



Minnesota State Capitol

Leadership Summit

September 8, 2009

Briefing Materials

Minnesota State Budget: General Fund Budget Condition and Historical Trends

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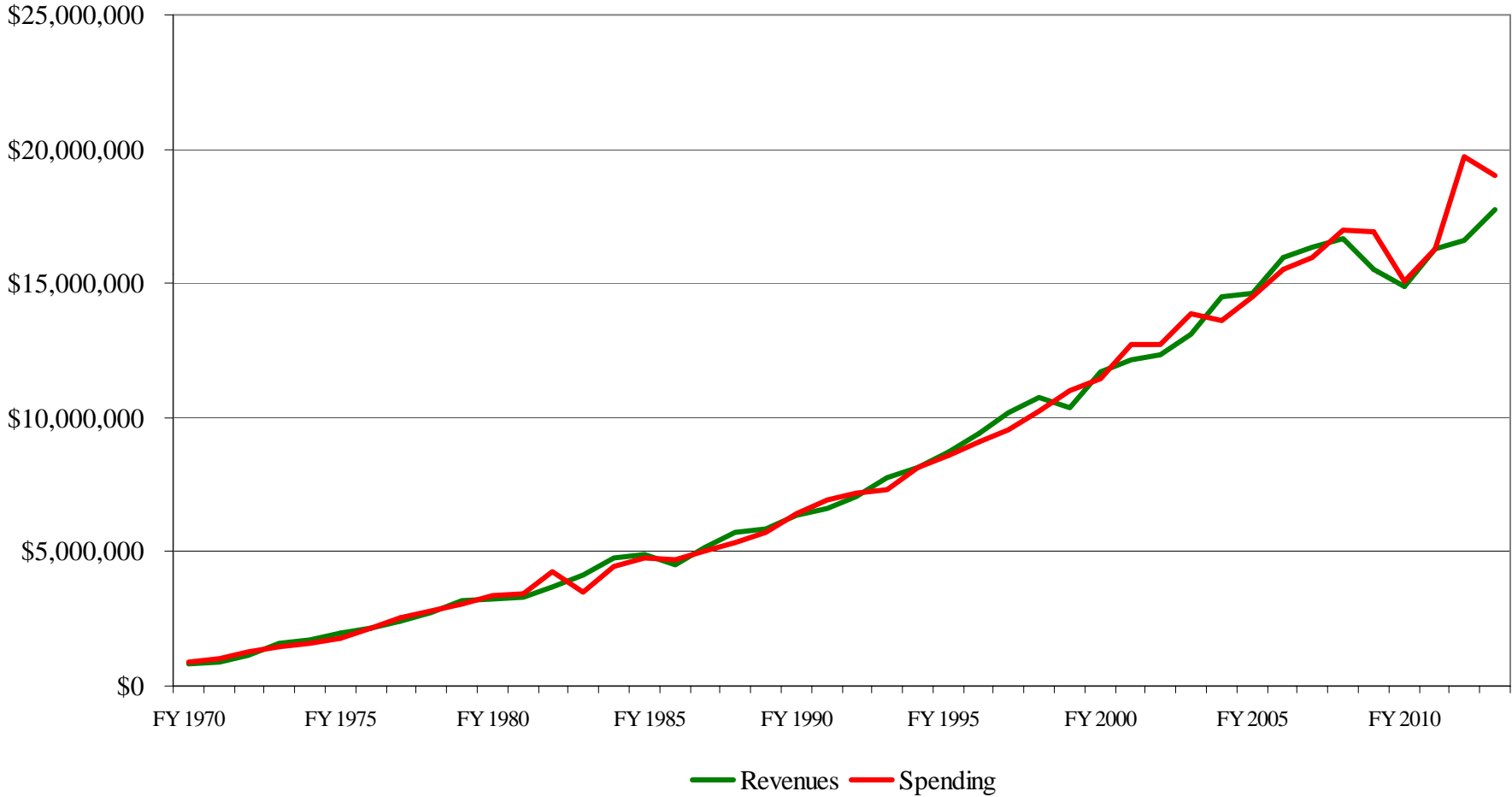
Briefing Materials

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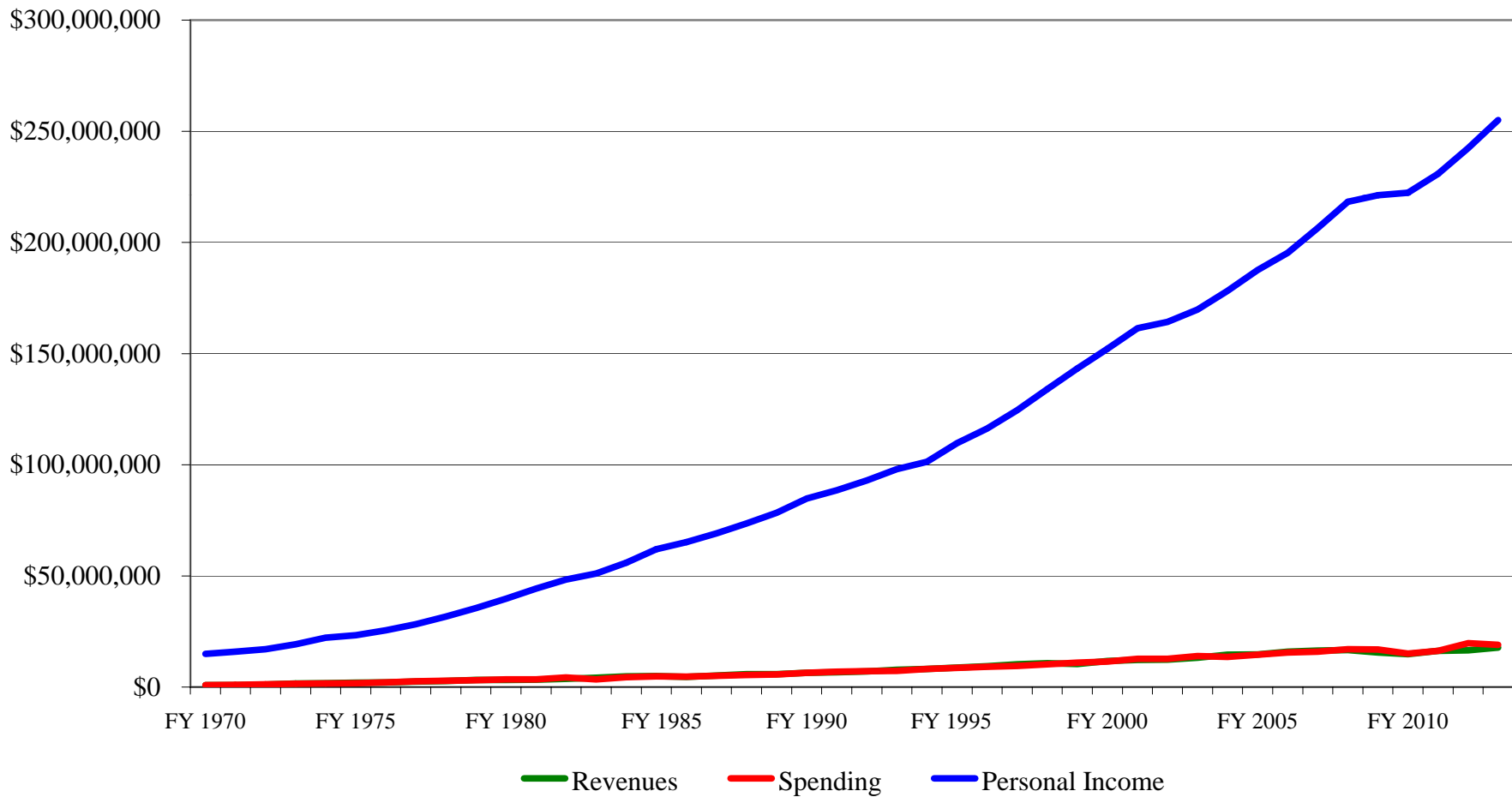
General Fund Revenues and Spending, FY 1970 - FY 2013 est. (Nominal Dollars)

(\$'s in Thousands)

