

RESILIENCY TO CHANGES IN URBAN GOVERNMENT FINANCE IN GREATER MINNESOTA

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ABSTRACT

This research examines the geography of local government service provision and revenue sources in Greater Minnesota. Using a political economy perspective, the study explores if global changes in urban governance, particularly minimization of basic service provision and entrepreneurial methods of securing revenue, are applicable to Minnesota cities considering state policy, geography and other important demographic factors. Preliminary findings demonstrate austerity measures in changes in expenditures but without significant basic service cuts or a large increase in entrepreneurial revenue collection. These findings demonstrate some resilience and variation in scale to neoliberal economic policies.

BACKGROUND + SIGNIFICANCE

Contemporary urban scholarship recognizes increased austerity measures and entrepreneurial local governance in US municipalities. This literature refers to service cuts and 'innovative' revenue collection.^{1, 2, 3, 4}

While current literature focuses on major metropolitan areas, it is important to understand the experiences of smaller urban centers.⁵ In Minnesota, non-Metropolitan places comprise roughly 45% of the state's population, and are especially vulnerable to deindustrialization, a shrinking tax base, and aging infrastructure and population. Existing scholarship lacks significant empirical evidence for theoretical trends. This research seeks to contribute to a greater understanding of small city urban trends with quantitative support.

METHODS

- Non-Metropolitan cities determined based on budgets submitted to the Minnesota Office of the State Auditor.⁹
- Cities categorized into five regions: Central, Red River Valley, Southwest, Southeast, and Northeast.
- Thiessen polygons created for each city and spatially joined to block group population shapefiles to calculate total population.^{7,8}
- 2005 budget data inflation-adjusted.
- Each budget category calculated as percent of total expenditures or revenues.
- OLS regression, ANOVA, and Moran's I completed.
- Results visualized in charts, graphs and maps.

HYPOTHESIS

General Government	Recreation	Economic Development
-	?	?
Miscellaneous	Debt Service	Basic Services*
-	+	-

Current scholarship predicts changes in expenditure and revenue categories, although some are less clear and depend on the municipality's fiscal strategy.⁶

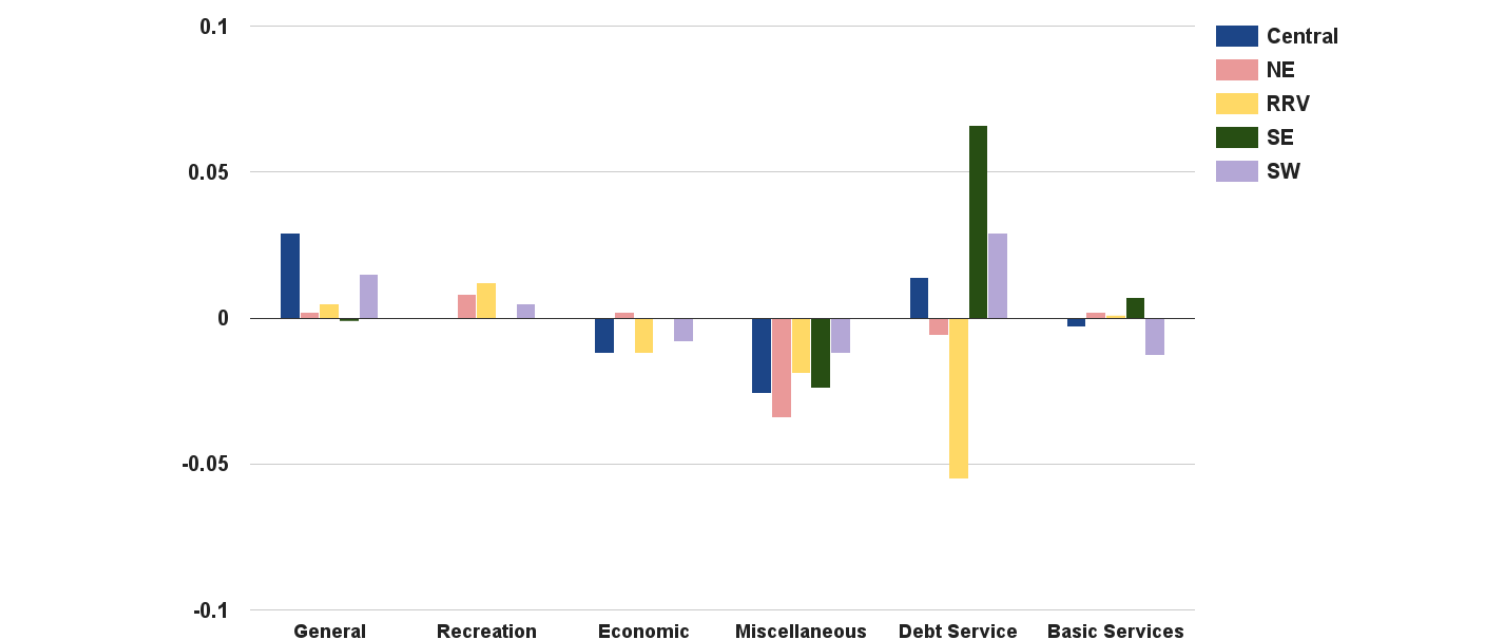
Charges for Services	Other Local Grants	State Categorical Aid	State General Purpose Aid	Federal Grants	Property Taxes	TIF	Licenses and Permits
+	+	+	-	?	?	+	?

Have Minnesota cities experienced recent changes in urban finance, specifically minimization of basic services and entrepreneurial methods of securing revenue?

