



Minnesotans have always been proud of their government.

Sure, we paid more in taxes, but in return Minnesotans benefited from good schools, open roads, safe streets, and clean government. High taxes were like the cold weather: something to be endured as a price for living in our great state.

For decades, it was a formula that seemed to work pretty well.

But look around: our transportation infrastructure is groaning under the weight of years of neglect. Our school standards get D's and F's from respected national foundations. Our welfare programs still brim with recipients. The state budget is beginning to overflow with red ink. And worst of all, jobs and entrepreneurs are continuing to leave the state for more hospitable business climates.

State Government: Can Anything Slow its Growth?

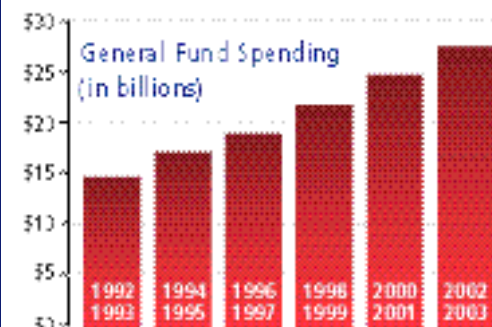
By any measure, Minnesota state government has been getting much bigger in recent years.

The state budget has almost doubled over the past decade, from about \$15 billion to \$27 billion. Since Governor Ventura took office in 1999, total state spending increased by 32%! That's more than 3 times faster than the rate of inflation (see chart *The Ventura Legacy*).

Some areas of the state budget increased even faster since 1999. State spending on K-12 education increased by 43%. Transportation spending rose 38%. Health and Human Services spending skyrocketed 37%, despite unprecedented declines in unemployment and personal income growth.

State spending keeps going up — and so does government employment, which has been growing more than twice as fast as population in Minnesota.

State Spending Nearly Doubles in Past Decade



Source: MN Dept. of Finance — Consolidated Fund Statements; MN State Demographer's Office

Government Employment in MN since 1982

	June 1982	June 2002	% Change
Federal Gov't	30,618	33,644	9.9%
State Gov't	68,289	83,355	22.1%
Local Gov't	194,610	296,431	52.3%
Total Gov't	293,517	413,430	40.9%
State Population	4,131,450	4,863,104	17.7%

Source: MN Dept. of Economic Security; U.S. Census Bureau; MN State Demographer's Office
* The state population figure for 2002 is based on population projections provided by the State Demographer's Office. These projections do not take into account recent population trends and may not reflect actual population growth.

Minnesota's Taxes 4th Highest in Nation

Growth in government spending has translated directly into lower take home pay for many Minnesotans.

An average Minnesota family of four pays \$2400 more in state and local taxes than the average American family—ranking Minnesota 4th in state tax burden.

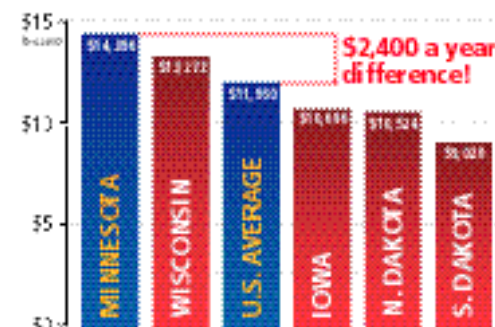
\$2400 more — every year.

That's a staggering added burden on Minnesota's families. It means longer hours of work and less take home pay. It means parents spend less time with their children. It means that mature Minnesotans work years longer just to afford a decent retirement.

It means government gets a sizable share of the average family paycheck: the average Minnesota family pays more in taxes than they do on food, clothing, and housing combined.

Minnesotans pay 20% more in taxes that the average American

A Family of Four's Taxes: Minnesota vs. U.S.



Source: U.S. Census Bureau, 1998-99 State & Local Government Finance

State Spending vs. U.S. Average (2000-01)



Source: MN Dept. of Finance, National Association of State Budget Officers

What Deficit?

