	35
Revenues from Federal Government	4.61%	92.5%	4.47%	87.3%	37	41
Total Revenues	23.66%	103.0%	23.93%	102.0%	28	27

Percent of U.S. calculated using only states that levy the tax in question.

FY2014 Sources of State & Local General Revenue (\$000)

	MINNESOTA		ALL STATES	
Individual Income Tax	\$9,623,831	18.4%	\$341,135,706	12.4%
Property Tax	\$7,699,536	14.7%	\$466,391,552	16.9%
General Sales Tax	\$6,236,496	11.9%	\$352,645,961	12.8%
Excise Tax	\$3,898,716	7.5%	\$164,722,165	6.0%
Other Taxes	\$3,322,152	6.4%	\$165,920,313	6.0%
Charges and User Fees	\$7,718,023	14.8%	\$453,829,506	16.5%
Interest Earnings	\$969,853	1.9%	\$50,446,592	1.8%
Miscellaneous Non-Tax Revenues	\$3,049,409	5.8%	\$160,792,822	5.8%
From Federal Government	\$9,773,901	18.7%	\$602,230,223	21.8%
Minnesota Total	\$52,291,917	100.0%	\$2,758,114,840	100.0%

Sources of Minnesota State & Local General Revenue

	FY 1994	FY 2004	FY 2014
Individual Income Tax	15.7%	16.2%	18.4%
Property Tax	16.6%	14.0%	14.7%
Consumption Taxes	17.9%	18.6%	19.4%
Other Taxes	6.6%	6.3%	6.4%
Other Non-Tax Revenues	26.8%	24.5%	22.4%
From Federal Government	16.4%	20.3%	18.7%

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Total General Revenues As % of Total State Cash Income By Selected Source							
State	Own Source - Taxes		Own Source - Non Tax		Federal Government		Total - All Sources
	Amount	Rank	Amount	Rank	Amount	Rank	Amount Rank
Alabama	10.13%	47	7.74%	8	6.25%	17	24.12% 24
Alaska	18.53%	4	18.65%	1	10.30%	2	47.47% 1
Arizona	11.14%	38	5.28%	37	5.74%	23	22.16% 34
Arkansas	12.78%	20	5.36%	36	7.29%	12	25.43% 18
California	13.73%	13	5.71%	25	4.65%	38	24.09% 25
Colorado	10.90%	42	6.00%	23	3.90%	46	20.80% 43
Connecticut	13.49%	15	2.64%	51	3.58%	48	19.71% 47
Delaware	12.23%	27	8.58%	5	6.21%	18	27.02% 13
D.C.	23.56%	1	6.51%	17	14.00%	1	44.07% 2
Florida	9.64%	50	6.23%	19	4.32%	42	20.19% 45
Georgia	10.95%	41	5.23%	39	4.98%	34	21.16% 42
Hawaii	16.50%	5	6.65%	14	6.37%	15	29.52% 9
Idaho	10.97%	40	5.62%	27	5.52%	25	22.11% 35
Illinois	13.86%	11	3.92%	50	4.18%	44	21.95% 36
Indiana	11.76%	31	6.24%	18	5.41%	27	23.42% 28
Iowa	12.11%	28	7.28%	11	5.88%	21	25.28% 19
Kansas	11.70%	33	6.74%	12	3.87%	47	22.31% 32
Kentucky	12.57%	23	5.57%	30	8.06%	8	26.20% 14
Louisiana	11.74%	32	6.60%	16	7.19%	13	25.53% 17
Maine	15.04%	7	4.73%	44	7.34%	11	27.11% 12
Maryland	13.06%	16	4.12%	49	4.68%	37	21.86% 39
Massachusetts	12.63%	22	4.19%	48	4.69%	36	21.51% 40
Michigan	11.44%	36	6.62%	15	5.90%	20	23.96% 26
MINNESOTA	14.09%	9	5.37%	35	4.47%	41	23.93% 27
Mississippi	13.01%	17	8.02%	6	9.46%	4	30.49% 7
Missouri	10.57%	44	5.39%	34	5.48%	26	21.44% 41
Montana	11.81%	30	5.46%	32	7.71%	9	24.99% 20
Nebraska	12.50%	26	5.60%	29	4.60%	39	22.70% 30
Nevada	11.26%	37	4.66%	45	3.44%	49	19.36% 49
New Hampshire	10.00%	48	4.22%	46	3.14%	51	17.37% 51
New Jersey	13.80%	12	4.21%	47	3.94%	45	21.94% 37
New Mexico	13.96%	10	9.46%	4	9.69%	3	33.11% 3
New York	19.13%	3	5.68%	26	6.29%	16	31.10% 6
North Carolina	11.84%	29	6.70%	13	5.81%	22	24.35% 23
North Dakota	21.11%	2	5.86%	24	5.03%	32	32.00% 4
Ohio	12.54%	24	6.14%	21	6.13%	19	24.82% 21
Oklahoma	10.20%	46	6.01%	22	5.68%	24	21.89% 38
Oregon	12.65%	21	7.75%	7	7.51%	10	27.91% 11
Pennsylvania	12.50%	25	5.16%	40	5.00%	33	22.66% 31
Rhode Island	13.67%	14	5.45%	33	6.59%	14	25.70% 16
South Carolina	11.10%	39	9.54%	3	5.34%	29	25.98% 15
South Dakota	9.61%	51	4.84%	43	5.24%	31	19.68% 48
Tennessee	9.66%	49	5.02%	42	5.39%	28	20.07% 46
Texas	10.87%	43	5.06%	41	4.28%	43	20.21% 44
Utah	11.59%	34	7.45%	9	5.33%	30	24.36% 22
Vermont	15.30%	6	5.24%	38	8.87%	5	29.40% 10
Virginia	10.34%	45	5.61%	28	3.34%	50	19.29% 50
Washington	11.49%	35	6.16%	20	4.59%	40	22.24% 33
West Virginia	14.23%	8	7.41%	10	8.65%	6	30.29% 8
Wisconsin	12.91%	18	5.47%	31	4.70%	35	23.08% 29
Wyoming	12.87%	19	10.24%	2	8.09%	7	31.21% 5
U.S. Average	12.68%		5.66%		5.12%		23.46%
Minnesota History							
FY 2011	14.14%	12	6.01%	31	5.58%	39	25.72% 28
FY 2012	14.06%	9	5.29%	38	5.31%	33	24.67% 26
FY 2013	13.82%	9	5.22%	39	4.61%	37	23.66% 28