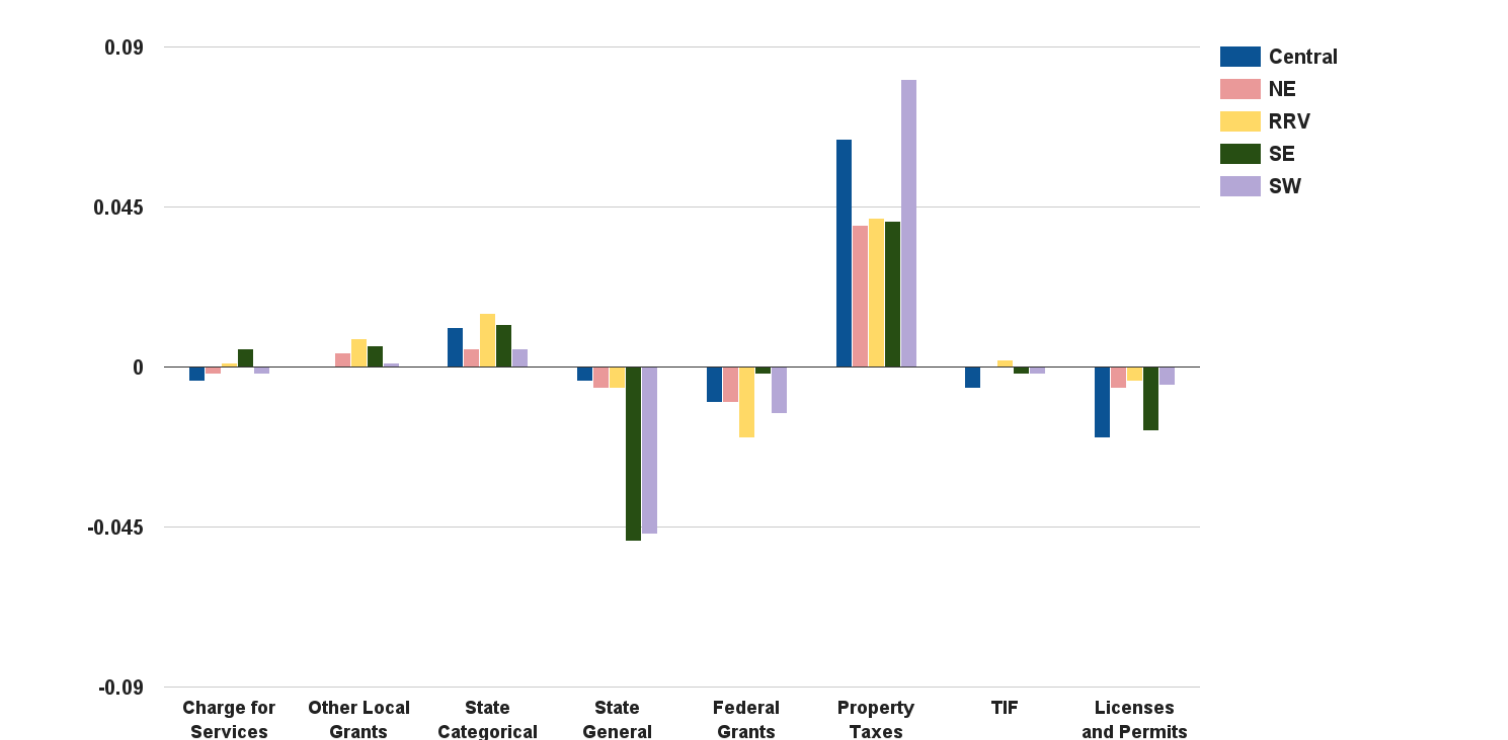
What is the geography of local government service provision and revenue sources in Greater Minnesota?

