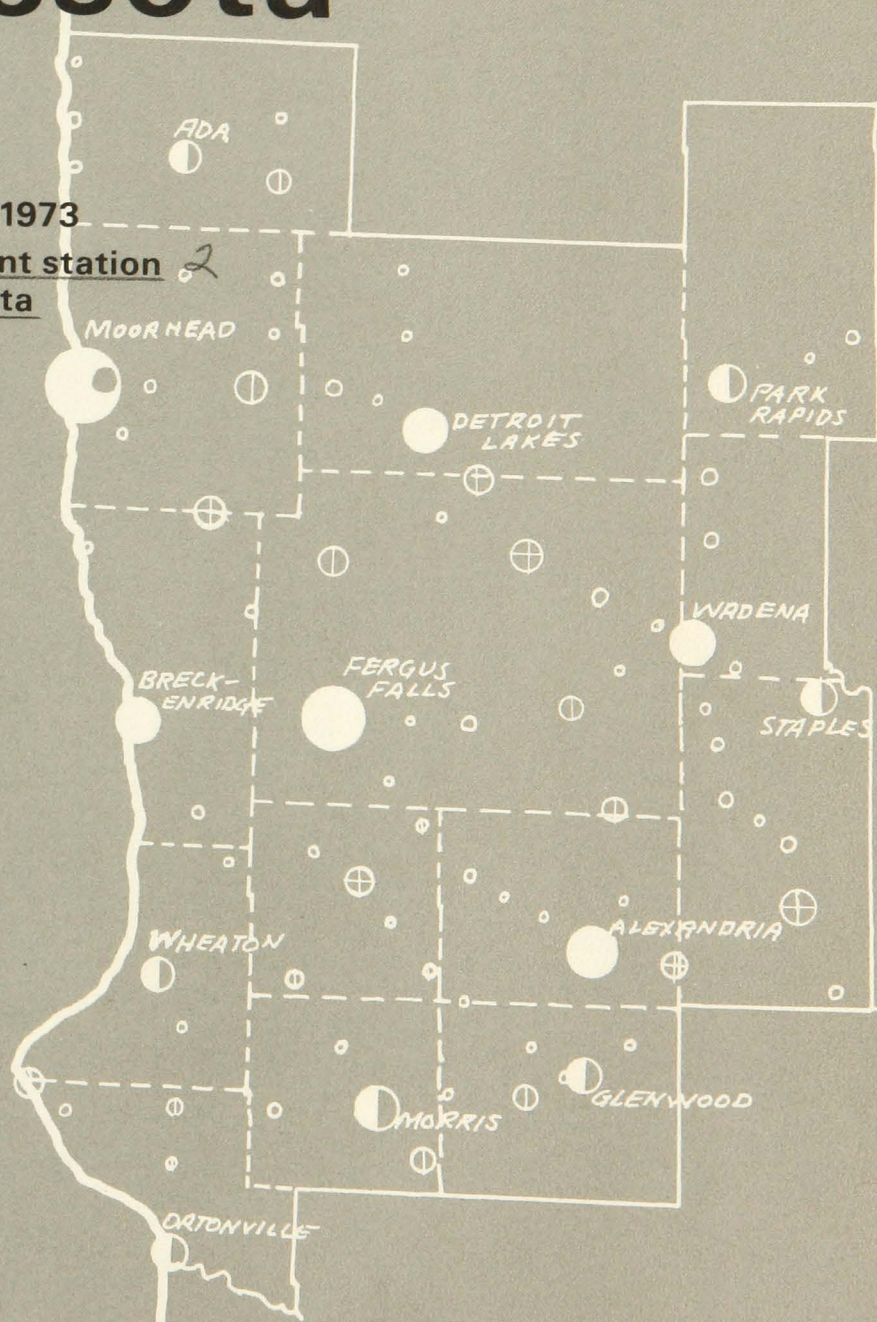
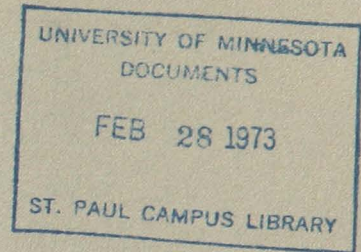


# financing public services in west minnesota

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## SUMMARY

Methods of financing public services are a central concern of regional development and planning. People in a multistate region, such as the Upper Midwest, are increasingly dependent on government, in terms of jobs and services, for their economic well-being. Yet, the governmental sector of the economy accounts for a small fraction of the total investment in jobs and services. Private businesses are the major source of capital and management for regional growth and development. However, governmental inducements and subsidies strongly influence the location of businesses and households. A study of government's role in financing social services and economic growth is essential to understanding the Upper Midwest's present and future in area-regional planning and development.

While the Upper Midwest Region, which is the Ninth Federal Reserve District, is a large enough geographic area for the study of regional development and growth, it is too large to study environmental planning and community development. Yet the study of the smaller area is incomplete without the larger area. This study views governmental activities in the 14-county area in West Minnesota as taking place in the multistate regional system called the Upper Midwest (figure 2).

In this report, the governmental economy of West Minnesota is detailed and its primary functions analyzed in terms of the flow of funds from sources to uses estimated for a single calendar year. This is the first step in an economic analysis of the financing problems and potentials of a multicounty planning area. Later, specific studies in the financing of schools, hospitals, welfare, and environmental services can be related to financing structures and flows.

Specific objectives of this study are (1) to enumerate the local governments of a multicounty area in Minnesota, (2) to estimate and examine the flow of public funds in the multicounty area, and (3) to estimate and examine the area-wide impacts of federal and state government in the multicounty area. Data and techniques for measuring public expenditure impacts are discussed, because later on the study evaluates the role of government in regional economic development.

To accomplish the study objectives, area data were collected, collated, and summarized for 1967. Thus, the study emphasizes a limited geographic area for a set time, but in a comprehensive way that encompasses consideration of the entire public economy in a multicounty environmental planning area. Advantages of the comprehensive approach of the study will unfold when viewing information needs of regional development planning and, later, when studying local governments as a system of decision-making units in more extensive regional systems of cooperating governmental units.

### Enumeration of Local Governments

In 1967 there were 739 local governmental units in West Minnesota serving 239,732 residents. Of these 739 units, 14 are counties, 119 municipalities, 343 townships, 241 school districts, and 22 are special districts. Counties, municipalities, and townships are general-purpose governments. School and special districts are single-function governments.

On the average, every 1,000 residents in West Minnesota support three units of local government. Each 100 square miles of territory is, on the average, covered by 6.2 units of local government.

Only Illinois, Pennsylvania, and Nebraska have more governmental units than Minnesota. Together, these four states have 25 percent of all governmental units in the country.

Recently, the number of local governmental units has been declining as a result of school consolidation. Yet in 1967, only four states had more school districts than Minnesota.

Almost one-half, or 343 of all local governments in Minnesota are townships, which require only minor financial resources for current operations. The number of major local governments currently operating in the study area is much less than 739.

### Flow of Funds

School districts clearly dominate local finances in the 14-county area, accounting for about half of all local government expenditures. Counties handle approximately 35 percent, while municipalities manage the remaining 15 percent of public expenditures.

The study examines current, capital, and debt retirement expenditures, which are approximately \$390 per resident, or roughly 20 percent of personal disposable income in the area. Of the total expenditure, less than one-half is obtained from current local sources (property taxes, fees, and charges). A slightly larger proportion is obtained in the form of transfers into the area from state and federal governments.

Education is the largest expenditure of local government. Next are welfare, and road building and maintenance. Police and fire protection, health, sanitation, recreation, and natural resources remain minor items.

Local governments tend to be financially independent of one another. Yet, counties often transfer funds to other local governments primarily for welfare and education. Also, fund transfers occur among school districts. However, transfers may occur indirectly between residents in two different political jurisdictions, just as benefits and costs spill over from one jurisdiction to an adjoining one within the metropolitan area.

### Federal and State Government Impacts

An estimated \$126 million in federal income taxes came from the study area in 1967. An estimated \$31 million of

the \$126 million was returned in transfers to persons, businesses, and local governments (wages and salaries, and purchase of goods and services).

The estimated flow of funds to state government from area residents was \$31 million. State government returned approximately \$65 million to the local areas in transfers, wage and salary payments, and purchase of goods and services. Much of the returning flow of funds from the state government was a retransfer of funds from the federal government.

When state and federal governments are grouped together, estimated net outflow of funds from the area totaled \$60 million, or more than \$260 per resident. For the entire nation, except for foreign financial aid and military expenditures flowing to personnel and institutions in other countries, a balance of inflow and outflow would be expected. West Minnesota receives a less-than-equal share per resident of state and federal government funding, which is to be expected, because many state and national functions are carried out only in state and national capital cities.

### Evaluating Local Government Activities

Economists classify activities into three broad categories — resource allocation, income redistribution, and economic stabilization. Of the three categories, local governments are primarily concerned with resource allocation, more specifically maintenance activities, concerned primarily with the support of local services.

Other resource allocation activities, such as major highways and resource development, which cover broad areas, are poorly handled by local governments alone. These are viewed as settlement-change activities. Settlement change is usually the result of activities carried out by state and federal governments, although groups of local governments may cooperate in carrying out settlement-change activities.

Local governments are also involved in income-redistribution activities (but not economic stabilization). Revenue collection by local governments to a minor degree redistributes income and most obviously occurs through income and property taxes, welfare payments, and provision of public services, such as education. For income redistribution activities, local governments provide some goods and services and, in turn, receive funds from other levels of government.

In summary, this report provides information concerning the financing of public services in an environmental planning area. It provides a perspective, also, for viewing and evaluating the performance of the local public economy as part of a more extensive economic region. Institutional changes are not suggested, however, nor is a comparative analysis included of either public services or regional growth. The preparation of a base-year description of an area economy and assessment of the area impacts of local, state, and federal on the total level of economic activity are of primary concern. The statistical series that can be developed, and their data sources are illustrated in the report so that the economic impacts of an area's public financing can be ascertained by others, too. Thus, the report is a demonstration of the complexity of local government financing as well as a presentation of the factual content of a system of area governmental accounts.

Other studies of West Minnesota, which are now being completed, will report on the interdependence of the public and private sectors of the area economy. These studies will show the advantages and disadvantages and the costs and benefits of different approaches to the financing of public services and economic development in West Minnesota.

This study establishes, therefore, a starting point for the assessment of the area's economic potential. That starting point is a year for which an abundance of data are available, including federal, state, and local sources. When more recent data became available, especially on public financing, they can be compared with the base-year estimates and thus the extent of change in specific categories of public income and spending in a particular multicounty planning area can be determined.

# financing public services in west minnesota<sup>1</sup>

## INTRODUCTION

Martin A. Ulrich<sup>2</sup> and Wilbur R. Maki<sup>3</sup>

Financing public services in West Minnesota is marked by a growing gap between lenders and borrowers. Without adequate financing, local residents are being deprived of essential public services.

Young people are leaving the area, not only because of the lack of essential social services, such as housing, health care, and education; but, because of lack of jobs. Businesses seeking new sites in less congested and more spacious areas are unlikely to move into rural areas that lack good schools, hospitals, and housing.

A vicious circle of economic decline is perpetuated by lack of jobs and services. Jobs are scarce because businesses are unwilling to risk expansion in declining areas. Without business, financing is inadequate to support minimal levels of services for a young and growing population.

West Minnesota is not a low income area because of its people, but because of its history and geography. Low income is a consequence of the decline of agriculture and remoteness from any major markets. Public financing is a serious problem because of these conditions which are largely outside the control of local residents.

The 14 counties and 119 municipalities, with a total population of 240,000, depend primarily on agriculture and recreation. These two activities are marked by either decline or instability.

While the study area of nearly 12,000 square miles accounts for 15 percent of the total land area of Minnesota, it supports 7 percent of the population and earns 4.2 percent of its total personal income. Per capita income in the area is 40 percent below the state average and unemployment per 1,000 workers is 54 percent above the state average.

West Minnesota is too far from major centers of economic expansion to allow for easy access to existing job opportunities. Only as the Fargo-Moorhead area expands industrially and commercially, does job access improve for local residents.

In this study, West Minnesota is viewed as a problem area in the financing of public services and economic growth. Hence, we look first, at the study area as a primarily consumption-oriented urban-rural settlement system (figure 1).

Within the study area, a wide range of private and public service is provided only in the principal urban centers. As a service-producing unit, however, the 14-county area is becoming increasingly self-sufficient, partly as the result of increasing per capita expenditures for services and partly as the result of increasing urban growth.

West Minnesota is viewed, also, as part of a large commodity-producing area focusing on the Fargo-Moorhead urban-industrial complex (figure 2). In this area, a diversity of resources and markets exists to support many specialized businesses and industries.

Urban concentration encourages specialization: specialization supports better jobs and incomes.

Specialization also encourages interdependence. Because of distance from competing metropolitan centers, coupled with good roads, nearly 500,000 people depend on Fargo-Moorhead for specialized services.

The Fargo-Moorhead area serves as a regional growth pole around which export-producing industries can develop in the Upper Midwest Region. Thus, the growth pole region, which covers the Red River Valley and includes West Minnesota, is the appropriate area for dealing with economic base expansion and settlement change.

West Minnesota is called an environmental planning area. One reason for this is the notion that the quality of neighborhood services is the important environmental concern among a majority of people; hence, environmental planning is associated with delivery of social services. Also recognized is the political reality of the Minnesota-North Dakota border, which crosses the Fargo-Moorhead focal area. So, the area center is Fergus Falls while the multi-area, subregional center is Fargo-Moorhead. And, finally, the total area is halved — seven agriculture-oriented counties on the west and seven recreation-oriented counties on the east — in recognition of basic economic differences between the two subareas.

## Objectives

Primary objectives of the study are three-fold: (1) to describe the critical linkages of the public economy of a low-income area in the periphery of a multistage, metropolitan-centered development region; (2) to estimate flows of public funds from various services to various uses in an environmental planning area; and (3) to assess the potentials for reshaping governmental structures for improving social service and reducing public financing gaps.

Secondarily, the study has several methodological objectives, which are summarized in one phrase: concept-and-model-building. Economic analysis for environmental planning and regional development is notoriously lacking in both concepts and models for preparing information that advances public knowledge.

Underlying the study objectives, therefore, is the notion that knowledge-search must be linked to action-planning. In the following major problem areas knowledge is lacking for effective development planning:

1. Agricultural, commercial, and industrial development: output-increasing and cost-saving potentials for improving comparative advantage of area and regional industries in national and world markets.

