

1996 Finances of Minnesota Counties

Governmental Revenues

Counties raised \$3.29 billion to finance public services in 1996. This represents an increase of 7.6 percent over 1995 revenues. The principal sources of revenues for Minnesota counties were: intergovernmental revenues which accounted for 42.7 percent of total revenues; taxes which accounted for 38.9 percent of total revenues; and charges for services which accounted for 8.0 percent of total revenues.



County revenues grew 7.6 percent between 1995 and 1996.

- ***Intergovernmental revenues.*** Intergovernmental revenues were the largest source of revenues for counties in 1996, accounting for 42.7 percent of all county revenues. Intergovernmental revenues, which include grants and aids from federal, state and local governments, totaled \$1.40 billion in 1996. Intergovernmental revenues increased 10.9 percent between 1995 and 1996.

State grants and aids. The largest provider of intergovernmental revenues to counties in 1996 was the State of Minnesota. State grants and aids to counties totaled \$976.5 million in 1996, which was an increase of \$114.2 million over 1995.

The principal state aids and grants for counties were: highway aid which accounted for 10.0 percent of total county revenues; human services aid which accounted for 8.4 percent of total revenues; and homestead and agricultural credit aid (HACA) which accounted for 5.6 percent of total revenues. Between 1995 and 1996, human services aid increased 24.5 percent; highway aid increased 16.7 percent; and HACA decreased 6.7 percent.

The large increase in human services grants was the result of problems with a new computer system used to prepare forecasts and billings for the Medical Assistance (MA) program. Forecasts and statistics used to develop billings for 1995 were not available until 1996. As a result, two years of MA reimbursements were paid in 1996.

Highway aid increased due to large road projects in many counties. The decrease in HACA reflects legislative reductions of \$10.0 million in the amount of HACA available in 1996. The \$10.0 million reduction in HACA was used to fund criminal justice aid to counties.

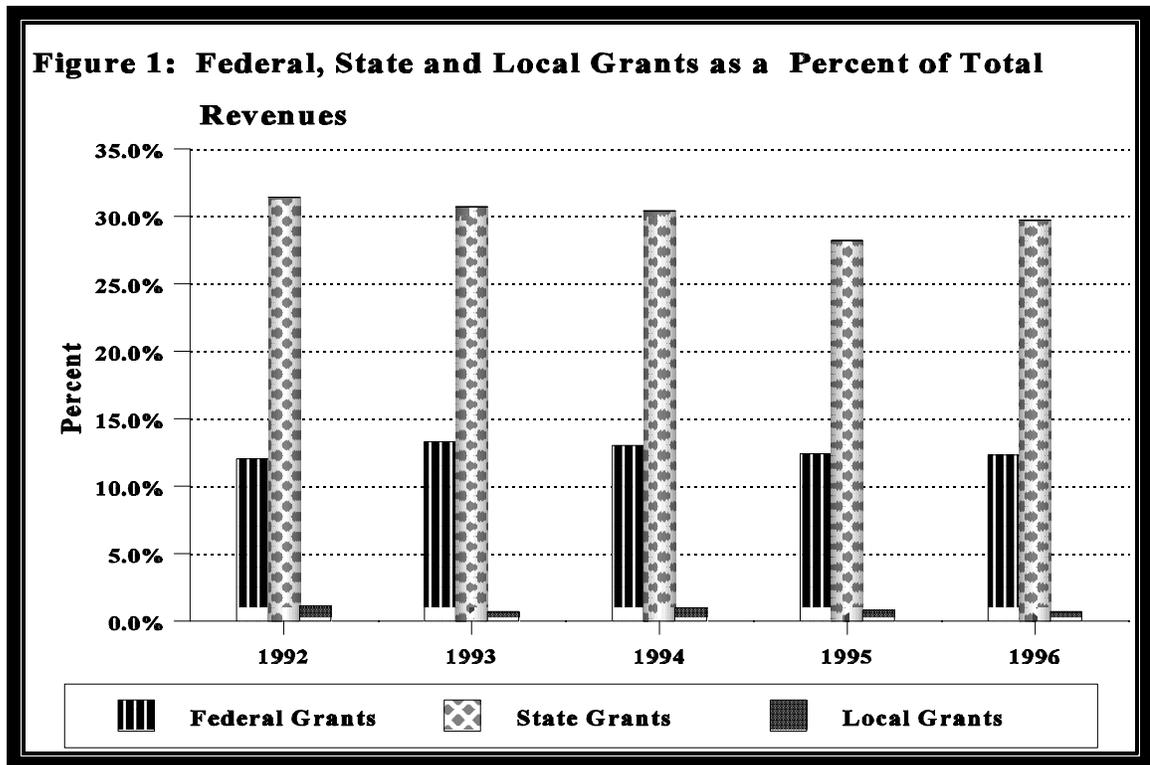
Federal grants and aids. The federal government provided revenues of \$403.7 million to Minnesota counties in 1996, up \$25.2 million or 6.7 percent from 1995. The share of revenues derived from federal grants decreased from 12.4 percent in 1995 to 12.3 percent in 1996.

