

Fiscal Analysis Department

Minnesota House of Representatives



ISSUE BRIEF

State General Fund Budget Situation

February 2011

The latest state budget forecast for the state's general fund released by the Minnesota Management and Budget Department on February 28, 2011 projects a \$663 million balance for the current biennium, and, after carrying that balance forward, a \$5.028 billion negative balance for the FY 2012-13 biennium. The FY 2012-13 deficit is \$1.16 billion less than projected in November.

The Current Biennium – FY 2010-11

The November 2010 budget forecast projected a general fund balance of \$399 million for the current biennium ending June 30, 2011. That balance carries forward into FY 2012-13. This forecast projects a FY 2010-11 balance of \$663 million, an increase of \$264 million over the November estimate. The \$264 million change is the net result of a revenue increase of \$97 million and spending decrease of \$167 million.

The following chart illustrates budget changes since the November 2010 forecast.

FY 2010-11 General Fund Changes from November 2010

| | |
|-------------------------------|--------------------|
| Change (Increase) in Revenues | \$ 97 million |
| Change (Decrease) in Spending | <u>167 million</u> |
| Net Change | +\$264 million |

The following chart illustrates the general fund budget situation for FY 2010-11 after the February forecast.

| | |
|------------------------------|-----------------------|
| Beginning Balance | \$ 172 million |
| Revenues and other Resources | 30,662 million |
| Expenditures | <u>30,171 million</u> |
| Balance | \$ 663 million |

A law enacted in 2010 allows the FY 2011 balance to carry forward into FY 2012 rather than be appropriated to the budget reserve. This law change is consistent with a requirement for additional federal Medicaid funds received in FY 2011 that are part of federal stimulus.

Next Biennium – FY 2012-13

The 2011 legislature will be adopting a budget for the biennium beginning July 1, 2011 and ending June 30, 2013. In the November 2010 forecast, projected expenditures for the FY 2012-13biennium exceeded projected revenues by \$6.587 billion. After accounting for the \$399 million carry forward from FY 2011the projected deficit for FY 2012-13 was \$6.188 billion.

The February forecast projects expenditures for FY 2012-13 exceeding revenues by \$5.692 billion. After taking into the carry forward from FY 2011, the deficit for the FY 2012-13 biennium is \$5.029 billion.

Expenditures for FY 2012 and 2013 are set at the same level as in FY 2011 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 2011 that were considered one time are not continued.

The following chart illustrates the changes since the November forecast.

FY 2012-13 General Fund Changes from November 2010

| | |
|---|------------------|
| Change in Balance Forward from FY 2010-11 | \$ 264 million |
| Change (Increase) in Revenues | 887 million |
| Change (Decrease) in Expenditures | <u>9 million</u> |
| Net Change | \$ 1,160 million |

The projected budget deficit for the FY 2012-13biennium is \$5.029 billion. The following chart illustrates the general fund budget situation for FY 2012-13.

| | |
|---------------------------------|-----------------------|
| Balance Forward from FY 2010-11 | \$ 663 million |
| Revenues | 30,330 million |
| Expenditures | <u>39,022 million</u> |
| Balance | - \$ 5,029 million |

Expenditures for FY 2012-13 include no adjustment for inflation unless such an adjustment is specified in law. Applying inflation to state appropriations for FY 2012-13 at the rate of the consumer price index (CPI) would increase expenditures by another approximately \$1.012 billion.

The Following Biennium – FY 2014-15

When budget decisions are being made for the FY 2012-13 biennium, the implications of those decisions on revenues and expenditures for the FY 2014-15biennium will tracked. In this forecast, projections for FY 2014-15 show expenditures exceeding revenues by \$4.399 billion for that biennium.

| | |
|-------------------------|-----------------------|
| FY 2014-15 Revenues | \$ 35,330 million |
| FY 2014-15 Expenditures | <u>39,729 million</u> |
| Difference | - \$ 4,399 million |

This projected FY 2014-15deficit is \$684 million less than it was in the November 2010 forecast projections.

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