

Minnesota County Budget Data for 1997

Overview

Counties budgeted total revenues of \$3.43 billion¹ and total expenditures of \$3.54 billion² for 1997. These amounts represent increases of 5.2 percent and 4.4 percent respectively over the amounts budgeted in 1996.³ The budgeted increases in revenues and expenditures exceed the rate of inflation currently projected for 1997.

Budgets are always subject to some change because of unforeseen contingencies, however the 1997 budgets may be significantly different than the actual revenues and expenditures for several counties due to the severe winter and devastating spring floods of 1997. One can expect to see higher intergovernmental revenues as a result of disaster assistance from the federal and state governments. Counties may receive fewer revenues from taxes, charges for services, and licenses and permits because of disruptions in business and recreation activities. In addition, some counties may have had to draw down fund balances to help cover the costs of emergency services.

At the end of 1997, counties will likely report higher expenditures on a variety of services. Many counties had greater snow plowing expenditures than what was budgeted. In addition, counties that were affected by the floods may have had to repair damaged infrastructure such as roads and bridges. Also, these counties will have had higher than budgeted expenditures on sanitation, housing, and other flood-related services.

The following are some highlights of 1997 budgets.

1997 Budgeted Governmental Revenues

Minnesota counties budgeted revenues of \$3.43 billion for 1997, excluding proceeds from the sale of bonds and transfers from other funds. This represents an increase of 5.2 percent over revenues budgeted in 1996. All sources of revenues except special assessments and "all other taxes" increased in 1997 budgets.

The principal sources of revenues in 1997 county budgets are: intergovernmental revenues, which account for 42.5 percent of revenues; property taxes, which account for 37.0 percent of revenues; and, miscellaneous revenues, which account for 8.1 percent of revenues. Intergovernmental

¹ Total revenues exclude borrowing and transfers from other funds.

² Total expenditures exclude transfers to other funds.

³ Budget data used in this report reflect unaudited revenues and expenditures reported by counties to the Office of the State Auditor. Budgeted amounts of revenues and expenditures may differ from actual revenues and expenditures that year. The reported data do not represent all county revenues and spending for three reasons: (1) Counties reported budget data for all funds for which the county had adopted annual budgets. Counties with funds for which annual budgets were not adopted could have more revenues and expenditures than reported here. (2) The revenues and expenditures of municipal enterprises are not included. The inclusion of enterprise funds could significantly alter the revenue and expenditure trends of counties. (3) Two counties, Dodge and Wilkin, failed to submit budgets.

revenues and property taxes account for a smaller share of 1997 budgets than in 1996. In contrast, miscellaneous revenues account for a greater share of total revenues in 1997 budgets.

- ***Intergovernmental Revenues.*** Counties budgeted intergovernmental revenues of \$1.46 billion for 1997, which is an increase of 4.1 percent over the amount budgeted in 1996. Although counties budgeted an increase in intergovernmental revenues for 1997, the share of total revenues that these revenues represent decreased slightly from 43.0 percent in 1996 to 42.5 percent in 1997.

State Categorical Aid. The largest source of intergovernmental revenues for counties is state categorical aid. Counties budgeted state categorical aid revenues of \$870.2 million for 1997. This represents an increase of 5.0 percent over the level budgeted for 1996. The state provides categorical aid to counties for on-going services such as income maintenance and social service programs, as well as short-term or cyclical projects such as highway construction.

Federal Grants. Counties budgeted federal grant revenues of \$364.6 million for 1997, which is an increase of 3.1 percent over the level budgeted in 1996. Federal grants account for 10.6 percent of total revenues budgeted in 1997.