The majority of federal aid to counties is in the form of human services grants. Human

services grants and aids to counties totaled \$300.5 million in 1996. This represents an increase of 2.1 percent over 1995. Federal highway grants increased \$24.2 million or 76.6 percent between 1995 and 1996. The large increase in federal highway grants coincides with the increase in state highway grants. The counties with the largest road projects received both state and federal highway aid.

Local unit grants. Grants from local governments to counties totaled \$24.4 million in 1996, down 3.5 percent from 1995.

Figure 1 illustrates federal, state and local grants as a percent of total revenues for the years 1992 through 1996.



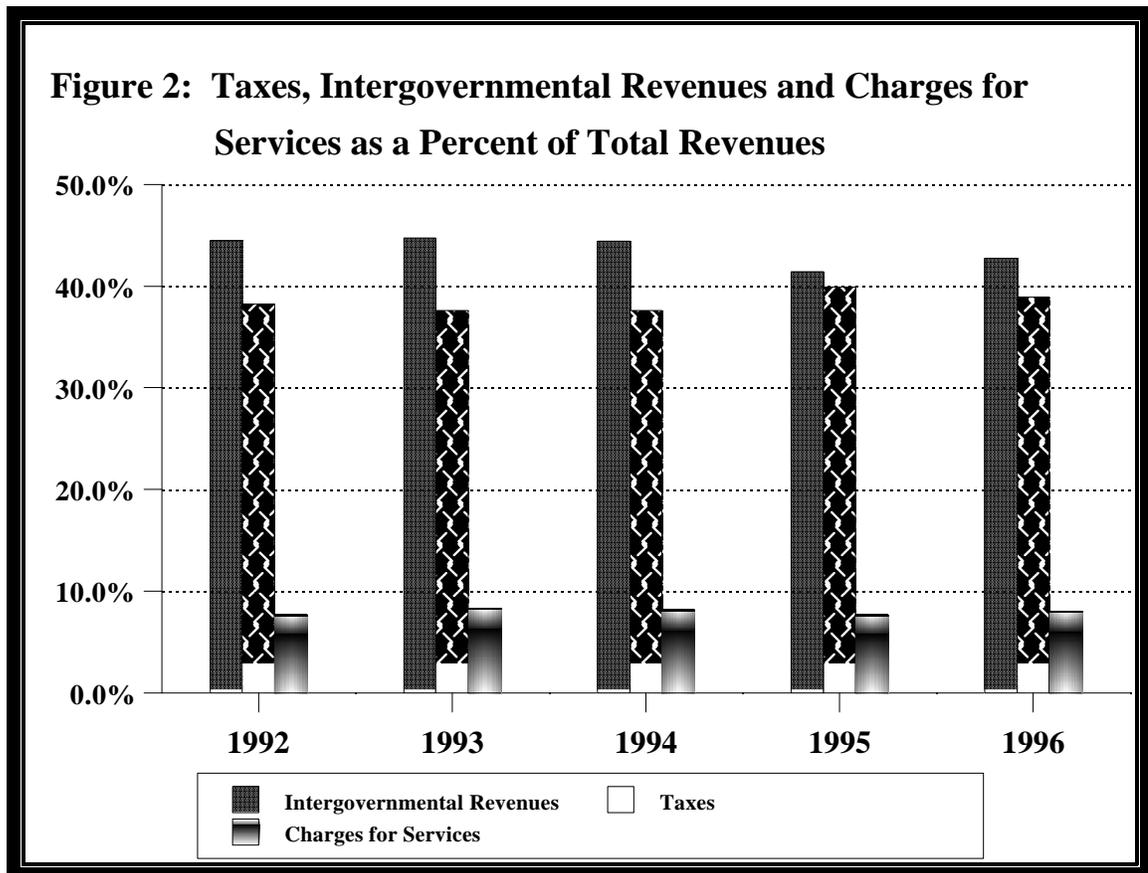
●**Taxes.** Counties collected tax revenues of \$1.28 billion in 1996, which was an increase of \$59.5 million or 4.9 percent over 1995. Although revenue from taxes increased between 1995 and 1996, the share of total revenues derived from taxes decreased from 39.9 percent in 1995 to 38.9 percent in 1996. Taxes¹ represented the second largest source of revenues for counties.