See FAQ for definition of "General Revenues"

How Does Minnesota Compare? FY 2014 Comparisons

Income Tax Collections		
As % of Total State Cash Income		
State	Amount	Rank
Alabama	2.30%	36
Alaska	-	-
Arizona	1.71%	41
Arkansas	2.99%	22
California	4.42%	5
Colorado	2.64%	32
Connecticut	4.03%	8
Delaware	3.25%	17
D.C.	6.20%	1
Florida	-	-
Georgia	2.88%	26
Hawaii	3.55%	10
Idaho	2.77%	30
Illinois	3.26%	16
Indiana	2.87%	27
Iowa	2.92%	24
Kansas	2.31%	35
Kentucky	3.94%	9
Louisiana	1.79%	40
Maine	3.33%	14
Maryland	4.89%	4
Massachusetts	4.12%	7
Michigan	2.55%	33
MINNESOTA	4.40%	6
Mississippi	2.07%	39
Missouri	2.86%	29
Montana	3.20%	21
Nebraska	2.89%	25
Nevada	-	-
New Hampshire	0.16%	43
New Jersey	2.87%	28
New Mexico	2.19%	37
New York	6.14%	2
North Carolina	3.42%	12
North Dakota	1.46%	42
Ohio	3.35%	13
Oklahoma	2.18%	38
Oregon	5.16%	3
Pennsylvania	3.24%	19
Rhode Island	2.73%	31
South Carolina	2.44%	34
South Dakota	-	-
Tennessee	0.11%	44
Texas	-	-
Utah	3.25%	18
Vermont	2.97%	23
Virginia	3.21%	20
Washington	-	-
West Virginia	3.44%	11
Wisconsin	3.32%	15
Wyoming	-	-
U.S. Average	2.90%	
44-State Average	3.55%	
Minnesota History		
FY 2011	3.94%	8
FY 2012	4.00%	7
FY 2013	4.11%	6

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Corporate Tax Collections		
As % of Total State Cash Income		
State	Amount	Rank
Alabama	0.28%	40
Alaska	1.36%	2
Arizona	0.28%	39
Arkansas	0.46%	18
California	0.58%	12
Colorado	0.33%	31
Connecticut	0.32%	32
Delaware	0.84%	6
D.C.	1.54%	1
Florida	0.30%	37
Georgia	0.30%	35
Hawaii	0.26%	42
Idaho	0.39%	26
Illinois	0.87%	5
Indiana	0.41%	24
Iowa	0.34%	30
Kansas	0.30%	34
Kentucky	0.65%	10
Louisiana	0.31%	33
Maine	0.43%	22
Maryland	0.38%	27
Massachusetts	0.68%	8
Michigan	0.27%	41
MINNESOTA	0.61%	11
Mississippi	0.65%	9
Missouri	0.22%	45
Montana	0.45%	19
Nebraska	0.42%	23
Nevada	-	-
New Hampshire	0.94%	4
New Jersey	0.57%	14
New Mexico	0.35%	28
New York	1.33%	3
North Carolina	0.45%	20
North Dakota	0.73%	7
Ohio	0.07%	47
Oklahoma	0.29%	38
Oregon	0.43%	21
Pennsylvania	0.58%	13
Rhode Island	0.30%	36
South Carolina	0.23%	43
South Dakota	0.08%	46
Tennessee	0.56%	15
Texas	-	-
Utah	0.35%	29
Vermont	0.47%	17
Virginia	0.22%	44
Washington	-	-
West Virginia	0.40%	25
Wisconsin	0.48%	16
Wyoming	-	-
U.S. Average	0.46%	
47-State Average	0.57%	
Minnesota History		
FY 2011	0.53%	14
FY 2012	0.53%	13
FY 2013	0.63%	8

How Does Minnesota Compare? FY 2014 Comparisons

Property Tax Collections		
As % of Total State Cash Income		
State	Amount	Rank
Alabama	1.76%	51
Alaska	6.47%	4
Arizona	3.28%	34
Arkansas	2.30%	49
California	3.49%	27
Colorado	3.41%	31
Connecticut	5.16%	9
Delaware	2.30%	48
D.C.	7.65%	1
Florida	3.44%	30
Georgia	3.53%	25
Hawaii	2.83%	41
Idaho	3.14%	36
Illinois	5.06%	10
Indiana	3.04%	39
Iowa	4.18%	17
Kansas	3.84%	20
Kentucky	2.57%	45
Louisiana	2.53%	46
Maine	6.00%	7
Maryland	3.48%	28
Massachusetts	4.58%	12
Michigan	4.05%	19
MINNESOTA	3.52%	26
Mississippi	3.40%	32
Missouri	2.92%	40
Montana	4.51%	14
Nebraska	4.50%	15
Nevada	2.77%	42
New Hampshire	6.61%	2
New Jersey	6.56%	3
New Mexico	2.57%	44
New York	5.87%	8
North Carolina	3.11%	37
North Dakota	2.43%	47
Ohio	3.59%	23
Oklahoma	1.78%	50
Oregon	4.16%	18
Pennsylvania	3.73%	21
Rhode Island	6.10%	6
South Carolina	3.72%	22
South Dakota	3.39%	33
Tennessee	2.59%	43
Texas	4.39%	16
Utah	3.20%	35
Vermont	6.46%	5
Virginia	3.58%	24
Washington	3.44%	29
West Virginia	3.06%	38
Wisconsin	4.67%	11
Wyoming	4.57%	13
U.S. Average	3.97%	
Minnesota History		
FY 2011	4.31%	21
FY 2012	3.93%	20
FY 2013	3.85%	19