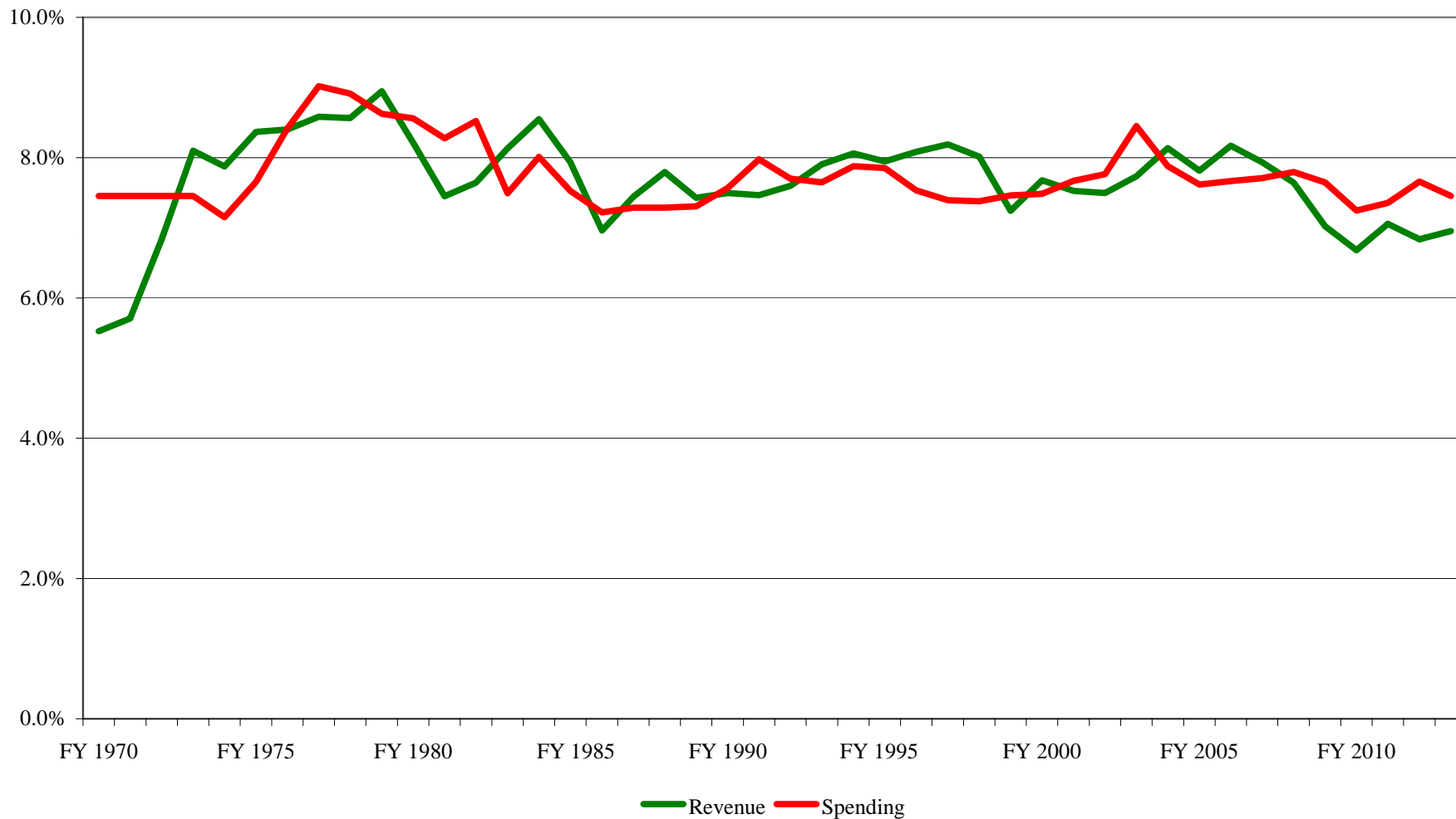


General Fund Revenues and Spending Compared to MN Personal Income, FY 1970 - FY 2013 est. (Nominal Dollars)

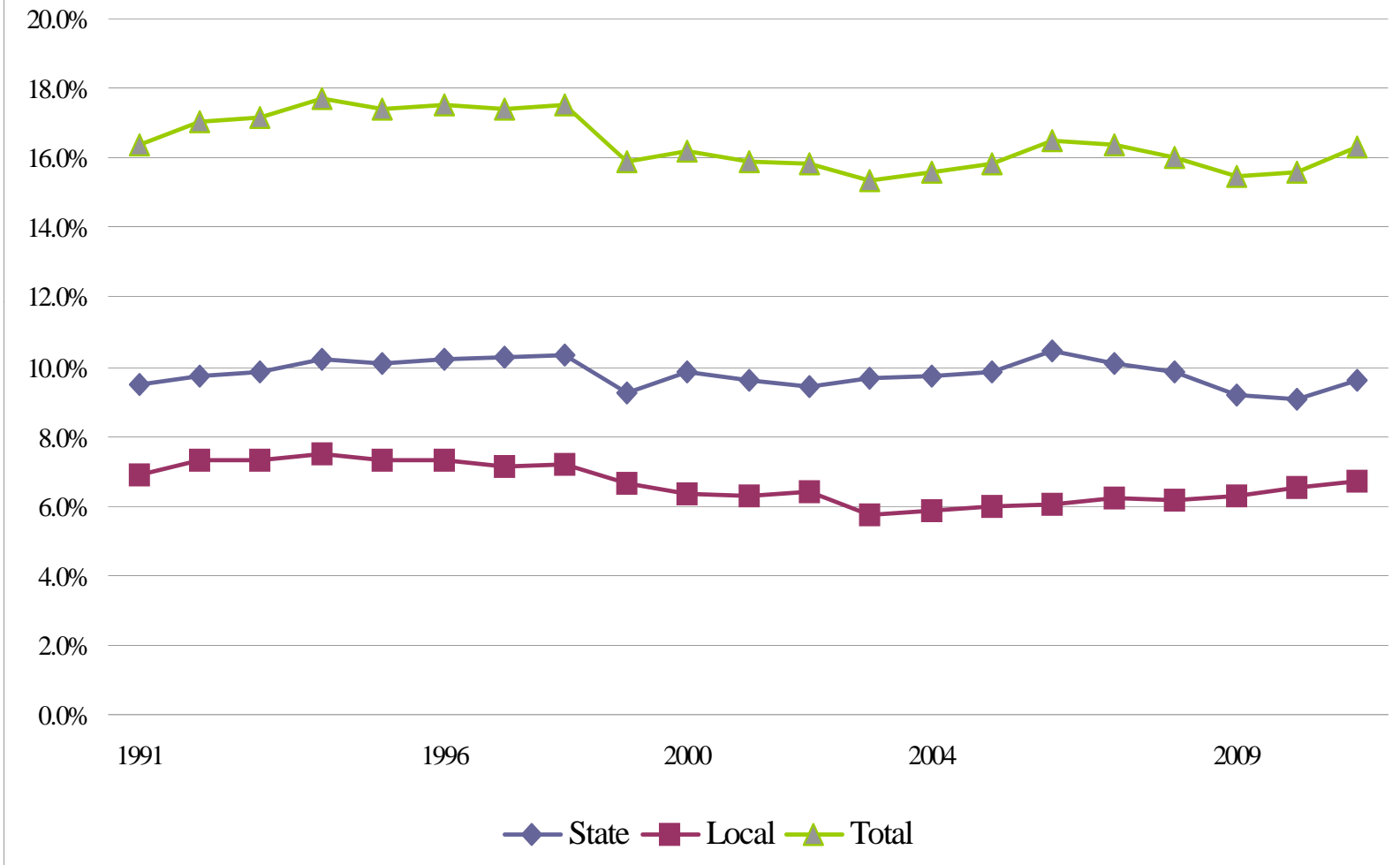
(\$'s in Thousands)



General Fund Revenue and Spending as a Percent of MN Personal Income, FY 1970 - FY 2013 est.

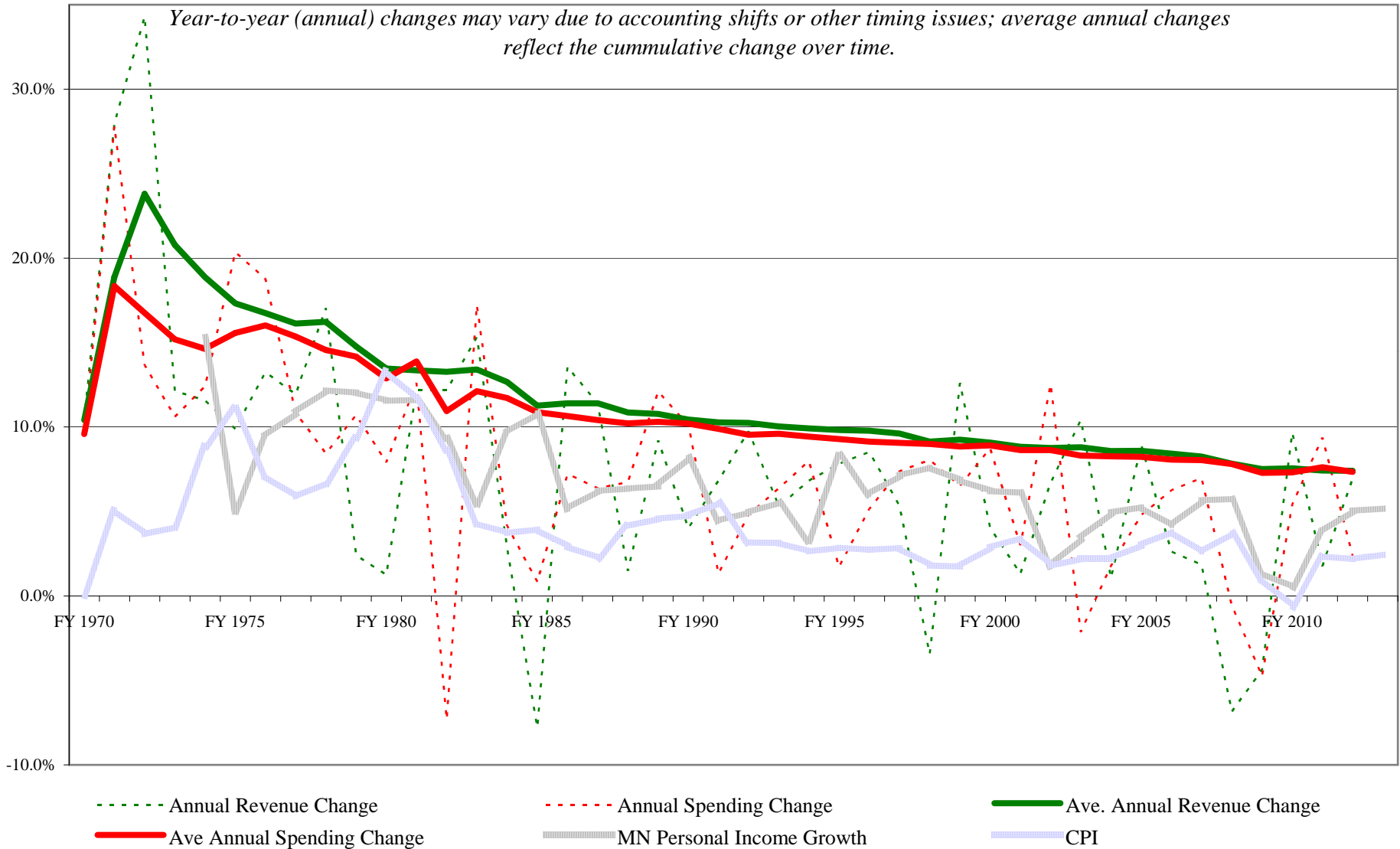


Price of Government State & Local Revenue as Percent of Personal Income End of 2009 Session Data