The share of total revenues derived from taxes decreased from 39.9 percent in 1995 to 38.9 percent in 1996.

¹ County tax revenues include property taxes, tax increments, gravel taxes, mortgage registry taxes, deed taxes, and interest & penalties from delinquent taxes.

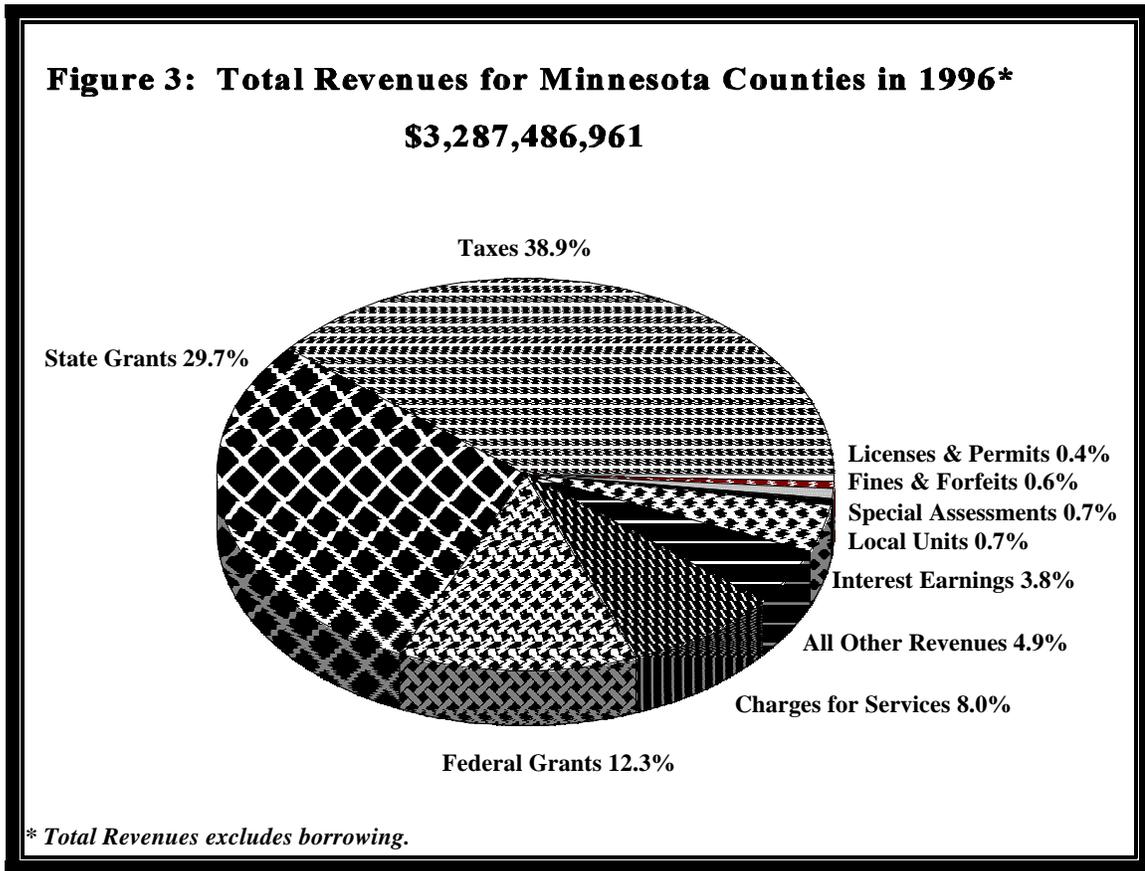
- **Charges for services.** Counties received revenues from charges for services totaling \$262.1 million in 1996, which was an increase of \$25.6 million or 10.8 percent over 1995. Revenue from charges for services increased in almost three-quarters of the counties. However, Hennepin and Otter Tail Counties together accounted for over half of the overall increase statewide.

