



**ISSUE BRIEF**

**State General Fund Budget Forecast**  
November 2006

*The latest budget forecast for the state's general fund released by the Department of Finance on November 29, 2006 projects a \$1.038 billion balance for the current biennium and an additional \$1.132 billion balance for the FY 2008-09 biennium. This compares to May 2006 end of session projections for a \$0 balance for the FY 2006-07 biennium and a \$737 million balance for the FY 2008-09 biennium. A constitutional amendment passed by the voters in November decreased the previously projected FY 2008-09 balance by \$156 million.*

**The Current Biennium – FY 2006-07**

In May 2006 the state was projected to end the FY 2006-07 biennium on June 30, 2007 with a general fund balance of \$0. Determination of this amount was based on revenues and expenditures from the February 2006 forecast with modifications for 2006 legislative enactments. The \$0 number was reached because the Commissioner of Finance was directed to transfer an amount from the tax relief account to the general fund that would bring the general fund balance to \$0 and then transfer the remaining amount in the tax relief account to the general fund in fiscal year 2008.

The November 2006 budget forecast projects a \$1.038 billion balance for the general fund as of June 30, 2007. The following chart illustrates budget changes since the May 2006 end of session estimates.

FY 2006-07 General Fund Changes from May 2006

End of Session Projected Balance	\$ 0.0 million
Change (Increase) in Revenues from End of Session	913.4 million
Change (Decrease) in Expenditures from End of Session	<u>125.1 million</u>
Balance	\$1,038.5 million

The most significant changes from the February forecast and end of the 2006 session numbers are that income tax revenues are projected to be \$503 million higher than previously forecast and corporate tax receipts are projected to be \$330 million higher than previous estimates. Projected expenditures in the health and human services area decreased \$60 million from the May 2006 numbers.

The following chart illustrates the overall general fund budget picture for FY 2006-07.

<u>FY 2006-07 Budget</u>	
Beginning Balance	\$ 280 million
Revenues and other Resources	32,245 million
Expenditures	<u>31,487 million</u>
Balance	\$ 1,038 million

### **The Next Biennium – FY 2008-09**

The 2007 legislature will be setting a budget for the biennium beginning July 1, 2007 and ending June 30, 2009. In May 2006, projected revenues for the FY 2008-09 biennium exceeded projected expenditures by \$737 million. Now that balance is projected to be \$1.132 billion. Expenditures for FY 2008 and 2009 are set at essentially the same level as in FY 2007 except that appropriations for those programs where a formula or entitlement is set in law are adjusted to reflect that amounts needed to fund the formula or entitlement in law. Appropriations in FY 2007 that were considered one-time are not continued. Expenditures for FY 2008-09 include no adjustment for inflation unless such an adjustment is specified in law. The general fund revenue loss of \$156 million resulting from the passage of a constitutional amendment dedicating more motor vehicle sales tax revenue to transportation and transit purposes is also factored into these numbers.

<u>FY 2008-09 General Fund Changes From End of Session</u>	
End of Session Projected Budget Balance	\$737 million
Change (Increase) in Revenues from End of Session	297 million
Change (Decrease) in Expenditures from End of Session	<u>97 million</u>
Net Adjusted Balance	\$1,132 million

Major changes from the end of session estimates include a \$356 million in projected income tax revenues, an increase of \$305 million in corporate tax revenues, a decrease of \$63 million in health and human services expenditures due to primarily lower caseloads, and a reduction of \$55 million in debt service due to revised estimates.

The following chart illustrates the overall general fund budget picture for FY 2008-09.

<u>FY 2008-09 Budget</u>	
Tax Relief Account Transfer	\$ 110 million
Revenues	33,518 million
Expenditures	<u>32,496 million</u>
Balance	\$ 1,132 million

### **The Following Biennium – FY 2010-11**

When budget decisions are being made for the FY 2008-09 biennium, the implications of those decisions on revenues and expenditures for the FY 2010-11 biennium will be tracked. In this forecast, projections for FY 2010-11 show revenues exceeding expenditures by \$3.217 billion for that biennium. Expenditure numbers for FY 2010 and 2011 also are set at essentially the same level as in FY 2007 except that appropriations for those programs where a formula or entitlement is set in law are adjusted to reflect that amounts needed to fund the formula or entitlement in law. Expenditure estimates for FY 2010-11 do not include any amounts for inflation.

The following chart illustrates the overall general fund budget picture for FY 2010-11.

<u>FY 2010-11 Budget</u>	
FY 2010-11 Revenues	\$36,993 million
FY 2010-11 Expenditures	<u>33,776 million</u>
Difference	\$ 3,217 million

The complete November 2006 general fund budget forecast document issued by the Department of Finance is at: <http://www.finance.state.mn.us/ffeu/forecasts/2006nov/2006nov.pdf>

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