RESULTS

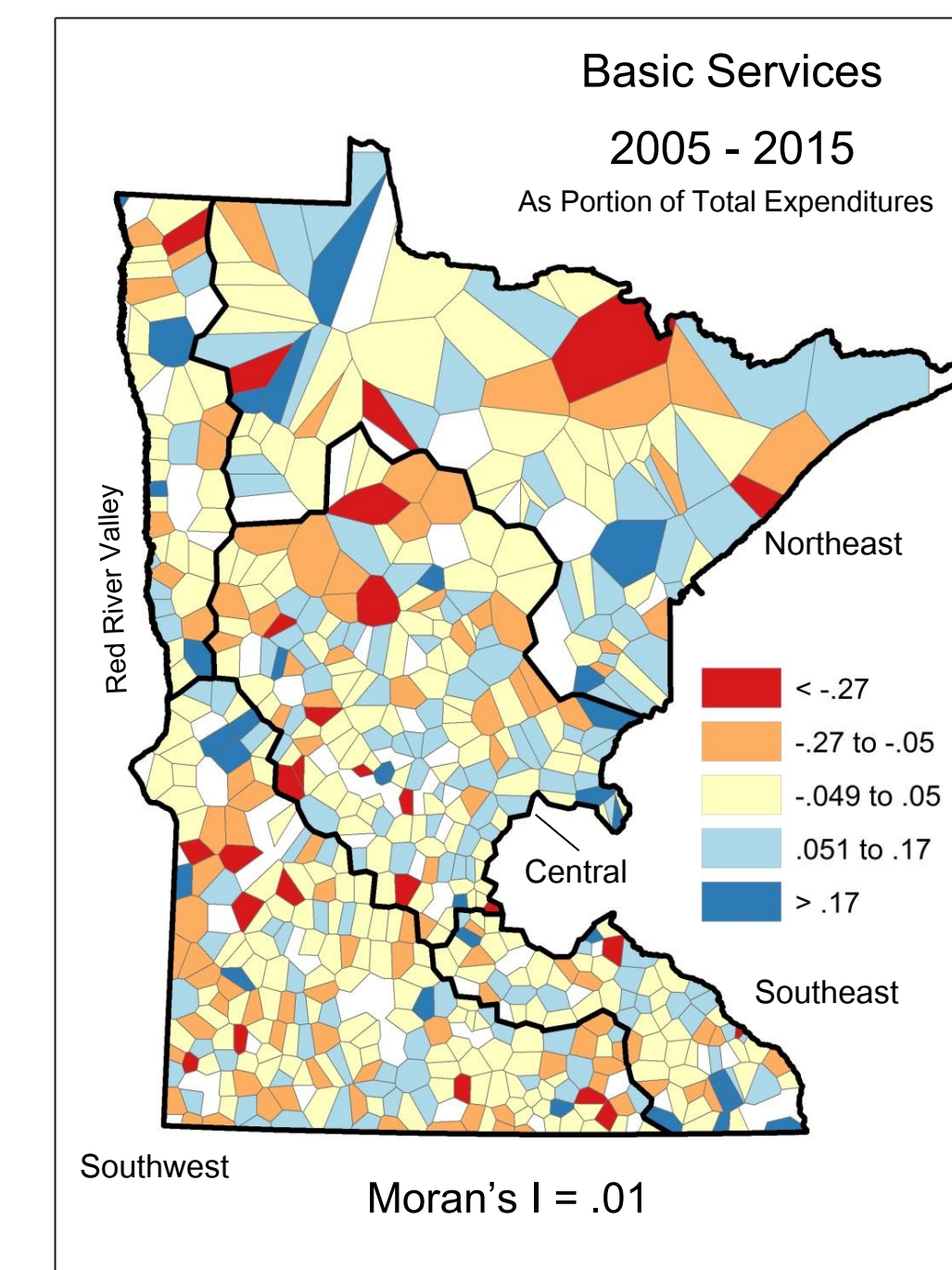
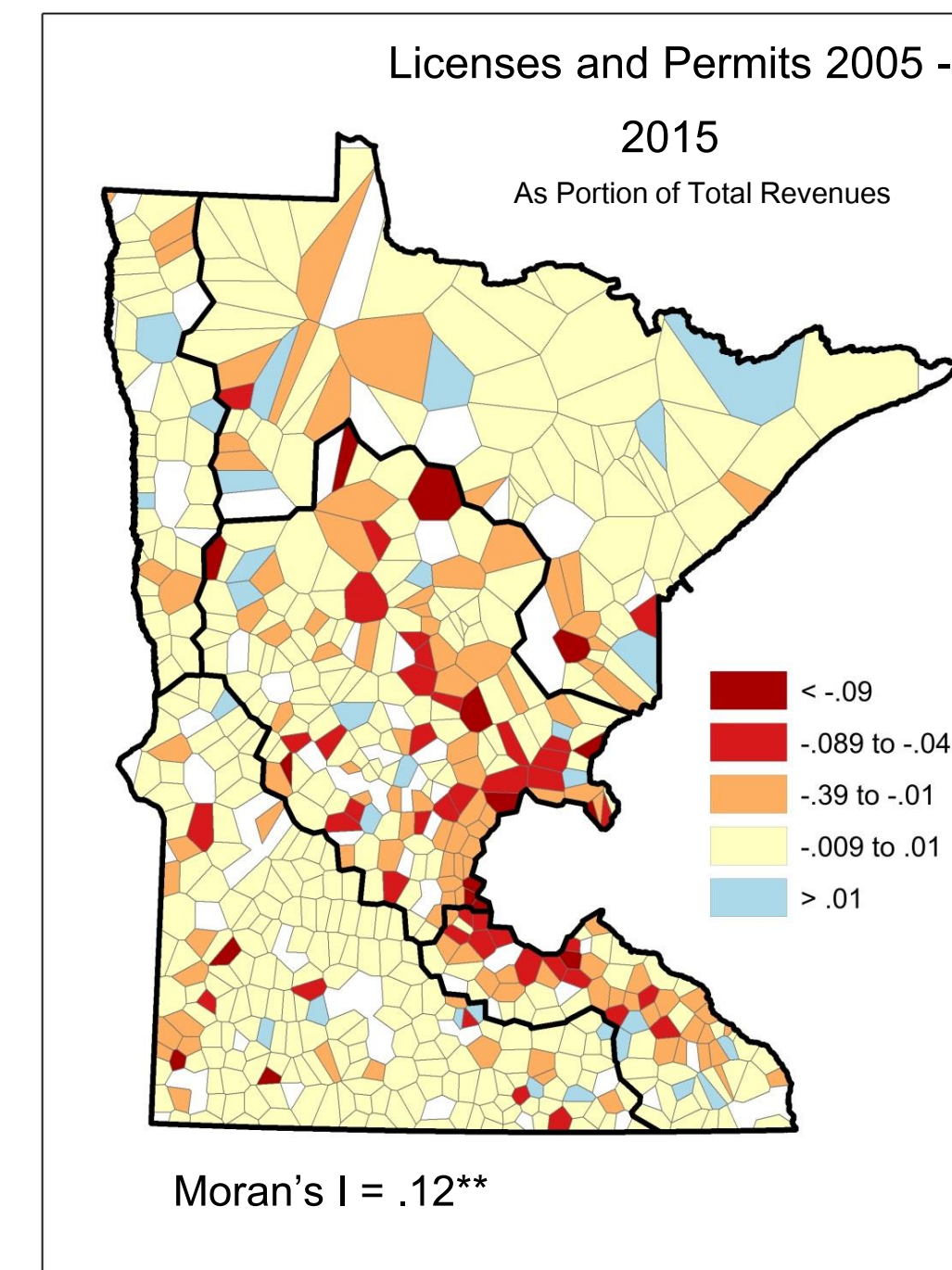
Change in Portion of Budget Spent by Expenditure Category by Region, 2005 - 2015