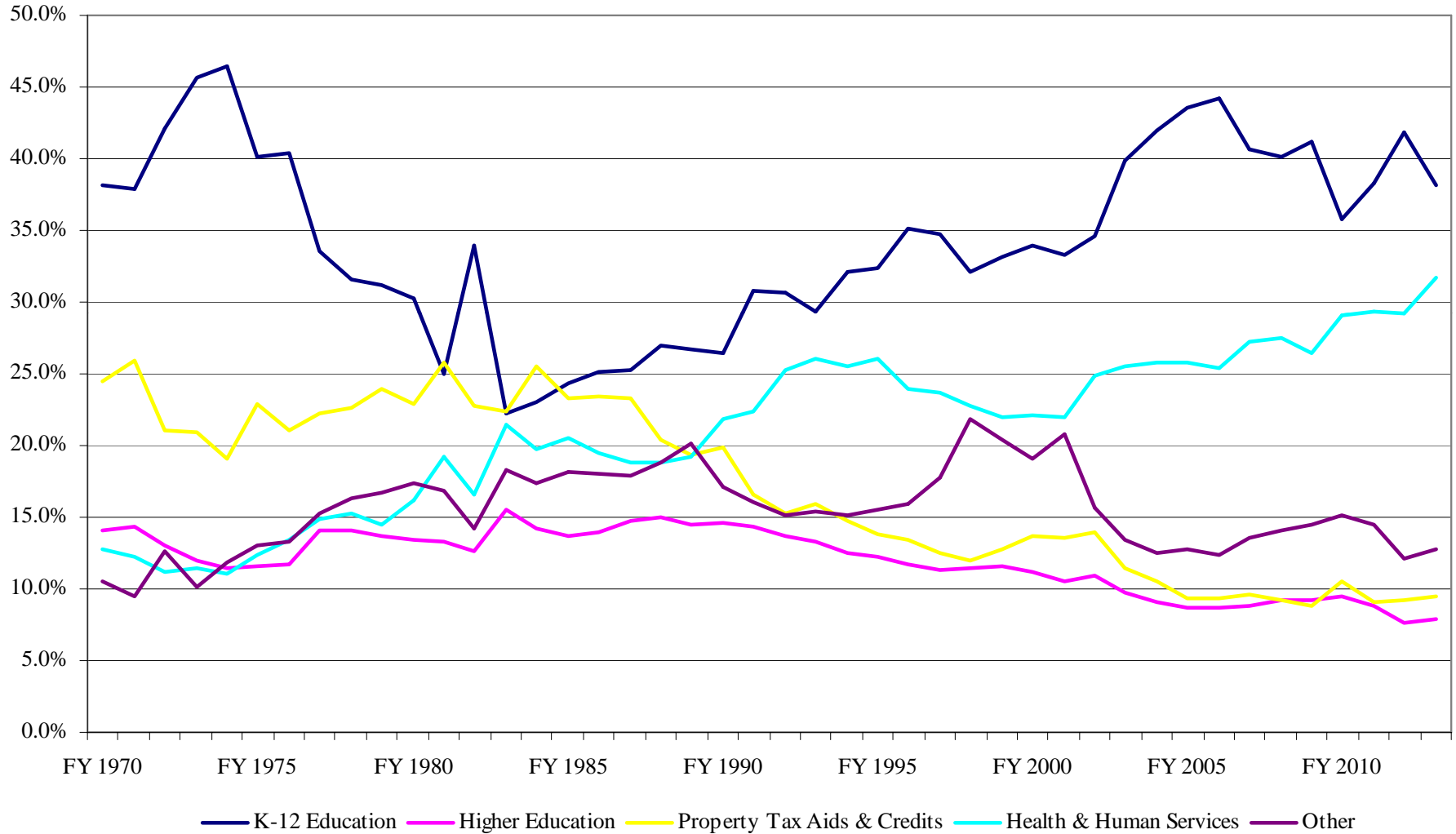
The Price of Government measures revenue for all state funds, including the General Fund and other operating funds. Most other charts in this briefing reflect only the General Fund. The Price of Government also shows state and local own source revenues.

Annual and Average Annual Change in General Fund Revenues and Spending, FY 1970 - FY 2013 est.

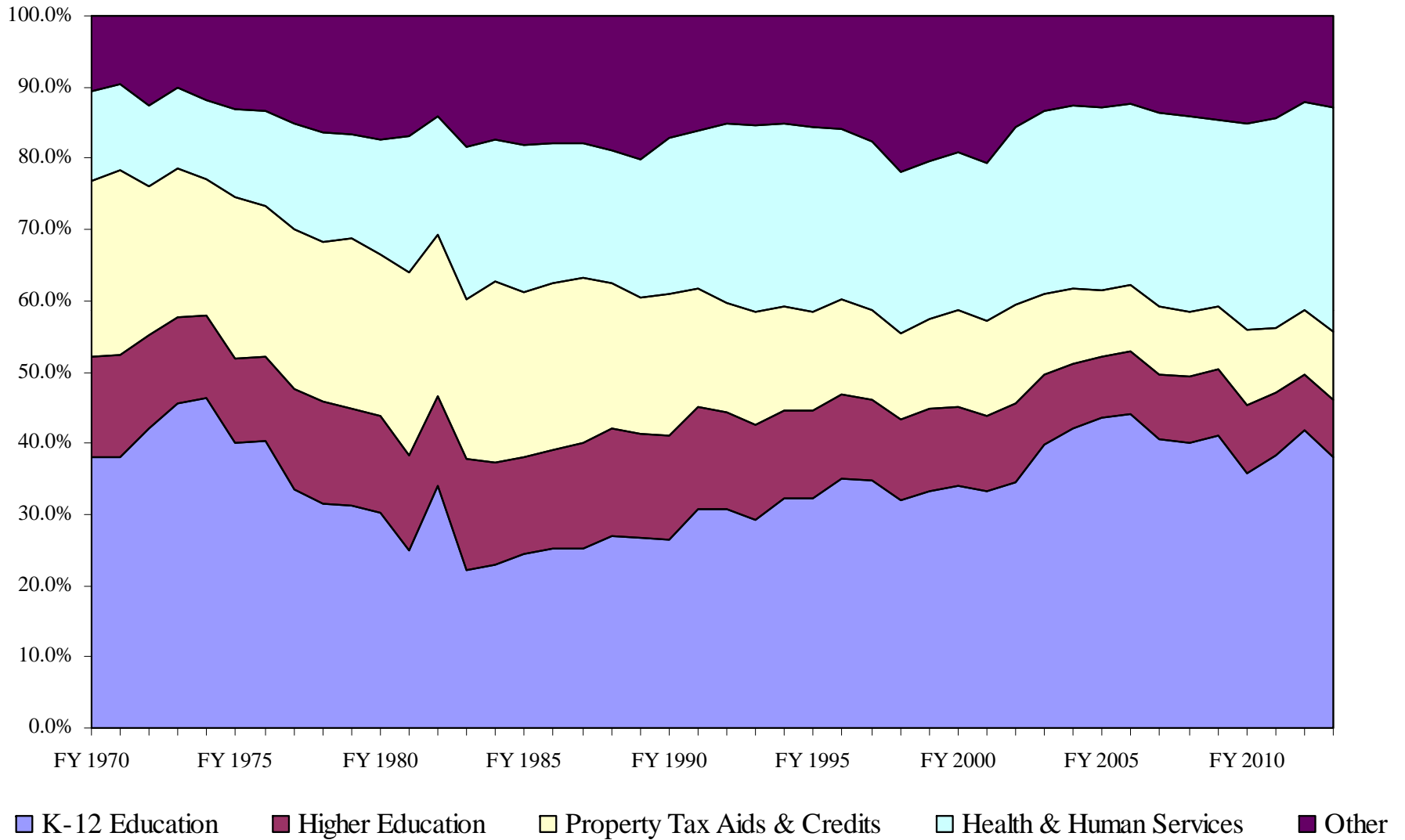


Major General Fund Spending Categories as Percent of Total General Fund Spending, FY 1970 - FY 2013 est.