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General Sales Tax Collections As % of Total State Cash Income		
State	Amount	Rank
Alabama	3.01%	22
Alaska	0.73%	47
Arizona	4.41%	7
Arkansas	4.79%	5
California	3.14%	20
Colorado	2.81%	28
Connecticut	2.06%	41
Delaware	-	-
D.C.	4.37%	8
Florida	3.40%	16
Georgia	2.85%	26
Hawaii	6.20%	1
Idaho	2.85%	25
Illinois	1.97%	42
Indiana	3.33%	18
Iowa	2.61%	34
Kansas	3.59%	14
Kentucky	2.47%	35
Louisiana	4.50%	6
Maine	2.81%	29
Maryland	1.64%	46
Massachusetts	1.72%	44
Michigan	2.66%	33
MINNESOTA	2.87%	23
Mississippi	4.10%	11
Missouri	2.79%	30
Montana	-	-
Nebraska	2.87%	24
Nevada	4.30%	10
New Hampshire	-	-
New Jersey	2.13%	39
New Mexico	5.37%	2
New York	3.16%	19
North Carolina	2.69%	31
North Dakota	4.88%	4
Ohio	3.13%	21
Oklahoma	3.40%	17
Oregon	-	-
Pennsylvania	2.11%	40
Rhode Island	2.29%	38
South Carolina	2.68%	32
South Dakota	3.89%	13
Tennessee	3.95%	12
Texas	4.33%	9
Utah	2.82%	27
Vermont	1.96%	43
Virginia	1.65%	45
Washington	5.22%	3
West Virginia	2.38%	37
Wisconsin	2.44%	36
Wyoming	3.53%	15
U.S. Average	3.01%	
47-State Average	3.07%	
Minnesota History		
FY 2011	2.78%	30
FY 2012	2.81%	27
FY 2013	2.63%	29

Note: Includes sales tax on motor vehicles

How Does Minnesota Compare? FY 2014 Comparisons

Excise Tax Collections		
As % of Total State Cash Income		
State	Amount	Rank
Alabama	1.88%	7
Alaska	1.18%	34
Arizona	1.00%	45
Arkansas	1.60%	19
California	1.17%	36
Colorado	1.05%	44
Connecticut	1.45%	27
Delaware	1.47%	25
D.C.	1.54%	20
Florida	1.61%	18
Georgia	1.06%	43
Hawaii	2.56%	4
Idaho	0.99%	46
Illinois	1.95%	6
Indiana	1.71%	14
Iowa	1.20%	33
Kansas	1.07%	42
Kentucky	2.27%	5
Louisiana	1.63%	17
Maine	1.71%	13
Maryland	1.82%	9
Massachusetts	0.86%	50
Michigan	1.27%	31
MINNESOTA	1.76%	11
Mississippi	1.87%	8
Missouri	1.15%	38
Montana	1.68%	16
Nebraska	0.96%	48
Nevada	2.65%	2
New Hampshire	1.53%	21
New Jersey	0.97%	47
New Mexico	1.12%	39
New York	1.52%	22
North Carolina	1.49%	23
North Dakota	1.18%	35
Ohio	1.44%	28
Oklahoma	1.17%	37
Oregon	1.47%	24
Pennsylvania	1.77%	10
Rhode Island	1.69%	15
South Carolina	1.09%	41
South Dakota	1.26%	32
Tennessee	1.45%	26
Texas	1.10%	40
Utah	1.33%	30
Vermont	2.60%	3
Virginia	0.91%	49
Washington	1.72%	12
West Virginia	2.86%	1
Wisconsin	1.38%	29
Wyoming	0.74%	51
U.S. Average	1.40%	
Minnesota History		
FY 2011	1.71%	19
FY 2012	1.91%	8
FY 2013	1.76%	10

Other Tax Collections		
As % of Total State Cash Income		
State	Amount	Rank
Alabama	0.89%	26
Alaska	8.79%	2
Arizona	0.44%	49
Arkansas	0.65%	41
California	0.93%	21
Colorado	0.66%	40
Connecticut	0.47%	48
Delaware	4.37%	3
D.C.	2.26%	6
Florida	0.89%	25
Georgia	0.33%	51
Hawaii	1.10%	14
Idaho	0.81%	31
Illinois	0.76%	34
Indiana	0.39%	50
Iowa	0.88%	27
Kansas	0.59%	46
Kentucky	0.68%	38
Louisiana	0.97%	19
Maine	0.76%	32
Maryland	0.85%	29
Massachusetts	0.67%	39
Michigan	0.64%	43
MINNESOTA	0.91%	23
Mississippi	0.91%	24
Missouri	0.63%	44
Montana	1.98%	8
Nebraska	0.85%	28
Nevada	1.55%	9
New Hampshire	0.75%	35
New Jersey	0.71%	36
New Mexico	2.37%	5
New York	1.10%	13
North Carolina	0.69%	37
North Dakota	10.43%	1
Ohio	0.96%	20
Oklahoma	1.38%	11
Oregon	1.42%	10
Pennsylvania	1.07%	15
Rhode Island	0.55%	47
South Carolina	0.93%	22
South Dakota	0.99%	17
Tennessee	0.99%	18
Texas	1.04%	16
Utah	0.65%	42
Vermont	0.84%	30
Virginia	0.76%	33
Washington	1.11%	12
West Virginia	2.08%	7
Wisconsin	0.62%	45
Wyoming	4.04%	4
U.S. Average	0.95%	
Minnesota History		
FY 2011	0.86%	28
FY 2012	0.88%	26
FY 2013	0.83%	29