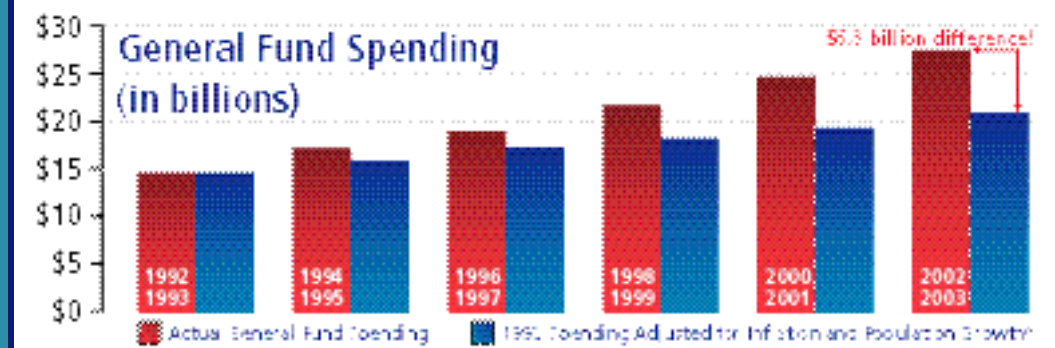
According to the Minnesota Department of Finance, state revenues will increase by 11% over the next two years. That's despite rather anemic economic and income growth projections.

So why are the politicians making dire predictions of a budget deficit?

Because they plan to increase spending even faster than revenues will increase. In fact, before a dime of new spending gets passed by the legislature, the bureaucrats are predicting that spending will increase by 12%-16%!

If spending increases next year were held to inflation there would be a surplus of \$68 million, not a \$2.7 billion deficit! In fact, if spending had been held to inflation plus population growth since 1993, Minnesota would currently have a budget surplus of \$6.8 billion, or almost 25% of the state budget. A similar surplus would exist if Minnesota spent at the U.S. average of \$3,350 per capita.

Actual Spending Increases vs. Inflation and Population Growth



Source: MN Dept. of Finance
* 1993 Spending Adjusted for Inflation and Population Growth

The Ventura Legacy: Government Spending up 32%

Expenditures (1000's)	1998-99	2000-01	2002-03	% Change
HEALTH & HUMAN SERVICES	\$10,831,568	\$12,506,536	\$14,881,646	37.4%
K-12 EDUCATION	\$7,596,780	\$8,916,349	\$10,868,166	43.1%
TRANSPORTATION	\$3,926,052	\$4,620,793	\$5,424,051	38.2%
LOCAL GOVERNMENT SUBSIDIES	\$2,274,060	\$2,889,021	\$2,932,544	29.0%
HIGHER EDUCATION	\$2,542,382	\$2,748,303	\$2,854,538	12.3%
ECONOMIC DEVELOPMENT	\$1,296,940	\$1,442,420	\$1,729,725	33.4%
ENVIRONMENT & AGRICULTURE	\$959,841	\$1,104,952	\$1,274,280	32.8%
STATE GOVERNMENT	\$893,693	\$889,688	\$1,023,397	14.5%
FAMILY & EARLY CHILDHOOD	\$639,416	\$754,288	\$761,726	19.1%
OTHER	\$1,584,320	\$1,480,904	\$1,108,466	-30.0%
All Funds Spending*	\$32,545,052	\$37,353,254	\$42,858,539	31.7%
General Fund Spending	\$21,193,108	\$24,179,031	\$26,917,072	27.0%
Inflation (CPI) (1982-84=100)**	163.0	172.2	180.1	10.5%
State Population†	4,698,316	4,770,119	4,834,562	2.9%

Source: Minnesota Dept. of Finance, Consolidated Fund Statements
* Includes General Fund as well as Special Revenue Funds and Federal Funds. The state will receive \$9.975 billion in federal revenues in 2002-03, 23% of the biennial budget.
** The Consumer Price Index level from the first year of each biennium was used as the biennial figure. Consumer Price Index figures for 1998-99 and 2000-01 bienniums come from U.S. Bureau of Labor Statistics historical data. Consumer Price Index estimate for 2002-03 comes from the June 2002 Economic Assumptions of the White House Office of Budget and Management.
† The state population count from the first year of each biennium was used as the biennial figure. The state population counts are based on population projections provided by the State Demographer's office. These projections do not take into account recent population trends and may not reflect actual population growth.

