

INFORMATION RELEASE

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Despite Declining Tax Revenues, Minnesota’s National Tax and Spending Rankings Rise

SAINT PAUL, MN— Despite a reluctance to raise state-level taxes, Minnesota’s national ranking in both tax collections and government expenditures climbed according to the latest edition of *How Does Minnesota Compare?* an annual report on state and local tax collections and spending published by the Minnesota Taxpayers Association.

Based on newly released data from the U.S. Census Bureau for FY2009, *How Does Minnesota Compare* presents tax and spending figures and national rankings relative to population (per capita) and income (per \$1,000 of income). Per capita analysis provides a view of the per-person tax burden and cost of government services. Per \$1,000 of income analysis provides a sense of the claim on resources government imposes through its taxing and spending. Both are important lenses through which to interpret tax and spending data.

The findings suggest that although Minnesota’s lower tax collections reflected the economic downturn, other states experienced even greater budgetary effects. Minnesota state and local tax collections per \$1,000 of income declined 5.0% from FY2008 to FY2009; yet the decline was small enough to propel Minnesota up 7 spots in the national tax rankings. The year-on-year decline on a per capita basis was 3.5%; yet Minnesota’s rank remained 13th highest in the nation. Significantly lower individual and corporate income tax collections were partially offset by higher property tax collections.

With respect to spending, Minnesota ranks 13th in the nation on a per capita basis (up from 15th in FY2008), 9.3% above the national average. On a per \$1,000 of income basis, Minnesota ranks 24th (up from 31st in FY2008), 3.0% above the national average. Minnesota’s above average tax rankings combined with closer-to-average spending rankings reflect less reliance on federal revenues and non-tax revenues such as user fees and charges than many other states.

FY2008-09 Changes in Minnesota State and Local Tax Collections and Direct General Expenditures				
Year and Category	Per Capita		Per \$1,000 of Income	
	FY2008	FY2009	FY2008	FY2009
Tax Collections (rank)	4,726.81 (13)	4,561.90 (13)	113.28 (21)	107.65 (14)
Direct General Expenditures (rank)	8,424.31 (15)	8,811.02 (13)	201.89 (31)	207.92 (24)

Other key findings include:

- Total state and local individual income tax collections were 7th highest in the nation on a per capita basis; 6th on a per \$1,000 income basis.
- Per capita corporate income tax collections declined 26.6%, yet Minnesota’s national ranking did not decline (remaining 11th highest in the nation).
- Property tax collections increased 6.0% and 5.7% on a per capita and per \$1000 of income basis respectively. However, Minnesota continues to rank near the middle nationally on property tax collections, and total collections are still below national averages (8.2% below average per \$1000 of income; 2.6% below average per capita).

- Minnesota continues its long-standing tradition of significantly higher spending on public welfare and human service programs than most other states. State and local governments spent 48.3% more per capita than the national average in this area (6th nationally).
- Except for public welfare/human service spending, Minnesota spending ranks are relatively modest. Of the 18 government spending areas classified by the Census Bureau, Minnesota ranks in the top ten in spending per capita in only one other category (Natural Resources/Parks -- 9th) and in no other categories on a per \$1,000 of income basis.

“From the data, we can conclude we remain a relatively high tax state that continues to direct considerable resources toward preserving our long history of high quality human service delivery, noted Mark Haveman, Executive Director of the Minnesota Taxpayers Association. “Given future budget challenges and demographic realities, it seems quite clear that redesign energies should be directed to this important area of government spending.”

Haveman also notes that the increased volatility of state rankings will likely persist in future reports. “This data captures the beginning of the Great Recession and the significant federal stimulus which was made available to states at that time,” he noted. “Our report next year will show how states responded to budget deficits as this one-time infusion of federal money began to disappear. It would not be surprising to see Minnesota tax and spending rankings once again move up or down in significant ways.”

Minnesota FY2009 State and Local Tax Collections, Selected Taxes				
Per Capita			Per \$1,000 of Income	
Tax Category	Rank	% of US Average	Rank	% of US Average
Property Tax	21	97.4%	27	91.8%
Ind. Income Tax	7	123.1%	6	116.2%
Corp. Income Tax	11	102.4%	17	96.4%
Sales Tax	28	87.9%	36	82.9%
Total Taxes	13	110.2%	14	103.8%

Minnesota FY2009 State and Local Tax Expenditures				
Spending Category	Per Capita		Per \$1,000 of Income	
	Rank	% of US Average	Rank	% of US Average
Total Education	13	109.4%	29	103.1%
Elementary and Secondary	11	106.2%	26	100.1%
Higher Education	23	110.9%	28	104.6%
Libraries	12	127.2%	15	119.9%
Public Welfare	6	148.3%	7	139.8%
Health and Hospitals	31	80.6%	34	75.9%
Highways	17	132.3%	22	124.7%
Police	14	103.2%	17	97.3%
Fire	44	55.9%	47	52.7%
Corrections	37	70.9%	46	66.9%
Sewer	32	79.5%	38	75.0%
Housing and Development	17	94.3%	20	88.9%
Natural Resources/Parks	9	151.0%	13	142.4%
Financial Administration	31	101.2%	30	95.4%
Judicial/Legal	18	92.1%	22	86.8%
Public Buildings	22	110.5%	26	104.2%
Interest on the General Debt	23	98.8%	30	93.1%
Air Transportation	25	80.1%	28	75.5%
Other Expenditures	28	88.1%	42	83.1%
Total Expenditures	13	109.3%	24	103.0%

MTA has published *How Does Minnesota Compare* annually since 1969. Other groups calculate these rankings, but the Minnesota Taxpayers Association series has used the same revision of personal income since inception for a consistent time series. Minor differences in rankings from our publication to those of other groups are due to the various revisions of personal income used in others' calculations.

How Does Minnesota Compare is accessible free of charge at Minnesota Center for Public Finance Research's website (<http://www.mntax.org/cpfr/documents/HDMCFY09FINAL.pdf>).

The state and local government data used in the report is available on the Census website at (<http://www.census.gov/govs/estimate>).