

Fiscal Analysis Department

Minnesota House of Representatives



ISSUE BRIEF

State General Fund Budget Situation December 2011

The latest budget forecast for the state's general fund, released by the Minnesota Management and Budget Department on December 1, 2011, projects a \$876 million positive balance for the current biennium. This is an increase of \$861 million over the \$15 million balance projected at the end of the 2011 Special Session. Under current law this balance is transferred to reserves. This forecast also projects a \$1.3 billion negative balance for the FY 2014-15 biennium.

The Previous Biennium – FY 2010-11

The ending balance for FY 2011 was \$976.1 million. This was \$563.6 million higher than the amount projected at the end of the 2011 legislative sessions. This amount carries forward into FY 2012 and is available in the current biennium. This carry forward amount includes \$37.9 million in appropriations are carried forward from FY 2011 into FY 2012. The \$37.9 million increases resources available in the FY 2012-13 biennium but also increases projected spending by the same amount.

The Current Biennium – FY 2012-13

At the end of the 2011 special session, the state was projected to end the FY 2012-13 biennium on June 30, 2013 with a general fund balance of \$15 million. Determination of this amount was based on revenues and expenditures from the February 2011 forecast with modifications for legislative enacted in 2011. At the end of the special session the budget reserve was projected to have a balance of \$0 and the cash flow account a balance of \$95 million.

The November 2011 budget forecast projects an \$861 million improvement in the budget situation for the FY 2012-13 biennium. The following chart illustrates budget changes since the end of the 2011 special session.

<u>FY 2012-13 General Fund Nov. Forecast Changes from July 2011</u>		
FY 2010-11 Revenue Change Carried Forward into FY 2010-11	+\$358 million	
FY 2010-11 Lower Spending Carried Forward into FY 2010-11	+ 167 million	
FY 2010-11 Spending Carried Forward into FY 2010-11	<u>+ 38 million</u>	
Subtotal – FY 2010-11 Balance Carried Forward		+\$563 million
FY 2012-13 Change (Decrease) in Revenues from End of Session	- 24 million	
FY 2012-13 Change (Decrease) in Spending from End of Session	<u>+ 348 million</u>	
Subtotal – FY 2012-13 Changes		+\$324 million
Change in Reserves		- 27 million
Net FY 2012-13 Change		+\$861 million

The major change in FY 2010-11 revenue is an increase of \$277 million (2.0 percent) in individual income tax revenues compared to the amount projected in the February forecast and adjusted for 2011 session changes.

For FY 2012-13, sales tax revenues are down \$105 million (-1.1 percent). Corporate tax revenues are projected to be \$150 million higher (9.0 percent) than the previous estimate.

Total spending for FY 2012-13 is \$348 million lower than July 2011 projections. Health and human service spending is down \$308 million. Within health and human services, most of the change is in medical assistance due to overall lower enrollment, lower average costs, lower enrollment in the expanded MA program for adults without children and increased pharmacy rebates from the federal government.

Projected debt service costs are down \$58 million due to lower costs to issue bonds. K-12 education spending is up \$15 million. Spending is also up by smaller amounts in several other program areas.

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

Beginning Balance Forward	\$ 976 million
Reserves Carried Forward	275 million
Appropriations Carried Forward	38 million
Revenues and other Resources	33,700 million
Expenditures	- 33,990 million
Reserves	- <u>998 million</u>
Balance	\$ 0 million

Next Biennium – FY 2014-15

As of July 2011, projected revenues for FY 2014-15 biennium exceeded projected expenditures by \$1,891 million. Now the projected balance for FY 2014-15 has improved by \$591 million to a negative \$1,300 million. Expenditures for FY 2014-15 include no adjustment for inflation unless such an adjustment is specified in law for the particular program.

<u>FY 2014-15 General Fund Nov. 2011 Forecast Changes From July 2011</u>	
Change (Increase) in Revenues from July 2011	+\$421 million
Change (Decrease) in Expenditures from July 2011	<u>170 million</u>
Net Change	\$591 million

Major revenue changes from the July 2011 estimates include a \$248 million increase in corporate tax revenue and a \$141 million increase in individual income tax revenue.

Health and human service spending is projected to be \$174 million lower and tax aids and credits are projected to be \$61 million lower. Debt service costs are projected to be \$72 million higher.

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

Revenues	\$35,718 million
Expenditures	- <u>37,017 million</u>
Balance	- \$ 1,300 million

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