Expenditures: Summary of Results and Historical Data

Summary of Minnesota State and Local Government Spending Adjusted for State Price Differences (Spending per household unless otherwise noted)						
Category	FY 2013		FY 2014		Rank	
	Amount	% of US	Amount	% of US	2013	2014
Total Spending	\$23,887	105.2%	\$24,833	107.0%	15	15
K-12 Education (per pupil)	\$11,981	108.9%	\$12,331	109.0%	21	21
Higher Education (per pupil)	\$16,884	114.5%	\$17,071	110.6%	21	24
Public Welfare (per person within 150% of poverty level)	\$13,605	202.5%	\$14,020	197.2%	4	4
Health and Hospitals	\$1,696	78.7%	\$1,555	70.4%	30	34
Natural Resources and Parks	\$389	155.0%	\$401	166.9%	12	14
Highways (per 1,000 road miles)	\$28,298	70.0%	\$31,244	75.8%	37	30
Police	\$840	97.1%	\$846	97.4%	19	19
Fire	\$180	48.5%	\$213	56.4%	47	45
Corrections	\$429	68.4%	\$439	68.9%	43	46
Interest on the General Debt	\$811	88.1%	\$778	85.5%	24	27
Other Spending	\$3,215	75.7%	\$3,282	76.6%	36	35

FY2014 State and Local Government Direct Spending (\$000)

	MINNESOTA		ALL STATES	
K-12 Education	\$10,753,158	20.9%	\$586,106,729	21.7%
Higher Education	\$4,676,531	9.1%	\$268,976,777	9.9%
Public Welfare	\$13,368,605	26.0%	\$542,569,109	20.0%
Health and Hospitals	\$3,218,445	6.3%	\$255,322,178	9.4%
Highways	\$4,154,534	8.1%	\$162,152,041	6.0%
Police, Fire and Corrections	\$3,098,245	6.0%	\$220,834,856	8.2%
Government Administration	\$2,333,841	4.5%	\$128,589,671	4.8%
Natural Resources & Parks	\$1,844,332	3.6%	\$65,124,412	2.4%
Interest	\$1,610,091	3.1%	\$107,401,149	4.0%
Other Expenditures	\$6,323,755	12.3%	\$369,858,364	13.7%
Total	\$51,381,537	100.0%	\$2,706,935,286	100.0%

Minnesota State & Local Government Direct Spending

Shares by Function, Selected Years

	FY 1994	FY 2004	FY 2014
K-12 Education	23.9%	22.9%	20.9%
Higher Education	8.2%	8.4%	9.1%
Public Welfare	18.8%	23.1%	26.0%
Health and Hospitals	9.7%	6.0%	6.3%
Highways	7.8%	8.3%	8.1%
Police, Fire and Corrections	5.2%	5.9%	6.0%
Government Administration	5.0%	5.4%	4.5%
Natural Resources & Parks	3.4%	3.8%	3.6%
Interest	5.4%	4.4%	3.1%
Other Expenditures	12.6%	11.9%	12.3%

Total Direct General Expenditures Spending per Household Adjusted for State Price Differences		
State	Amount	Rank
Alabama	22,631	30
Alaska	55,937	1
Arizona	18,379	50
Arkansas	22,576	32
California	26,118	11
Colorado	21,265	40
Connecticut	24,662	16
Delaware	27,869	6
D.C.	37,406	2
Florida	19,434	46
Georgia	20,094	45
Hawaii	26,158	10
Idaho	18,960	48
Illinois	22,607	31
Indiana	20,940	42
Iowa	25,844	12
Kansas	23,752	20
Kentucky	21,990	35
Louisiana	26,210	8
Maine	21,576	38
Maryland	23,185	25
Massachusetts	24,881	14
Michigan	21,055	41
MINNESOTA	24,833	15
Mississippi	25,538	13
Missouri	20,308	44
Montana	22,219	34
Nebraska	23,720	21
Nevada	18,755	49
New Hampshire	18,367	51
New Jersey	24,230	18
New Mexico	26,192	9
New York	29,510	5
North Carolina	20,855	43
North Dakota	29,994	4
Ohio	23,409	22
Oklahoma	21,945	36
Oregon	23,308	23
Pennsylvania	22,755	27
Rhode Island	24,326	17
South Carolina	22,787	26
South Dakota	21,945	37
Tennessee	19,227	47
Texas	22,303	33
Utah	23,973	19
Vermont	26,535	7
Virginia	21,386	39
Washington	22,701	28
West Virginia	22,658	29
Wisconsin	23,228	24
Wyoming	35,772	3
U.S. Average	23,213	
Minnesota History		
FY 2011	23,261	15
FY 2012	23,882	14
FY 2013	23,887	15

See FAQ for definition of "Direct General Expenditure"

How Does Minnesota Compare? FY 2014 Comparisons

Elementary and Secondary Education Spending per Pupil Adjusted for State Price Differences		
State	Amount	Rank
Alabama	11,052	30
Alaska	17,561	3
Arizona	7,055	50
Arkansas	11,105	29
California	9,348	45
Colorado	9,573	44
Connecticut	14,112	11
Delaware	13,834	13
D.C.	30,274	1
Florida	9,259	46
Georgia	10,548	35
Hawaii	10,234	37
Idaho	7,086	49
Illinois	11,943	23
Indiana	9,693	40
Iowa	13,217	16
Kansas	11,874	25
Kentucky	10,905	32
Louisiana	11,889	24
Maine	12,405	20
Maryland	12,839	17
Massachusetts	14,237	10
Michigan	10,727	33
MINNESOTA	12,331	21
Mississippi	9,670	41
Missouri	11,697	26
Montana	11,671	27
Nebraska	13,942	12
Nevada	8,180	48
New Hampshire	13,570	14
New Jersey	15,907	7
New Mexico	10,084	38
New York	17,439	5
North Carolina	8,704	47
North Dakota	15,567	8
Ohio	13,264	15
Oklahoma	9,659	42
Oregon	10,535	36
Pennsylvania	14,662	9
Rhode Island	16,163	6
South Carolina	11,590	28
South Dakota	10,612	34
Tennessee	10,029	39
Texas	9,577	43
Utah	6,951	51
Vermont	17,539	4
Virginia	12,015	22
Washington	10,967	31
West Virginia	12,806	18
Wisconsin	12,632	19
Wyoming	18,634	2
U.S. Average	11,309	
Minnesota History		
FY 2011	12,114	23
FY 2012	11,583	22
FY 2013	11,981	21