Figure 2 provides a comparison of taxes, intergovernmental revenues, and charges for services for the years 1992 through 1996.



- **Fines and forfeits.** Revenues from fines and forfeits totaled \$20.9 million in 1996, which was an increase of 3.0 percent over the amount collected in 1995.
- **Interest earnings.** Interest earnings were up an average of 0.2 percent between 1995 and 1996. Interest earnings totaled \$123.4 million in 1996, which was \$185,605 more than in 1995. Just over half of the counties reported lower interest earnings in 1996.
- **Other sources of revenues.** Other sources of county revenues that rose between 1995 and 1996 were: licenses and permits which increased 8.7 percent; special assessments which increased 10.6 percent; and the "all other revenues" category which increased 2.4 percent.

Figure 3 illustrates the proportion of revenue that each source provides.



Borrowing

The amount of bonds and other long-term debt issued by counties totaled \$82.8 million in 1996, which was a decrease of \$721,874 or 0.9 percent from 1995.² Counties issued bonds totaling \$55.3 million and other long-term debt of \$27.5 million in 1996.

² Does not include borrowing by enterprises funds.

Total Governmental Expenditures

Current Expenditures

Minnesota's 87 counties had total current expenditures of \$2.68 billion in 1996.³ This represents an increase of \$176.9 million or 7.1 percent over 1995. In 1995, current expenditures actually decreased 1.3 percent.

- ***Human services programs.*** Counties spent \$1.13 billion on human services programs in 1996, which was more than double any other current expenditure. Human services expenditures were up 8.7 percent between 1995 and 1996.

The category of human services expenditures is made up of social services, income maintenance, and "other" human services expenditures. Between 1995 and 1996, counties increased expenditures for income maintenance programs by 21.2 percent, "other" human services by 6.2 percent, and social services by 3.0 percent.

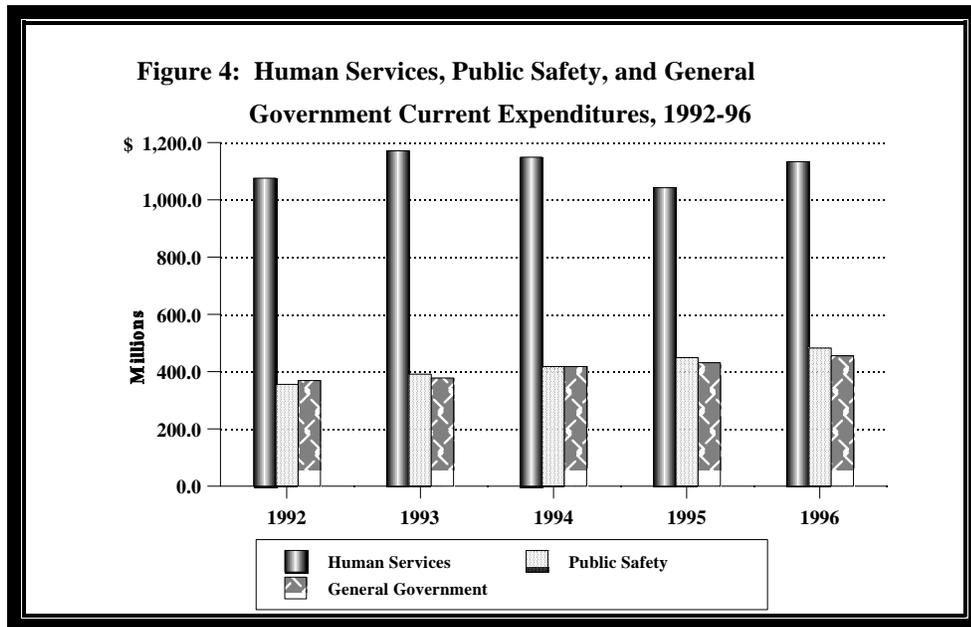
The large spending increase on income maintenance programs does not accurately reflect the trend for these programs. As discussed earlier, due to problems with the computer system used to develop billings for the MA program, the expenditures for 1996 also include part of the 1995 expenditures. Discussions with staff from the Department of Human Services indicated that the costs of these programs have actually been decreasing due to fewer individuals receiving these services. In addition to decreasing caseloads, there will be no county share on any income maintenance programs except MA in future years.

