

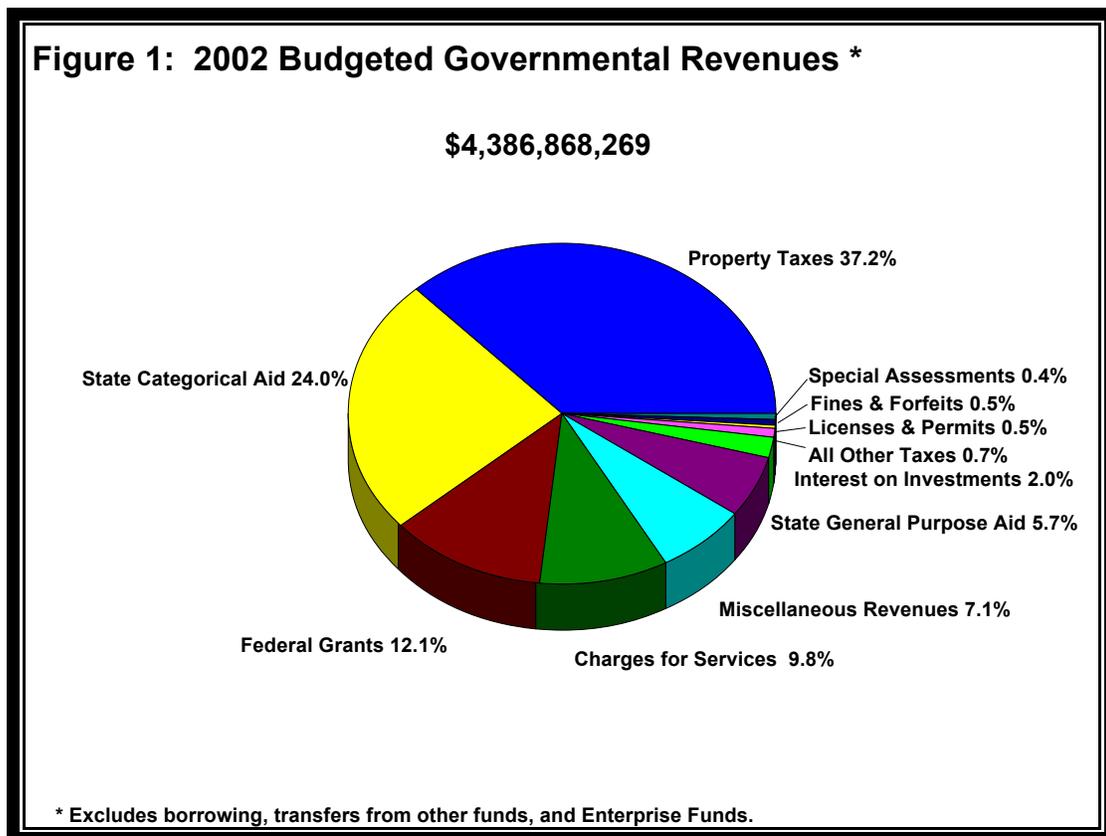
Overview

2002 Budgeted Governmental Revenues

Minnesota's 83 reporting counties proposed governmental revenues of \$4.39 billion in their 2002 budgets. This represented an increase of 9.2 percent over their 2001 budgets. The primary sources of county revenues in 2002 budgets were: intergovernmental revenues, which accounted for 41.8 percent of total revenues; property taxes, which accounted for 37.2 percent of total revenues; and charges for services, which accounted for 9.8 percent of total revenues. In comparison to 2001 county budgets, charges for services and intergovernmental revenues accounted for a slightly larger share of total revenues, while property taxes accounted for a slightly smaller share of 2002 budgeted revenues.

Counties budgeted increases in all categories of revenues except interest on investments for 2002. The three categories showing the greatest increase in 2002 budgets were: state categorical aid (13.6%), charges for services (12.5%), and miscellaneous revenues (11.3%). The rise in state categorical aid was tied to an increase in the number of county road and bridge projects planned for 2002. Most large county road and bridge projects receive state funding. The increase in charges for services reflects higher rates for some county health services and plans. Miscellaneous revenues increased primarily as a result of accounting changes in a number of counties.

Figure 1 below shows the relative shares of budgeted county revenues. Appendix 1 on page 9 provides a summary of the two-year trends in county revenues and expenditures.