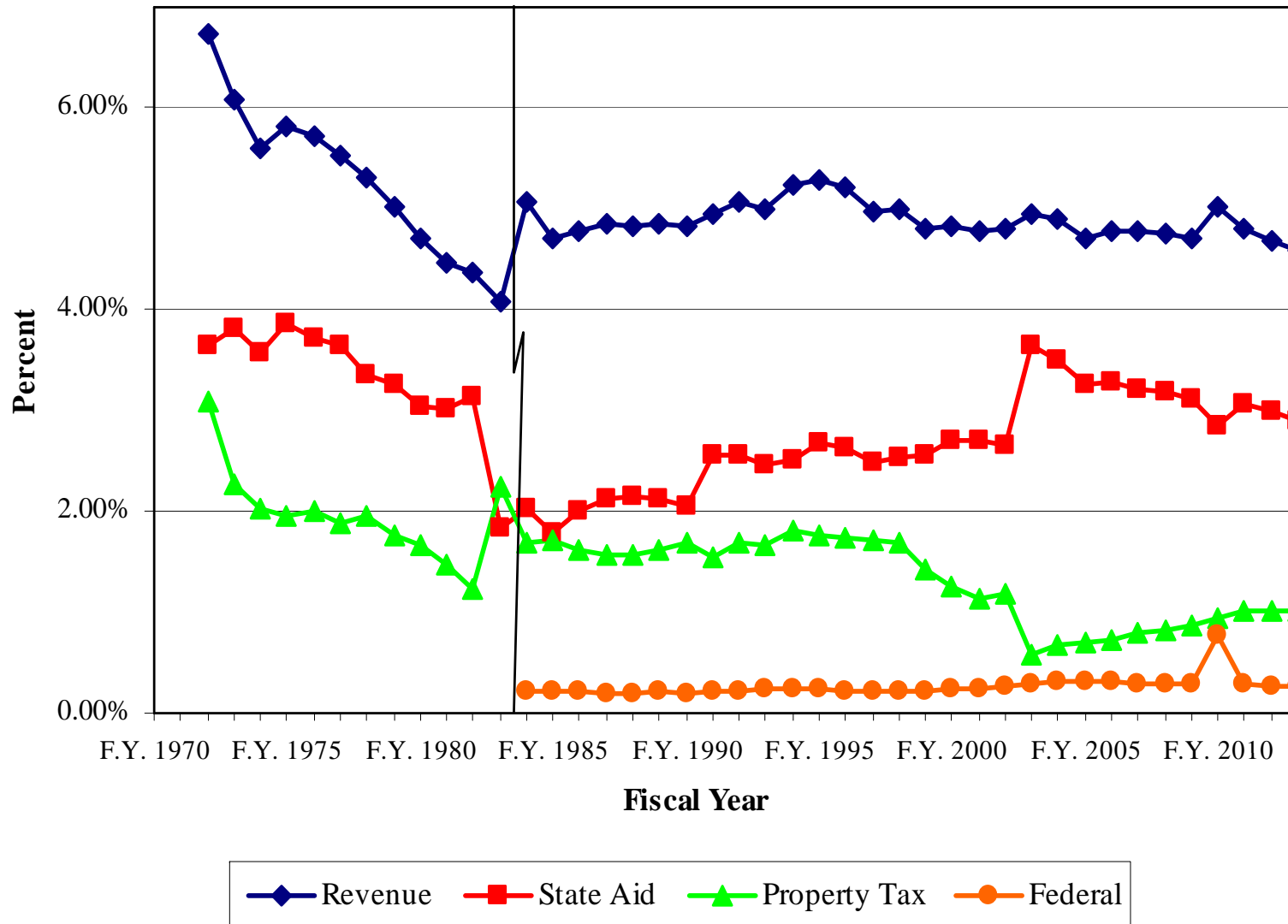
(relative to zero base for each category)



Cumulative Percent Shares of Total General Fund Spending by Major General Fund Spending Category, FY 1970 - FY 2013 est.



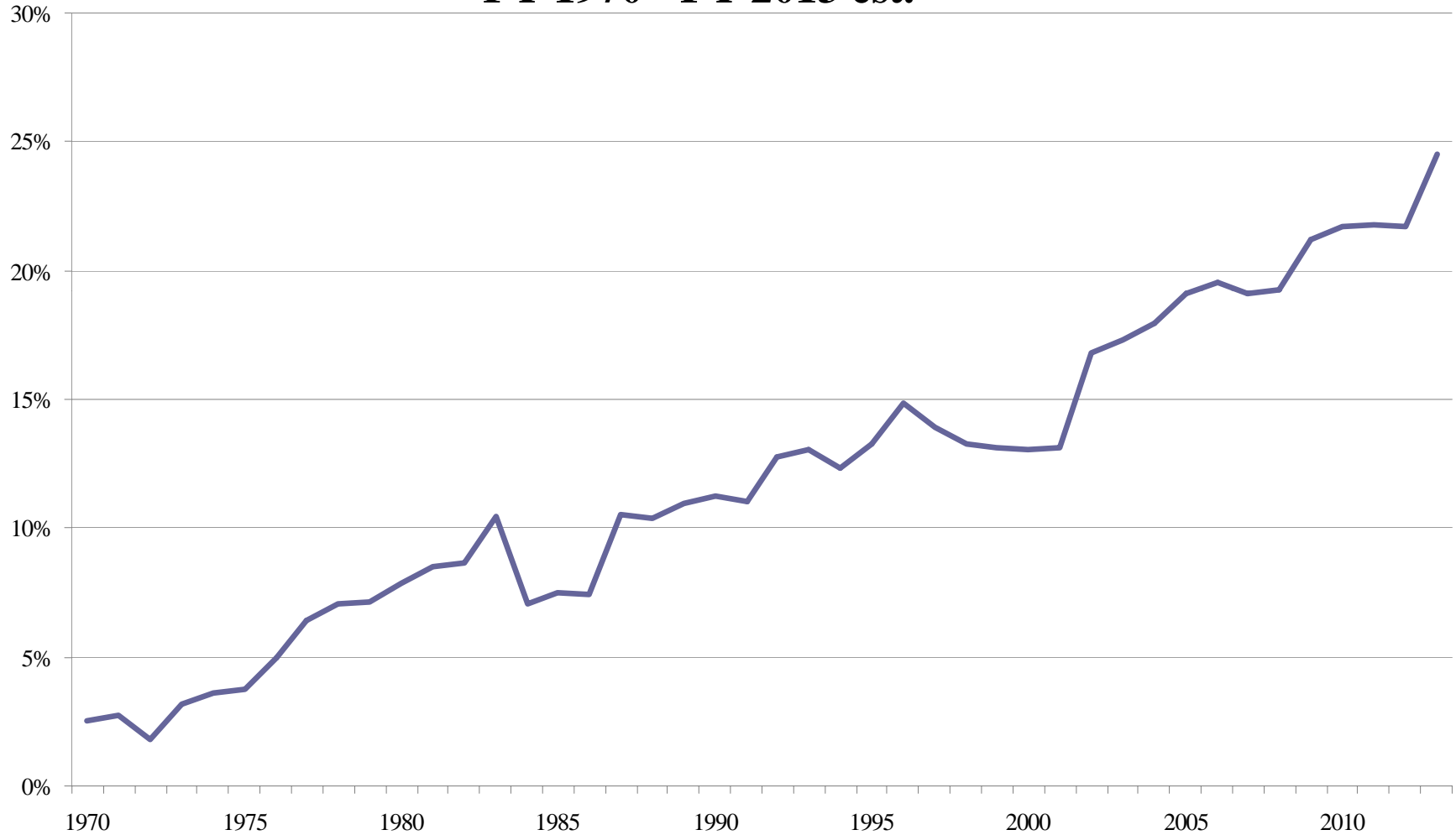
MN School District Revenue, State Aid, Property Tax & Federal As a Percent of Personal Income, FY 1972-2013



Available school revenues begin in FY 1972. Data prior to FY 1984 include only state aid and property tax sources. Data for FY 1984 and later include all MN Price of Government sources.

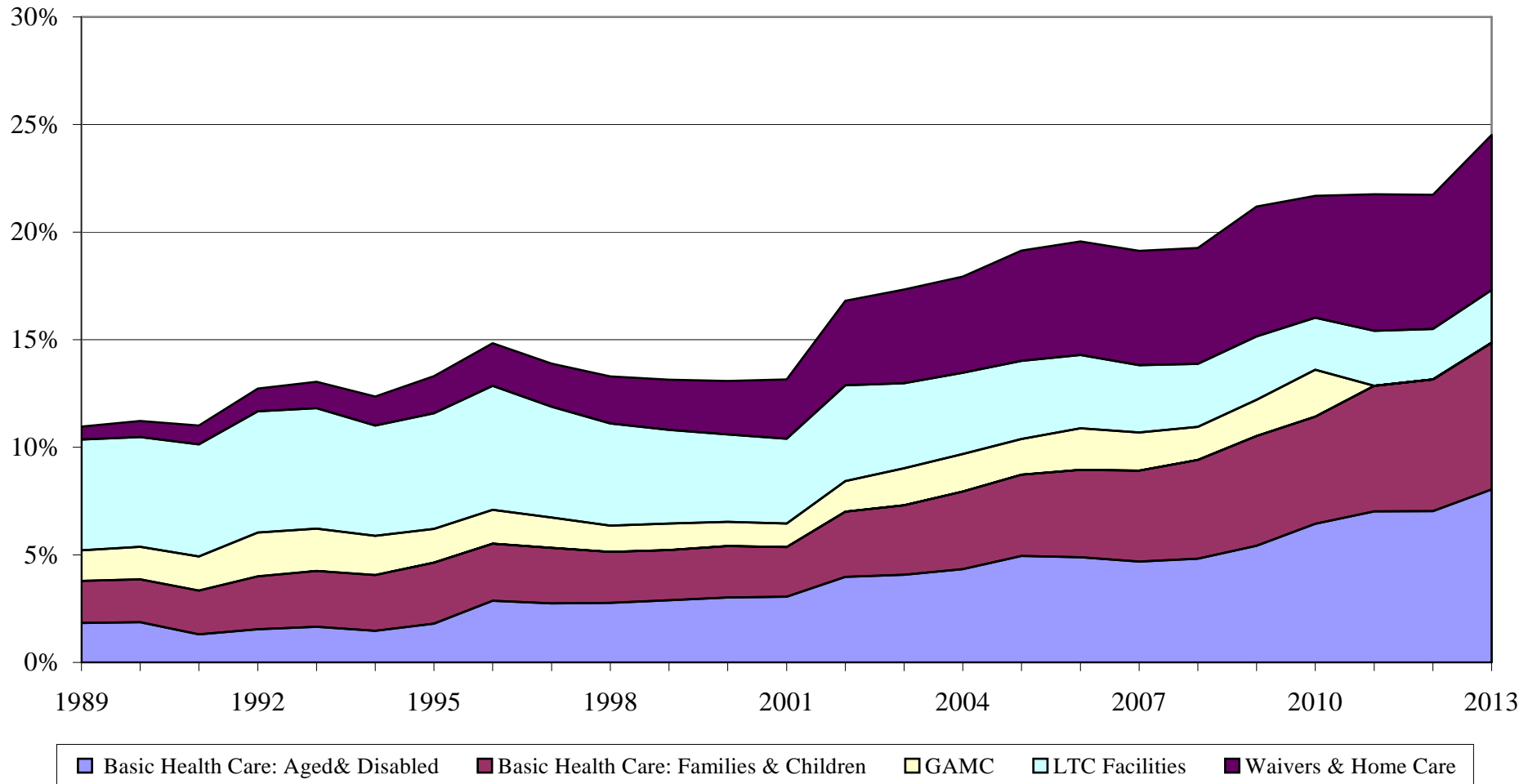
Leadership Summit Briefing Materials, September 8, 2009