Change in Portion of Budget by Revenue Source by Region, 2005 - 2015



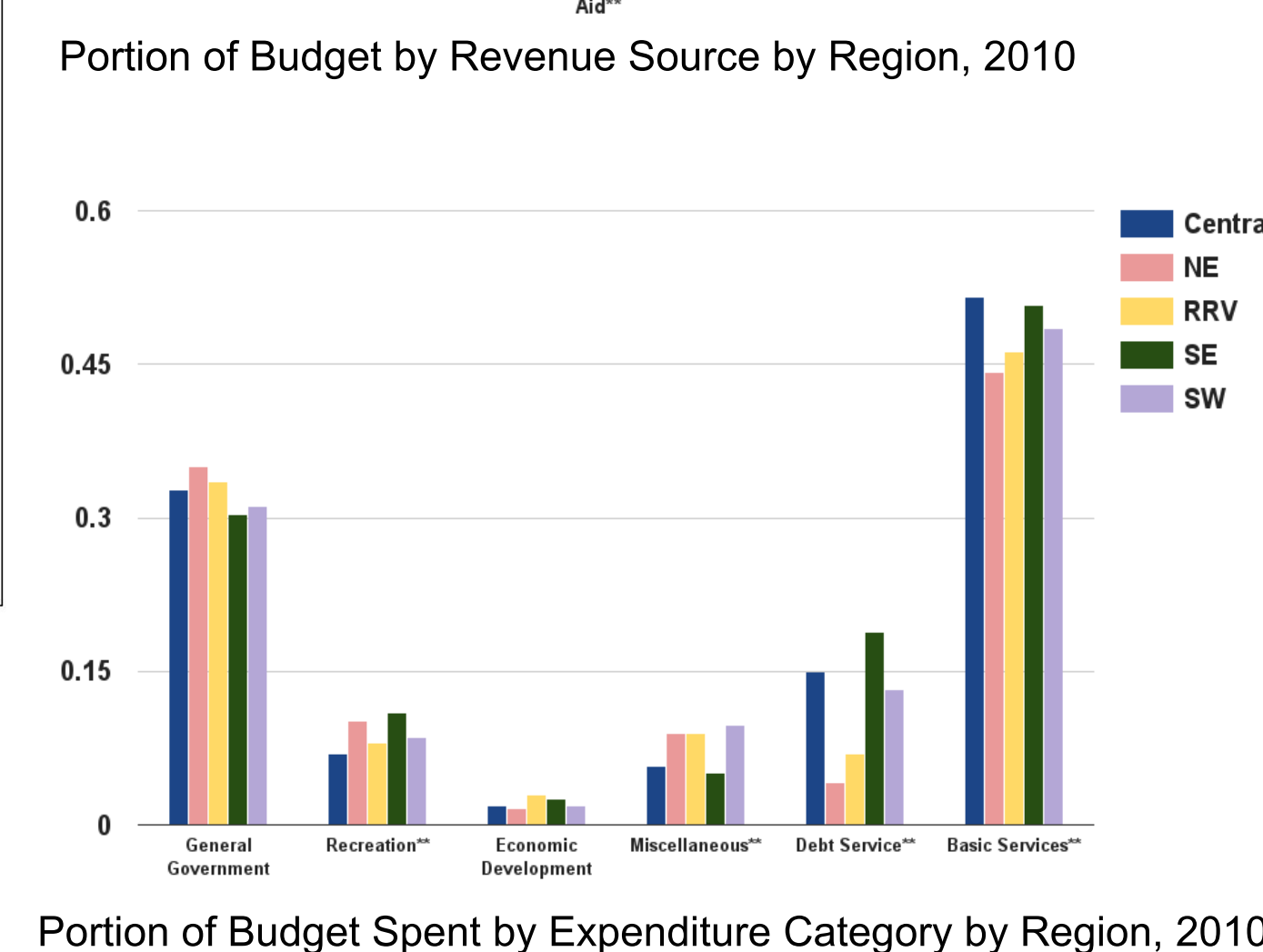