2. Transportation and land use: cost-reducing and access-improving potentials for business and households in reaching national markets and local resources and services.

3. Manpower development and training: productivity-increasing potentials for upgrading labor skills and jobs through vocational schools and technical institutes organized on a multicounty and multistate basis.

4. Education: quality-improving and cost-controlling potentials in public education through mergers and consolidations, most concerning special education services.

5. Health: cost-reducing and access-improving potentials of medical and health care delivery through local mergers and consolidations, as well as decentralization of primary

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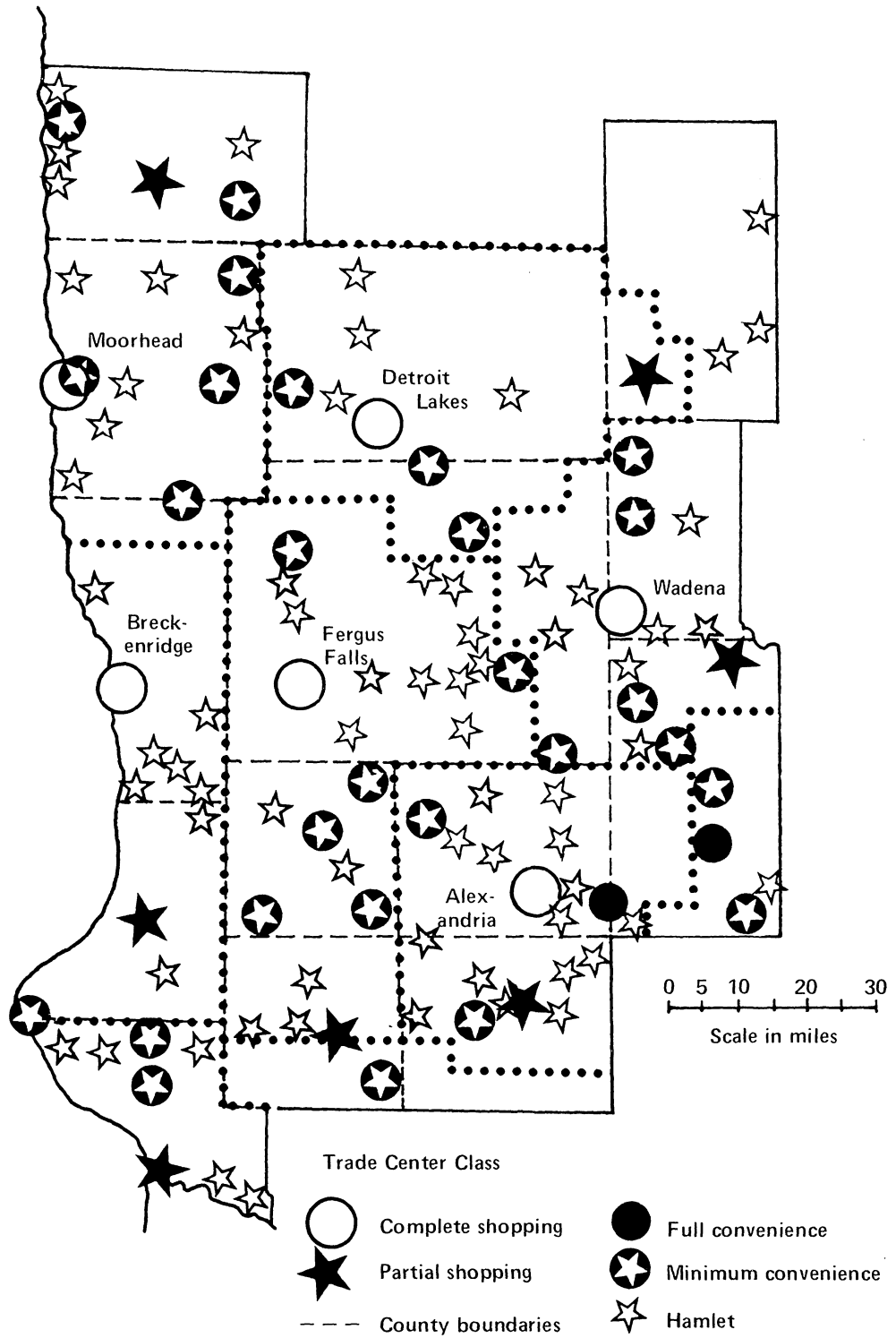


Figure 1. Service areas of trade centers, (within dotted lines) West Minnesota, 1967

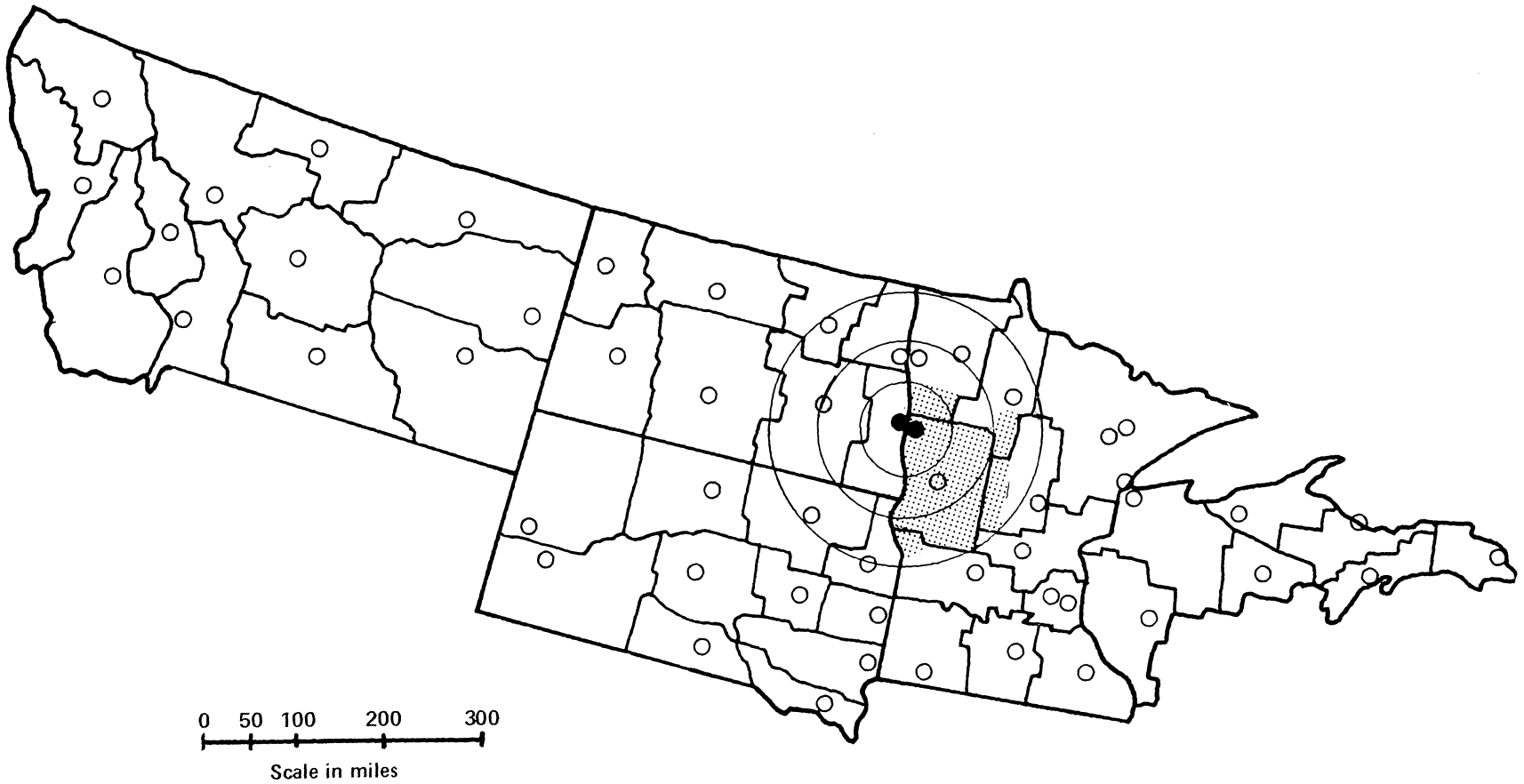


Figure 2. Multicounty planning areas and principal area centers in the Upper Midwest, 1970  
(Circle areas are distance zones—50 miles per zone)

care facilities, that would result in the organization of area-wide health care systems.

6. Housing: cost-reducing and access-improving potentials of housing development alternatives, especially in little populated areas.

7. Environmental management: trade-off potentials in conservation and development of environmental resources, including energy resources and open space.

8. Recreation: output-increasing and cost-reducing potentials in providing equal access to recreational sites for all economic groups in local population.

9. Government services: output-increasing and cost-reducing potentials in providing equal access to municipal utilities and welfare services.

10. Intergovernmental cooperation: trade-off potentials between service delivery and economic growth investments in private and public sectors of area and regional economies.

Public financing gaps occur in each of the 10 issue areas, particularly in public support of private investment potentials in export-producing activities. Area financing sources are inadequate, also, to cover much-needed local/public expenditures in housing, health, education, and related public services.

### Classifications and Definitions

Economic activities in West Minnesota are classified as (1) private and public, (2) production and consumption, (3) endogeneous and exogeneous, and (4) current and capital. Classification of activities as public and private is quite clear, except for some semi-public activities. Here, public refers to the recognized levels and types of government.

Classification of activities as production and consumption is less precise than classification as private and public activities. Households are usually thought to consume and business firms to produce. But it is clear that households produce and business firms consume goods and services.

## ENUMERATION OF WEST MINNESOTA GOVERNMENTS

West Minnesota is characterized by its many local government units. On January 1, 1967, there were 4,184 local government units in Minnesota, with 739 of these in West Minnesota. Statewide, one local government covers 18 square miles of land; in West Minnesota one local government unit exists for each 16 square miles. Statewide, one local government unit serves 856 persons; in West Minnesota, one local government unit serves 326 persons.

While the number of local governments has declined, and is still declining as a result of school district consolidation, a reverse trend has emerged. For example, special districts have increased recently. Finally, in addition to the 739 local governments, many state and federal government employees and institutions are located in the area. Altogether, five basic kinds of local governments are identified; namely, counties, municipalities (cities and villages), townships, school districts, and special districts (table 1).

### Federal Government

Among federal government agencies, the Post Office Department is the largest employer in the area with 801 people (table 2). The U. S. Department of Agriculture is the next largest with 197 — more than half concentrated in three counties. The third largest employer in the U. S. Department of Interior, with 84, 63 of them in Becker County and 21 in Otter Tail County. Altogether, federal employment averages approximately 5 workers per 1,000 population. However, considerable variation from the area norm occurs because of the localization of specialized federal facilities within the area.

The procedure used in this report is to identify the institution which is carrying out an activity and then identify whether the activity is an input, an output, or both an input and output, except where terms production or consumption can be fully understood.

"Endogenous," as used in this report, refers to activities taking place within the borders of the 14-county study area. "Exogenous," refers to activities taking place outside the borders of the 14-county area. For example, some activities of the federal government, such as post offices, are endogenous, while other activities, such as setting federal income tax rates, are exogenous.

A fourth broad classification is required since flows of goods and services occur over time. Goods that are purchased for consumption by households or business, within a prescribed time period, are considered purchases for current purposes. Goods that are purchased for longrun purposes, such as buildings, are considered purchases for capital accumulation. The primary usefulness of this classification is that flows are much more stable over time and among similar institutional units.

A secondary type of classification mentioned earlier is the geographic classification between the seven west and the seven east counties. Data presented attempt to differentiate between the east and west counties. The seven west counties are primarily in the Red River Valley and have a high dependence on the fertile land resource base. The seven east counties are part of the traditionally recreation-oriented "Park Region" and are less agricultural.

Topics covered in this report are outlined by chapter. The first chapter is primarily introduction and classification; the second chapter describes local governments. The next three chapters deal with the flow of funds, goods, and services in and out of local governments. The last chapter identifies key linkages between federal and state governments and the area economy and provides tentative measures of money flows and economic impacts.

### State Government

The State of Minnesota does not have any general data on the location of state employees by county and activity or department. However, total employment of full-time state employees is available from the 1967 Census of Government, which shows 1,563 full-time employees in West Minnesota (table 3).

There are large agglomerations of state government employees in certain counties because of the location of large state institutions. Major state institutions are located in Clay County (Moorhead State College), Stevens County (University of Minnesota, Morris, including Experiment Station and Highway District Office), Becker County (Highway District Office), and Otter Tail County (Fergus Falls State Hospital and Fergus Falls Junior College). In addition, employees of the Agricultural Extension Service are included under state or county employment.

### Counties

In rural Minnesota, county government is the dominant general purpose local government. Unlike federal and state employment, county employment serves a local population and is roughly correlated, in total number, with total county population. However, wide differences occur in the quantity and quality of services (table 3).

Important, too, is the relationship of county government to municipal government and the relative burdens of each governmental unit. Generally, more urban counties depend less on county than on municipal government.



Table 1. Local governments and population, by county, West Minnesota, 1967\*

County	Land area square miles	Population 1967†	Counties	Municipalities	Townships	School districts	Special districts	Total	Local gov'ts per 1,000 pop.	Local gov'ts per 1,000 sq. mi.
West										
Big Stone	510	8,517	1	8	14	8	1	32	3.75	62.7
Clay	1,050	39,133	1	11	30	7	3	52	1.32	49.5
Grant	557	8,347	1	7	16	6	2	32	3.83	57.4
Norman	885	9,628	1	8	24	6	2	41	4.25	46.3
Stevens	570	10,636	1	5	16	4	1	27	2.53	47.3
Traverse	572	6,370	1	4	15	3	1	24	3.76	41.9
Wilkin	752	9,860	1	9	22	12	2	46	4.66	61.1
Total West	4,896	92,491	7	52	137	46	12	254	Average 2.74	51.8
East										
Becker	1,315	24,965	1	7	35	6	3	52	2.08	39.5
Douglas	637	21,826	1	11	20	23	1	56	2.56	87.9
Hubbard	932	9,166	1	4	26	12	0	43	4.69	46.2
Otter Tail	2,000	47,265	1	20	62	83	3	169	3.57	84.5
Pope	681	10,266	1	9	20	9	1	40	3.89	58.7
Todd	947	22,259	1	10	28	53	1	93	4.17	98.2
Wadena	536	11,494	1	6	15	9	1	32	2.78	59.7
Total East	7,048	147,241	7	67	206	195	10	485	Average 3.27	68.8
Total area	11,944	239,732	14	119	343	241	22	739	Average 3.06	61.8
Total Minn.	80,009	3,582,000	87	850	1,817	1,282	148	4,184	Average 1.16	52.2

\* Minnesota Department of Health, Selection of Vital Statistics, reprinted in Minnesota Economic Data, Counties and Regions, Number 14, prepared by Department of Agricultural Economics, Agricultural Extension Service and Agricultural Experiment Station cooperating—University of Minnesota, February 1969.  
 † U. S. Bureau of the Census, Census of Governments 1967, Volume 7, Number 23, Minnesota, table 29, p. 40.