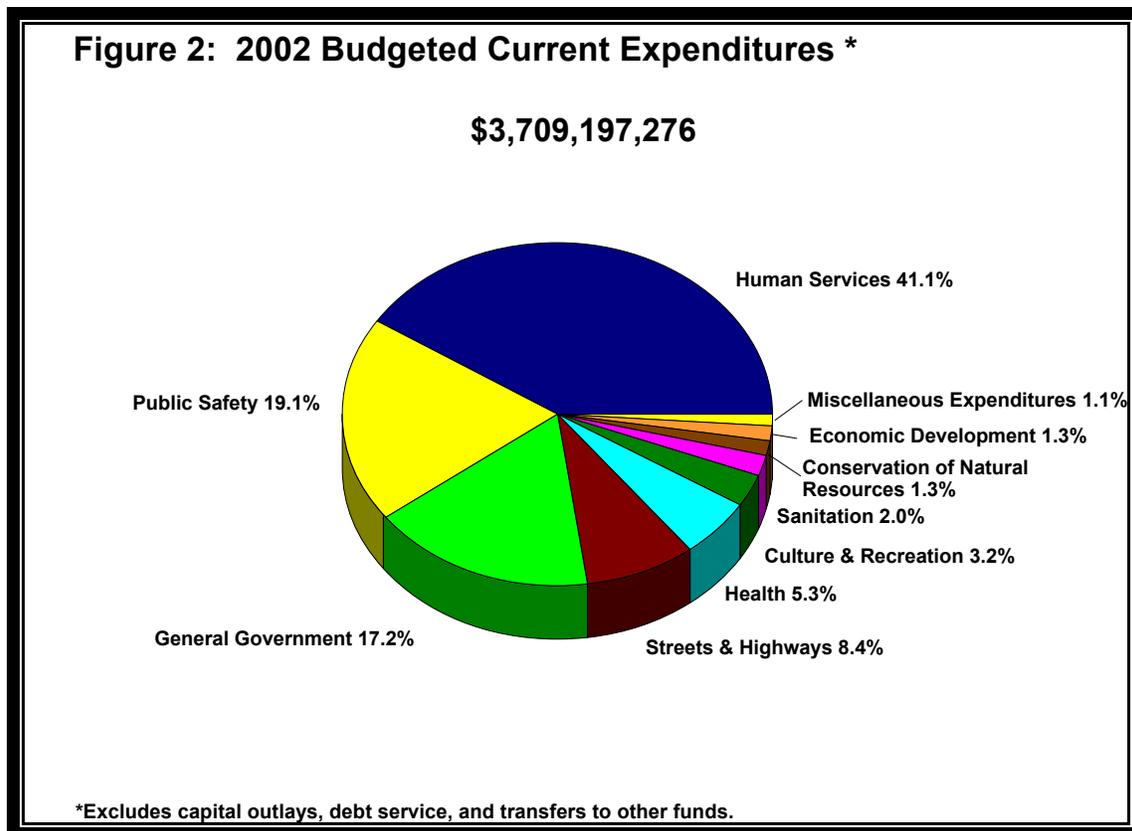
2002 Budgeted Governmental Expenditures

Counties budgeted \$4.55 billion in total governmental expenditures for 2002. This represents an increase of 8.0 percent over 2001 budgets. A further breakdown of 2002 budgeted expenditures shows increases of 7.8 percent for current expenditures, 8.1 percent for capital outlays, and 11.3 percent for debt service expenditures.

Current Expenditures

Counties budgeted increases for all categories of current expenditures except miscellaneous current expenditures. The two categories showing the greatest growth between 2001 and 2002 budgets were conservation of natural resources and general government, which increased 17.4 percent and 12.8 percent, respectively. The large increase in conservation budgets was caused primarily by St. Louis County, which shifted the activities of two conservation-related trust funds into this category of expenditures. The increase in general government expenditures and the decrease in miscellaneous expenditures primarily reflect an accounting change made by Hennepin County. The county reclassified its property services department from miscellaneous expenditures to general government expenditures, resulting in a statewide decrease of 36.1 percent in miscellaneous expenditures, and an increase of 12.8 percent in general government expenditures. If Hennepin County is excluded from the statewide analysis, miscellaneous current expenditures rose 10.2 percent, and general government expenditures rose 8.7 percent.

Figure 2 shows the relative shares of budgeted 2002 county current expenditures.



Capital Outlay Expenditures

Counties budgeted capital outlay expenditures of \$685.6 million for 2002. This accounted for 15.1 percent of 2002 governmental fund expenditures. The largest category of capital spending in 2002 budgets was street and highway construction, which accounted for more than 60 percent of the proposed capital spending. Counties budgeted an increase of 19.0 percent in road construction for 2002.

Debt Service

Minnesota counties budgeted debt service payments of \$152.8 million for 2002. This represents an increase of 11.3 percent from the level budgeted for 2001. Within the category of debt service there are two components: principal payments, and interest and fiscal charges. Counties budgeted increases of 12.7 percent in principal payments and 8.9 percent in interest and fiscal charges. Debt service payments account for 3.3 percent of the total governmental expenditure budgets for counties.

Fund Balances and Investment Performance

Counties proposed lowering their 2002 fund balances by \$82.0 million below the 2001 level. When reporting summary budget data, counties are not required to indicate what they expect their fund balance to be at the end of the year, only the amount by which they expect it to increase or decrease. Also, they do not specify whether the amount being retained or spent is reserved or unreserved.

Counties budgeted a net unrealized gain of \$4.9 million from investments in 2002.