- ***General government services.*** Counties spent \$456.4 million on general government services in 1996, accounting for 17.0 percent of all current expenditures. Spending on general government services rose \$24.1 million or 5.6 percent between 1995 and 1996.
- ***Public safety.*** Spending on public safety, which includes expenditures for sheriff, corrections, and other safety-related services, totaled \$482.9 million in 1996. This was an increase of \$34.7 million or 7.7 percent over 1995.

Public safety continues to consume a greater proportion of county budgets. In 1992, public safety accounted for 15.4 percent of current expenditures; in 1996, public safety represented 18.0 percent of current expenditures. During those five years, public safety current expenditures rose 36.1 percent.

Figure 4 on page 6 compares current expenditures for human services, public safety and general government services for the years 1992 through 1996.

³ Current expenditures exclude capital outlays, interest payments and fiscal charges on debt, and transfers to other funds.



- **Streets and highways.** Current expenditures for street and highway administration and maintenance totaled \$237.7 million in 1996. This category of spending increased \$18.8 million or 8.6 percent between 1995 and 1996. Street and highway current expenditures do not include expenditures for street and highway construction, which accounted for another \$359.2 million in spending for counties in 1996.
- **Other current expenditures.** Between 1995 and 1996, Minnesota counties increased spending on culture and recreation activities by \$6.1 million or 7.3 percent, conservation of natural resources by \$3.1 million or 6.1 percent, and health by \$5.6 million or 4.6 percent. Counties decreased spending on economic development by \$5.6 million or 14.9 percent.

Capital Outlay and Debt Service

In addition to current expenditures of \$2.68 billion, counties spent \$493.1 million on capital projects and \$140.7 million on debt service⁴ in 1996. Capital spending was up \$85.1 million or 20.9 percent between 1995 and 1996, while debt service expenditures were down \$4.9 million or 3.4 percent.

The largest category of capital spending for counties was streets and highways. Counties spent \$359.2 million on street and highway capital projects in 1996, which accounted for 72.8 percent of all county capital outlays. Counties increased capital outlays for general government projects by \$23.1 million or 49.1 percent, culture and recreation by \$4.4 million or 40.8 percent, projects related to health by \$1.2 million or 19.9

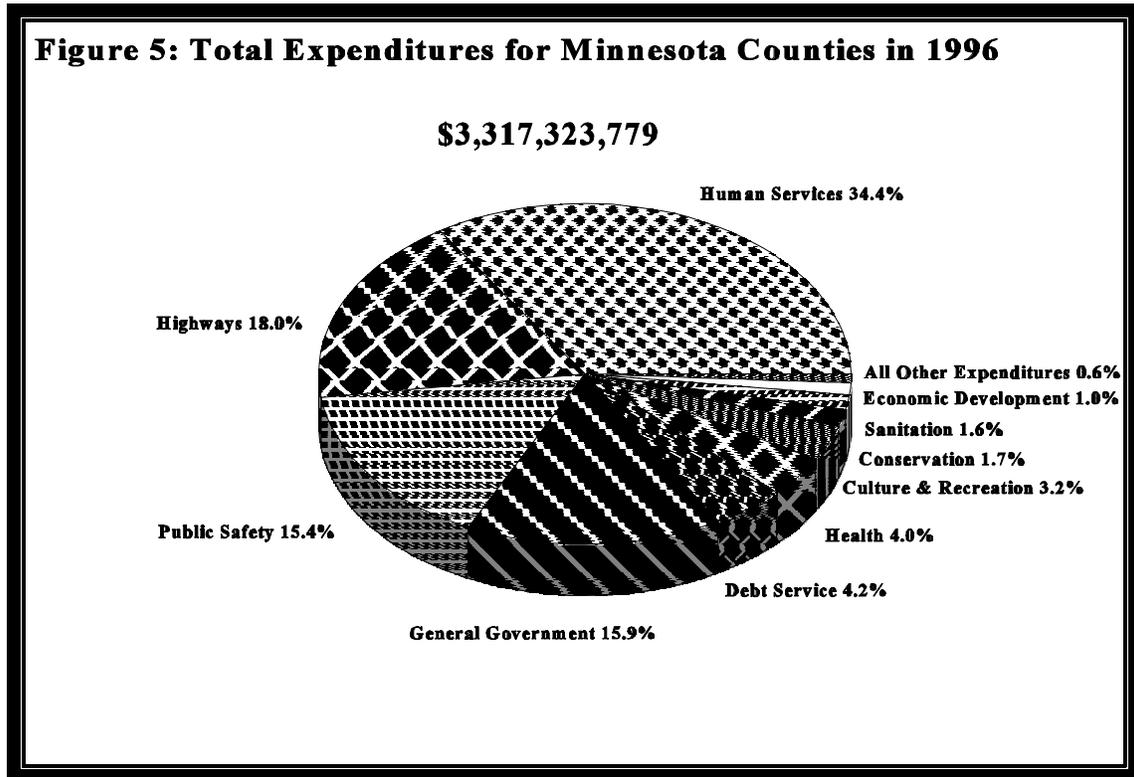
Street and highway capital projects accounted for 72.8 percent of all capital outlays for counties in 1996.