Higher Education Spending per Pupil Adjusted for State Price Differences		
State	Amount	Rank
Alabama	19,950	8
Alaska	20,193	7
Arizona	13,328	42
Arkansas	18,319	16
California	12,987	44
Colorado	15,150	33
Connecticut	15,759	30
Delaware	23,256	3
D.C.	5,820	51
Florida	9,812	50
Georgia	11,360	48
Hawaii	12,518	47
Idaho	13,633	39
Illinois	14,260	34
Indiana	17,605	20
Iowa	24,617	2
Kansas	17,683	19
Kentucky	17,164	22
Louisiana	15,400	32
Maine	13,505	40
Maryland	14,248	35
Massachusetts	16,664	26
Michigan	18,088	17
MINNESOTA	17,071	24
Mississippi	16,673	25
Missouri	14,008	38
Montana	15,871	29
Nebraska	18,720	14
Nevada	9,967	49
New Hampshire	14,185	36
New Jersey	13,047	43
New Mexico	17,875	18
New York	12,812	46
North Carolina	17,417	21
North Dakota	20,732	5
Ohio	17,108	23
Oklahoma	19,556	10
Oregon	19,015	12
Pennsylvania	18,746	13
Rhode Island	12,955	45
South Carolina	15,467	31
South Dakota	16,592	27
Tennessee	13,338	41
Texas	18,596	15
Utah	20,473	6
Vermont	26,818	1
Virginia	14,064	37
Washington	16,347	28
West Virginia	19,249	11
Wisconsin	19,839	9
Wyoming	21,737	4
U.S. Average	15,441	
Minnesota History		
FY 2011	15,869	25
FY 2012	15,657	26
FY 2013	16,884	21

How Does Minnesota Compare? FY 2014 Comparisons

Public Welfare Spending per Person at/below 150% of Poverty Level Adjusted for State Price Differences		
State	Amount	Rank
Alabama	5,931	45
Alaska	14,746	2
Arizona	4,288	50
Arkansas	6,996	29
California	6,732	34
Colorado	6,867	31
Connecticut	10,780	8
Delaware	10,311	9
D.C.	14,134	3
Florida	5,184	46
Georgia	4,690	49
Hawaii	8,442	20
Idaho	6,344	40
Illinois	7,000	28
Indiana	8,231	22
Iowa	10,176	10
Kansas	7,005	27
Kentucky	6,992	30
Louisiana	6,029	43
Maine	12,594	5
Maryland	9,961	11
Massachusetts	11,880	7
Michigan	6,140	41
MINNESOTA	14,020	4
Mississippi	6,503	37
Missouri	6,811	32
Montana	6,615	36
Nebraska	8,722	18
Nevada	3,658	51
New Hampshire	8,486	19
New Jersey	8,274	21
New Mexico	6,466	38
New York	9,582	15
North Carolina	4,775	48
North Dakota	9,737	14
Ohio	9,094	16
Oklahoma	7,304	26
Oregon	8,856	17
Pennsylvania	9,882	12
Rhode Island	9,741	13
South Carolina	5,943	44
South Dakota	7,768	24
Tennessee	6,035	42
Texas	4,787	47
Utah	6,425	39
Vermont	14,933	1
Virginia	7,713	25
Washington	6,674	35
West Virginia	8,067	23
Wisconsin	12,081	6
Wyoming	6,782	33
U.S. Average	7,109	
Minnesota History		
FY 2011	13,238	2
FY 2012	15,555	1
FY 2013	13,605	4

Health and Hospitals Spending per Household Adjusted for State Price Differences		
State	Amount	Rank
Alabama	3,635	5
Alaska	2,572	13
Arizona	1,656	32
Arkansas	1,511	36
California	2,855	9
Colorado	1,959	26
Connecticut	1,499	38
Delaware	1,492	39
D.C.	2,378	18
Florida	1,828	27
Georgia	2,122	24
Hawaii	2,608	11
Idaho	1,585	33
Illinois	1,183	44
Indiana	2,561	14
Iowa	3,383	6
Kansas	3,081	7
Kentucky	1,739	30
Louisiana	3,045	8
Maine	1,307	41
Maryland	979	47
Massachusetts	930	48
Michigan	2,347	19
MINNESOTA	1,555	34
Mississippi	4,187	3
Missouri	2,471	16
Montana	1,118	45
Nebraska	2,158	22
Nevada	1,539	35
New Hampshire	344	51
New Jersey	1,206	43
New Mexico	2,529	15
New York	2,601	12
North Carolina	3,675	4
North Dakota	852	49
Ohio	2,173	21
Oklahoma	1,813	29
Oregon	2,441	17
Pennsylvania	1,706	31
Rhode Island	631	50
South Carolina	4,288	2
South Dakota	1,064	46
Tennessee	1,828	28
Texas	2,291	20
Utah	2,122	23
Vermont	1,364	40
Virginia	2,012	25
Washington	2,851	10
West Virginia	1,213	42
Wisconsin	1,507	37
Wyoming	5,964	1
U.S. Average	2,211	
Minnesota History		
FY 2011	1,504	34
FY 2012	1,528	33
FY 2013	1,696	30