Table 2. Federal government civilian employment, West Minnesota, 1967\*

County	Post Office	Agriculture	Interior	Defense	Health Education and Welfare	Department of Defense	Selective Service	Treasury	Other	Total
West										
Big Stone	39	9	0	0	0	0	1	0	0	49
Clay	108	17	0	1	0	0	2	9	6	143
Grant	33	5	0	1	0	0	1	0	0	40
Norman	44	12	0	0	0	0	1	0	0	57
Stevens	37	44	0	0	0	0	1	0	0	82
Traverse	27	8	0	3	0	0	1	0	0	39
Wilkin	34	1	0	0	0	0	1	0	0	36
Total	332	96	0	5	0	0	8	9	6	446
East										
Becker	96	21	63	0	17	0	2	0	1	200
Douglas	69	14	0	0	0	16	1	0	2	102
Hubbard	42	1	0	0	0	0	1	0	0	44
Otter Tail	127	38	21	3	0	0	2	3	1	195
Pope	38	8	0	0	0	0	1	0	0	47
Todd	63	9	0	0	0	0	1	0	0	73
Wadena	44	10	0	16	0	0	1	0	0	71
Total	479	101	84	19	17	16	9	3	4	732
Total area	801	197	84	24	17	16	17	12	10	1,178

\* U. S. Civil Service Commission. Annual Report of Federal Civilian Employment in United States by Geographical Area, December 31, 1967. U.S.G.P.O. Pamphlet SM 682, Washington, D.C.

**Table 3. State and county government employment, and county population, 1967**

County	Full-time state employees*	County employees†	Population	Population per county employee
Big Stone	3	78	8,517	109
Clay	391	126	39,133	311
Grant	1	40	8,347	209
Norman	0	62	9,628	155
Stevens	295	159	10,636	67
Traverse	1	91	6,370	70
Wilkin	1	86	9,860	115
Total West	692	642	92,491	Average 144
Becker	325	109	24,965	229
Douglas	12	246	21,826	89
Hubbard	35	108	9,166	85
Otter Tail	457	272	47,265	174
Pope	27	72	10,266	143
Todd	8	112	22,259	199
Wadena	7	95	11,494	121
Total East	871	1,014	147,241	Average 145
Total	1,563	1,656	239,732	Average 144

\* U.S. Bureau of Census, Census of Governments, 1967, Volume 7; State Reports, Number 23, Minnesota, table 31, pp. 42-45.

† U.S. Bureau of Census, Census of Governments, 1967, Volume 7; State Reports, Number 23, Minnesota, table 31, p. 54.

## Municipalities

Municipalities include both city and village governments. Some villages have a population under 100 persons, while the largest municipality in the region — Moorhead — has more than 25,000 (table 4).

In the study area, 10 of the 11 municipalities designated as cities of more than 2,500 population are county seats. In addition, 13 cities and villages of 1,000 to 2,500 population are located in the area (table 5).

Of the 119 municipalities in the 14-county area, 95 are less than 1,000 population (table 6). Nearly two-thirds of the municipalities have fewer than 500 people.

Total municipal populations by size and class of municipality are summarized for each county in the study area as a partial basis for interpreting the distribution of public employment between municipal and county governments (table 7). Clearly, the west is more urbanized than the east counties.

Figure 3 shows the geographic distribution of municipalities to provide information on the pattern of urbanization and municipal government service locations. Especially in the northern half of the area, towns larger than 500 persons are located along major highways. Urban service systems follow a similar pattern.

## Townships

Townships are the least important financially of the three general purpose local governments in West Minnesota. Township and municipality jurisdictions control the total land area of the counties, so, municipalities and townships together can be viewed as a fourth level of government.

There are 343 township governments in the area. Otter Tail, the largest of the 14 counties in area, has the most township governments. Each organized township covers an average of 34.8 square miles. However, township size varies among counties.

**Table 4. Population of cities with more than 2,500 population, by county, 1960 and 1970**

City	County	Population	
		1960	1970
Moorhead	Clay	22,934	29,026
Fergus Falls	Otter Tail	13,733	12,731
Alexandria	Douglas	6,713	6,905
Detroit Lakes	Becker	5,633	5,676
Wadena	Wadena	4,331	4,576
Breckenridge	Wilkin	4,335	4,163
Morris	Stevens	4,199	5,120
Park Rapids	Hubbard	3,047	2,734
Staples*	Todd	2,706	3,662
Ortonville	Big Stone	2,674	3,816
Glenwood	Pope	2,631	2,569

\* The only city listed not a county seat.

## School Districts

Two types of school districts are found in Minnesota; namely, graded elementary and secondary, and ungraded elementary. However, the ungraded school district is gradually being phased out as a result of school consolidation. While there are twice as many ungraded elementary schools as graded elementary and secondary school districts, the ungraded enroll less than 13 percent of the students and employ less than 16 percent of the teachers (table 8). Two counties — Todd and Otter Tail — contain 120 of the 171 ungraded elementary school districts.

The 1967 enrollment in the West Minnesota area schools was 62,392 students, or 240 per school district (834 per graded elementary and secondary type school district; 24

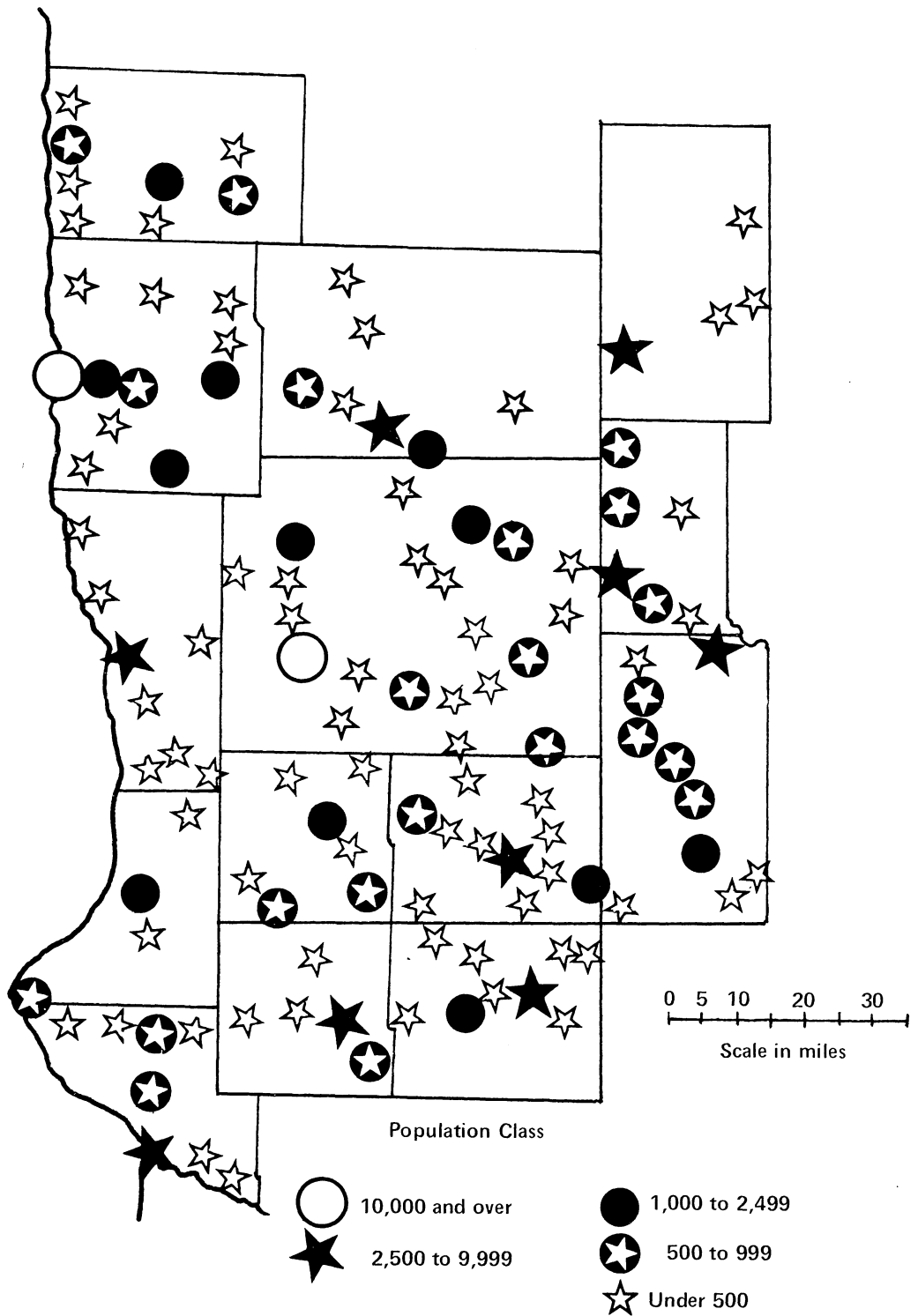


Figure 3. Location of municipalities, by size class, West Minnesota, 1967

per ungraded elementary school district). Teaching staffs totaled 3,268 for all schools in the area. Enrollment averaged 19 students per teacher, with the ratio being slightly lower in ungraded elementary school districts.

Special educational services are available only in the graded elementary and secondary school districts. Table 8 cites the eight special services as follows: (1) agriculture, (2) business, (3) home economics, (4) industrial arts, (5) impaired hearing, (6) mentally retarded, (7) speech correction, and (8) area vocational schools. Only four of these eight are available in more than half of the school districts; only one school district reports a remedial reading service and five districts, area vocational schools.

### Special Districts

Special districts in West Minnesota totaled 22 in 1967. Like school districts, they are designed to handle only one function. Special district jurisdictions need not follow county boundaries, although they coincide in many instances.

Most special districts in the study area are concerned with natural resources (table 9). Only three of the special districts in housing and hospitals dealt with primarily urban concerns rather than natural resources.

**Table 5. Population of cities and villages with 1,000 to 2,500 population, by county, 1960 and 1970**

City or Village*	County	Population	
		1960	1970
Long Prairie . . . . .	Todd	2,414	2,253
Dilworth . . . . .	Clay	2,102	2,298
Wheaton . . . . .	Traverse	2,102	2,011
Ada . . . . .	Norman	2,064	2,013
Perham . . . . .	Otter Tail	2,019	1,979
Pelican Rapids . . . . .	Otter Tail	1,693	1,823
Barnesville . . . . .	Clay	1,632	1,766
Elbow Lake . . . . .	Grant	1,521	1,444
Osakis . . . . .	Douglas	1,396	1,329
Hawley . . . . .	Clay	1,270	1,362
Starbuck . . . . .	Pope	1,099	1,124
Frazee . . . . .	Becker	1,033	1,007
Browns Valley . . . . .	Traverse	1,033	901

\* County seats.

**Table 6. Municipalities specified by population size class and county, West Minnesota, 1970**

County	Size class of municipality					
	A 10,000+	B 2,500 to 9,999	C 1,000 to 2,490	D 500 to 999	E 200 to 499	F 90 to 199
Big Stone		Ortonville		Graceville Clinton	Beardsley	Correll Johnson Barry
Clay	Moorhead		Dilworth Barnesville Hawley	Glydon	Ulen Sabin Hitterdahl Felton	Odessa Georgetown Comstock
Grant			Elbow Lake	Herman Hoffman	Ashby Barrett Wendell	Norcross
Norman			Ada	Twin Valley Halstad	Shelly Hendrum Gary	Perley Borup
Stevens		Morris		Hancock	Chokio Donnelly	Alberta
Traverse			Wheaton	Browns Valley	Tintah Dumont	
Wilkin		Breckenridge			Rothsay Campbell Wolverton	Foxhome Nashua Doran Kent Tenney
Becker		Detroit Lakes	Frazee	Lake Park	Audubon Callaway Ogema	Wolflake
Douglas		Alexandria	Osakis	Evansville	Brandon Kensington Carlos	Milona Nelson Millerville Ferada Garfield

Table 6. (Continued) Municipalities specified by population size class and county, West Minnesota, 1970

County	Size class of municipality					
	A 10,000+	B 2,500 to 9,999	C 1,000 to 2,499	D 500 to 999	E 200 to 499	F 90 to 199
Hubbard		Park Rapids			Akeley Nevis	Laporte
Otter Tail	Fergus Falls		Perham Pelican Rapids	Henning Parkers Prairie New York Mills Battle Lake	Underwood Deer Creek Vergas Dalton Bluffton	Urbank Dant Elizabeth Otter Tail Erhard Clitherall Vining Richville
Pope		Glenwood	Starbuck		Cyrus Lowry Long Beach Villard	Farwell Sedan Westport Hewitt
Todd		Staples	Long Prairie	Browerville Eagle Bend Clarissa Bertha	Grey Eagle	Burtrum West Union
Wadena		Wadena		Sebeka Managha Ferndale		Aldrich Nimrod

Table 7. Distribution of total municipal population in specified size classes, by county, West Minnesota, 1970

County	Size class of municipality						Total municipal	Total county	Municipal as percent of county population
	A 10,000+	B 2,500 to 9,999	C 1,000 to 2,499	D 500 to 999	E 200 to 499	F 90 to 199			
West									
Big Stone		2,816	.....	1,333	356	374	4,879	8,020	60.8
Clay	29,026	.....	5,426	674	1,231	286	36,643	45,845	79.9
Grant	.....	.....	1,444	1,230	979	129	3,782	7,269	52.0
Norman	.....	.....	2,013	1,453	831	271	4,568	9,888	46.2
Stevens	.....	5,120	.....	802	726	145	6,793	11,014	61.7
Traverse	.....	.....	2,011	901	.....	373	3,285	6,205	52.9
Wilkin	.....	4,163	.....	.....	234	531	4,928	9,755	53.3
Total West	29,026	12,099	10,894	6,393	4,357	2,109	64,878	97,996	66.2
East									
Becker	.....	5,676	1,007	640	738	58	8,119	23,687	34.3
Douglas	.....	6,905	1,329	535	996	804	10,569	22,612	46.7
Hubbard	.....	2,734	.....	.....	767	152	3,653	10,268	35.6
Otter Tail	12,731	.....	3,812	3,276	1,264	1,133	22,216	45,934	48.4
Pope	.....	2,569	1,124	.....	981	222	4,896	11,023	44.4
Todd	.....	2,662	2,253	2,296	330	402	7,943	21,634	36.7
Wadena	.....	4,576	.....	2,041	.....	147	6,764	12,241	55.3
Total East	12,731	25,122	9,525	8,788	5,076	2,918	64,160	147,399	43.5
Total area	41,757	37,221	20,419	15,181	9,433	5,027	129,038	245,395	52.6

