

Minnesota

From 2002 to 2008, Minnesota's spending increased the most in the hospitals (96%), police (70%), education (41%), and debt service (40%) categories. The spending categories that saw the least growth were corrections (+29%), administration (+28%), highways (+28%) and natural resources (-6%). The decrease in natural resources spending was the sixth-largest in the nation. The state's overall general spending increase of 29% put it in the bottom one-third of states, ranking 40th highest.

Minnesota's total overall revenue growth of 32% ranked 41st for the period, and its total tax revenue growth of 39% ranked 38th. Corporate income taxes were the fastest growing tax revenue category, increasing 95%, although that still placed it in the bottom half of states (ranking 31st highest).

Spending (Spending and revenue numbers are in thousands of dollars)	2002	2002 Per Capita Rank	2008	2008 Per Capita Rank	Difference in Rank	2002–2008 Increase/Decrease	2002–2008 Increase/Decrease Rank
Corrections	417,273	46	536,760	46	0	29%	24
Education	8,819,706	8	12,424,773	7	+1	41%	25
Government Administration	672,031	31	857,460	30	+1	28%	28
Health	492,480	41	653,688	37	+4	33%	26
Highways	1,665,910	22	2,136,933	19	+3	28%	19
Hospitals	206,749	43	404,712	33	+10	96%	6
Interest on Debt	354,370	37	496,677	39	-2	40%	23
Natural Resources	542,161	9	511,888	19	-10	-6%	45
Parks and Recreation	140,020	16	192,704	10	+6	38%	23
Police Protection	202,552	21	343,342	9	+12	70%	6
Public Welfare	6,741,114	5	9,045,789	8	-3	34%	33
Salaries and Wages	3,775,469	17	4,924,638	17	0	30%	29
Direct Expenditures	15,206,462	17	19,066,463	22	-5	25%	44
General Expenditures	23,477,924	9	30,255,260	12	-3	29%	40
Total Expenditures	26,692,608	10	34,283,510	14	-4	28%	44

Taxes (Spending and revenue numbers are in thousands of dollars)	2002	2002 Per Capita Rank	2008	2008 Per Capita Rank	Difference in Rank	2002–2008 Increase/Decrease	2002–2008 Increase/Decrease Rank
Personal Income Tax ¹	5,443,355	3	7,777,259	5	-2	43%	27
General Sales Tax ²	3,741,390	11	4,550,838	17	-6	22%	33
Corporate Income Tax ³	533,901	12	1,040,479	11	+1	95%	31
Total Taxes	13,224,036	3	18,320,891	8	-5	39%	38
Total Revenue	22,438,505	12	29,707,313	19	-7	32%	41

¹ Personal income tax per capita rankings are out of 43 since seven states do not collect personal income taxes.

² General sales tax per capita rankings are out of 45 since five states do not collect general sales taxes.

³ Corporate income tax per capita rankings are out of 46 since four states do not collect corporate income taxes.

Comparison to Baseline Growth

One sound rule of thumb is that government expenditures should not increase more than the combined increase in population and inflation growth. This allows the government to maintain service levels and accommodate increased costs due to an expanding population and rises in the cost of living. For the 2002–2008 period, the Consumer Price Index, used to measure inflation, increased approximately 20% and Minnesota’s population increased by 4%. This yields a “baseline” growth of 24% for the period. The figure below compares the difference in Minnesota’s expenditures and revenue for the period to this baseline for 15 spending and five revenue categories.