**Medical Assistance (MA) & General Assistance Medical Care
(GAMC) as a Percent of Total General Fund Spending,
FY 1970 - FY 2013 est.**

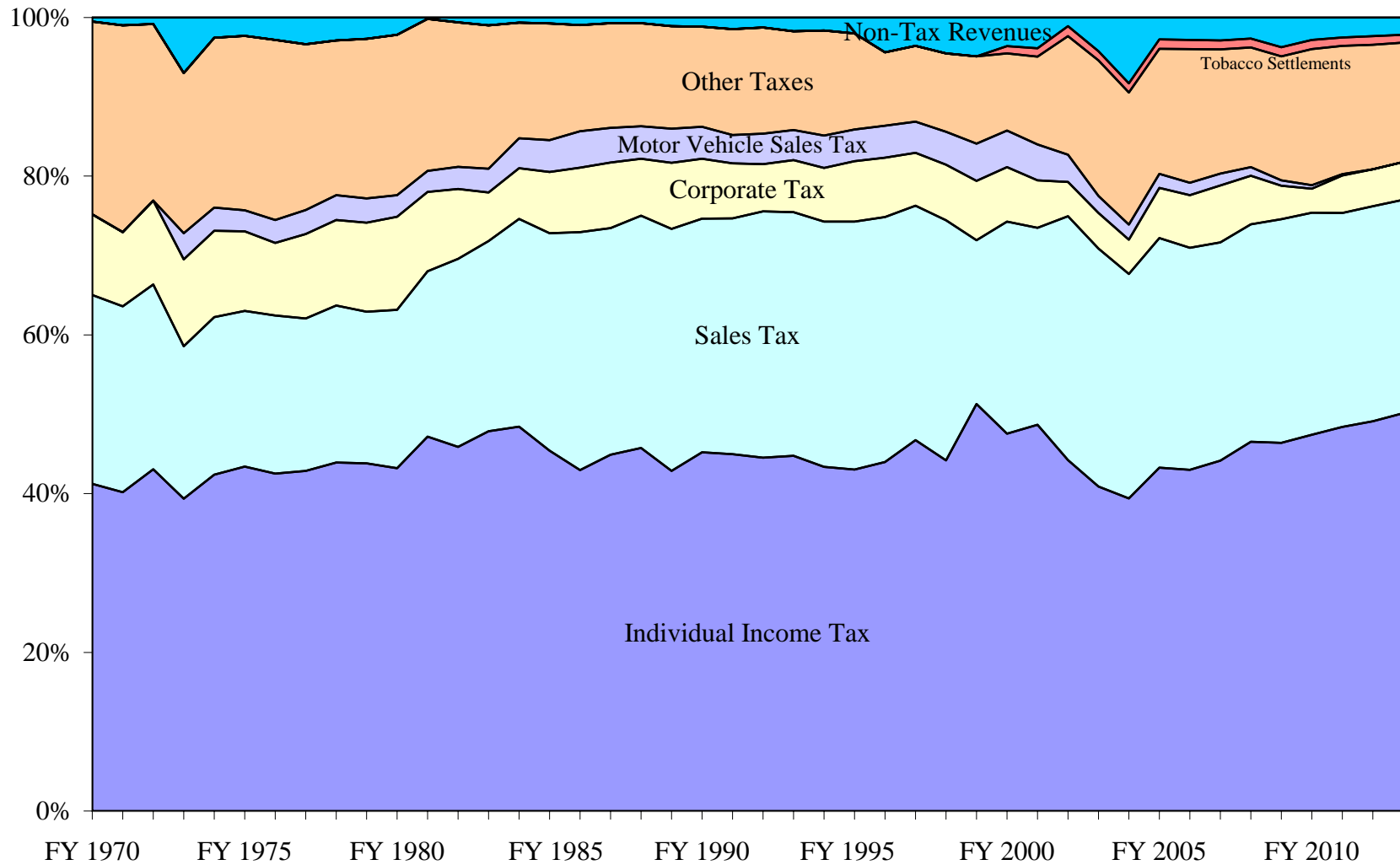


Components of MA and GAMC as a Percentage of Total General Fund Spending, FY 1989 - FY 2013 est.*

* FY 1989 is first year that data by category is available



Source of General Fund Revenues, FY 1970 - FY 2013 est.



Summary of Minnesota Effective Tax Rates

Income Decile*	2006 Effective Tax Rates by Income Decile*		2011 Effective Tax Rates by Income Decile*	
	Total State Taxes	Total State & Local Taxes	Total State Taxes	Total State & Local Taxes
First	7.7	12.8	6.3	12.4
Second	8.1	12.3	7.7	12.6
Third	8.5	12.2	8.1	12.6
Fourth	8.7	11.9	8.4	12.2
Fifth	8.7	11.8	8.5	12.0
Sixth	8.6	11.4	8.3	11.8
Seventh	8.4	11.1	8.1	11.3
Eighth	8.3	10.6	8.1	10.8
Ninth	8.1	9.5	7.7	9.6
Tenth	8.0	8.7	7.6	8.5
TOTAL	8.3	11.2	7.9	11.4
Top 5%	8.0	8.5	7.8	8.5
Top 1%	7.1	7.4	7.3	7.7

Source: Minnesota Department of Revenue 2009 Tax Incidence Study. Data above taken from Tables 4-2 and 4-4. For more information on tax incidence, including how 2011 effective tax rates are estimated, please see the *2009 Minnesota Tax Incidence Study, Minnesota Department of Revenue at http://www.taxes.state.mn.us/legal_policy/other_supporting_content/2009_tax_incidence_study_links.pdf*

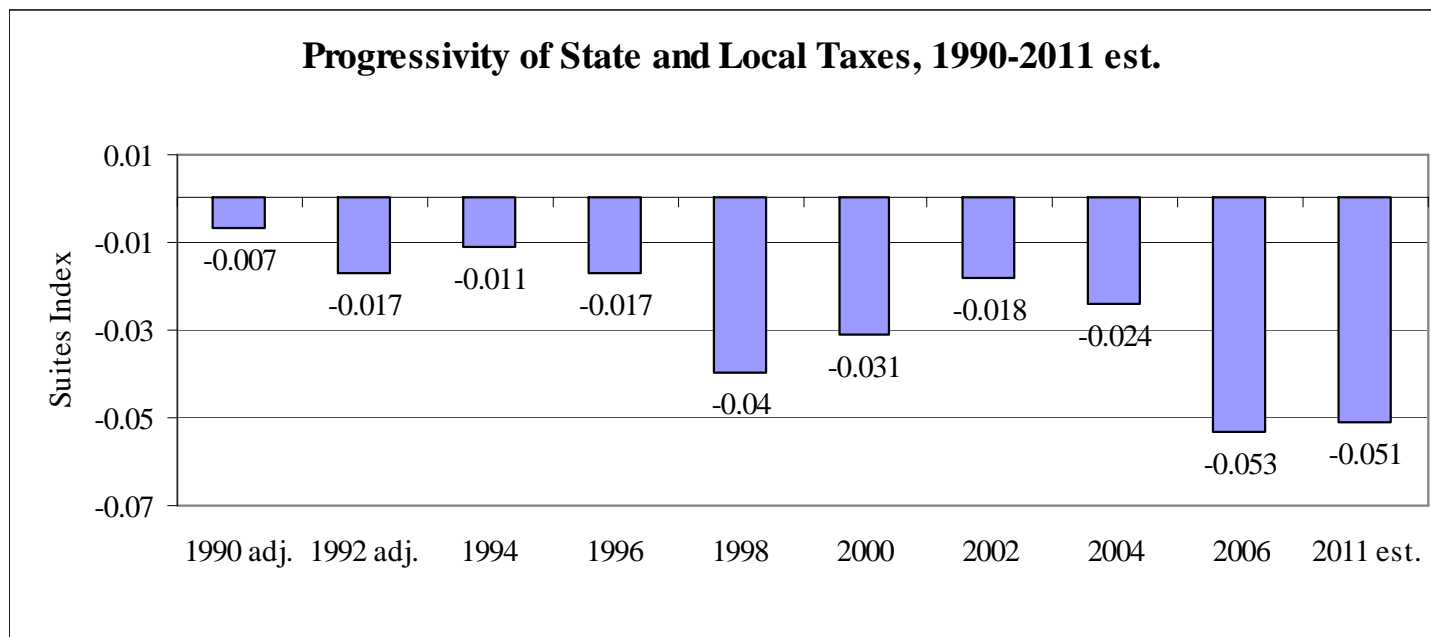
* The income ranges, number of households and average household income for each income decile vary from 2006 and 2011 effective tax rates. Please see the above study for more information.