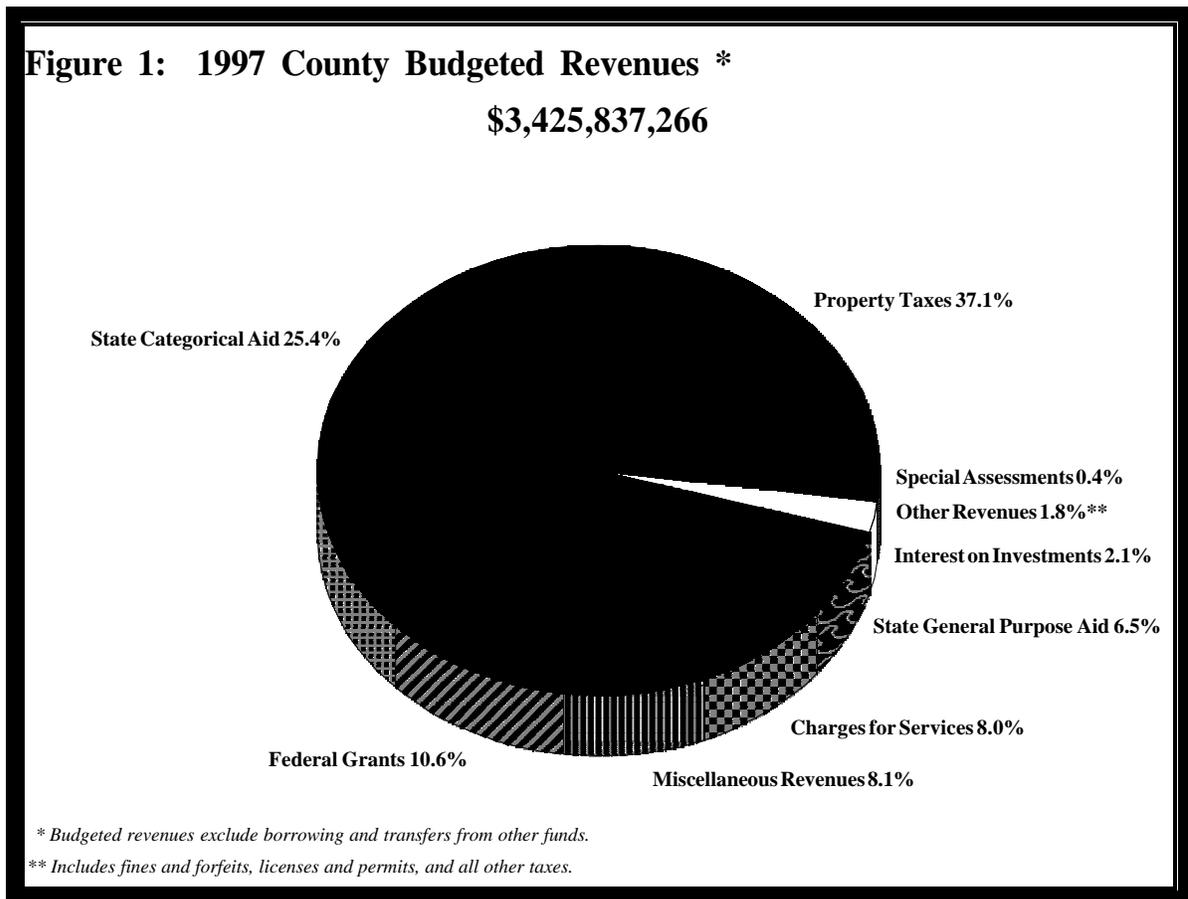
State General Purpose Aid. Counties budgeted state general purpose aid of \$222.4 million for 1997. State general purpose aid increases 2.6 percent between 1996 and 1997 budgets. This category of revenues includes Homestead and Agricultural Credit Aid (HACA) and other state aid that is not designated by the state for a specific project or activity.

- ***Property Taxes.*** Revenues from property taxes totaled \$1.27 billion in 1997 county budgets, which is an increase of 3.9 percent over 1996 budgets. All counties but nine budgeted higher revenues from property taxes in their 1997 budgets. Those counties that budgeted fewer revenues from property taxes were able to keep their levies down by using other revenues such as transfers from other funds, service charges, and other tax sources.
- ***All Other Taxes.*** This category of revenues, which includes gravel taxes, deed taxes and others, is one of two categories of revenues that declined in 1997 budgets. Counties budgeted “all other tax” revenues of \$24.7 million for 1997. This represents a 2.5 percent decrease from the level of “all other taxes” budgeted in 1996.
- ***Charges for Services.*** Counties budgeted revenues of \$274.8 million from charges for services in 1997. This represents an increase of 6.3 percent over 1996 budgets. Counties collect fees for a variety of services such as recreational opportunities, county-offered health plans (Hennepin County) and the rent of prison cell space to other jurisdictions (Anoka County). The Counties of Hennepin and Anoka budgeted the largest dollar increases for 1997.
- ***Special Assessments.*** Counties budgeted revenues from special assessments totaling \$13.8

million for 1997. This is 1.6 percent less than in 1996. The decrease in budgeted special assessment revenue is largely attributable to Koochiching County. According to its budget document, the county is collecting charges for services rather than levying special assessments for certain services.

