

The Minnesota Center for Fiscal Excellence has released its 55th edition of *How Does Minnesota Compare?* Our annual national comparison report on state and local government taxation and spending. Based on the most recent data release from the Census Bureau's Annual Survey of State and Local Government Finances (FY 2020), our rankings are intended to allow for more meaningful tax and spending comparisons across states:

Tax rankings are based on a modified personal income basis (which we call "cash income") that excludes types of personal income that cannot be used to support government operations (for example, the value of all Medicaid and Medicare benefits received in the state) and adds in other income that can be and is used to pay government taxes and fees (for example, capital gains and distributions from retirement accounts). Spending rankings are reported on a "units served" (typically household or per person) to better align government spending with its ultimate users and beneficiaries. Spending rankings are also adjusted for state purchasing power differences to accommodate state-to-state differences in the price of goods and services.

Summary Findings

- Minnesota ranks 9th in the nation in total state and local taxes as a percentage of cash income. Both individual and corporate income tax collections rank seventh nationally, 16.2% and 19.6% above the national average respectively. Excise taxes (mainly tobacco, alcohol, and gasoline) rank in the top 15 of states.
- Minnesota state and local governments continue to be less dependent on property and sales taxes than the national average, although the difference compared to the national averages declined slightly year on year. Minnesota's above average tax collections are offset in part by less state and local reliance on federal government and other non-tax revenues. As a result, total state and local revenues remain slightly above the national average placing Minnesota 24th in the nation in total government revenues as a percent of state cash income.
- Minnesota ranks 14th in the nation in total state and local spending. Categories in which Minnesota spends above the national average (adjusted for state price differences) are K-12 education, higher education, public welfare, natural resources and parks, and police. Minnesota continues to rank among the national leaders in public welfare (health and human service) spending which now comprises 27.2% of all state and local direct spending -- a share increase of 41.7% over the last 20 years.

It is important to note that spending data is not what a state legislature appropriates in a given year. Rather, it is all manner of spending for each area, including items that may not be part of operating budgets, such as long-term spending and borrowing costs for capital projects, as well as spending from endowments (particularly in the case of public higher education institutions). The data provided by the census is more representative of all spending in a system which includes state and local appropriations.

Tax and Spending Summary Tables

MINNESOTA STATE & LOCAL GOVERNMENT REVENUES						
As % of Total State Cash Income						
Category	FY 2019		FY 2020		Rank	
	Amount	% of US	Amount	% of US	2019	2020
Ind. Income Tax	4.53%	124.7%	3.87%	116.2%	6	7
Corp. Income Tax	0.63%	117.4%	0.57%	119.6%	9	7
Property Tax	3.56%	94.0%	3.59%	94.7%	23	24
Sales Tax	2.67%	90.2%	2.69%	92.3%	31	29
Excise Tax	1.61%	123.2%	1.55%	122.3%	14	14
Other Taxes	0.89%	104.7%	0.89%	112.4%	22	19
Total Taxes	13.88%	113.8%	13.16%	111.8%	8	9
Other Own-Source Revenues	5.13%	92.4%	5.10%	94.7%	33	31
Revenues from Federal Government	4.62%	92.4%	5.54%	96.2%	33	33
Total Revenues	23.63%	103.9%	23.80%	103.9%	23	24

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

Summary of Minnesota State and Local Government Spending						
Adjusted for State Price Differences						
(Spending per household unless otherwise noted)						
Category	FY 2019		FY 2020		Rank	
	Amount	% of US	Amount	% of US	2019	2020
Total Spending	\$29,266	107.3%	\$30,245	106.7%	11	14
K-12 Education (per pupil)	\$15,417	110.9%	\$15,858	108.2%	17	20
Higher Education (per pupil)	\$18,840	102.0%	\$20,507	106.0%	29	23
Public Welfare (per person within 150% of poverty level)	\$26,556	212.5%	\$23,316	186.9%	2	3
Health and Hospitals	\$1,574	59.5%	\$1,863	66.2%	38	31
Natural Resources and Parks	\$443	159.7%	\$397	136.3%	11	16
Highways (per 1,000 road miles)	\$36,957	75.4%	\$38,972	78.9%	32	31
Police	\$1,110	110.8%	\$1,101	105.7%	10	11
Fire	\$249	56.9%	\$268	57.1%	46	45
Corrections	\$547	81.7%	\$528	75.8%	35	38
Interest on the General Debt	\$804	87.8%	\$824	90.0%	21	20
Other Spending	\$4,176	87.0%	\$4,211	83.9%	28	32