How Does Minnesota Compare? FY 2014 Comparisons

Natural Resources Spending per Household Adjusted for State Price Differences		
State	Amount	Rank
Alabama	167	37
Alaska	1,417	2
Arizona	228	28
Arkansas	284	23
California	336	17
Colorado	210	29
Connecticut	121	47
Delaware	268	25
D.C.	177	35
Florida	410	13
Georgia	149	40
Hawaii	230	27
Idaho	480	8
Illinois	136	44
Indiana	170	36
Iowa	442	10
Kansas	285	22
Kentucky	236	26
Louisiana	602	5
Maine	318	18
Maryland	205	30
Massachusetts	124	46
Michigan	110	48
MINNESOTA	401	14
Mississippi	304	20
Missouri	189	32
Montana	742	4
Nebraska	583	7
Nevada	294	21
New Hampshire	142	43
New Jersey	129	45
New Mexico	384	15
New York	66	51
North Carolina	181	34
North Dakota	1,049	3
Ohio	102	49
Oklahoma	186	33
Oregon	412	12
Pennsylvania	148	41
Rhode Island	159	38
South Carolina	158	39
South Dakota	597	6
Tennessee	146	42
Texas	194	31
Utah	278	24
Vermont	417	11
Virginia	79	50
Washington	456	9
West Virginia	307	19
Wisconsin	371	16
Wyoming	1,430	1
U.S. Average	240	
Minnesota History		
FY 2011	415	11
FY 2012	345	18
FY 2013	389	12

Highways Spending per 1,000 Road Miles Adjusted for State Price Differences		
State	Amount	Rank
Alabama	25,561	39
Alaska	111,250	3
Arizona	38,517	26
Arkansas	18,862	47
California	100,470	6
Colorado	32,860	29
Connecticut	73,620	12
Delaware	105,583	5
D.C.	464,996	1
Florida	76,423	10
Georgia	30,306	32
Hawaii	143,554	2
Idaho	23,681	41
Illinois	52,167	16
Indiana	28,591	36
Iowa	23,519	42
Kansas	14,018	50
Kentucky	39,867	22
Louisiana	39,454	23
Maine	39,383	24
Maryland	88,486	7
Massachusetts	78,588	9
Michigan	30,071	33
MINNESOTA	31,244	30
Mississippi	24,406	40
Missouri	21,167	45
Montana	16,146	48
Nebraska	14,939	49
Nevada	31,084	31
New Hampshire	45,281	19
New Jersey	106,484	4
New Mexico	19,882	46
New York	79,738	8
North Carolina	43,897	20
North Dakota	21,416	44
Ohio	49,322	18
Oklahoma	23,376	43
Oregon	35,199	28
Pennsylvania	72,417	13
Rhode Island	76,160	11
South Carolina	26,088	38
South Dakota	13,376	51
Tennessee	28,693	35
Texas	41,909	21
Utah	26,432	37
Vermont	49,328	17
Virginia	59,689	14
Washington	53,378	15
West Virginia	36,302	27
Wisconsin	38,866	25
Wyoming	29,742	34
U.S. Average	41,215	
Minnesota History		
FY 2011	26,965	38
FY 2012	28,298	37
FY 2013	28,530	36

Note: Does not include spending on transit

How Does Minnesota Compare? FY 2014 Comparisons

Police Protection Spending per Household Adjusted for State Price Differences		
State	Amount	Rank
Alabama	753	33
Alaska	1,430	2
Arizona	837	20
Arkansas	666	42
California	1,113	5
Colorado	879	16
Connecticut	799	27
Delaware	978	11
D.C.	1,847	1
Florida	1,032	8
Georgia	738	36
Hawaii	865	17
Idaho	754	32
Illinois	1,032	9
Indiana	528	49
Iowa	650	45
Kansas	745	34
Kentucky	469	51
Louisiana	946	13
Maine	482	50
Maryland	1,064	6
Massachusetts	865	18
Michigan	665	43
MINNESOTA	846	19
Mississippi	744	35
Missouri	808	22
Montana	769	31
Nebraska	626	46
Nevada	1,152	3
New Hampshire	734	37
New Jersey	923	14
New Mexico	946	12
New York	1,130	4
North Carolina	898	15
North Dakota	675	41
Ohio	800	26
Oklahoma	794	28
Oregon	806	23
Pennsylvania	725	38
Rhode Island	980	10
South Carolina	685	40
South Dakota	624	47
Tennessee	802	25
Texas	804	24
Utah	772	29
Vermont	771	30
Virginia	717	39
Washington	655	44
West Virginia	556	48
Wisconsin	826	21
Wyoming	1,045	7
U.S. Average	869	
Minnesota History		
FY 2011	813	18
FY 2012	803	19
FY 2013	840	19

Fire Protection Spending per Household Adjusted for State Price Differences		
State	Amount	Rank
Alabama	278	38
Alaska	726	3
Arizona	448	10
Arkansas	285	35
California	501	6
Colorado	409	17
Connecticut	403	18
Delaware	96	51
D.C.	728	2
Florida	489	7
Georgia	331	27
Hawaii	368	23
Idaho	306	32
Illinois	504	5
Indiana	346	25
Iowa	219	44
Kansas	308	31
Kentucky	253	42
Louisiana	388	22
Maine	278	39
Maryland	438	12
Massachusetts	424	15
Michigan	253	41
MINNESOTA	213	45
Mississippi	282	36
Missouri	365	24
Montana	249	43
Nebraska	301	33
Nevada	527	4
New Hampshire	418	16
New Jersey	254	40
New Mexico	437	13
New York	436	14
North Carolina	279	37
North Dakota	193	48
Ohio	453	9
Oklahoma	399	19
Oregon	443	11
Pennsylvania	149	50
Rhode Island	737	1
South Carolina	291	34
South Dakota	203	47
Tennessee	320	28
Texas	339	26
Utah	316	30
Vermont	206	46
Virginia	395	21
Washington	466	8
West Virginia	175	49
Wisconsin	318	29
Wyoming	395	20
U.S. Average	377	
Minnesota History		
FY 2011	196	46
FY 2012	202	47
FY 2013	180	47