Is Bigger Better?

Government exists to support the private sector — not replace it. With every year of government growth outstripping inflation and population growth, the balance between government and the private sector gets further out of whack.

Recent studies show that high taxes can stifle economic growth. Higher tax states tend to have slower economic growth and job creation than lower tax states.

And if you think about it, it's obvious why that is: it's not government that creates jobs, raises children, or starts new businesses and industries. It is the families, communities and entrepreneurs who do. Unfettered government growth will crush the vitality of families, communities, churches, and small businesses if not curtailed.

Top Employers in Minnesota 20 Years

- 1 Honeywell
- 2 3M
- 3 General Mills
- 4 Pillsbury
- 5 Control Data

...and Today

- 1 State Government
- 2 Federal Government
- 3 Target Corporation
- 4 University of Minnesota
- 5 Mayo Foundation

Source: Corporate Report Fact Book

It's Time to Control State Spending

Limit Government.

Government is by far the largest employer in Minnesota, dwarfing our major corporations in size. Government employment in Minnesota has risen twice as fast as population in the past 20 years — saddling Minnesota's citizens with an added 120,000 new state and local government employees. That's more people than live in St. Cloud, Mankato, Albert Lea, and Detroit Lakes combined! It's time to recognize that there must be limits on the growth of our state and local governments.

Innovate and Cut Costs.

It's time to harness the power of technology and the free market to improve the delivery of government services to Minnesotans. Innovative solutions can slash overhead costs by streamlining procurement, while at the same time improving customer services. Outsourcing, moving service delivery online, implementing fraud detection and recovery programs, and modernizing systems can all cut costs while improving government service. An information revolution has reshaped our economy — and has almost entirely been ignored by government.

Measure Results.

How often do taxpayers get an accounting of how well their tax dollars are being spent? What is being achieved? What does a cost/benefit analysis show regarding our investments? Are there better and more efficient ways to achieve our goals? The simple fact is, without consistent and reliable measurements, there is no way to tell how effectively our tax dollars are being spent. For too long, government bureaucrats have measured only the inputs — taxpayer dollars. It's time to focus on what really matters: results.

Increase Accountability and Fund Results.

Once government begins to measure results, there have to be consequences for failure to perform. Too much tax money is poured into wasteful and ineffective spending. Accountability has to be the watchword for state government over the next decade — which means that continued funding depends upon successful results, and failure to perform leads to the restructuring or elimination of existing programs. Taxpayers have a right to expect that lawmakers are continually rooting out waste, fraud, duplication, and inefficiency in state government.

Tax and Expenditure Limitations.

Minnesota state spending grew by over 18% per capita during Governor Ventura's tenure—much faster than inflation. During the same period, Colorado's government grew by 8% per capita. What's the difference? Colorado voters passed a "Tax and Expenditure Limitation" amendment, which limits the growth in government spending to the rate of inflation plus population growth. If Minnesota had a similar law we'd have a budget surplus next year, not a deficit. No increase in tax revenues can solve our real budget problem: state spending is out of control.

Prepared and paid for by the **Taxpayers League Foundation**
One Carlson Parkway · Suite 120 · Plymouth, MN 55447
(763) 249-5950 · Fax (763) 249-5960 · www.taxpayersleague.org