Table 8. Number of school districts by county and type, enrollment and teachers to 1966-67 school year

County	Type of school district*	Number of school districts	Special service available‡								Enrollment			Teachers		
			1	2	3	4	5	6	7	8	Elementary	Secondary	Total	Elementary	Secondary	Total
Big Stone	A	5	4	4	4	1	0	1	1	0	1,144	1,185	2,329	55	75	130
	B	3									138	0	138	9	0	9
Clay	A	7	4	6	6	5	0	3	5	1	5,429	4,864	10,293	238	269	507
	B	0									0	0	0	0	0	0
Grant	A	5	4	4	5	3	0	1	0	0	1,305	1,039	2,344	57	38	145
	B	1									42	0	42	3	0	3
Norman	A	6	3	4	6	5	0	1	2	0	1,337	1,194	2,531	68	92	160
	B	0									0	0	0	0	0	0
Stevens	A	3	1	3	3	2	0	1	0	0	1,470	1,377	2,647	70	86	156
	B	1									15	0	15	1	0	1
Traverse	A	3	2	1	3	2	0	1	1	0	920	891	1,811	43	61	104
	B	0									0	0	0	0	0	0
Wilkin	A	4	2	2	2	1	0	1	1	0	1,166	1,102	2,268	50	69	119
	B	8									249	0	249	19	0	19
Becker	A	4	3	4	4	3	1	2	1	1	3,042	2,574	5,616	124	154	278
	B	2									177	0	177	4	0	4
Douglas	A	5	4	5	5	3	0	2	2	1	1,927	2,731	4,658	81	157	238
	B	18									807	0	807	36	0	36
Hubbard	A	4	1	4	4	4	0	1	2	0	1,353	1,359	2,712	55	83	138
	B	8									249	0	249	13	0	13
Otter Tail	A	9	7	8	9	9	0	4	5	0	4,283	5,156	9,539	191	296	487
	B	74									1,413	0	1,413	87	0	87
Pope	A	4	2	3	4	3	0	1	0	0	1,408	1,366	2,774	60	83	143
	B	5									149	0	149	9	0	9
Todd	A	27	6	7	7	3	0	4	2	1	2,033	2,783	4,816	93	168	261
	B	46									722	0	722	52	0	52
Wadena	A	4	3	4	4	3	0	2	0	1	1,879	1,935	3,814	73	109	182
	B	5									79	0	79	5	0	5
West counties	A	33	20	24	29	19	0	9	10	1	12,605	11,818	24,423	581	740	1,321
	B	13									444	0	444	32	0	32
East counties	A	37	26	35	37	28	1	16	12	4	15,925	18,004	33,929	677	1,050	1,727
	B	158									3,596	0	37,525	206	0	206
Total†	A	70	46	59	66	47	1	25	22	5	28,530	29,822	58,352	1,258	1,790	3,048
	B	171									4,040	0	4,040	238	0	238

\* A, refers to graded elementary and secondary schools; B, to ungraded elementary schools.

† There are 70 A school districts and 171 B school districts in the 14-county area.

‡ See explanation, page 13.



**Table 9. Special districts, by county, West Minnesota, 1967**

County	Drainage and conservation	Housing and urban redevelopment	Hospital	Soil conservation	Watershed	Total
East						
Big Stone	0	0	0	1	0	1
Clay	0	1	0	1	1	3
Grant	0	0	1	1	0	2
Norman	1	0	0	1	0	2
Stevens	0	0	0	1	0	1
Traverse	0	0	0	1	0	1
Wilkin	0	0	0	1	1	2
Total East	1	1	1	7	2	12
West						
Becker	0	0	0	1	2	3
Douglas	0	0	0	1	0	1
Hubbard	0	0	0	0	0	0
Otter Tail	0	0	1	2	0	3
Pope	0	0	0	1	0	1
Todd	0	0	0	1	0	1
Wadena	0	0	0	1	0	1
Total West	0	0	1	7	2	10
Total area	1	1	2	14	4	22

## FINANCING THE LOCAL PUBLIC ECONOMY

In this and the following chapter, the total flow of funds is classified (1) by county and (2) by type of government. Within each of the two major classifications, funds are divided in five major groups: current local sources, transfers, borrowing, net nonrevenue, and net funds withdrawal. Although the first three groups are of major interest in this study, the five groups are identified as follows:

*Current local sources* comprise taxes, special assessments, charges, permits, interest, and fines, which together account for over one-third of all inflows of funds and approximately \$168 per resident (table 10).

*Transfers* include state-shared taxes; grants for special and general purposes from the state and federal governments; plus minor transfers of funds among local governments and from individuals as gifts. Transfers supply a slightly larger portion of revenue to the aggregate of local governments than do current local sources.

*Borrowing* is a minor component, comprising less than 10 percent of all local inflow of funds. This item fluctuates since financing of one major capital improvement in one of the area's powerful urban centers can have a major effect on the aggregate flow of funds.

*Nonrevenue* sources include refunds, trust and agency receipts, and sale of investments. Over the longrun the nonrevenue receipts and expenditures would be expected to balance roughly.

The withdrawal category is merely a balancing item to equate inflows and outflows for each governmental unit each year. This item, too, is cancelled by the outflows of funds.

Inflow of funds data are summarized in table 11. Like other data in this chapter, the source is the Annual Report to the Public Examiner.<sup>4</sup>

### Revenue by County and Subarea

Inflow of funds in total data and on a per capita basis are shown for each county and subarea in table 11. As shown by the per capita portion, the east counties relied more heavily on current transfers. It is not known whether the 1967 pattern is caused by lower per capita incomes in the east counties or other reasons.

**Table 10. Inflow of funds for local governments, by class of funds, West Minnesota, 1967**

Class of inflow	Total	Per capita*	Proportion of total
	dollars	dollars	percent
Current local sources	40,333,956	168	36.6
Transfers	41,306,055	172	37.4
Borrowing	8,761,564	36	7.9
Net nonrevenue	13,720,187	57	12.4
Net funds withdrawal	6,260,462	26	5.7
Total	110,382,224	459	100.0

\* Assumed 1967 population of 240,732.

<sup>4</sup> Department of Public Examiner, *Report to Public Examiner on the Revenues, Expenditures, and Debt of State and Local Government, 1967*. State of Minnesota, 1969.

A second notable feature of the county aggregate data is the wide range of borrowing—from no borrowing in Hubbard County local governments to almost \$5 million in Clay County local governments. Again, there are many plausible explanations. Clay is a growing county with a large population and rural area local government borrowing tends to be sporadic.

Disaggregation of current local funding is listed by major components in table 12. Because of the difficulty of grouping items of revenue from financial reports for different types of governments, only three categories of current local revenue are used, namely, (1) taxes and special assessments; (2) fees, charges, licenses, fines and forfeits; and (3) rents, interest, and others.

**Table 11. Inflow of public sector funds, total and per capita, by county, West Minnesota, 1967\***

County and subarea	Total flow of funds				Per capita flow of funds			
	Current local	Transfers	Borrowing	Total†	Current local	Transfers	Borrowing	Total†
	thousands of dollars				dollars			
West								
Big Stone	1,757	1,405	12	3,718	206	165	1	437
Clay	7,814	4,687	4,974	19,893	200	120	137	503
Grant	1,684	1,369	147	4,395	202	164	18	527
Norman	2,052	1,752	2	4,541	213	182	0	472
Stevens	2,104	1,442	1,775	5,885	198	136	167	553
Traverse	1,454	1,133	0	2,963	228	118	0	465
Wilkin	1,836	1,447	665	4,165	186	147	66	422
Total	18,703	13,237	7,565	45,560	Average 202	143	82	493
East								
Becker	3,347	4,290	18	9,654	134	172	1	381
Douglas	3,405	4,193	155	10,789	156	192	7	494
Hubbard	1,463	2,036	0	4,123	160	222	0	450
Otter Tail	6,693	7,381	695	19,706	142	156	15	417
Pope	1,982	1,875	1	4,499	193	183	0	438
Todd	2,969	5,644	315	10,701	133	253	14	281
Wadena	1,771	2,652	12	5,345	154	231	1	465
Total	21,631	28,069	1,196	64,822	Average 146	189	8	437
Area total	40,334	41,306	8,762	110,382	Average 168	172	36	459

\* Sum of county totals may not equal area totals because of rounding.  
 † Including net nonrevenue and net fund withdrawal.

The data in table 12 show a wide divergence in per capita taxes. Highest tax levels are in Traverse County, while the lowest are in Becker County and 42 percent higher in the west than in the east counties. Taxes, as a percent of assessed value, are 20.1 percent in Traverse County, 20.2 percent in Becker County, 22.5 percent in the west counties, and 22.8 percent in the east counties. The taxable value per resident in the west counties is \$753 and in the east counties \$524.

Intercounty tax comparisons point out the difficulty of measuring the burden of taxation between areas. If per capita income is compared to taxes and charges per person, the percent of personal income used for local taxes and charges is 8.8 percent in the west and 7.5 percent in the east counties.

Dominance of the state as a source of funds is clearly demonstrated (table 13). However, many federal transfers are handled by the state—a procedure that inflates state transfers and deflates federal transfers. The primary notable intra-area feature is the higher per capita transfers to the east counties, which partially offset subarea differences in income and wealth.

The range in per capita revenue from transfers is narrower than the range for local taxes. Todd County received \$230 per resident in 1967 while Wilkin County received only \$128 per resident. Wide variations can occur: they are a response to more than income differentials.

### Revenue by Type of Local Government

The previous section of this chapter dealt with revenue data aggregated by type of local government but classified by subareas and counties. In this section, data by county are presented by type of local government (table 14).

Local governments may be either multi-purpose or single-purpose. Counties, municipalities, and townships are multi-purpose governments; school districts and other special districts are single-purpose. Counties are the dominant type of multi-purpose governments and in a sense serve as the third level of the government hierarchy. Together, municipalities and townships serve as the fourth level.

Counties account for 37 percent of all local government inflows of funds, and 74 percent of all multi-purpose local government inflows of funds; municipalities account for 24 percent and townships approximately 4 percent. Townships serve a much smaller population than municipalities: townships remain a minor item financially. Several possible explanations are that (1) township residents require fewer public services than municipal residents due to differences in settlement pattern, population densities, or other socio-economic factors; (2) township residents can pay for relatively few local public services; (3) townships rather than municipalities have more local public services performed by county government; (4) townships possess limited legal authority; and (5) municipalities perform public service for township residents.

Table 12. Sources of current local revenue for all local governments, by county and subarea, West Minnesota, 1967\*

County and subarea	Total			Per capita		
	Taxes	Charges	Other	Taxes	Charges	Other
thousands of dollars			dollars			
West						
Big Stone	1,530	127	106	180	15	12
Clay	6,289	830	736	161	21	19
Grant	1,456	147	82	174	18	10
Norman	1,810	154	150	188	16	16
Stevens	1,845	177	96	173	17	9
Traverse	1,254	103	125	197	16	20
Wilkin	1,494	149	194	151	15	20
Total West	15,679	1,687	1,490	Average 170	18	16
East						
Becker	2,509	263	581	101	10	23
Douglas	2,750	280	402	126	13	18
Hubbard	1,255	121	87	137	13	9
Otter Tail	5,398	732	602	114	15	13
Pope	1,751	177	59	171	17	6
Todd	2,651	249	139	119	11	6
Wadena	1,395	150	232	121	13	20
Total East	17,710	1,971	2,104	Average 119	13	14
Area total	33,389	3,658	3,287	Average 139	15	15

\* Sum of county totals may not equal area totals because of rounding.

Table 13. Sources of transfer payments for all local governments, by county and subarea, West Minnesota, 1967\*

County	Total				Per capita			
	Federal	State	County	Other†	Federal	State	County	Other†
thousands of dollars			dollars					
West								
Big Stone	3	1,309	75	19	0	154	9	2
Clay	23	4,570	94	1	1	117	2	0
Grant	2	1,283	76	8	0	154	9	1
Norman	76	1,619	25	32	8	168	2	3
Stevens	1	1,416	22	4	0	133	2	0
Traverse	0	1,040	11	82	0	163	2	13
Wilkin	2	1,263	171	11	0	128	17	1
Total West	107	12,500	474	157	Average 1	135	5	2
East								
Becker	53	4,149	67	21	2	166	3	1
Douglas	1	3,691	464	37	0	169	21	2
Hubbard	2	1,932	99	2	0	211	11	0
Otter Tail	43	6,361	939	37	1	135	20	1
Pope	2	1,780	86	7	0	173	8	1
Todd	9	5,122	479	35	0	230	21	2
Wadena	1	2,520	108	24	0	219	15	2
Total East	116	25,555	2,242	163	Average 1	172	15	1
Area total	217	38,054	2,716	319	Average 1	158	11	1

\* Sum of county totals may not equal area totals because of rounding.

† Personal donations and transfers among school districts.

**Table 14. Local government revenues, by type of local government, West Minnesota, 1967\***

Source	County	Municipal	Township	School district	Special district	Total
thousands of dollars						
Current local						
Taxes	11,443	4,423	1,590	15,898	35	33,389
Charges	548	1,641	0	1,337	132	3,658
Other	24	2,224	0	1,037	1	3,286
Subtotal	12,015	8,288	1,590	18,272	168	40,334
Transfers						
Federal	157	41	0	0	19	217
State	15,776	910	160	21,208	0	38,054
County	0	179	102	2,424	11	2,716
School district	0	0	0	310	0	310
Other	0	9	0	0	0	9
Subtotal	15,933	1,140	262	23,942	30	41,306
Borrowing	640	2,470	20	5,598	33	8,762
Net nonrevenue	12,644	530	0	546	0	13,720
Net fund withdrawal	0	970	3	5,257	30	6,260
Subtotal	13,284	3,970	23	11,401	63	23,742
Total	41,232	13,398	1,875	53,615	261	110,382

\* Sum of column rows may not equal area totals because of rounding.