How Does Minnesota Compare? FY 2014 Comparisons

Corrections		
Spending per Household		
Adjusted for State Price Differences		
State	Amount	Rank
Alabama	442	45
Alaska	1,313	1
Arizona	703	13
Arkansas	574	27
California	1,007	2
Colorado	593	23
Connecticut	478	38
Delaware	855	5
D.C.	617	19
Florida	558	29
Georgia	679	15
Hawaii	414	48
Idaho	586	25
Illinois	434	47
Indiana	453	43
Iowa	398	49
Kansas	494	36
Kentucky	490	37
Louisiana	771	6
Maine	371	50
Maryland	747	8
Massachusetts	443	44
Michigan	700	14
MINNESOTA	439	46
Mississippi	533	32
Missouri	459	40
Montana	635	18
Nebraska	608	21
Nevada	704	12
New Hampshire	313	51
New Jersey	573	28
New Mexico	924	4
New York	742	9
North Carolina	504	35
North Dakota	469	39
Ohio	455	41
Oklahoma	577	26
Oregon	750	7
Pennsylvania	677	16
Rhode Island	519	33
South Carolina	454	42
South Dakota	596	22
Tennessee	514	34
Texas	644	17
Utah	617	20
Vermont	552	30
Virginia	729	10
Washington	588	24
West Virginia	542	31
Wisconsin	709	11
Wyoming	975	3
U.S. Average	637	
Minnesota History		
FY 2011	430	44
FY 2012	424	44
FY 2013	429	43

Interest on General Debt Spending per Household Adjusted for State Price Differences		
State	Amount	Rank
Alabama	691	31
Alaska	1,625	2
Arizona	656	34
Arkansas	495	42
California	1,173	8
Colorado	1,062	13
Connecticut	1,234	7
Delaware	1,242	6
D.C.	1,668	1
Florida	685	32
Georgia	436	50
Hawaii	1,120	10
Idaho	441	49
Illinois	1,330	5
Indiana	829	23
Iowa	556	40
Kansas	924	17
Kentucky	1,064	12
Louisiana	971	14
Maine	608	38
Maryland	847	21
Massachusetts	1,173	9
Michigan	882	19
MINNESOTA	778	27
Mississippi	543	41
Missouri	745	29
Montana	475	46
Nebraska	483	44
Nevada	893	18
New Hampshire	843	22
New Jersey	927	16
New Mexico	672	33
New York	1,446	4
North Carolina	612	37
North Dakota	641	36
Ohio	807	25
Oklahoma	486	43
Oregon	785	26
Pennsylvania	868	20
Rhode Island	1,488	3
South Carolina	708	30
South Dakota	643	35
Tennessee	478	45
Texas	1,092	11
Utah	594	39
Vermont	474	47
Virginia	762	28
Washington	944	15
West Virginia	452	48
Wisconsin	810	24
Wyoming	271	51
U.S. Average	910	
Minnesota History		
FY 2011	885	23
FY 2012	977	17
FY 2013	811	24

Frequently Asked Questions

If this is 2017, why are you looking at 2014 financial data?

It is the most recent data available. The Census Bureau goes to great lengths to rigorously survey local governments to create as accurate a financial picture as possible. But the time involved in the data collection and verification process creates a long time lag – essentially 2 years or so.

The financial information for the state and school districts is for fiscal year 2014, which ran from July 1, 2013 through June 30, 2014. The financial information for cities, counties, townships, and other local governments covers calendar year 2013. It's important to understand this time lag, since the numbers in this report will not reflect the decisions elected officials have made over the past 2 to 3 years.

Does this report include every dollar state and local governments collect and spend?

It includes almost all of those dollars. The only things being left out are revenues and spending relating to utilities (water, electric, gas, or transit), liquor stores, and employee retirement and insurance trust (examples include workers compensation and unemployment compensation) systems. The basic rule of thumb is that if government runs it like a business, it's not included in the report.

Importantly, the report does include the contributions governments make to employee retirement plans.

Why does this report combine state and local finances? Why not look at local governments separately from the state?

States make different choices about whether state or local governments should provide, and pay for, various public services. For example, according to Census data 69.0% of the funding for Minnesota's K-12 school system comes from the state. Nationally, state governments provide about 46.7% of K-12 funding – meaning that most states the schools themselves raise a lot more of the money they spend. If you looked at local government finances only, you would leave out a lot of school revenues, especially compared to other states.

What are "General Revenues" and "Direct General Expenditures"?

It's easiest to think of "general revenues" as the money that supports government's day-to-day operations. The things that are not included are liquor stores and other operations government accounts for on a business basis (water and sewer or transit services, for example) and the funding systems for pensions, unemployment, and worker's comp and disability benefits.

"Direct general expenditures" leaves all these items out too, but also excludes aids state governments pay to cities, counties, schools, and other local governments. Since these local governments turn around and spend this money themselves, this practice prevents dollars from being "double-counted" for spending purposes, which would distort the comparisons.

When other groups publish this information, they show revenues and spending per person or per \$1,000 of personal income. Why don't you do that too?

As our introduction to this report discusses, we used to use those measures, too. But both of them have their limitations. Per capita comparisons are complicated for many

reasons. Some services – like education – aren’t delivered to the entire population, but only to a certain group of people. Other services – like transportation – don’t have a strong relationship between the amount of spending and population size. And other services – like police and fire protection – are delivered more often to property than individuals.

Measuring spending and revenues relative to personal income is also problematic. “Personal income” is a statistic that federal economists use to measure economic activity. It does a very good job of that. But it doesn’t do a good job of telling you how much money people have to spend. Why not? Because it includes a number of non-cash income streams – like the value of medical benefits the government provides, the rental value of owner-occupied housing, the value of farm products consumed at home by the producers, and pay-in-kind in the form of meals and lodging. Moreover, it doesn’t include capital gains – the money people make when they sell an asset – or retirement income except for Social Security.

Why do you adjust the spending numbers for price differences but not the revenue numbers?

We adjust spending numbers because some states are simply more expensive than others and a better comparison will account for these cost differentials. \$1,000 of government spending provides a lot more services in Idaho than it will in Massachusetts, for example.

On the revenue side, since we are comparing collections to cash income, the results already control for income (and therefore, cost/price) differentials.

What sources do you use to prepare this report?

We detail our sources on the next page.