NON-PROFIT ORG.
U.S. POSTAGE PAID
MAIL EXPEDITORS

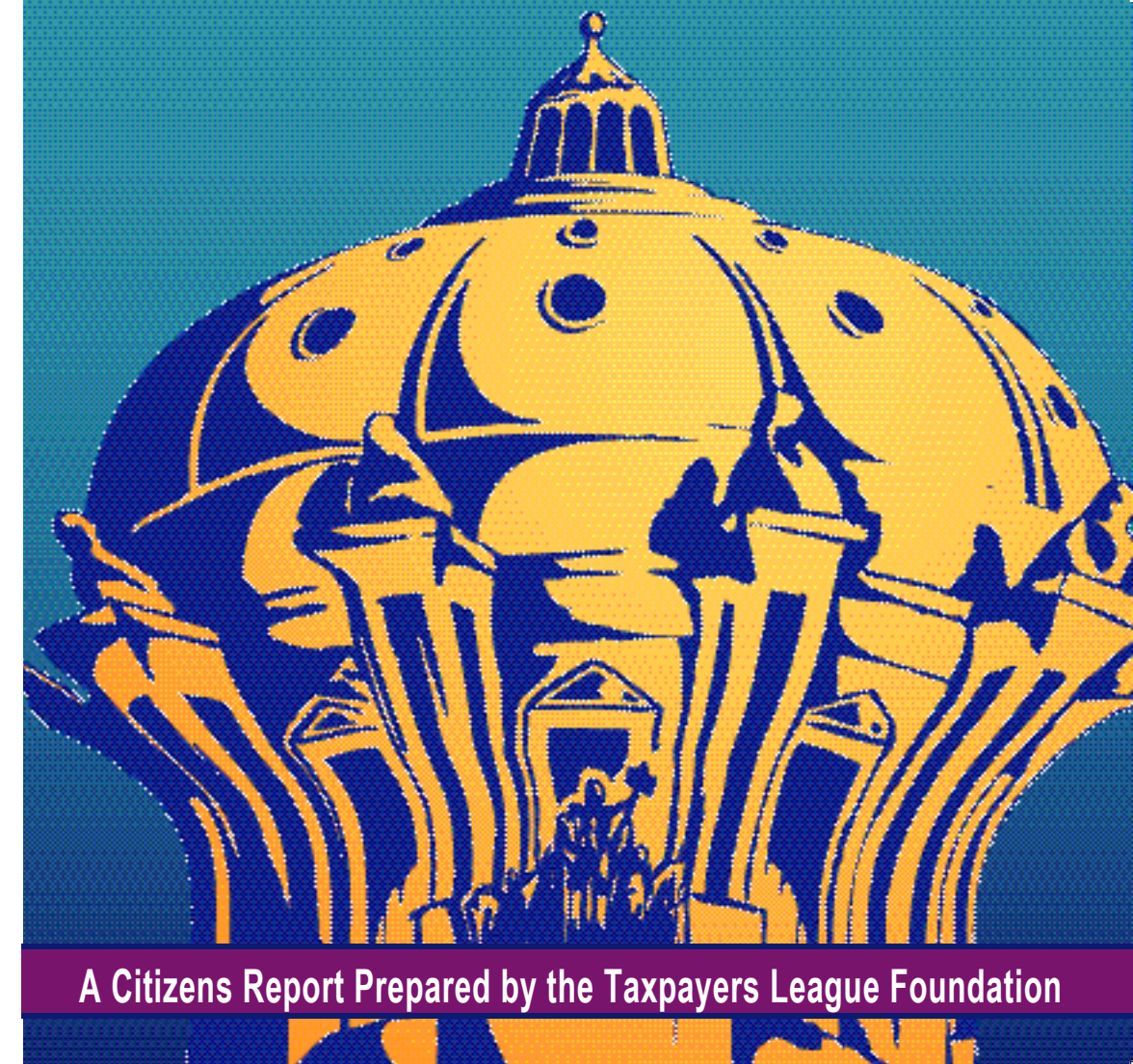
TAXPAYERS LEAGUE FOUNDATION
ONE CARLSON PARKWAY SUITE 120A · PLYMOUTH, MN 55447

INSIDE

**Why Minnesota Must
Control Government
Spending NOW!**

GROWTH WITHOUT LIMITS

How Rising Government Costs Threaten Our Economic Growth and Quality of Life



A Citizens Report Prepared by the Taxpayers League Foundation