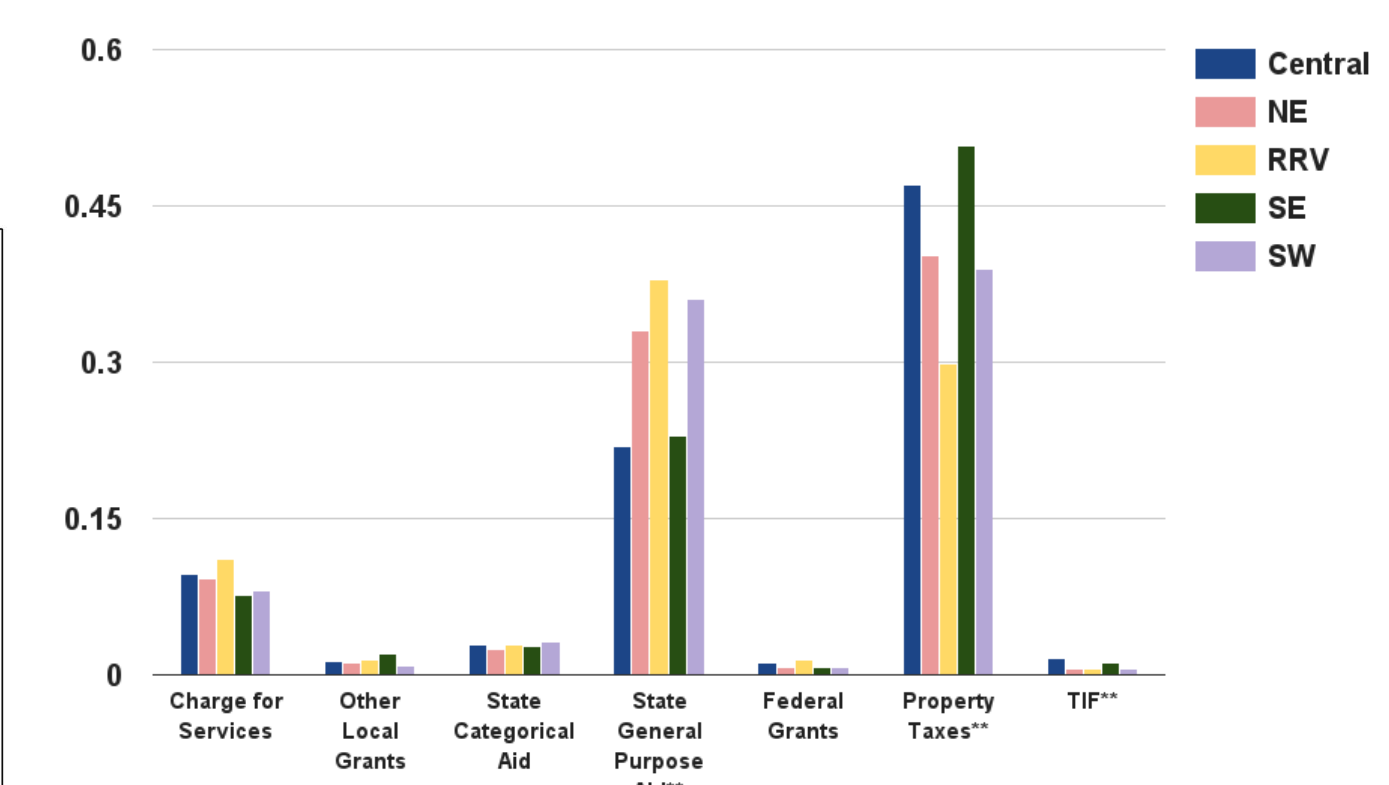
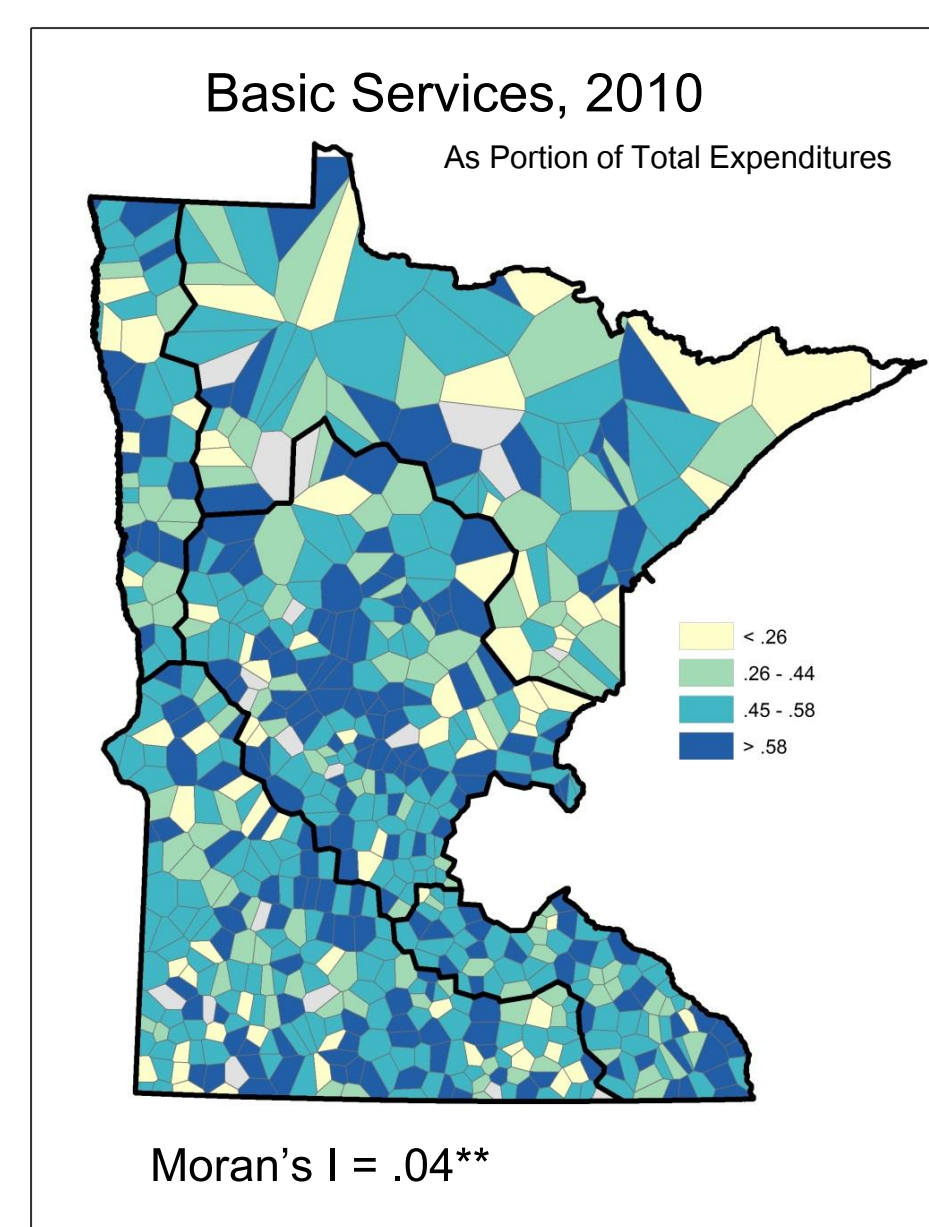
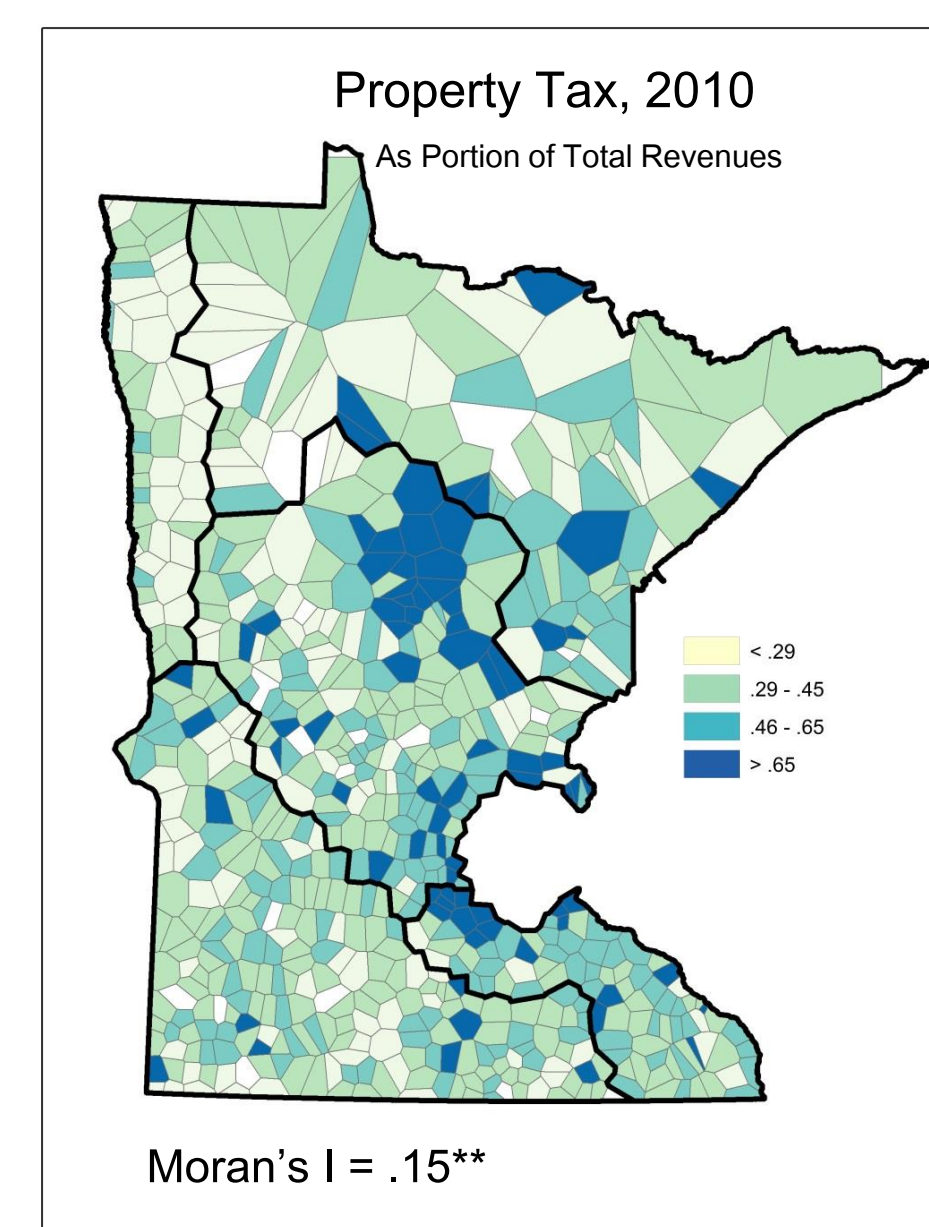