The school district is the dominant single-purpose government. All other special districts in West Minnesota handle only a small fraction of the finances they do. However, flow-of-funds data are misleading in that state and federal governments supply certain services directly to special districts. Such services are not included in the money-flow data.

Cross classification of revenue sources and types of local government show that townships are most dependent and school districts and counties least dependent on their own sources. Conversely, counties and school districts are most dependent on transfers from state and federal governments.

Cross classification of fund inflow by types of local sources and types of local governments shows the property tax as the dominant type of local direct revenue. Fees and charges represent only a small percentage. However, for special districts, most of which have no direct taxing authority, charges are the major source of local direct revenue. Municipalities, too, rely on charges to an important degree, but the data underestimate the degree of reliance since public service enterprises, such as utilities, nursing homes, hospitals, and liquor stores, are treated separately. Only the net transfers between public service enterprises and the municipality are recorded. Charges actually are a significant portion of the revenue of special districts and municipalities.

Cross classification of sources of transfers and receivers of transfers show a transfer of \$310,000 from other sources to school districts. This represents payments from school districts not having a school for educating their children. Private donations largely account for the \$9,000 transferred from other sources to municipalities.

All federal transfers to school districts are funneled through the state. Of the \$2,424,000 transferred from counties to school districts, a portion is received from the state for retransfer to school districts.

### Summary

Tabular data presented in this chapter illustrate the flow of funds from various sources to the specified types of local governments, by subarea and county. Only the

flows from each source to each type of government are indicated, however.

Eleven different sources of funds for local governments in West Minnesota under the five major classes identified earlier are as follows:

- (1) Current local sources:
  - (a) property taxes
  - (b) charges and fees
  - (c) other local sources
- (2) Transfers:
  - (a) federal
  - (b) state
  - (c) county
  - (d) school districts
  - (e) other
- (3) Borrowing
- (4) Net nonrevenue inflows; and
- (5) Net fund withdrawals.

Of the 11 sources, two are endogenous to the West Minnesota public economy — transfers from counties and transfers from school districts. These two items are both inflows and outflows for the local public economy. The remaining nine sources include one “other” source and eight that are distinctly exogenous to the study area.

The two key sources of funds for local government then, are its own local sources, including taxation, charges and other inflows; and state government transfers. Although the federal government contributes a larger share than shown in table 14, the nonlisted transfers are channeled through state government. Hence, it is useful to look at a combination of state and federal transfers that might be called exogenous government transfers. The remaining three exogenous sources are of interest in shortrun situations. In the longrun, borrowing, net nonrevenue inflows, and net cash withdrawals would be balanced by debt retirements, net nonrevenue outflows, and net cash accruals.

## PUBLIC SERVICE EXPENDITURES

Public service expenditures are classified in several ways. First, the expenditures may be wage and salary payments, purchase of goods and services from business firms, debt retirement, and accrual of funds. Second, the expenditures for wage and salary payments, and purchases of goods and services may be classified by major purpose, that is, capital accumulation or current operations. Third, the expenditures for wage and salary payments, and goods and services purchased may be classified by function. That is, funds may be used for education, roads, welfare, or other functions. This chapter's focus is public service expenditures. The classification as to wage and salary payments, and goods and services purchased is discussed in the next chapter.

Table 15 lists total public service expenditures by expenditure category. Current expenditures is the dominant category.

Current and capital expenditures are classified as six major functional groups (table 16). As previously stated, the dominant local government function is education, which uses almost 60 percent of all local government current and capital expenditures. Welfare and roads are the secondary activities, each requiring over 10 percent of all current and capital expenditures. In West Minnesota, health, sanitation, and police and fire protection are minor expenditure items.<sup>5</sup>

**Table 15. Public expenditures, by expenditure category, West Minnesota, 1967**

Expenditure category	Total	Per capita	Proportion of total
	dollars		percent
Current	69,728,000	290	63
Capital	20,777,000	86	19
Debt retirement	3,518,000	15	3
Net nonrevenue	309,000	1	0
Net funds accrual	16,050,000	67	15
<b>Total</b>	<b>110,382,000</b>	<b>459</b>	<b>100</b>

**Table 16. Public expenditures, by function, West Minnesota, 1967**

Function	Total	Per capita	Proportion of total
	dollars		percent
General gov't and other	6,951,000	29	8
Safety (police, fire)	2,119,000	9	2
Health and sanitation	2,824,000	12	3
Education, libraries	51,267,000	213	58
Welfare	11,491,000	48	13
Roads, natural resources	13,437,000	56	15
<b>Total</b>	<b>88,089,000*</b>	<b>367</b>	<b>100</b>

\* The sum of expenditures by function does not equal the sum of current and capital expenditures in table 10 due to double counting of county transfers to local government.

<sup>5</sup> Because utilities are public service enterprises, they are excluded from the general accounts.

Functional classification of expenditures by type of local government illustrates the degree of government specialization. Welfare and roads are the major county functions. Municipalities incur major expenditures in health and sanitation, with sanitation the major component. Townships are concerned primarily with roads.

### Expenditure by County and Subarea

Table 17 shows total and per capita outflow of funds for current, capital, and debt retirement. The total outflow of funds includes fund accruals and net nonrevenue outflows not shown. Totals for each county are equal to the totals in table 11 in the preceding chapter because of the inclusion of the two entries, i.e., fund accruals and a withdrawal-balancing item.

The average per capita current expenditure in the east and west counties is approximately \$290 per resident. The average masks substantial intercounty difference: however, Clay, Becker, and Otter Tail counties — the three largest in population — are the only ones with per capita expenditures of less than \$260 per person. All other counties have per capita expenditures above the area average, which supports the contention that per capita expenditures for the same service are higher in small counties than large counties.

Clay County is the most urban county with Otter Tail and Becker ranking much lower in proportions of total urban population. Urbanization and per capita current expenditures apparently are not related to the size of urban places in the study area.

Per capita expenditures vary widely in the study area — from \$169 in Clay County to \$33 in Stevens County. Debt retirement expenditures show much less geographic variation, indicating that the 1967 capital expenditures may not reflect longrun trends.

Table 18 shows current expenditures by function. This table details the geographic distribution of expenditures. Education, the dominant function, shows little geographic variation in per capita expenditures. Todd and Wadena counties spend over \$217 per resident on education. Only Becker, Clay, and Otter Tail counties, the three largest in population, spend \$160 per resident or considerably less than the area average. While these data may indicate possible economies of scale, there is at least one complicating factor: Otter Tail County has 74, 1- or 2-room schools and Clay County has only seven consolidated school districts.

Otter Tail County has the lowest expenditures on an enrolled student basis, followed by Clay and Becker counties. There is no evidence presented that lower expenditures mean educational deficiencies. Differences in per capita and per student expenditures may represent quality rather than efficiency differences.

Local governments in the seven west counties spend more per resident for general government, public safety, sanitation, libraries, recreation, roads, and natural resources than the seven east counties; while the east counties spend more for health, hospitals, and welfare.

Higher welfare expenditures in the east than in the west counties are due to lower per capita income. Higher expenditures for libraries, public safety, and sanitation in the west counties, however, are a reflection of above-average expenditures in Clay County. If Clay County were excluded, there would be little difference between the west and east counties.

Intercounty comparisons of expenditures for some activities may show wide differences. Natural resource expenditures are an example. In Norman County, local governments spend over \$8 per resident while in Todd County it is less than \$1 per resident.

Table 19 summarizes capital expenditures by county and subarea. Because of the lumpy nature of capital expenditures, it is difficult to make comparisons among counties and among counties and subareas. Important, again, is the dominance of education, sanitation, and roads in total capital expenditure patterns and the almost total lack of capital expenditure for natural resources and recreation.

**Table 17. Public expenditures by specified outlay, by county and subarea, West Minnesota, 1967\***

County and subarea	Total public expenditures				Per capita expenditures			
	Current	Capital	Debt re- tirement	Total†	Current	Capital	Debt re- tirement	Total†
	..... thousands of dollars .....				..... dollars .....			
West								
Big Stone	2,720	451	127	3,718	319	53	15	437
Clay	10,163	6,622	1,042	19,893	260	169	27	508
Grant	2,701	1,004	136	4,395	324	120	16	527
Norman	3,131	490	156	4,541	325	51	16	472
Stevens	3,111	347	162	5,885	292	33	15	553
Traverse	2,033	350	103	2,963	319	55	16	465
Wilkin	2,913	499	113	4,165	295	51	11	422
Area total	26,772	9,764	1,839	45,560	Average 289	106	20	493
East								
Becker	6,441	1,971	198	9,659	258	79	8	387
Douglas	6,566	2,425	299	10,789	301	111	14	494
Hubbard	3,033	447	85	4,123	331	49	9	450
Otter Tail	12,249	3,132	671	19,706	259	66	14	417
Pope	3,393	412	116	4,499	330	40	11	438
Todd	7,581	1,712	139	10,701	341	77	6	481
Wadena	3,693	913	171	5,345	321	79	15	465
Total	42,956	11,013	1,679	64,822	Average 290	74	11	437
Area total	69,728	20,777	3,518	110,382	Average 290	86	15	459

\* Sum of county totals may not equal area totals because of rounding.  
 † Includes fund accruals and net nonrevenue outflows not shown.

**Table 18. Per capita current expenditures of all local governments for specified functions, by county and subarea, West Minnesota, 1967**

County and subarea	General government	Public safety	Sanitation	Health and hospitals	Education	Welfare
	..... dollars .....					
West						
Big Stone	20.34	9.12	4.64	1.87	185.43	52.20
Clay	10.48	12.98	6.05	0.43	160.36	27.20
Grant	17.56	5.26	0.88	0.46	196.61	52.63
Norman	21.45	10.70	1.99	1.17	172.68	51.22
Stevens	24.60	7.83	2.91	0.33	175.78	36.46
Traverse	22.07	8.98	1.38	0.57	181.17	42.26
Wilkin	18.45	8.99	2.76	1.76	173.29	27.20
Average	16.44	10.40	4.00	0.78	171.79	36.39
East						
Becker	9.92	8.05	1.71	0.46	139.61	64.38
Douglas	13.46	6.46	3.67	3.81	183.87	56.08
Hubbard	16.85	6.49	2.04	2.62	197.13	65.40
Otter Tail	11.03	6.90	4.27	1.08	153.58	46.53
Pope	17.12	7.31	1.70	1.02	198.01	57.53
Todd	11.66	5.71	1.01	0.40	217.18	65.90
Wadena	13.85	7.17	1.23	0.98	217.25	46.25
Average	12.22	6.83	2.68	1.35	174.90	55.44
Average of total area	13.84	8.20	3.19	1.13	173.71	48.12

**Table 18 (continued). Per capita current expenditures of all local governments for specified functions, by county and subarea, West Minnesota, 1967**

County and subarea	Libraries	Recreation	Roads	Natural resources	Other	Total
dollars						
<b>West</b>						
Big Stone	1.10	2.47	27.76	3.12	12.02	320.07
Clay	3.69	2.53	22.58	1.43	12.99	260.72
Grant	0.19	0.37	32.06	7.18	10.37	323.57
Norman	1.92	1.89	42.69	8.05	18.01	331.76
Stevens	0.85	0.89	31.16	2.25	10.75	293.81
Traverse	0.30	1.05	44.03	6.12	15.81	323.73
Wilkin	0.72	2.18	48.73	4.09	7.32	295.48
Average	2.07	1.93	31.25	3.49	12.52	291.06
<b>East</b>						
Becker	0.42	1.81	26.65	1.20	4.02	258.24
Douglas	0.73	1.99	21.91	1.44	8.68	302.11
Hubbard	0.57	0.95	31.24	1.74	5.85	330.89
Otter Tail	0.86	2.21	25.13	2.63	5.81	260.04
Pope	1.34	1.85	34.41	2.53	8.09	330.91
Todd	0.19	0.82	26.28	0.94	13.71	343.80
Wadena	0.66	2.46	26.46	1.42	4.09	321.82
Average	0.66	1.80	26.04	1.79	7.11	290.82
Average of total area	1.20	1.85	28.04	2.44	9.19	290.92

**Expenditure by Type of Local Government**

Table 20 shows expenditures by type of local government and expenditure classes. Capital expenditures were 32 percent of the total outflow of funds for municipalities, and debt retirement accounted for an additional 11 percent of the total expenditures (even though interest paid by local governments on debt is included in the current expenditure category).

School districts are the second most capital-intensive local government unit, as measured by expenditures. School districts, however, borrowed more than twice as much as municipalities in 1967 and their debt retirement payments exceeded those of municipalities.

No capital expenditures are shown for townships. Since the data available grouped both capital and current expenditures in four counties, the entire amount was included as a current expenditure.

Data are adjusted to omit double counting to account for transfer of funds from counties to other local governments.

The expenditure for school districts shows expenditures only for the education function: all administrative and other expenditures are attributed to the education function. Similarly for special districts, expenditures are shown for natural resources and housing, which are included with the "other" function.

Specialization of function by type of government is depicted, along with differences between the east and west counties. Among the counties, welfare expenditures are dominant: they account for more than 50 percent of all county current expenditures (table 21).

Roads and general government also account for large expenditures. The only major difference among east and west county governments' current expenditures, other than the previously noted welfare expenditures, is the much higher expenditures for education in the east counties.

While only 26 cents per resident was spent by the west county governments, over \$6 per resident was spent by the east counties in 1967 (table 21).

Municipal current expenditures have no single use such as safety, roads, and sanitation. Municipalities have little role in education, natural resources, welfare, and health. Municipalities in the east and west counties have practically identical expenditure patterns.

The major statewide township function is road maintenance while welfare and public safety play a minor role. Townships in the east and west counties have similar expenditure patterns.

Table 23 shows the importance of each type of local government as measured by total current and capital expenditures.

Capital expenditures by type of government and function generally are comparable with current expenditure patterns. Almost 90 percent of all county capital expenditures are for roads (table 24). Over 50 percent of the total municipal capital expenditure is for sanitation and about 25 percent is for roads. The total school district capital expenditure of \$48.11 per resident is for education. Education, roads, and sanitation are the major capital expenditure categories for local governments of West Minnesota.

**Summary**

Data in this chapter show public expenditures as the flow of funds from each type of local government to each category of the consolidated finance table, and to each of several local government functions. Education is the dominant local government activity. Two secondary local government activities are welfare and roads. Tertiary activities are the urban functions of safety and sanitation. Health, recreation, and natural resources are all minor public expenditure activities in West Minnesota.

