



**ISSUE BRIEF**

**State General Fund Budget Situation**  
March 2003

*The latest state budget forecast for the state's general fund released by the Department of Finance on February 27, 2003 projects an additional \$12 million deficit for the current biennium and a \$4.2 billion deficit for the FY 2004-05 biennium. The FY 2004-05 deficit is \$19 greater than projected in November.*

**The Current Biennium – FY 2002-03**

The November 2002 budget forecast projected a general fund deficit of \$356 million for the current biennium ending June 30, 2003. On February 7, 2003, following the inability of the Legislature to agree on a budget balancing plan for FY 2003, the Governor announced unallotments and other changes offsetting the \$356 million deficit. (See the Fiscal Staff Money Matters document entitled: [FY 2003 Reductions, Legislative Proposals and Governor's Unallotments \(No. 03.03\)](#)).

The February 2003 budget forecast projects that the deficit for the current biennium will be \$12 million (after unallotment), \$12 million higher than previously projected.

The following chart illustrates budget changes since the November 2002 forecast.

<u>FY 2002-03 General Fund Changes from November 2002</u>	
Change (Decrease) in Revenues	- \$30.2 million
Change (Decrease) in Expenditures	<u>18.6 million</u>
Net Change	- \$11.6 million

The following chart illustrates the general fund budget situation for FY 2002-03 after unallotment and the February forecast.

Beginning Balance	\$ 1,574 million
Revenues and other Resources	25,280 million
Expenditures	26,866 million
Reserves	<u>0 million</u>
Balance	\$ - 12 million

### Next Biennium – FY 2004-05

The 2003 legislature will be adopting a budget for the biennium beginning July 1, 2003 and ending June 30, 2005. At the end of the 2002 legislative session, projected expenditures for the FY 2004-05 biennium exceeded projected revenues by \$1,553 million. Expenditures for FY 2004 and 2005 are set at essentially the same level as in FY 2003 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 2003 that were considered one time are not continued.

Expenditures for FY 2004-05 include no adjustment for inflation unless such an adjustment is specified in law. This is a change from previous years when “planning estimate inflation” was added to expenditures for the next biennium. (A law passed in 2002 removed planning estimate inflation from the expenditures numbers.)

The following chart illustrates the changes since the November forecast. The general fund situation for FY 2004-05 is \$19 million worse than in November. However, reserves are \$10 million higher within that number (reserves would be available to help balance the budget).

#### FY 2004-05 General Fund Changes from November 2002

Change (Decrease) in Revenues	-\$174 million
Change (Decrease) in Expenditures	165 million
Change (Increase) in Reserves	<u>- 10 million</u>
Net Change	-\$ 19 million

The projected budget deficit for the FY 2004-05 biennium is \$4.223 billion (in addition to the \$12 million problem for FY 2003). The following chart illustrates the general fund budget situation for FY 2004-05.

Revenues	\$ 26,683 million
Expenditures	30,810 million
Reserves	<u>96 million</u>
Balance	\$ - 4,223 million

### The Following Biennium – FY 2006-07

When budget decisions are being made for the FY 2004-05 biennium, the implications of those decisions on revenues and expenditures for the FY 2006-07 biennium will be tracked. In this forecast, projections for FY 2006-07 show expenditures exceeding revenues by \$2,466 million for that biennium.

FY 2006-07 Revenues	\$29,621 million
FY 2006-07 Expenditures	<u>32,087 million</u>
Difference	-\$ 2,466 million

For more information, contact Bill Marx, Chief Fiscal Analyst, at 651-296-7176 or at [bill.marx@house.leg.state.mn.us](mailto:bill.marx@house.leg.state.mn.us)