Tax Progressivity - the Suits Index

Taxes may be described as progressive, proportional, or regressive. The effective tax rate – that is, the ratio of taxes paid to income – can be used to compare tax burdens across income categories. A progressive tax is one in which the effective tax rate rises as income rises. A regressive tax is one in which the effective tax rate falls as income rises. However, it is sometimes difficult to summarize the overall distribution of a tax (progressive, proportional, or regressive) from the individual effective tax rates. The Suits index is often used as a summary measure of progressivity or regressivity.

The suits index has numerical properties that make it easy to identify the degree of progressivity or regressivity of a tax. A proportional tax has a Suits index equal to zero; a progressive tax has a positive number in the range between 0 and +1. In the extreme case; if the total tax burden were paid by those in the highest income bracket, the index would have a value of +1. For a regressive tax, the Suits index has a negative value between 0 and -1, with -1 being the most regressive value.

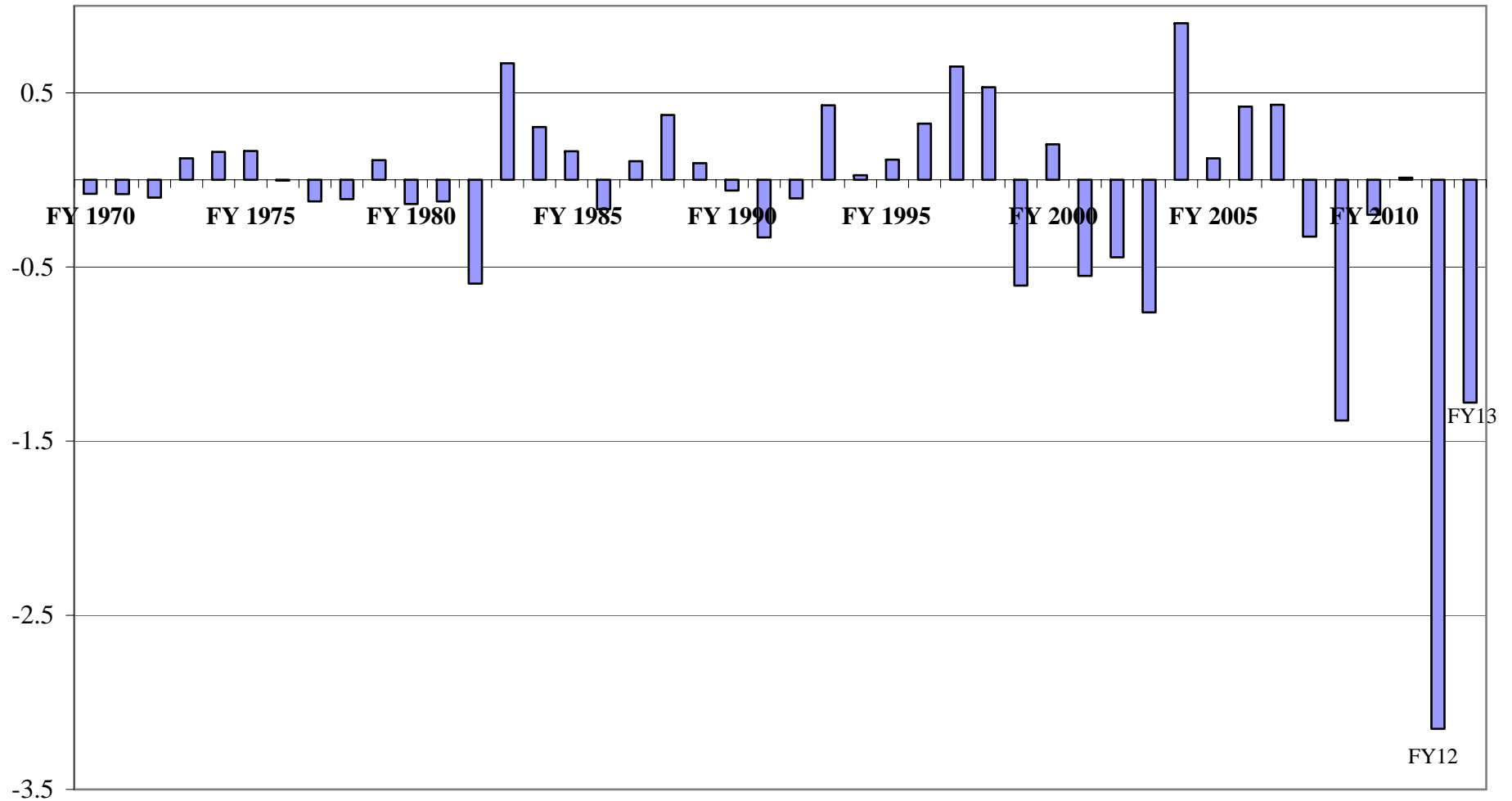
*-- excerpted from page 13
2009 Minnesota Tax Incidence Study
Minnesota Department of Revenue*



General Fund Structural Balance -- FY 1970 - FY 2013 est.

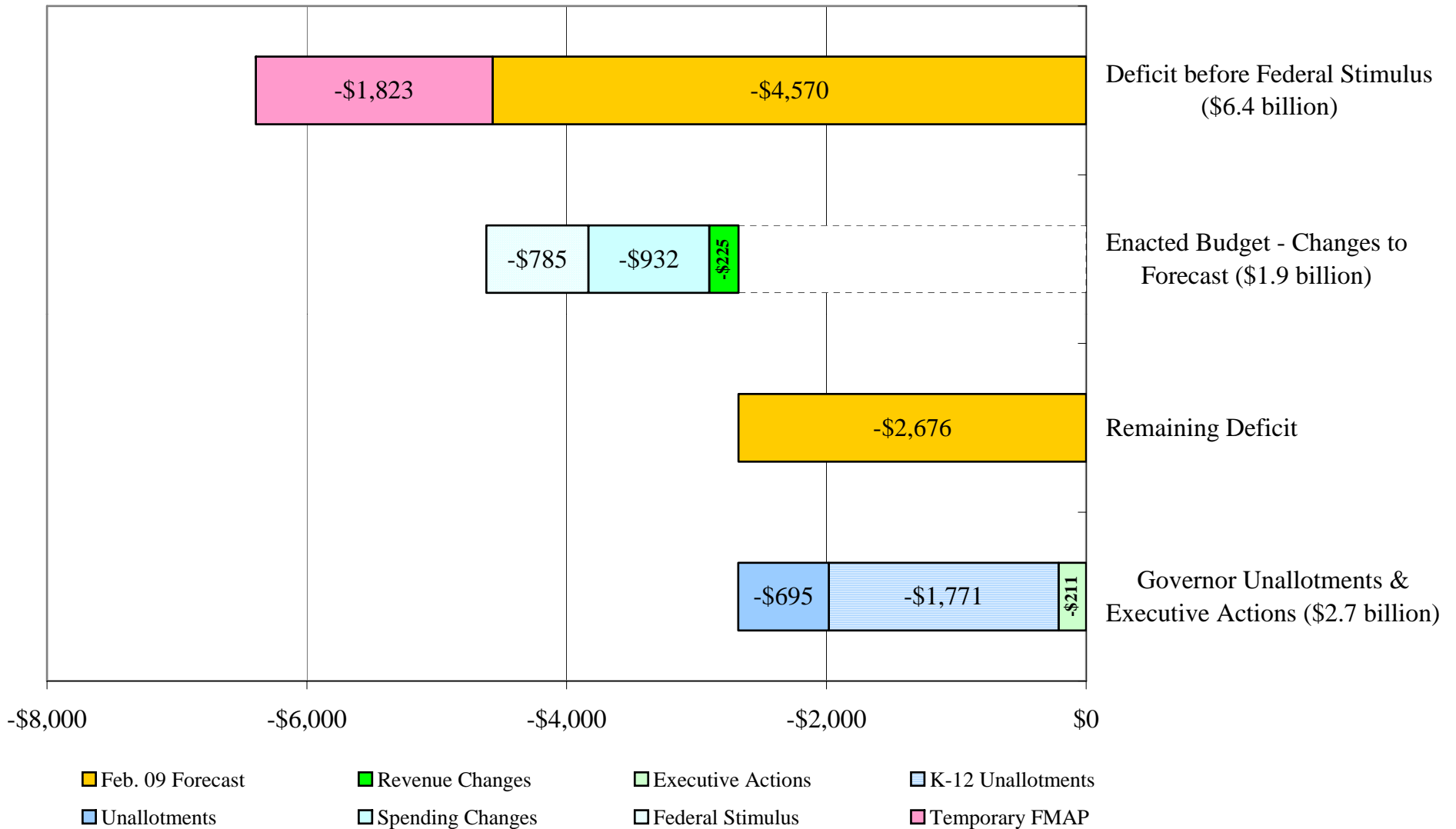
Difference between current resources and current spending in nominal dollars