Table 19. Per capita capital expenditures of local governments for specified functions, by county and subarea, West Minnesota, 1967

County and subarea	General government	Public safety	Sanitation	Education	Recreation	Roads	Natural resources	Other	Total
..... dollars .....									
West									
Big Stone .....	0.22	1.00	0.31	12.84	0.23	37.60	0.12	0.62	52.93
Clay .....	0.09	0.52	27.29	114.22	0.21	17.54	0.00	9.36	169.23
Grant .....	0.12	0.27	1.76	85.97	0	15.08	0.10	17.03	120.34
Norman .....	0.35	0.50	0.36	13.36	0.07	35.28	0	0.98	50.89
Stevens .....	0.15	0.32	2.66	12.21	0.34	15.76	0	1.18	32.62
Traverse .....	0.15	0.33	0	12.13	0.37	42.03	0.01	0	55.02
Wilkin .....	0.55	0.19	3.64	16.92	0.79	28.47	0	0.04	50.60
Average .....	0.19	0.47	12.47	62.70	0.27	23.66	0.02	5.80	105.57
East									
Becker .....	6.86	0.16	2.99	42.12	3.19	19.03	0.01	4.61	78.97
Douglas .....	1.65	0.24	2.41	78.10	0.19	21.46	0.05	7.00	111.09
Hubbard .....	0.48	0.20	0.91	16.60	0	29.68	0	0.93	48.81
Otter Tail .....	2.16	1.59	1.98	24.08	2.24	28.14	0.02	6.05	66.27
Pope .....	0.16	0.24	1.03	14.57	0.18	22.47	0.01	1.47	40.13
Todd .....	0.02	0.30	15.88	42.78	0.01	17.81	0	0.11	76.91
Wadena .....	0.04	0.57	3.34	55.22	0.54	19.41	0	0.31	79.43
Average .....	2.14	0.69	4.26	39.01	1.33	22.91	0.02	3.94	74.29
Average of total area .....	1.39	0.60	7.42	48.11	0.92	23.20	0.02	4.65	86.31



**Table 20. Expenditures of specified type of local government by function, West Minnesota, 1967**

Type of local government	Current	Capital	Debt retirement	Net non-revenue	Net fund accrual	Total
..... thousands of dollars .....						
County .....	22,760	4,870	345	75	13,181	41,232
Municipal .....	6,452	4,318	1,436	52	1,141	13,398
Township .....	1,855	0	31	0	0	1,876
School district .....	38,455	11,583	1,696	182	1,699	53,615
Special district .....	206	6	20	0	30	261
Total .....	69,728	20,777	3,518	309	16,050	110,382

**Table 21. Total current and capital expenditures (net of local transfers) for specified functions, by type of local government, West Minnesota, 1967\***

Type of local government	General government	Safety	Sanitation	Health	Education	Welfare
..... thousands of dollars .....						
<b>Current</b>						
County .....	2,191	502	0	253	939	11,318
Municipal .....	875	1,452	767	19	0	81
Township .....	266	20	0	0	0	91
School District .....	0	0	0	0	38,455	0
Special District .....	0	0	0	0	0	0
Total .....	3,332	1,974	767	273	39,394	11,491
<b>Capital</b>						
County .....	74	0	0	0	0	0
Municipal .....	260	145	1,785	0	0	0
School District .....	0	0	0	0	11,583	0
Special District .....	0	0	0	0	0	0
Total .....	334	145	1,785	0	11,583	0
Total all expenditures ..	3,666	2,119	2,552	273	50,977	11,491
Type of local government	Libraries	Recreation	Roads	Natural resources	Other	Total
..... thousands of dollars .....						
County .....	52	7	3,927	414	441	20,044
Municipal .....	238	438	1,270	0	1,616	6,758
Township .....	0	0	1,412	0	66	1,855
School district .....	0	0	0	0	0	38,455
Special district .....	0	0	0	164	42	206
Total .....	290	446	6,609	577	2,166	67,318
County .....	0	0	4,424	0	343	4,870
Municipal .....	0	222	1,160	0	745	4,318
School district .....	0	0	0	0	0	11,583
Special district .....	0	0	0	4	1	6
Total .....	0	222	5,584	4	1,119	20,777
Total all expenditures ..	290	668	12,193	581	3,285	88,095

\* Sum of county totals may not equal area totals because of rounding.

**Table 22. Per capita current expenditures (net of transfers) for specified function, by subarea and type of local government, West Minnesota, 1967\***

Subarea and type of local government	General government	Safety	Sanitation	Health	Education	Welfare
dollars						
West						
County	10.75	2.14	0	0.63	0.26	36.39
Municipal	6.99	12.72	6.23	0.24	0	0.01
Township	2.90	0.23	0	0	0	0
School district	0	0	0	0	167.20	0
Special district	0	0	0	0	0	0
Average	16.44	10.40	4.00	0.78	167.46	36.40
East						
County	8.07	2.05	0	1.32	6.17	53.64
Municipal	6.91	10.46	5.96	0.08	0	1.21
Township	1.82	0.13	0	0	0	1.07
School district	0	0	0	0	155.09	0
Special district	0	0	0	0	0	0
Average	12.22	6.83	2.68	1.35	161.26	54.80
Area						
County	9.10	2.08	0	1.05	3.90	47.02
Municipal	6.95	11.53	6.09	0.15	0	0.65
Township	2.16	0.16	0	0	0	0.74
School district	0	0	0	0	159.74	0
Special district	0	0	0	0	0	0
Average of total area	13.84	8.20	3.19	1.13	163.64	47.73
Subarea and type of local government	Libraries	Recreation	Roads	Natural resources	Other	Total
dollars						
West						
County	0.43	0.01	19.59	2.68	2.42	75.30
Municipal	2.57	2.99	8.46	0	14.12	54.32
Township	0	0	14.28	0	0.48	17.90
School district	0	0	0	0	0	167.20
Special district	0	0	0	0.75	0.46	1.21
Average	2.07	1.93	30.94	3.42	12.15	285.99
East						
County	0.09	0.04	14.27	1.12	1.46	88.24
Municipal	1.28	3.91	11.53	0	11.68	53.03
Township	0	0	10.18	0	0.56	13.77
School district	0	0	0	0	0	155.09
Special district	0	0	0	0.64	0	0.64
Average	0.66	1.80	25.28	1.76	7.03	275.67
Area						
County	0.22	0.03	16.31	1.72	1.83	83.26
Township	0	0	10.08	0	12.83	53.64
Municipal	1.89	3.48	11.46	0	0.54	15.05
School district	0	0	0	0	0	159.74
Special district	0	0	0	0.68	0.18	0.86
Average of total area	1.20	1.85	27.46	2.40	9.00	279.64

\* Sum of county totals may not equal area totals because of rounding.

Table 23. Importance of functional class of public expenditures, West Minnesota, 1967\*

Function	County	Municipal	Township	School	Special
Safety . . . . .	m	M	O	O	O
Sanitation . . . . .	O	M	O	O	O
Health . . . . .	M	m	O	O	O
Education . . . . .	m	O	O	M	O
Welfare . . . . .	M	m	m	O	O
Libraries . . . . .	m	M	O	O	O
Recreation . . . . .	O	M	O	O	O
Roads . . . . .	M	m	M	O	O
Natural resources	m	O	O	O	M

\* Symbols are as follows: M, major importance; m, minor important; O, none or nominal.

Table 24. Per capita capital expenditures, for specified functions, by subarea and type of government, West Minnesota, 1967\*

Subarea and type of local government	General government	Public safety	Sanitation	Education	Recreation	Roads	Natural resources	Other	Total
dollars . . . . .									
West									
County . . . . .	0.08	0.00	0.00	0.00	0.00	18.74	0.00	3.86	22.67
Municipal . . . . .	0.17	0.73	19.42	0.00	0.42	7.67	0.00	3.00	31.40
School district . . . . .	0.00	0.00	0.00	62.70	0.00	0.00	0.00	0.00	62.70
Special district . . . . .	0.00	0.00	0.00	0.00	0.00	0.00	0.02	0.01	0.04
Average . . . . .	0.19	0.47	12.47	62.70	0.27	23.66	0.02	5.80	105.57
East									
County . . . . .	0.45	0.00	0.00	0.00	0.00	18.15	0.00	0.11	18.71
Municipal . . . . .	3.76	1.53	9.49	0.00	2.97	10.59	0.00	8.52	36.84
School district . . . . .	0.00	0.00	0.00	39.01	0.00	0.00	0.00	0.00	39.01
Special district . . . . .	0.00	0.00	0.00	0.00	0.00	0.00	0.02	0.00	0.02
Average . . . . .	2.14	0.69	4.26	39.01	1.33	22.91	0.02	3.94	74.29
Area									
County . . . . .	0.31	0.00	0.00	0.00	0.00	18.38	0.00	1.55	20.23
Municipal . . . . .	2.07	1.15	14.17	0.00	1.77	9.21	0.00	5.92	34.28
School district . . . . .	0.00	0.00	0.00	48.11	0.00	0.00	0.00	0.00	48.11
Special district . . . . .	0.00	0.00	0.00	0.00	0.00	0.00	0.02	0.01	0.02
Average of total area . . . . .	1.39	0.60	7.42	48.11	0.92	23.20	0.02	4.65	86.31

\* Sum of county totals may not equal area totals because of rounding.

## OTHER INFLOWS AND OUTFLOWS OF THE LOCAL PUBLIC SECTOR

Payment of wages and salaries to local public employees is one of the important outflows of the local public economy. Wage and salary payments relate to the total number of people employed in local public services.

A second important pattern results from the purchase of the goods and services from local business firms. Money flows from the public sector and the goods and services flow to the public sector.

A third important flow is not of goods or funds but of information and control, including zoning laws and tax rates and charges. These items have a significant impact on the local residents. For example, local tax rates and charges influence funds available for purchase of goods and services and the mix of goods and services purchased.

Other flows have an impact on area residents and area development. Most obvious are the votes supporting a particular group of local decisionmakers. Also, decisions concerning the location of local government investments and details of the public service distribution methods have an important impact on local residents.

The remainder of this chapter has three segments. The first deals with the burden of local government financing; the second includes data and a discussion of public employment and payrolls; and the third provides information concerning flow of goods and services from the local private economy to the local public sector.

### Burden of Financing the Local Public Economy

Revenue from current local sources for the 739 governments of West Minnesota totaled \$40,334,000 in 1967 (table 25). Of this amount, \$33,389,000 was obtained by property taxation and special assessments; \$3,658,010 was obtained from charges, fees, and licenses; and the remaining \$3,594,000 was obtained from other current local sources.

Current local revenue was slightly more than 9 percent of total personal income which was \$437,749,000 in 1967. Current local revenue from property taxes was nearly 8 percent of total personal income. These percentages are two measures of the burden of financing local government, which rests both on household and business income.

Taxes on business firms are redistributed within the private economy; these taxes are passed on to consumers in the form of higher prices and lower sales, to the employees in lower wages and salaries, to suppliers in fewer purchases and lower prices, and to entrepreneurs in reduced profits. In addition, where local property taxes differ, the local taxes may shift the location of investment and production. To determine who actually pays a tax takes an extremely complex study of the private economy.

For any local area, an important question is whether business firms export more of the local taxes and charges than are imported by residents and business firms. Since no evidence has been provided to make such an evaluation and since rough indicators of magnitude are sufficient for the limited objectives of this study, total taxes, charges, and other current local revenue, as a percent of personal income, is accepted as a useful measure of burden. (Later study, however, may focus on the public payments balance of the business and household sectors.)

Within the study constraints, the burden of financing local government by county and subarea was considered. Table 25 summarizes personal income, local direct revenue, population, per capita taxable valuation, and measure of burden by county and subarea. Association between burden and population, per capita income, and per capita taxable valuation is indicated by simple rank correlation coefficients which have been derived separately and which are, respectively,  $-0.94$ ,  $-0.14$ , and  $0.41$ . Burden rank is highly correlated with county population rank — the larger the county, the lower the burden. Per capita income and

per capita taxable valuation show less correlation with burden.<sup>6</sup>

High correlation between population and burden and low correlation between the other variables and burden may be explained by one or more of the following:

1. Local governments in larger counties are more efficient in producing local public services.
2. Local governments in larger counties provide fewer public services.
3. Local governments in larger counties are more proficient at securing state and federal government transfers.
4. Large county populations are more urban, which allows a diverse shifting of financing costs to other counties.

Of the fourth possibility, observe that if a county contains a large city, this county will perform certain trade and other services for residents of surrounding counties. If the cost of providing these export services is less than the tax received from these firms, then residents of other counties, through higher prices, may contribute to the financing of activities in the exporting county. Conversely, if the tax received is less than the cost of providing the services, then the exporting county is exporting public services.

There is no simple way of evaluating the alternative explanations. The rank correlation of burden and an urbanism index show a correlation coefficient of  $-0.29$ . That is, the more urban a county, the lower the measure of burden. This supports the view that urban activities are importers of local tax revenues.

This digression on correlation among financing and related variables illustrates factors that may be related to financing and providing local government activities and services. While the total burden is higher in the east than the west counties, it is not known whether the local taxes (the true burden) would demonstrate the same results. It is not known whether the quality or quantity of services is higher in the east counties, whether the west counties are more efficient, and which subarea has been able to shift the greater portion of local financing outside the subarea.

### Local Public Employment and Payrolls

Employment and payroll data are available for local governments, by county, from the 1967 Census of Governments.<sup>7</sup> The data presented in this report include estimates of some of the individual components. However, total employment and payroll are available for all local governments in each county area, for all county governments except Otter Tail, and for two municipalities — Moorhead and Fergus Falls. The remaining employees and payroll were allocated to each type of government.

Table 26 shows total full-time employment and payroll by county and subarea for all types of local government. The employment data correspond closely to the expenditure data. The major employment is education, which accounts for 42 percent of the government work force when measured in full-time equivalents.<sup>8</sup>

<sup>6</sup> Correlation analysis on the actual variables rather than on their rank revealed that no correlation was significant at the 5 percent level of significance. However, the highest correlation was exhibited between burden and population.

<sup>7</sup> U.S. Bureau of the Census, *Census of Governments, 1967*. Volume 7, State Reports, Number 23, Minnesota.

<sup>8</sup> School district and special district employees were estimated from the residuals after municipality and county estimates were obtained from U.S. Census data. Census data cover smaller municipalities only by size class. Reported data are available for Moorhead and Fergus Falls, with allocations of employment from aggregate size-class data for the smaller municipalities. Adjustments were made to ensure that the sum by type of government corresponds to table 26.