⁴

Debt service does not include enterprise fund debt service payments.

percent, and economic development by \$845,951 or 1271.0 percent. Economic development capital outlay jumped due to a housing project for seniors in Lake County. Counties decreased capital outlays for human services projects by \$1.7 million or 19.2 percent, sanitation by \$1.2 million or 63.8 percent, and public safety by \$145,054 or 0.5 percent.

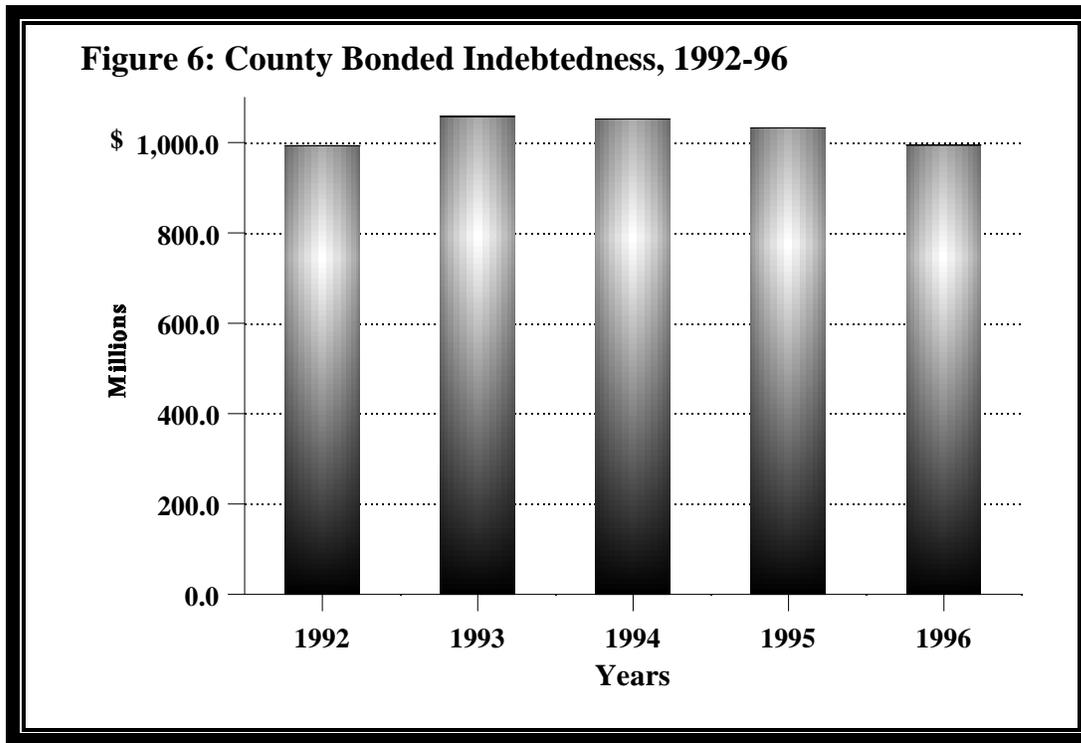
Figure 5 provides a summary of total governmental expenditures that includes current expenditures, capital outlays, and debt service.



Indebtedness

Counties reported bonded indebtedness of \$995.3 million as of December 31, 1996. This was a decrease of \$36.8 or 3.6 percent from 1995. Counties retired bonds totaling \$111.5 million in 1996 compared to \$95.6 million in 1995. Counties also reported liabilities for compensated absences of \$194.6 million and other long-term debt of \$252.5 million in 1996.

