



ISSUE BRIEF

State General Fund Budget Situation
February 2007

The latest state budget forecast for the state's general fund released by the Department of Finance on February 28, 2007 projects a \$1,013 million balance for the current biennium and a \$1,150 million balance for the FY 2008-09 biennium. The FY 2008-09 balance is \$18 million higher than projected in November.

The Current Biennium – FY 2006-07

The November 2006 budget forecast projected a general fund balance of \$1,038 million for the current biennium ending June 30, 2007. This forecast projects a FY 2006-07 balance of \$1,013 million.

Since the November 2006 forecast, legislation (2007 Laws, Chapter 1) has been enacted reducing FY 2007 revenue \$24 million. The February forecast has already built in the changes from this law so the change in the projected June 30, 2007 balance, when considering the impact of Chapter 1, is minimal.

The following chart illustrates budget changes since the November 2006 forecast.

FY 2006-07 General Fund Changes from November 2006

Change (Decrease) in Revenues	- \$34.1 million
Change (Decrease) in Expenditures	- <u>8.9 million</u>
Net Change	- \$25.1 million

The following chart illustrates the general fund budget situation for FY 2006-07 after the February forecast.

Beginning Balance	\$ 280 million
Revenues and other Resources	32,211 million
Expenditures	<u>31,478 million</u>
Balance	\$ 1,013 million

Next Biennium – FY 2008-09

The 2007 legislature will be adopting a budget for the biennium beginning July 1, 2007 and ending June 30, 2009. In the November 2006 forecast, projected expenditures for the FY 2008-09 biennium exceeded projected revenues by \$1,132 million. Expenditures for FY 2008 and 2009 are set at the same level as in FY 2007 except that appropriations for those programs where a formula or entitlement is set in law (forecasted programs) are adjusted to reflect the amounts needed to fund the formula or entitlement in law. Appropriations in FY 2007 that were considered one time are not continued.

The following chart illustrates the changes since the November forecast. The general fund situation for FY 2008-09 is \$18 million better than projected in November.

FY 2008-09 General Fund Changes from November 2006

Change (Increase) in Revenues	\$160 million
Change (Increase) in Expenditures	<u>142 million</u>
Net Change	\$ 18 million

The projected budget balance for the FY 2008-09 biennium is \$1,150 million. The following chart illustrates the general fund budget situation for FY 2008-09.

Tax Relief Account Transfer	\$ 110 million
Revenues	\$ 33,678 million
Expenditures	<u>32,638 million</u>
Balance	\$ 1,150 million

Expenditures for FY 2008-09 include no adjustment for inflation unless such an adjustment is specified in law. Applying inflation to state appropriations for FY 2008-09 at the rate of the consumer price index (CPI) would increase expenditures by another approximately \$1,020 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 \$2,799 million for that biennium.

FY 2010-11 Revenues	\$36,707 million
FY 2010-11 Expenditures	<u>\$33,908 million</u>
Difference	\$ 2,799 million

This projected FY 2010-11 balance is \$418 million less than it was in the November 2006 forecast projections.

For more information, contact Bill Marx, Chief Fiscal Analyst, at 651-296-7176 or at bill.marx@house.mn