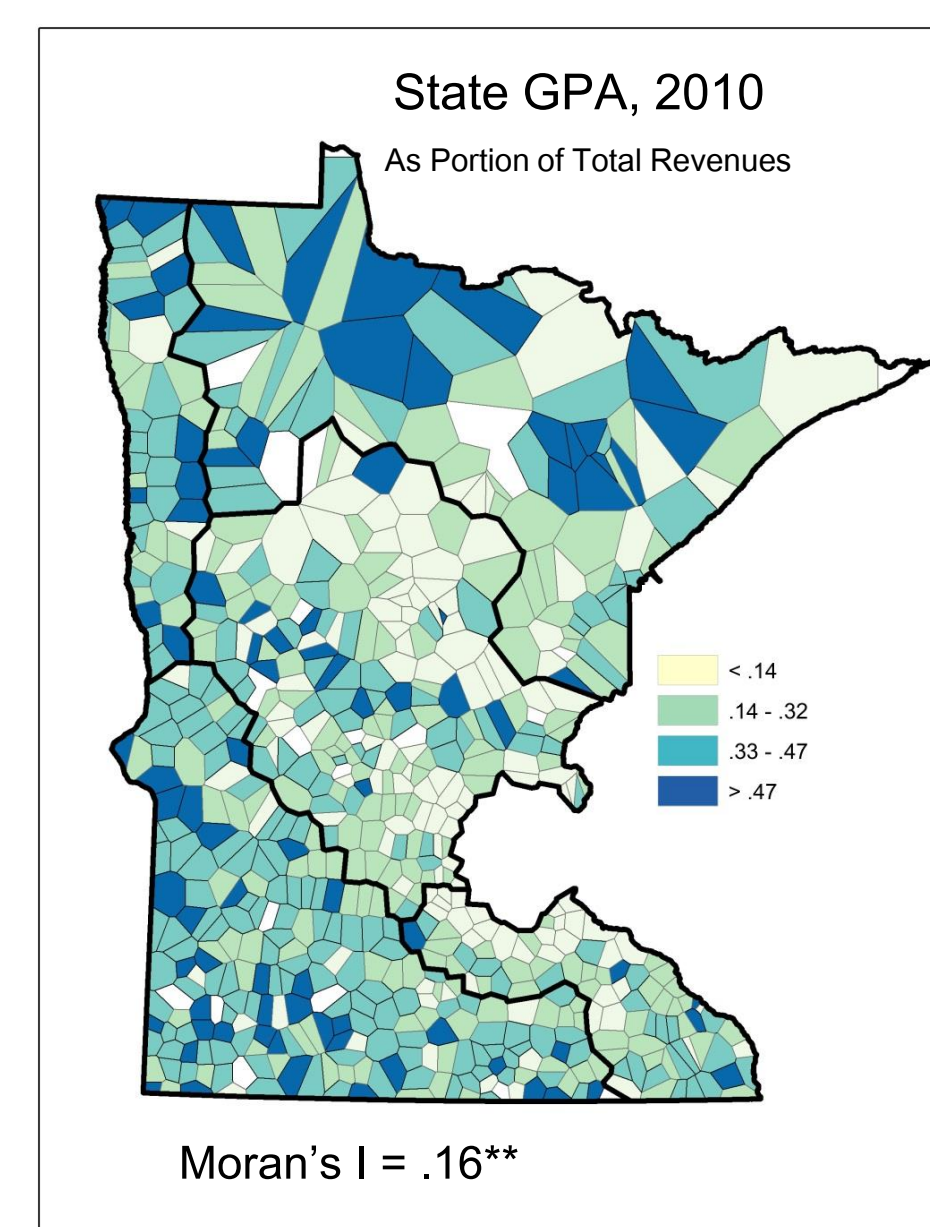
How have expenditures and revenues changed from 2005 - 2015?