On a per capita basis, there was a wide variance among counties in the amount of long-term debt held. The average per capita long-term debt for counties (excluding compensated absences) was \$266. Per capita long-term debt ranges from a high of \$2,983 in Cook County to no debt in seven counties. Cook County has a per capita long term-debt that is more than two and a half times higher than any other county. The long-term debt issued by Cook County is primarily for three projects: the Superior National at Lutsen Golf Course, the Northshore Hospital and Nursing Home, and the county government center/jail.



Public Service Enterprises

Counties also provided services through county-established enterprises that are intended to be self-sustaining through fees and user charges. Hospitals, nursing homes, and solid-waste management facilities are commonly operated as enterprises.

In 1996, county enterprise operations had operating expenses of \$628.3 million and operating revenues of \$613.8 million, resulting in an operating loss of \$14.5 million. County enterprises had nonoperating expenses of \$17.3 million and nonoperating revenues of \$44.8 million, resulting in a net income of \$13.0 million. Net income decreased 30.8 percent between 1995 and 1996.

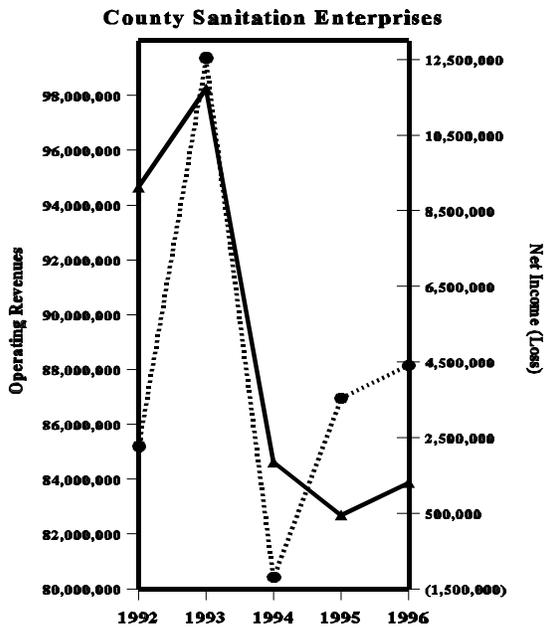
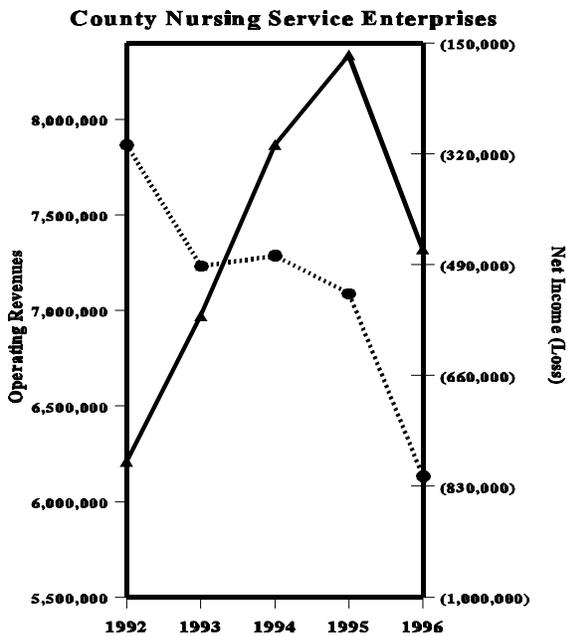
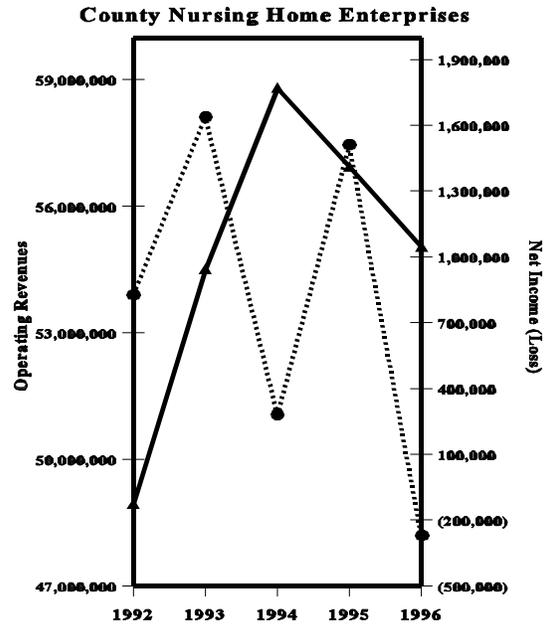
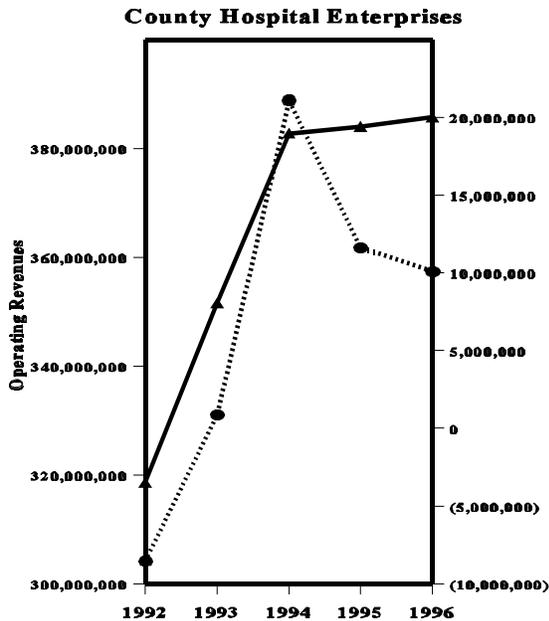
In county enterprise funds, revenues derived from user fees and charges are often supplemented by taxes and intergovernmental grants. When these additional revenues are not enough to cover expenses, counties must draw down fund balances, transfer revenues from other funds, or borrow.