- **Miscellaneous Revenues.** Counties budgeted miscellaneous revenues of \$278.6 million for 1997. This represents an increase of 15.3 percent over 1996 budgeted miscellaneous revenues. This category of revenue includes such sources as other local government contributions for projects, gifts, and other revenue streams not accounted for in other categories. The Counties of Hennepin and Dakota account for the large increase in miscellaneous revenues. Their budget documents indicate that they had received contributions from other governments for county projects.
- **Interest on Investments.** Counties anticipate \$72.7 million of interest earnings in 1997. This represents an increase of 15.8 percent over 1996 budgeted interest on investments. This is the largest percentage increase of any category of revenue. Counties expect to benefit from the current favorable investment environment.

Figure 1 summarizes county budgeted revenues for 1997.



1997 Budgeted Governmental Expenditures

Current Expenditures

Minnesota counties budgeted total current expenditures of \$2.91 billion for 1997, which is an increase of 3.4 percent relative to the amount budgeted in 1996. Counties budgeted higher levels of current expenditures for all services except miscellaneous.

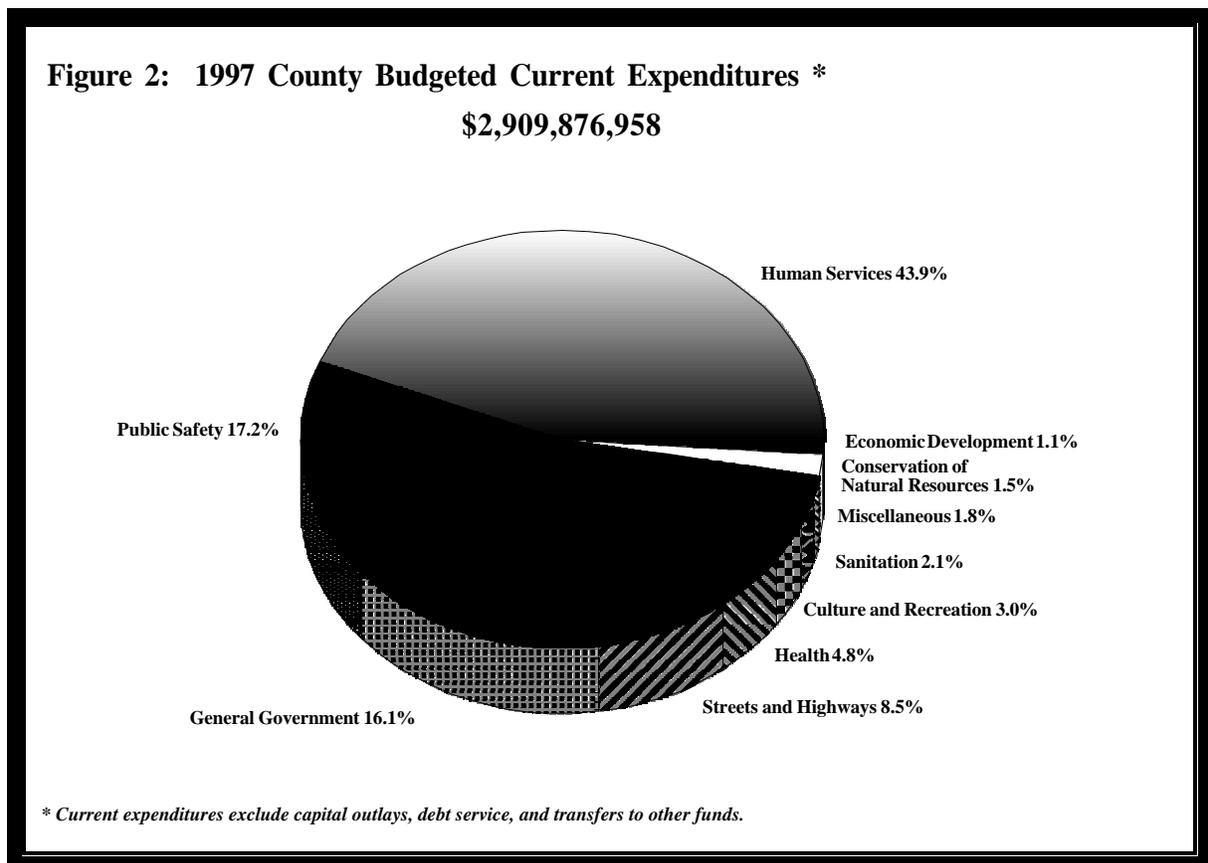
The three activities that represent the largest share of current expenditures are: human services, which account for 43.9 percent; public safety, which accounts for 17.2 percent; and, general government, which accounts for 16.1 percent.