**Table 25. Personal income, population, local direct revenue and burden of local government, by county and subarea, West Minnesota, 1967\***

County	Per capita taxable value	Per capita personal income	Population	Total personal income	Local direct revenue	Burden†
	dollars	dollars	number	... thousands of dollars ...		dollars
<b>West</b>						
Big Stone .....	797	1,808	8,517	15,399	1,757	11.41
Clay .....	595	2,337	39,133	91,454	7,814	8.54
Grant .....	741	1,755	8,347	14,649	1,684	11.50
Norman .....	749	1,880	9,628	18,101	2,052	11.34
Stevens .....	777	1,998	10,636	21,251	2,104	9.90
Traverse .....	950	2,242	6,370	14,282	1,454	10.18
Wilkin .....	808	2,084	9,860	20,548	1,836	8.94
Average West .....	711	2,116	Total 92,491	195,684	18,701	Average 9.56
<b>East</b>						
Becker .....	506	1,400	24,965	34,951	3,347	9.58
Douglas .....	542	1,842	21,826	40,203	3,405	8.47
Hubbard .....	547	1,590	9,166	14,574	1,463	10.04
Otter Tail .....	541	1,688	47,265	79,783	6,693	8.39
Pope .....	732	2,034	10,266	22,915	1,982	8.65
Todd .....	382	1,346	22,259	29,961	2,969	9.91
Wadena .....	412	1,712	11,494	19,678	1,771	9.00
Average East .....	511	1,633	Total 147,241	242,065	21,630	8.94
Average of total area ..	588	1,818	Total 239,732	437,749	40,334	Average 9.00

\* Sum of county totals may not equal area totals because of rounding.  
 † Local direct revenue per \$100 total personal income.

**Table 26. Full-time equivalent employment in specified functions, by type of local government, West Minnesota, 1967**

Local government function	County and township	Municipalities	School district	Special district	Total
General control .....	342	121	0	0	463
Safety correction .....	83	194	0	0	277
Sanitation .....	0	112	0	0	112
Health and hospital ..	234	298	0	0	532
Education .....	14	0	4,635	0	4,649
Welfare .....	225	0	0	0	225
Libraries .....	0	29	0	0	29
Recreation .....	0	35	0	0	35
Roads .....	469	90	0	0	559
Natural resources ....	24	0	0	21	45
Other .....	270	247	0	3	520
<b>Total .....</b>	<b>1,661</b>	<b>1,126</b>	<b>4,635</b>	<b>24</b>	<b>7,446</b>

The major secondary functions are general control, health and hospitals, and roads, according to employment data. Expenditure data show the importance of welfare and roads as the major expenditures after education. Expenditures on health and hospitals are quite low since municipal hospitals are public service enterprises which do not appear in the financial statistics except for net transfers to municipalities.

The October 1967 payroll for all local governments in West Minnesota was \$3,632,000. If October is an average month, then the 1967 annual payroll would have been \$43,584,000. The payroll includes wages and salaries of public service enterprise employees. Having no information on the number of public service enterprise employees, except that municipalities employ less than 16 percent of all local employees, it is assumed that 8 percent of the total payroll goes to employees of public service enterprises. Accordingly, the payroll to nonpublic service enterprise employees would be reduced to \$40,097,000. Total expenditure on current and capital purposes, by local governments, was \$90,505,000. Hence, wage and salary payments make up approximately 44 percent of the local government expenditures. The average full-time equivalent annual salary per public employee was \$5,385 in 1967.

The income received by the local public employees is partially respent in West Minnesota. The total direct local revenue (table 25) was \$40,334,000 in 1967, which barely exceeds the payments of wages and salaries to local government employees. Assuming that most local government employees reside in the region, and if local governments make any purchase from local business firms or transfers to local residents, then local governments account for a net flow of funds into the region.

Other outflows of funds are primarily in the form of transfers to local residents. Generally, these transfers occur under the welfare function. Total welfare expenditures were \$11,585,089. There were 225 full-time equivalent public employees engaged in the welfare function. If these employees received the average salary, then \$1,211,625 was expended on salary payments, and \$10,373,464 was spent on purchases of goods and services and for transfers to persons. While no information is directly available, it is estimated that more than \$5 million was transferred to individuals.

### Purchases of Local Goods and Services

The preceding data and analysis indicate that local governments accounted for a net inflow of funds in West Minnesota in 1967. The rough estimate depends on the total amount of purchase of private goods and services and the portion of that amount coming from West Minnesota business firms.

Assuming that 75 percent of all nonwage and salary expenditures for the welfare function represent transfers to persons, then approximately \$47.9 million of the total local current and capital expenditures was not used for purchases of goods and services and the remainder — \$42.6 million — was.

Estimation of the portion of the \$42.6 million that remains in the area requires detailed knowledge of the private economy. Consider first a \$10 purchase of supplies from a local retailer. If the retailer's share is \$4, that amount covers expenses for labor, supplies, rent, and other

inputs. These inputs may or may not be imported, the employees may or may not be residents, the property owner may or may not be a resident, and the operator may or may not reside in the region. Hence, a portion of the \$4 markup may be imported, meaning a portion of the funds flow outside the area. If the remaining \$6 of the \$10 price represents the price paid for the goods from the wholesaler, then the residence of the wholesaler must be established, the amount of his markup, and the location of suppliers of the services being paid by the markup. Assuming the wholesaler's markup is \$2, then the manufacturer receives the remaining \$4.

Even in the simple example, estimation of the portion of total goods and service payments that remain in the local economy is difficult. Input-output accounts are used in a related study to identify the private economy structure. One item in the input-output accounts is the total local government purchases of goods and services from 28 classes of resident business firms.

The output of a retailer or wholesaler is usually the sum of the markups on all items sold. All other sectors are viewed as nonmarginal. That is, the value of their sales is the measure of their output. Estimating imports this way, it is necessary to know only the amount purchased directly outside the region by the wholesalers and retailers. The related study assumes that 80 percent of the noneducation expenditures were purchased locally. The education expenditures are handled as if they were a private sector. Assuming that 80 percent of the nonwage and salary education expenditures are purchased locally, then over \$34 million would flow to local private businesses.

### Summary

The overall outflow of funds from West Minnesota's local public sector to local business and residents follows:

Wages and salaries .....	\$40,097,000
Transfers to persons .....	7,780,000
Purchases of local goods and services .....	34,102,000
<b>Total .....</b>	<b>\$81,979,000</b>

In comparison, direct inflows from local residents total \$40,334,000. Hence, an apparent net inflow of funds of \$41,645,000 occurs as a result of local government operations. The net inflow is only apparent in that the residents and business firms of West Minnesota contribute to the federal and state transfers to local government. While it is difficult to estimate the contribution, it is likely lower than for other areas because of the lower income in West Minnesota.

While some of the approximately \$40 million money inflow is used ultimately to pay for imports, a substantial addition to area income results from the circulation of the money and the related multiplier effects on total economic activity. Hence, one of the impacts of local government activity in West Minnesota is an increase in area product by over \$40 million. This assumes that in the absence of local government activity, the net outflow of funds to state and federal government remains the same and the net inflow from state and federal government, not directly returned to the private sector, is zero.

## IMPACT OF STATE AND FEDERAL GOVERNMENT

This chapter identifies the economic linkages between the residents of the study area and state and federal governments. In addition, the importance of some linkages is represented by flows of goods, services, and money between the residents of the area and the two levels of government. Both the linkages and measure of their importance are required before making judgments concerning the impact on the local economy. Judgments are not made here, but information on which to base judgments is included.

While reliable estimates of the impact of either the state or federal government on an area requires much more analysis and information than is available, study of the governmental impact on the West Minnesota economy requires some initial estimates of local activity levels. Not only are agency offices of both state and federal governments located throughout the area, but also the services provided are more widely dispersed. West Minnesota has over 1,000 federal and state employees and many state and federal agency offices, and receives many state and federally provided services. Hence, a study of the economy of the area must include the activities of both state and federal agencies.

Linkages connecting state and federal governments to the residents of West Minnesota are divided into three sets:

1. Outflow of funds from residents to support state and federal activities;
2. Purchase of goods and services from business firms and employment of residents; and
3. Inflow of funds to residents via transfers from state and federal governments to local governments.

The three sets of linkages comprise the major economic linkages, except, perhaps, for control. Federal and state laws influence economic activity. Such control is an important linkage which is omitted from the discussion. The omission may be partially justified because the control is similar everywhere in Minnesota.

A major objective in identifying the linkages mentioned earlier, other than for completeness in the study of the area public economy, is that which the impact on all areas differs. As well as the obvious observation that there need be no equality of benefits and costs from the linkages with state and federal government, there need not be an equal net benefit, or benefit-cost ratio among areas. Information on the impact of state and federal government linkages to the area economy, however, can provide information in questions of regional equity and other public concern.

### Outflow of Funds

The major form of outflow of funds from area residents to federal and state governments is through direct and indirect taxes. A direct tax is one paid directly by the individual to the government. It is assumed that individuals do not shift their tax burden to others.

Indirect taxes are illustrated by corporation income taxes and excise taxes. These are taxes paid directly by business firms. There are many possible effects from both of these taxes: prices may be raised; output may be reduced; returns to shareholders may decline; or wage rates may decline. Since the purchasers are unlikely to live in the same area as the producers, and this may be true of laborers and owners, too; incidence of a tax is widely dispersed beyond the point at which the tax is paid. Even if West Minnesota had no producers of alcoholic beverages, the residents of the area would pay part of the federal excise tax on alcohol. For this reason, the geographic distribution of sources of federal and state funds provides little information concerning the contribution of funds by area, except for taxes and charges paid directly by persons. Since no data are available showing the incidence of state and federal taxes, the estimates provided in this chapter are, therefore, the result of general allocation procedures.

Table 27 lists state government inflows of funds for 1967. As indicated earlier, the procedure used to allocate

these aggregates to the area and the rest of the state involves use of a set of allocators. Before the allocations were made, however, some transfers back to local governments in the form of shared taxes were omitted. When the taxes collected are returned partially to the county or municipality in which they are collected, they are subtracted from total taxation as if such funds were never in state hands. The shared-tax column lists such transfers, while the net column shows the inflow of funds net of such transfers. Total net amount of tax is allocated between the area and the rest of the state.

The earlier procedures do not explain the shift of Minnesota taxation on residents of other states. But this happens. Likewise, taxes of other state governments are shifted to Minnesota residents. While there is no reason to believe that these shifts cancel each other out, lack of any information showing a tax net inflow or outflow, forces such an assumption.

If taxes paid by business firms were to balance benefits received by the same firms, at least partially, then the taxes must be transferred between states. That is, at least two results might occur that could have interstate impacts. First, the firm might sell the product at a price not covering the total regional cost. Then, residents of other states purchasing the goods would receive a transfer of income-in-kind from the residents of the state where the goods are produced. Second, the returns to stockholders may include transfers of income from residents of the state in which the goods are produced. If stockholders reside outside the producing state, then interstate income transfers occur. While other effects almost certainly occur, the two effects mentioned indicate how transferring of taxes from state by corporation and excise taxes may be partially counter balanced by transfers of funds or income-in-kind. Again, measures of such interstate flows are not readily available.

However, this analysis does point out that an excess of tax funds flowing from one area to another is in itself not significant, since reverse flows of goods and services may compensate for the public revenue flows. Likewise, a net outflow of funds from the area to state and federal governments is not necessarily good or bad, but either has an impact, as does a perfectly balanced flow. The reasons are obvious. Even if flows of funds balance, the federal and state governments are likely to produce different goods and services with those funds than the local economy would. So at very least, there is an impact on resource allocation. In addition, there is likely to be an impact on income distribution. And through these two impacts a variety, perhaps an innumerable quantity of other results can occur.

Three allocators are used to distribute the state aggregate fund inflows shown in table 27. They are: (1) source of state income tax liability, (2) population, and (3) retail purchases.

Table 28 shows distribution of totals to West Minnesota and rest of Minnesota, based on the allocation rule in table 27. Use of allocator 1 is obvious since the taxes are collected directly from individuals. Inheritances and gifts are considered to be more proportional to income tax collected than to population or retail sales. Allocator 2 — population distribution — is used for taxes on commodities whose demand is considered to be quite inelastic with respect to income and total retail purchases. Retail sales (allocator 3) data are used for allocating taxes on businesses that are presumed to be largely passed on to individuals. Table 29 shows results of calculations to obtain total state withdrawal of funds from West Minnesota. Hence the area contributed \$31,204,760 to the state government. Note that this sum is exclusive of shared taxes, allocated to the region of origin.

The second portion of this section dealing with outflow of funds concerns outflows to the federal government. U.S. Bureau of the Census data on federal revenue by category are used, except where otherwise indicated.<sup>9</sup>

<sup>9</sup> Bureau of the Census, Government Finances in 1966-67, GF 67, No. 3.

**Table 27. State taxes collected, Minnesota, fiscal year 1967**

Tax item	Amount of tax*	Shared tax†	Net amount of tax	Distribution of tax	Allocator
		dollars		percent	
Individual & fiduciary income tax	247,938,997		247,938,997	40.87	1
Corporation income	64,214,503		64,214,503	10.59	3
Bank excise	5,389,878	4,895,000	494,879	0.08	1
Motor vehicle fuel	87,904,985		87,904,985	14.49	2
Aviation fuel	980,278		980,278	0.16	3
Inheritance and gift	14,163,647	2,507,000	11,656,647	1.91	1
Iron ore and taconite	21,053,371	3,173,000	17,880,471	2.95	3
Gross earnings (communications and transport)	28,664,057	495,000	28,169,057	4.65	3
Cigarette	31,746,324		31,746,324	5.23	3
Tobacco products	946,846		946,846	0.16	3
Cigarette and tobacco licenses	12,122		12,122	0.00	3
Air flight property	769,306		769,306	0.13	3
Rural coop	25,352		25,352	0.00	2
Vessel tonnage	9,226		9,226	0.00	3
Petroleum inspection fees	663,713		663,713	0.11	3
Petroleum distribution licenses	28,685		28,685	0.01	3
Alcoholic beverages	24,742,221		24,742,221	4.08	3
Insurance premiums	15,450,298	1,302,000	14,148,298	2.33	3
Boxing exhibitions	7,459		7,459	0.00	3
Licenses					
Motor vehicles	54,808,849		54,808,849	9.03	2
Motor vehicle operators	2,106,051		2,106,051	0.35	2
Corporations	390,459		390,459	0.07	3
Alcoholic beverages	239,400		239,400	0.04	3
Occupation and business	7,115,386		7,115,386	1.17	2
Hunting and fishing	5,436,804		5,436,804	0.90	2
Boat and water safety	243,157		243,157	0.04	2
Amusements	5,775		5,775	0.00	3
Aircraft	258,898		258,898	0.04	3
Oleomargarine	3,298,724		3,298,724	0.54	3
Mobile home registration	1,784,916	1,343,000	441,916	0.07	2
<b>Total</b>	<b>620,399,687</b>	<b>13,715,000</b>	<b>606,684,687</b>	<b>100.00</b>	

\* Source: State of Minnesota, Department of Taxation, *Report to the Governor and the Legislature, Biennial Report No. 15, Fiscal years 1967 and 1968*, pp. 16, 17.