**Significant findings with a 95% confidence interval.

Moran's I found a cluster of negative values around the Twin Cities. Building and construction permits most likely decreased drastically during the 2008 Recession.

What is the spatial pattern of budget categories as a portion of total revenues or expenditures?



ANOVA tests found statistically significant differences among some budget categories, including State GPA, Property Tax, TIF, Recreation, Miscellaneous, Debt Service and Basic Services (see **).

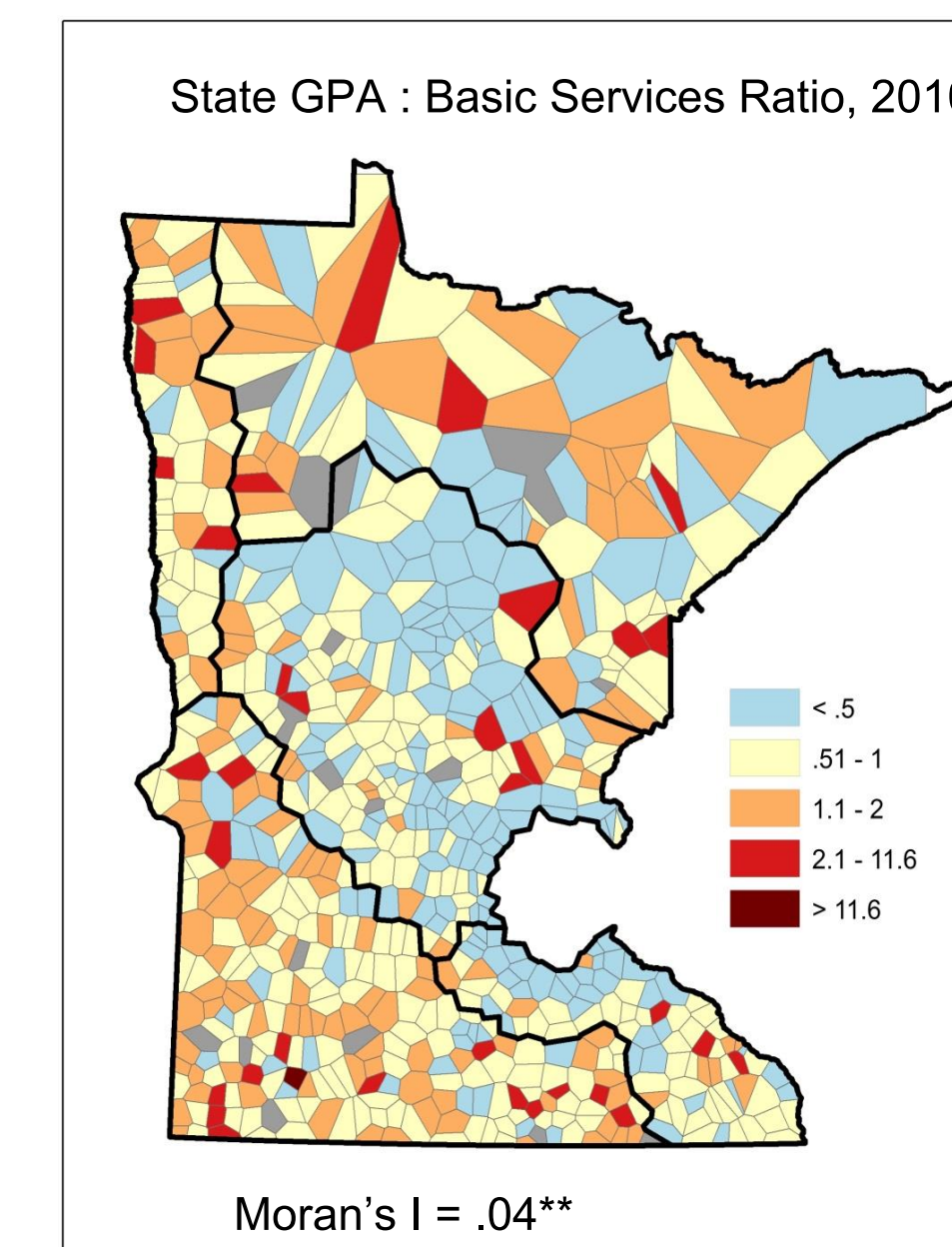
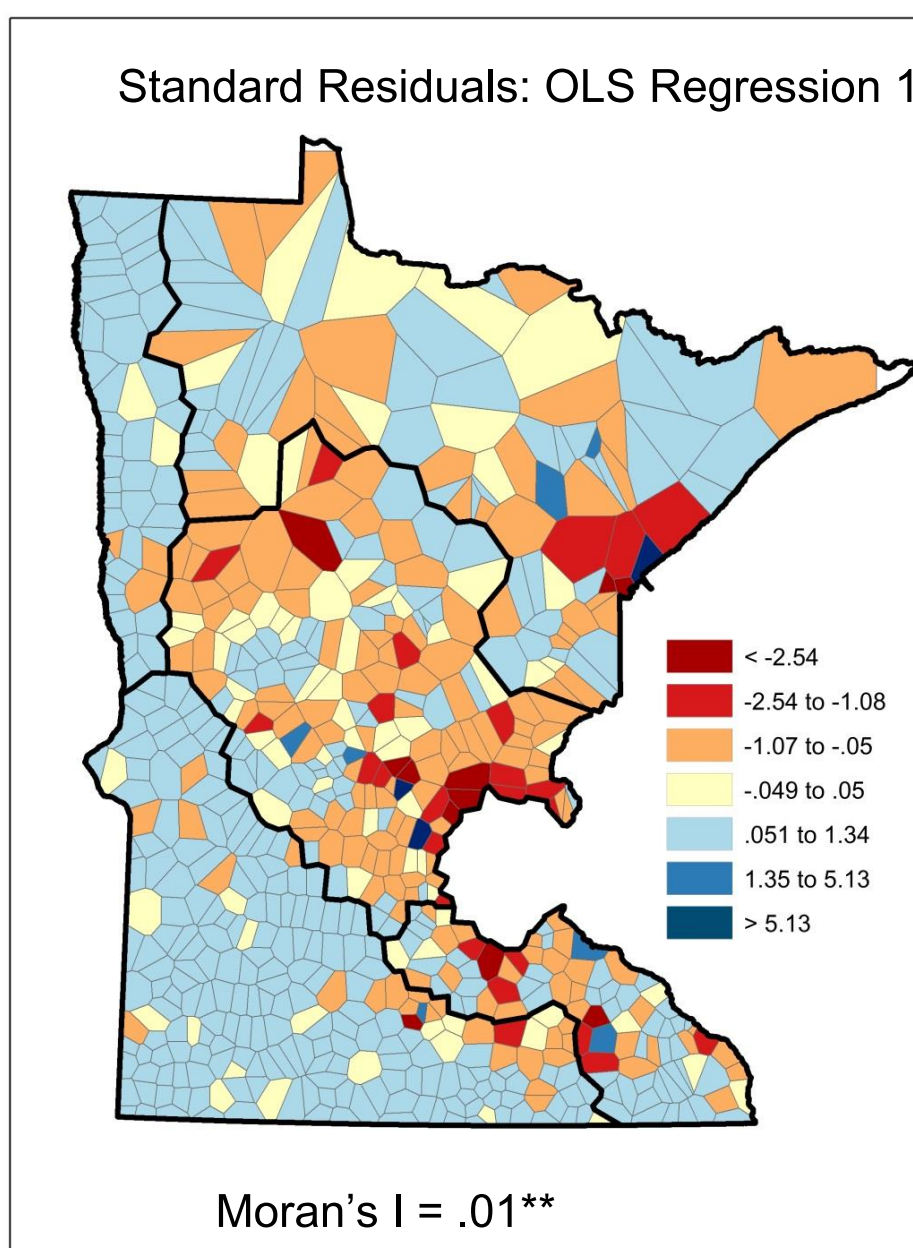
OLS Regression 1: Hinterland Population and Basic Services R²

Thiessen Polygon Population	Basic Services
	.81

OLS Regression 2: Normalized Variables and Basic Services R²

	Basic Services as Percent of Total Expenditures
Percent Minority	.03
Percent Unemployed	.06
Median Income	.01
TOTAL	.15

How do demographic characteristics and state aid relate to service provision?



CONCLUSIONS

In general, budget data from Minnesota cities does not unilaterally support entrepreneurial urban governance theories. However, certain findings reveal other trends occurring in local government finance and service provision.

- Extra spending cuts between 2005 and 2015.
- Basic Services and General Government remained at similar levels (or increased).
- Competitive grants increased while general purpose aid decreased.
- State GPA and Property Tax mirror one another due to size of communities and financial hardship.
- Exurban communities in close proximity to the Twin Cities Metropolitan Area rely on state aid less due to their proximity to services provided by the Twin Cities.
- Spatial patterns of State GPA: Basic Service ratios display low ratios around the Metro, meaning local governments receive small amounts of GPA compared to the amount they spend on Basic Services.
- Cities close to Metro are spending less on Basic Services than is predicted by the model.

Future research could incorporate a comparative element to adequately judge if Minnesota differs from other states' response to the economic crisis. Additionally, a comprehensive survey sent to local government officials could fill gaps in available data, providing information regarding privatization difficult to discern from budgetary data alone. Many limitations in this empirical study should be considered, including the time period examined, which encompasses the 2008 Recession and therefore obscures dramatic variation within these years. Relying solely on budget data severely limits research as urban governance generally includes more than local government.

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