Sources

Government finances: *Survey of State and Local Government Finances*, U.S. Census Bureau (various years)

K-12 and higher education enrollment: *Current Population Survey – School Enrollment in the United States*, U.S. Census Bureau (various years)

Persons with income at or below 150% of poverty line: *Current Population Survey* (customized table), U.S. Census Bureau (various years)

Number of households: *American Community Survey*, U.S. Census Bureau (various years)

Regional Price Parity data, U.S. Bureau of Economic Analysis (various years)

Cash Income data: computed by MCFE using data from U.S. Bureau of Economic Analysis and Internal Revenue Service (various years)

Road mileage data: *Highway Statistics*, Federal Highway Administration Office of Highway Policy Information (various years)

Definitions of Spending Categories

The Bureau of the Census collects revenue and spending data from state and local governments on an ongoing basis. The Census Bureau provides definitions for each spending category in order to provide consistency in reporting, and therefore comparability, between different jurisdictions. The definitions are available online at <http://www.census.gov/govs/local/definitions.html>, however, we provide those definitions here as a matter of convenience.

Air Transportation: Construction, maintenance, operation, and support of airport facilities.

Corrections: Confinement and correction of adults and minors convicted of offenses against the law, and pardon, probation, and parole activities.

Elementary and Secondary Education: Payments for instructional, support services, and other activities of local public schools for kindergarten through high school programs.

Financial Administration: Activities involving finance and taxation. Includes central agencies for accounting, auditing, and budgeting; the supervision of local government finances; tax administration; collection, custody, and disbursement of funds; administration of employee-retirement systems; debt and investment administration; and the like.

Fire: Fire fighting organization and auxiliary services; fire inspection and investigation; support for volunteer fire forces; and other fire prevention activities. Include cost of fire fighting facilities, such as fire hydrants and water, furnished by other agencies of the government.

Health and Hospitals: Comprised of two spending categories:

Health: Outpatient health services, other than hospital care, including: public health administration; research and education; categorical health programs; treatment and immunization clinics; nursing; environmental health activities such as air and water pollution control; ambulance service if provided separately from fire protection services, and other general public health activities such as mosquito abatement. School health services provided by health agencies (rather than school agencies) are included here. Sewage treatment operations are classified under Sewerage.

Hospitals: Financing, construction, acquisition, maintenance or operation of hospital facilities; provision of health care; and support of public or private hospitals.

Higher Education: Includes local government degree granting institutions which provide academic training above grade 12. Agricultural extension services and experiment stations are classified under Natural Resources and hospitals serving the public are classified under Hospitals.

Highways: Construction, maintenance, and operation of streets, highways, and other related structures, including toll highways, bridges, tunnels, ferries, street lighting, and snow and ice removal. However, highway policing and traffic control are classed under Police Protection.

Housing and Development: Construction and operation of housing and redevelopment projects, and other activities to promote or aid housing and community development.

Interest on the General Debt: Amounts paid for the use of borrowed money. Does not include payments of principal.

Judicial/Legal: Courts and activities associated with courts including law libraries, prosecutorial and defendant programs, probate functions, and juries.

Libraries: Provision and support for public library facilities and services.

Natural Resources/Parks: Comprised of two spending categories:

Natural Resources: Conservation, promotion, and development of natural resources, such as soil, water, forests, minerals, and wildlife. Includes irrigation, drainage, flood control, forestry and fire protection, soil reclamation, soil and water conservation, fish and game programs, and agricultural fairs.

Parks and Recreation: Provision and support of recreational and cultural-scientific facilities and activities including golf courses, play fields, playgrounds, public beaches, swimming pools, tennis courts, parks, auditoriums, stadiums, auto camps, recreation piers, marinas, botanical gardens, galleries, museums, and zoos. Also include building and operation of convention centers and exhibition halls. Public libraries are included under Libraries.

Other Expenditures: Comprised of several spending categories:

General Expenditure, not otherwise classified: General expenditure for purposes and activities not falling within any standard functional category and unallocated amounts relating to two or more functions.

Other Governmental Administration: Activities of governing bodies, offices of chief executives, and central staff services and agencies concerned with personnel administration, recording, planning, zoning, and the like.

Parking Facilities: Construction, purchase, maintenance, and operation of public-use parking lots, garages, parking meters, and other distinctive parking facilities on a commercial basis.

Protective Inspection and Regulation: Regulation of private enterprise for the protection of the public and inspection of hazardous activities except for major functions, such as fire prevention, health, natural resources, etc. Distinctive licensing collection activities are classed under Financial Administration.

Sea and Inland Port Facilities (Water Transport and Terminals): Construction, maintenance, operation, and support of canals and other waterways, harbors, docks, wharves, and related marine terminal facilities.

Social Insurance Administration: For state and local governments consists of Employment Security Administration activities, which compromise only administration of unemployment compensation programs and employment offices.

Solid Waste Management: Street cleaning, solid waste collection and disposal, and provision of sanitary landfills.

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Veterans' Services: Cash bonuses to veterans and other financial grants not contingent on need, administration of bonus payments, veterans' information and guidance services, and other veterans' services not classified under Public Welfare, Education, Hospitals, or other functions.

Public Buildings: Provision and maintenance of public buildings not allocated to particular functions.

Public Welfare: Support of and assistance to needy persons contingent upon their need. Excludes pensions to former employees and other benefits not contingent on need. Expenditures under this heading include: Cash assistance paid directly to needy persons under the categorical programs (Old Age Assistance, Temporary Assistance for Needy Families) and under any other welfare programs; vendor payments made directly to private purveyors for medical care, burials, and other commodities and services provided under welfare programs; and provision and operation by the government of welfare institutions. Other public welfare includes payments to other governments for welfare purposes, amounts for administration, support of private welfare agencies, and other public welfare services. Health and hospital services provided directly by the government through its own hospitals and health agencies, and any payments to other governments for such purposes are classed under those functional headings rather than here.

Sewer: Provision of sanitary and storm sewers and sewage disposal facilities and services, and payments to other governments for such purposes.

Total Education: Includes Elementary and Secondary Education (defined elsewhere), Higher Education (defined elsewhere), and Other Education. State expenditure for Other Education includes state educational administration and services, tuition grants, fellowships, aid to private schools, and special programs.