† Source: U.S. Bureau of the Census, *Census of Governments 1967, Volume 7, State Reports, Number 23; Minnesota table 28*, pp. 37-39.

**Table 28. Allocators for state tax and charges collection in West Minnesota study, 1967**

Allocator	Proportion	
	West Minnesota	Rest of state
	percent	
State income tax collection*	3.55	96.45
Population	6.72	93.28
Retail purchases†	6.02	93.98

\* Source: State of Minnesota Department of Taxation, *The Minnesota Income Tax, Bulletin No. 31, table 10.2*, pp. 537, 538.

† Source: U.S. Bureau of Census, 1967 *Census of Business: Retail Trade: Minnesota, BC67-RA25*.

**Table 29. State funds withdrawal from West Minnesota and rest of state, 1967**

Allocator	Total tax	From West Minnesota	From rest of state
	dollars		
1	250,091	9,233	250,857
2	158,082	10,623	147,460
3	188,512	11,349	177,163
<b>Total</b>	<b>596,685</b>	<b>31,205</b>	<b>575,480</b>



Table 30 summarizes taxes collected in the United States and Minnesota. Other inflows of funds are various charges, such as old age and survivors insurance. These funds are omitted because of the difficulty of estimating the amounts originating from West Minnesota residents. For this reason, the equivalent back-flow of funds from the federal government are excluded as well. In addition, it is likely that the two flows for these items would tend to balance.

Federal income tax collected in 1967 in Minnesota was \$1,194,854,000. This amount was allocated to West Minnesota and the rest of Minnesota by the same allocator as state income tax. Table 30 shows the estimated federal income tax collection from West Minnesota was \$77,917,000 in 1967.

The state personal income tax collection allocator was also used for death and gift taxes. The remaining items were allocated using the retail sales allocator for Minnesota. A national retail sales allocator was not used since it was assumed that a large proportion of taxes collected in Minnesota had its major incidence in Minnesota. At least this assumption is believed to provide a better estimate than national retail sales data.

The overall estimated outflow of tax funds from West Minnesota residents to the federal government in 1967 was \$126,388,000. Estimated outflows to the state government totaled \$31,205,000. Hence, estimated gross outflows to state and federal governments totaled \$157,693,000.

**Table 30. Federal taxes collected from residents in specified areas, 1967\***

Tax item	United States	Minnesota	West Minnesota
	millions of dollars	thousands of dollars	thousands of dollars
Individual income	61,526	1,194,854	77,917
Corporation income	33,971	589,358	35,479
Excise taxes			
Motor fuel	3,178	43,111	2,595
Alcohol	3,958	53,732	3,235
Tobacco	2,077	28,116	1,693
Subtotal	9,213	124,959	7,523
Other:			
Customs	1,901	38,399	2,312
Death and gift	2,978	60,151	2,135
Other	840	16,969	1,022
Subtotal	5,719	115,519	5,469
Total	125,361	2,265,168	139,380

\* Private communication from Internal Revenue Service, Department of Treasury, sub items of the last two major categories were estimated as proportionate to national amounts.

### Transfers of Funds from Federal and State Governments to Local Governments

Data on transfers from federal and state governments to the local governments were presented in an earlier chapter. However, to obtain a broader perspective before reviewing these data, transfers from state and federal governments to local governments are viewed in terms of type of receiving government, purpose of transfer, and distribution criterion. Tables 31, 32, and 33 summarize the data.

Table 31 lists distribution of state and federal funds transferred to local government. Of total transfers, 55.82 percent was for education purposes. The second major purpose, 24.68 percent, was for welfare. Over 80 percent of all transfers to local government in Minnesota in 1967 was for activities usually classed as merit activities—of which education is a prime example. The third most important transfer purpose was for highways. Highways are an

**Table 31. Federal and state transfers to local governments by purpose, Minnesota, 1967\***

Purpose	Total	Proportion of total
	thousands of dollars	percent
General purposes	21,603	4.92
Education	245,227	55.82
Highways	51,484	11.72
Welfare	108,415	24.68
Hospitals	339	0.08
Other and combined	12,221	2.78
Total	439,289	100.00

\* Source: Bureau of the Census, Census of Governments, 1967, Volume 7: State Reports, No. 23: Minnesota, table 28.

important settlement-change activity, which may justify the existence of substantial transfers. Equally notable is the fact that less than 5 percent of the total transfers were not earmarked. This feature of the current transfer mechanism restricts the range of choice of local governments.

Table 32 summarizes the distribution of transfers among the various types of local government. Ignoring the transfers to school districts, over 80 percent of the remaining transfers are to counties and less than 20 percent to municipalities. Counties, however, retransfer some of the monies received, which adjusts the proportions.

Table 33 lists distribution of transfers by distribution criterion. Because of the multiplicity of criteria, the nine classifications are somewhat arbitrary.

**Table 32. Federal and state transfers to local governments by type of receiving government, Minnesota, 1967\***

Type of government	Total	Proportion of total
	thousands of dollars	percent
County†	165,553	37.69
Municipality	22,861	5.20
Township	1,513	0.34
School district	245,227	55.82
Special districts	886	0.20
Grouped	3,249	0.74
Total	439,289	100.00

\* Source: Bureau of the Census, Census of Governments, 1967, Volume 7: State Reports, No. 23: Minnesota, table 28.

† Some transfers must be executed by county to other local governments.

Population and population correlates (e.g., students and hospital patients) serve as a criteria for distribution of less than 7 percent of total transfers distributed. Matching-fund type of transfers serve as the distribution criterion for over 70 percent of total transfers. Approved programs serve as a distribution criterion for approximately 2 percent of funds transferred, and distribution criteria biased in favor of low income areas account for just over 5 percent.

While the classification is somewhat arbitrary and many of the matching transfers have upper bounds, the result of the transfers seems to favor increased expenditure for merit activities, such as education. That the richer areas can afford more of these goods and can thereby qualify for

more grants, apparently is a secondary criterion. Hence, the grants system tends to counterbalance the redistributive effects of the federal income tax. While no evaluation of the distribution criteria is intended, the criteria indicate that provision of grants in the form used in 1967 must be justified on a basis other than the simple provision of a minimum level of merit-goods type of public services for all persons.

Preceding data show that total state and federal transfers amounted to \$38,271,000, or \$159 per person (table 14). The federal government contributes less than \$1 per capita, but a large part of the state transfers are obtained from the federal government.

**Table 33. Federal and state transfers to local governments by type of distribution criterion, Minnesota, 1967\***

Distribution criterion	Total	Proportion of total
	thousands of dollars	percent
Geographic origin . . . . .	14,011	3.19
Population . . . . .	11,881	2.70
Student numbers . . . . .	17,930	4.08
Low income bias . . . . .	23,182	5.28
Hospital patients . . . . .	23	0.01
Local expenditures . . . . .	308,078	70.13
Approved programs . . . . .	8,819	2.01
Multiple road features . . . . .	51,484	11.72
Other . . . . .	3,881	0.88
Total . . . . .	439,289	100.00

\* Source: Bureau of the Census, Census of Governments, 1967, Volume 7: State Reports, No. 23: Minnesota, table 28.

**Table 34. Estimated federal outlays, by county and subarea, West Minnesota, 1967\***

County and subarea	Total outlays	Per capita outlays	Distribution of outlays
	dollars		percent
West			
Big Stone . . .	1,675,308	196.70	5.38
Clay . . . . .	3,820,465	97.62	12.26
Grant . . . . .	1,848,912	221.50	5.94
Norman . . . . .	1,927,360	200.18	6.19
Stevens . . . . .	2,138,161	201.03	6.86
Traverse . . . . .	1,831,540	287.52	5.88
Wilkin . . . . .	1,942,171	196.96	6.23
Total West . . .	15,183,917	Average 164.16	Total 48.74
East			
Becker . . . . .	3,132,905	125.49	10.06
Douglas . . . . .	1,890,746	86.62	6.07
Hubbard . . . . .	854,814	94.35	2.78
Otter Tail . . . . .	4,473,336	94.64	14.36
Pope . . . . .	1,691,174	150.11	5.43
Todd . . . . .	1,734,041	150.86	5.67
Wadena . . . . .	2,191,471	190.66	6.89
Total East . . .	15,968,487	107.71	51.26
Total area . . .	31,152,404	Average 129.40	Total 100.00

\* Sum of county totals may not equal area totals because of rounding.

## Federal and State Purchases, Transfers to Residents, and Payments to Employees in West Minnesota

While the estimated outflows of funds from West Minnesota to the federal and state government was discussed in the first section, the estimated return flow of funds in the form of transfers to local governments was analyzed in the second section. In this section estimates of flows back to West Minnesota residents are presented in three categories; namely, (1) purchases by state and federal governments of goods and from resident business firms; (2) transfers to residents other than social security payments; and (3) employment and payroll of federal and state employees in the area.

Unquestionably, this section provides the most difficult estimation problem; consequently, the results are likely to be least reliable. However, the data should provide some indication of the 1967 magnitudes of money inflows to West Minnesota.

Two primary sets of information are available to estimate the three types of flows identified: (1) wage and salary payments to federal and state employees residing in the area, which represent an inflow of funds; (2) outlays of federal government by county, which are documented in a recent federal report for each county in the study area.<sup>10</sup> These outlays are classified broadly as follows:

1. Transfers to local government;
2. Transfers to persons under Old Age Survivors insurance;
3. Transfers to individuals, farms, and other organizations;
4. Loans;
5. Wage and salary payments to federal employees; and
6. Purchase of goods and services.

The two sets of data provide preliminary estimates of the flow of funds from federal government to individual counties. Table 34 shows total 1967 outlays of the federal government in the study area. These estimates were obtained by doubling the published data (which were for the last half of 1968) and then reducing the amount proportionate to nondefense expenditures in 1967. Outlays that are transfers to local governments, transfers to persons under Old Age Survivors Insurance, and loans were omitted from the data. Transfers to local governments have been estimated in the preceding section. Transfers to persons under Old Age Survivors Insurance are omitted since payments by residents to the federal government under Old Age Survivors Insurance also were omitted. Likewise, since repayment of federal government loans is excluded from the first section of this chapter, outflow of loan funds are omitted.

Table 34 shows over \$31 million returned to area residents in the form of intergovernmental transfers, payments of wages and salaries, and purchase of goods and services. From other sources it is estimated that over 55 percent of all the returning inflows were received through U.S. Department of Agriculture activities, which partially explains high per capita outlays in the west counties and, also, low per capita outlays in Clay County.

With reference to the earlier enumeration of public employment, nonpostal federal government employees in the area totaled 377. Since the average wage and salary payment for civilian employees was \$7,263,<sup>11</sup> the estimated total inflow of federal wage and salary payments in 1967 was \$2,738,151. Hence, transfer payments to individuals and purchase of goods and services totaled \$28,414,253.

While it is difficult to divide the two remaining items, the data show that transfers comprise the greater proportion. If it is assumed that 75 percent of the remaining outlays are transfer payments, \$21,310,690 of inflows would be transfers and \$7,103,563 would be purchase of goods and services.

<sup>10</sup> *Federal Outlays in Minnesota, Fiscal Year 1969 — First Half*, compiled by the Office of Economic Opportunity for the Executive Office of the President, 1970.

<sup>11</sup> U.S. Bureau of the Census, *Statistical Abstract of the United States*, 1968, table 567, p. 397.

Although even less data are available on flow of state funds into the area (outside of transfers to local government), rough estimates can be made. Note, first, that 1,563 full-time state government employees were reported in the study area. Average wage and salary payment per full-time Minnesota government employee was \$8,657 in 1967.<sup>12</sup> Hence, the estimated wage and salary payments in the study area totaled \$13,530,891 in 1967.

State of Minnesota direct expenditures for 1967 were \$650,157,000, of which \$252,806,000 was spent on personal services.<sup>13</sup> This implies that approximately \$397,291,000 was spent on purchase of goods and services, or \$1.57 for every dollar of expenditure on personal services. Assuming that the purchases by the state were disproportionately concentrated in the Twin Cities (relative to location of state employees), a lower ratio of purchase of goods and services to payments for wage and salaries is accepted for the study

<sup>12</sup> U.S. Bureau of the Census, Census of Governments, 1967, Volume 7: State Reports, Number 23: Minnesota, table 9, p. 21.

<sup>13</sup> U.S. Bureau of the Census, Census of Governments, 1967, Volume 7: State Reports, Number 23: Minnesota, table 18, p. 27.

area. Assuming that purchase of goods and services equaled wage and salary payment in the area, purchase of goods and services total \$13,530,891.

### Summary

Tables 34 and 35 identify major linkages between the federal and state government and the residents of West Minnesota and some tentative measures of linkages. Assuming the flow of funds data are approximately correct, then a net outflow of funds of federal and state governments exceeding \$65 million occurred.

Depending on interpretation, jobs created by wage and salary inflows may be either inflow or outflow. Goods and services outflows denote goods and services purchased from local business firms. Goods and services inflows denote state and federal public services benefiting area residents. Obvious examples are national defense and judiciary system. The residents of West Minnesota paid over \$65 million for nonlocally produced federal and state services, or approximately \$270 per resident.

**Table 35. Summary of inflow and outflow from the residents, business firms, and local government of West Minnesota to the state and federal governments, 1967**

Item	Inflows			Outflows		
	Funds	Goods and services	Labor	Funds	Goods and services	Labor
<b>Federal government</b>						
Taxes .....	0	0	0	126,388,000	0	0
Wage and salary payments ....	2,738,151	0	X		0	0
Transfers to local residents ...	21,310,690	0	0		0	0
Purchase of goods and services	7,103,563	0	0		X	0
Transfers to local governments..	216,730	0	0		0	0
Federal public services .....	0	X*	0		0	0
<b>State government</b>						
Taxes .....	0	0	0	31,204,760	0	0
Wage and salary payments ....	13,530,891	0	X		0	0
Purchase of goods and services	13,530,891	0	0		0	0
Transfers to local government..	38,053,911	0	0		0	0
State public services .....	0	X	0		0	0

X = No information available.

0 = No transfers.