(Dollars in billions)



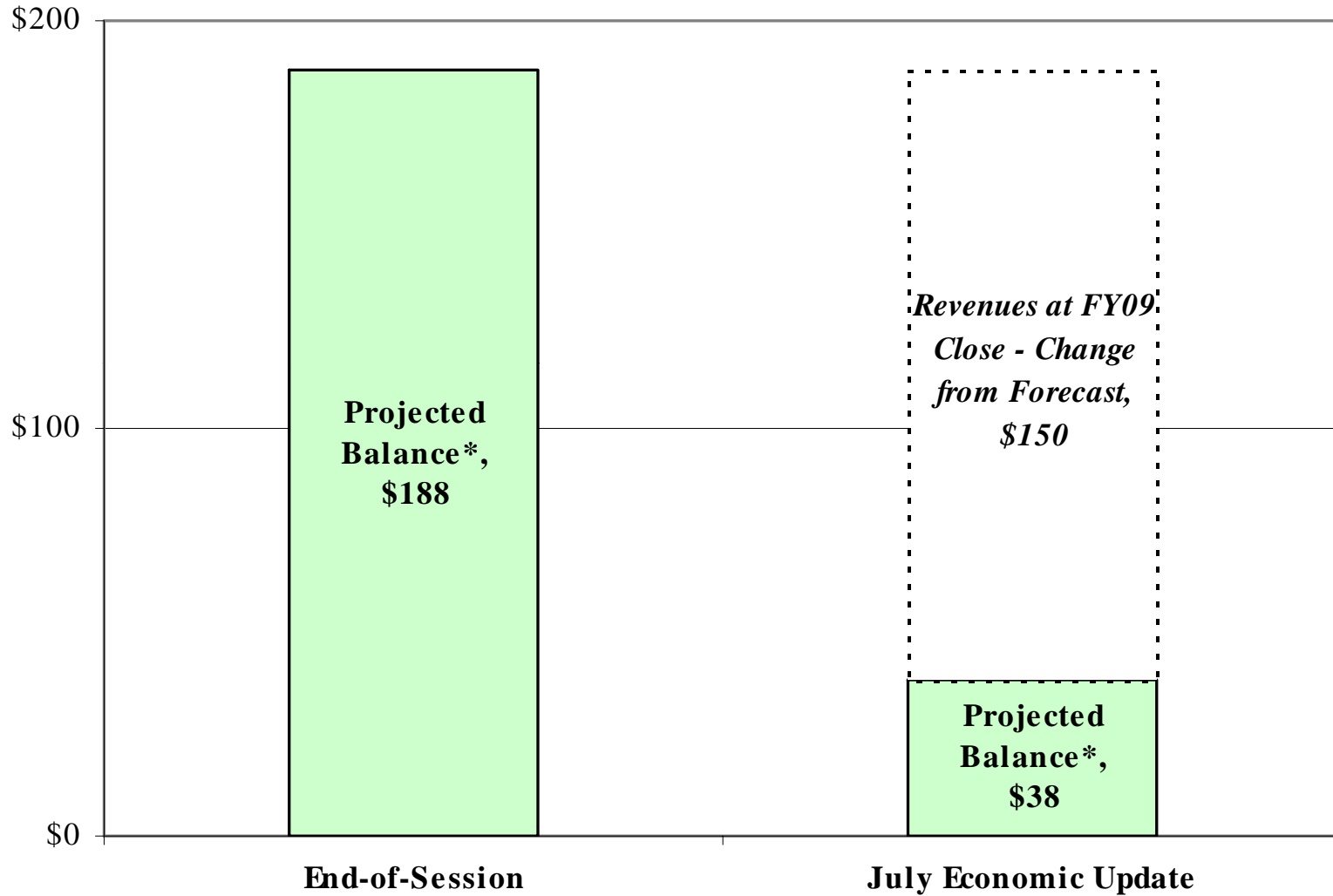
FY 2010-2011 General Fund Budget

(\$'s in Millions)



Projected FY 2009 Ending Balance

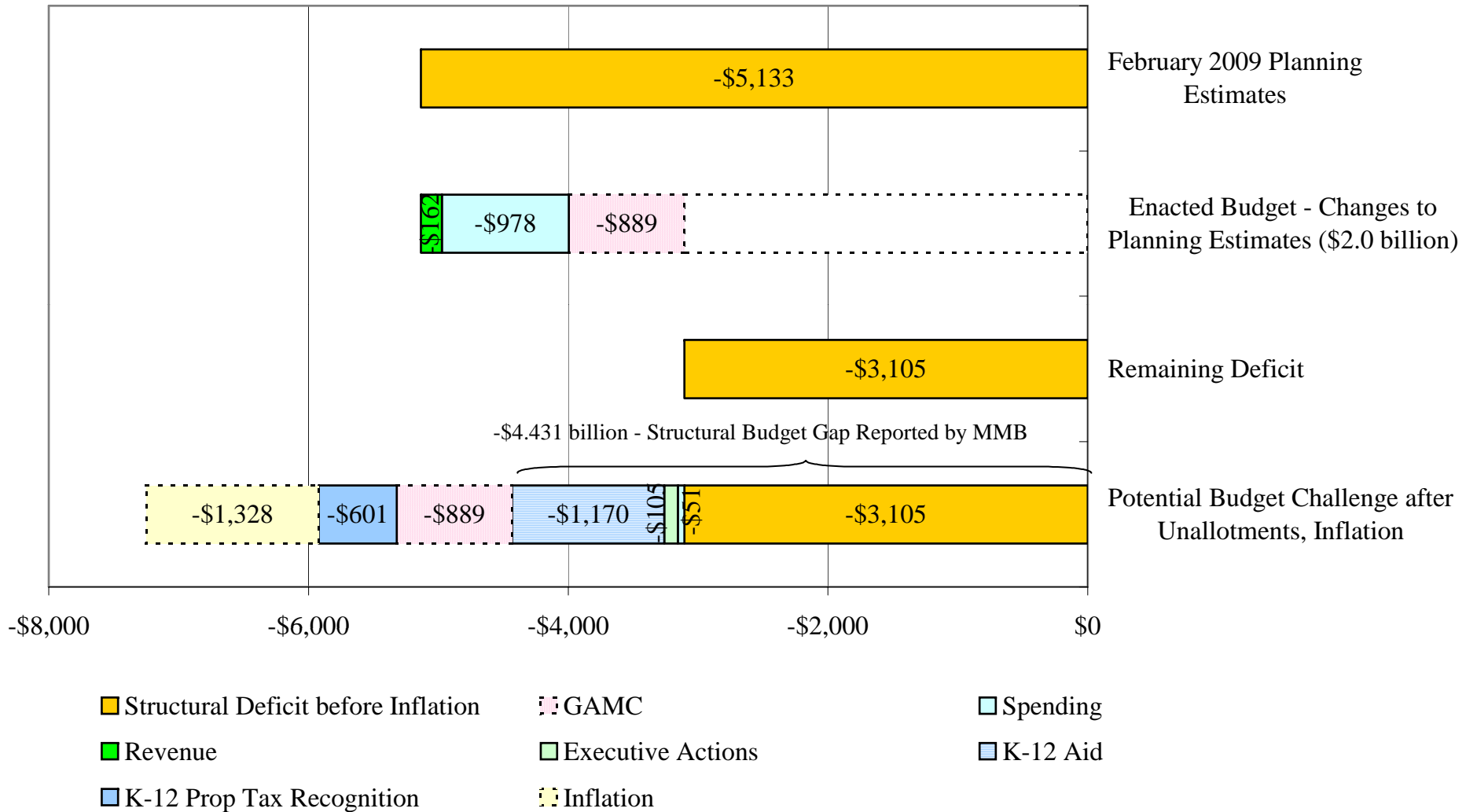
(\$'s in Millions)



Actual ending balance will depend on both final revenues and final spending.

