

# Fiscal Analysis Department

## Minnesota House of Representatives

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### ISSUE BRIEF

#### State General Fund Budget Forecast December 2010

*The latest budget forecast for the state's general fund released by the Minnesota Management and Budget Department on December 2, 2010 projects a \$399 million balance for the current biennium but then a \$6.188 billion deficit by the end of the FY 2012-13biennium. This compares to May 2010 end of session projections for a \$6 million balance for the FY 2010-11biennium and a \$5.766 billion deficit for the FY 2012-13biennium*

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

In May 2010 the state was projected to end the FY 2010-11 biennium on June 30, 2011 with a general fund balance of \$6 million. Determination of this amount was based on revenues and expenditures from the February 2008 forecast with modifications for 2010 legislative enactments.

The November 2010 budget forecast projects a \$399 million balance for the general fund as of June 30, 2011. The following chart illustrates budget changes since the May 2010 end of session estimates.

#### **FY 2010-11 General Fund Changes from May 2010**

End of Session Projected Balance	\$ 5.6 million
Change (Decrease) in Revenues from End of Session	-44.5 million
Change (Decrease) in Expenditures from End of Session	446.6 million
Change (Increase) in Reserves	<u>-8.7 million</u>
<b>Balance</b>	<b>\$ 399.0 million</b>

The most significant revenue changes from the February forecast and end of the 2010 session numbers are that income tax revenues are projected to be \$314 million lower, corporate taxes are projected to be \$199 million higher, and sales tax receipts are projected to be \$54 million higher. Projected expenditures in medical assistance in the health and human services area decreased \$231 million due to additional federal FMAP funds for the January – June 2011 period. Other health and human services spending dropped \$813 million mostly due to lower enrollment and lower average costs in the medical assistance program. Spending for debt service dropped \$123 million due to refinancing of state bonds.

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

**FY 2010-11 Budget Ok**

Beginning Balance	\$ 97 million
Revenues and other Resources	30,493 million
Use of Reserves	84 million
Expenditures	- 30,266 million
Increase in Reserves	<u>- 9 million</u>
<b>Balance</b>	<b>\$ 399 million</b>

**The Next Biennium – FY 2012-013**

The 2011 legislature will be setting a budget for the biennium beginning July 1, 2011 and ending June 30, 2013. In May 2010, projected expenditures for the FY 2012-13 biennium exceeded projected revenues by \$5.771 billion. Now FY 2012-13 projected expenditures are expected to exceed projected revenues by \$6.587 billion, an increase of \$816 million. Carrying forward the FY 2010-11 projected balance of \$399 million reduces the projected deficit for FY 2012-13 to \$6.188 billion. In determining the spending level, 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 are adjusted to reflect that amounts needed to fund the formula or entitlement in law. Appropriations in FY 2011 that were considered one-time are not continued. Expenditures for FY 2012-13 include no adjustment for inflation unless such an adjustment is specified in law.

**FY 2012-13 General Fund Changes From End of Session**

End of Session Projected Budget Deficit	- \$5,771 million
Change (Decrease) in Revenues from End of Session	- 904 million
Change (Decrease) in Expenditures from End of Session	<u>88 million</u>
Balance	- \$6,587 million

Major changes from the end of session estimates include a \$904 million reduction in individual income tax revenue, a \$119 million reduction in sales tax revenue and a \$185 million reduction in corporate tax revenue. Health and human service spending is projected to be \$93 million less than projected at the end of the 2010 session.

The following chart illustrates the overall general fund budget picture for FY 2012-13.

**FY 2012-13 Budget**

Revenues	\$32,004 million
Expenditures	<u>38,591 million</u>
Balance	- \$ 6,587 million
Carry Forward From FY 2010-11	399 million
<b>Adjusted Budget Balance</b>	<b>- \$6,188 million</b>

**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 2014-15 biennium will be tracked. In this forecast, projections for FY 2014-15 show expenditures exceeding revenues by \$5.083 billion for that biennium. Expenditure numbers for FY 2014 and 2015 also are set at essentially the same level as in FY 2013 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 2014-15 do not include amounts for inflation.

The following chart illustrates the overall general fund budget picture for FY 2014-15.

**FY 2014-15 Budget**

FY 2014-15 Revenues	\$34,595 million
FY 2014-15 Expenditures	<u>39,678 million</u>
Difference	- \$ 5,083 million

The complete November 2010 general fund budget forecast document issued by Minnesota Management & Budget is at: <http://www.mmb.state.mn.us/doc/fu/10/complete-nov10.pdf>

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