- **Human Services.** Counties budgeted human service current expenditures of \$1.28 billion for 1997, which is 2.7 percent more than in 1996. While counties budgeted an increase for human service activities, the share of total current expenditures represented by human services is smaller than in 1996. In fact, the human service share of total current expenditures has been shrinking since the early 1990's. There are two reasons for the decrease. One reason has been an on-going shift from the counties to the state of the administrative functions and costs of several income maintenance and social service programs. The other is that the economy has been strong which takes some pressure off the social safety net. The 1998 county budgets should show the effects of recently enacted welfare reform.
- **Public Safety.** Public safety budgets jumped 10.0 percent between 1996 and 1997. Counties budgeted public safety expenditures of \$500.9 million in 1997, which represented the second largest current expenditure. Hennepin County pulled the statewide average higher by budgeting an increase of 14.9 percent. Hennepin County's budget is affected by initial funding of its new "drug court" and planning money for its adult detention center booking facility.
- **General Government.** Counties budgeted general government expenditures of \$468.4 million for 1997, which is an increase of 6.2 percent over 1996 budgeted general government expenditures.
- **Streets and Highways.** Counties budgeted street and highway current expenditures of \$248.0 million for 1997, which represents an increase of 1.7 percent over the amount budgeted in 1996. This category of expenditures included street maintenance, engineering, and lighting, but does not include construction or capital purchases. Counties budgeted capital outlays of \$315.5 million for streets and highways in 1997, which is an increase of 8.7 percent over the level budgeted for 1996.
- **Health.** Counties budgeted expenditures of \$138.1 million in 1997 for activities related to health. This represents an increase of 9.4 percent over health expenditures budgeted in 1996. Hennepin County accounts for almost one-third of all county health expenditures and can

significantly affect statewide trends. Hennepin County budgeted an increase of 20.5 percent for health expenditures in 1997. Hennepin’s budget increase in part reflects new health initiatives.

- **Sanitation.** Budgeted sanitation expenditures grew 8.4 percent between 1996 and 1997. Most of the increase can be attributed to Ramsey and Washington Counties. The counties have a contract with NSP that requires them to bring a certain amount of waste each year to NSP’s Newport Recovery Facility. Ramsey and Washington Counties formerly had fulfilled this obligation by requiring garbage haulers in the counties to bring their waste to the Newport Recovery Facility. This practice was challenged in a lawsuit and the counties lost. As a result, Ramsey and Washington Counties are now paying the haulers a subsidy to have them bring their waste to the Newport facility.
- **Culture and Recreation.** Counties budgeted culture and recreation current expenditures of \$88.5 million for 1997, which is an increase of 7.7 percent over 1996. This is a category of discretionary spending to which counties have dedicated more resources for several years.
- **Economic Development.** Counties budgeted expenditures of \$30.7 million for economic development projects in 1997. This is an increase of 12.5 percent over the amount budgeted in 1996. It also represents the largest increase for any category of current expenditures.

Figure 2 summarizes 1997 county budgeted current expenditures.



Total Governmental Expenditures

Counties budgeted total expenditures of \$3.54 billion for 1997, which is an increase of 4.4 percent over the amount budgeted in 1996. Total expenditures include current expenditures, capital outlay and debt service, but exclude transfers to other funds. Highlights of additional expenditure components include:

- ***Street and Highway Construction.*** Counties budgeted expenditures of \$315.5 million in 1997 for projects related to road construction. Street and highway construction represent the fourth largest area of spending for counties.
- ***Capital Outlays.*** Counties budgeted capital outlays of \$201.4 million for 1997, which is an increase of \$19.6 million over the level budgeted in 1996. When street and highway construction is added, budgeted capital outlays total \$516.9 million.
- ***Debt Service.*** Counties budgeted 1997 debt service payments of \$116.9 million, which is an increase 8.7 percent over the amount budgeted in 1996. Counties budgeted an increase of 19.2 percent in principal payments, and a decrease of 6.7 percent in interest and fiscal charges.

Net Unrealized Gain or Loss from Investments

Counties began reporting net unrealized gain or loss from investments as part of their 1997 budgets. Compliance with the reporting requirement was very low during its initial year. Of the 85 counties that submitted 1997 budgets, only eight reported any gain or loss on their investments.

Of the eight counties that reported information on their investments, six reported losses and two reported gains. The gains of those that reported investment information were greater than those that reported losses. The statewide net gain from reported investments was \$2.7 million.