Figure 7 and figure 8 on pages 9 and 10 summarize county enterprise operations.

Figure 7: County Public Service Enterprises, 1995-96

| Public Service Enterprise | 1995 Amount | 1996 Amount | Percent Change |
|----------------------------------|------------------------|------------------------|---------------------------|
| Hospitals | | | |
| Operating Revenues | \$384,078,295 | \$385,820,226 | 0.5% |
| Operating Expenses | 390,872,499 | 392,502,338 | 0.4% |
| Operating Income (loss) | (6,794,204) | (6,682,112) | 1.6% |
| Non-operating Revenues | 24,154,560 | 22,432,470 | -7.1% |
| Non-operating Expenses | 5,722,074 | 5,627,488 | -1.7% |
| Net Income (loss) | 11,638,282 | 10,122,870 | -13.0% |
| Nursing Homes | | | |
| Operating Revenues | 56,945,992 | 55,046,938 | -3.3% |
| Operating Expenses | 57,973,300 | 55,341,913 | -4.5% |
| Operating Income (loss) | (1,027,308) | (294,975) | 71.3% |
| Non-operating Revenues | 2,858,791 | 350,566 | -87.7% |
| Non-operating Expenses | 318,093 | 322,941 | 1.5% |
| Net Income (loss) | 1,513,390 | (267,350) | -117.7% |
| Nursing Services | | | |
| Operating Revenues | 8,338,482 | 7,321,519 | -12.2% |
| Operating Expenses | 11,757,954 | 11,171,095 | -5.0% |
| Operating Income (loss) | (3,419,472) | (3,849,576) | -12.6% |
| Non-operating Revenues | 2,896,083 | 3,043,458 | 5.1% |
| Non-operating Expenses | 10,584 | 8,233 | -22.2% |
| Net Income (loss) | (533,973) | (814,351) | -52.5% |
| Sanitation Services | | | |
| Operating Revenues | 82,689,253 | 83,876,859 | 1.4% |
| Operating Expenses | 91,620,134 | 89,905,805 | -1.9% |
| Operating Income (loss) | (8,930,881) | (6,028,946) | 32.5% |
| Non-operating Revenues | 18,451,691 | 16,424,087 | -11.0% |
| Non-operating Expenses | 5,979,455 | 5,980,000 | 0.0% |
| Net Income (loss) | 3,541,355 | 4,415,141 | 24.7% |
| Other Enterprise Services | | | |
| Operating Revenues | 86,068,667 | 81,745,393 | -5.0% |
| Operating Expenses | 80,122,545 | 79,418,650 | -0.9% |
| Operating Income (loss) | 5,946,122 | 2,326,743 | -60.9% |
| Non-operating Revenues | 1,445,066 | 2,593,351 | 79.5% |
| Non-operating Expenses | 4,735,410 | 5,364,988 | 13.3% |
| Net Income (loss) | 2,655,778 | (444,894) | -116.8% |

Figure 8: Five Year Trend of County Enterprise Operations: Operating Revenues and Net Income



Operating Revenues Net Income (Loss)