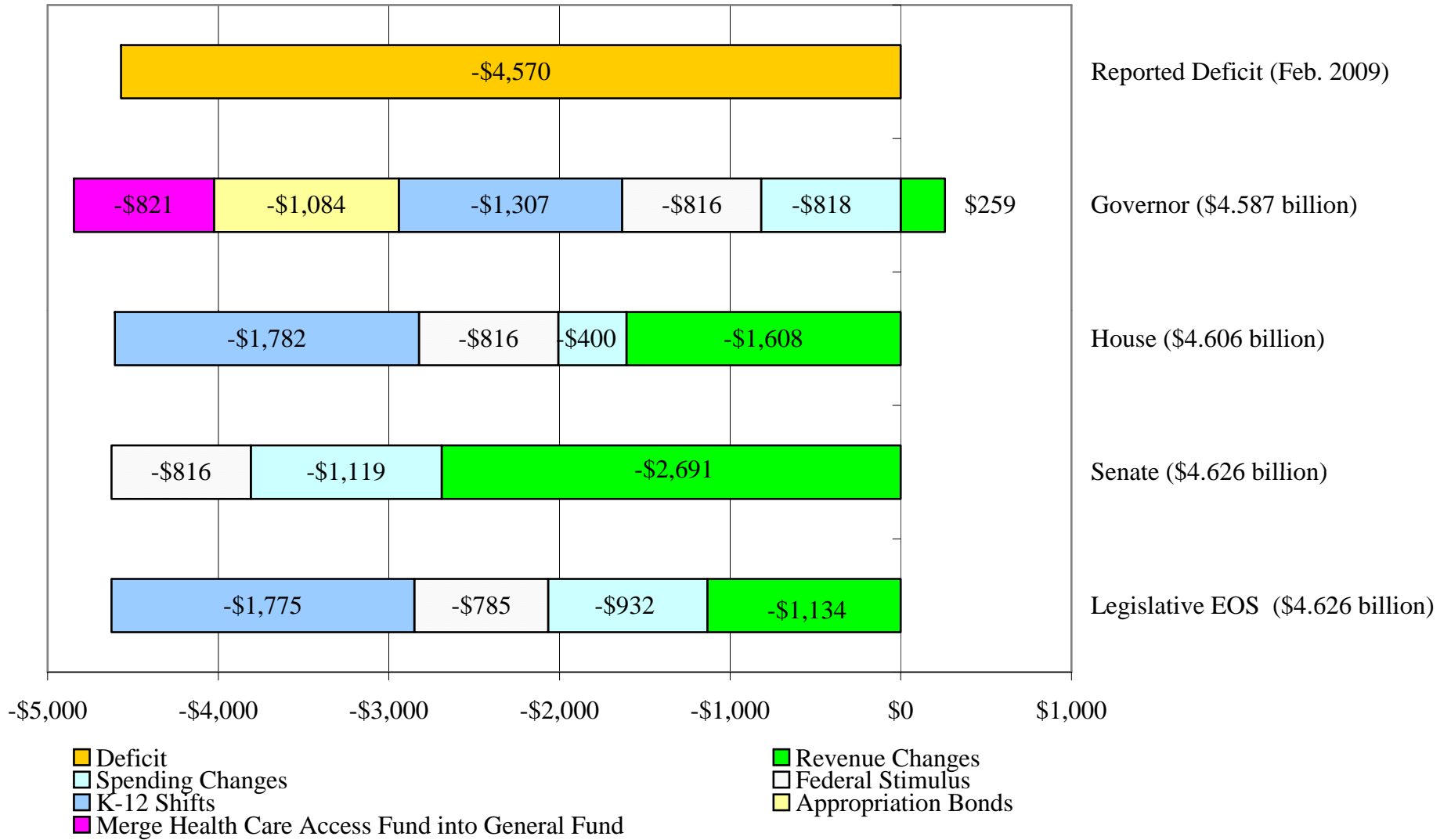
General Fund - FY 2012-2013 Planning Estimates

(\$'s in Millions)



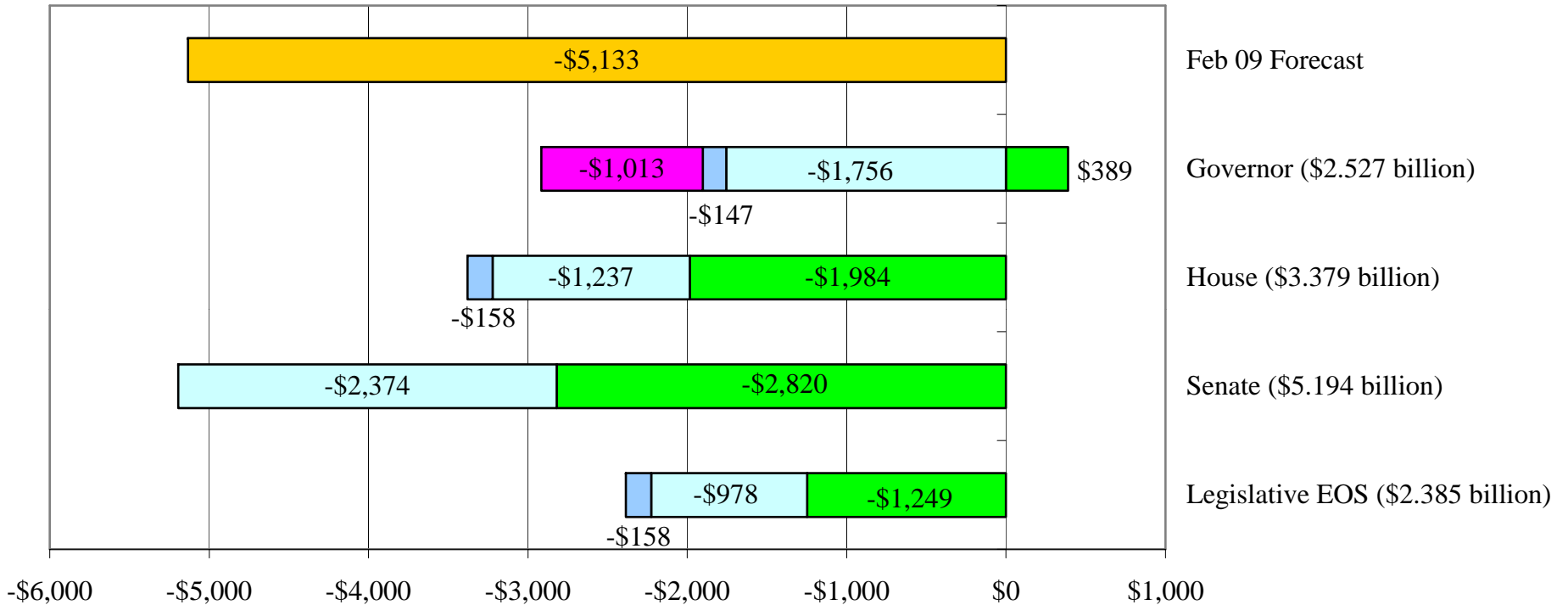
FY 2010-2011 General Fund Budget Proposals - Changes to Forecast Deficit

(\$'s in Millions)



Changes to FY 2012-2013 Planning Estimates General Fund Budget Proposals and Legislative EOS

(\$'s in Millions)



- Deficit
- Spending Changes
- Merge Health Care Access Fund into General Fund
- Revenue Changes
- K-12 Shifts

FY 2010-2011 General Fund Budget

- The February 2009 forecast reported a projected deficit of \$4.6 billion, or 13 percent, for FY 2010-2011. The projected deficit would have been \$6.4 billion, or 18 percent, without a \$1.8 billion temporary increase in federal medical assistance participation (FMAP).
- The enacted budget reduced General Fund spending by \$1.7 billion compared to forecast, including \$785 million supported by one-time reductions offset by federal stimulus funds and \$381 million attributable to the Governor's veto of the General Assistance Medical Care (GAMC) appropriation. Revenue changes accounted for \$225 million, including tax compliance, various transfers, and non-tax revenues.
- Relative to the \$6.4 billion, temporary federal stimulus funds account for about 41 percent of the deficit solution, while unallotments 42 percent, and the GAMC veto accounts for 6 percent. Most of the remaining revenue and spending changes, about 11 percent of the solution, are ongoing [\[1\]](#).

FY 2009 Revenues Close Lower than Forecast

- The projected FY 2009 ending balance of \$188 million is now likely to be lower as the July Economic Update reported FY 2009 revenues finished \$150 million lower than forecast in February.

[\[1\]](#) Relative to the forecast deficit of \$4.6 billion, temporary federal stimulus funds accounts for about 17 percent of the deficit solution, unallotments 58 percent, and the GAMC veto 8 percent. Most of the remaining 17 percent was addressed through most ongoing revenue and spending changes.

FY 2012-2013 Planning Estimates

- The February 2009 state budget forecast projected a \$5.1 billion structural deficit for FY 2012-2013, about 13 percent of the budget.
- The enacted budget reduced the structural gap to \$3.105 billion without General Assistance Medical Care (GAMC), and \$4.0 billion if the GAMC program were to be funded at February forecast levels of \$889 million for FY 2012-13. The FY 2011 appropriation for GAMC was vetoed but the program remains in law.
- Unallotments reduce current biennium spending but do not change the actual appropriation level upon which planning estimates are based for FY 2012-2013. However, some of the Governor's unallotments and executive actions will change FY 2012-13 obligations. The projected structural gap for FY 2012-2013 is \$4.4 billion, assuming re-payment of \$1.17 billion of unallotted K-12 aid and the restoration of certain other unallotments and executive actions.
- In addition to the \$4.4 billion, other budget pressures include the \$601 million of K-12 property tax recognition change, funding for the GAMC program, and planning estimate inflation, currently estimated at \$1.3 billion for FY 2012-13.

Related Resources

Budget Trends Study Commission: Commission report to the Legislature, January 12, 2009.

<http://www.mmb.state.mn.us/doc/budget/trends/report-09.pdf>

This most recent budget study commission's report includes demographic as well as budget information, and includes recommendations re better budget information, achieving long-term spending revenues balance, and managing state budget volatility.

February 2009 Economic Forecast and related documents, Minnesota Management & Budget

<http://www.mmb.state.mn.us/fu-current>

Price of Government, Minnesota Management & Budget

<http://www.mmb.state.mn.us/doc/budget/report-pog/july09.pdf>

Compares annual tax receipts collected by state and local government, and school districts to total personal income. The current report covers FY 2000 - FY 2013.

2009 Minnesota Tax Incidence Study, Minnesota Department of Revenue

http://www.taxes.state.mn.us/legal_policy/other_supporting_content/2009_tax_incidence_study_links.pdf

Calculates percent of income paid in taxes by income and population deciles; includes comparisons over time.

2009 Report of Fastest Growing Expenditures, Minnesota Management & Budget

<http://www.mmb.state.mn.us/doc/budget/report-expenditure/nov08.pdf>

Identifies the fastest growing programs or program components in the state budget, based on the November 2008 forecast.

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