

Fiscal Analysis Department

Minnesota House of Representatives



ISSUE BRIEF

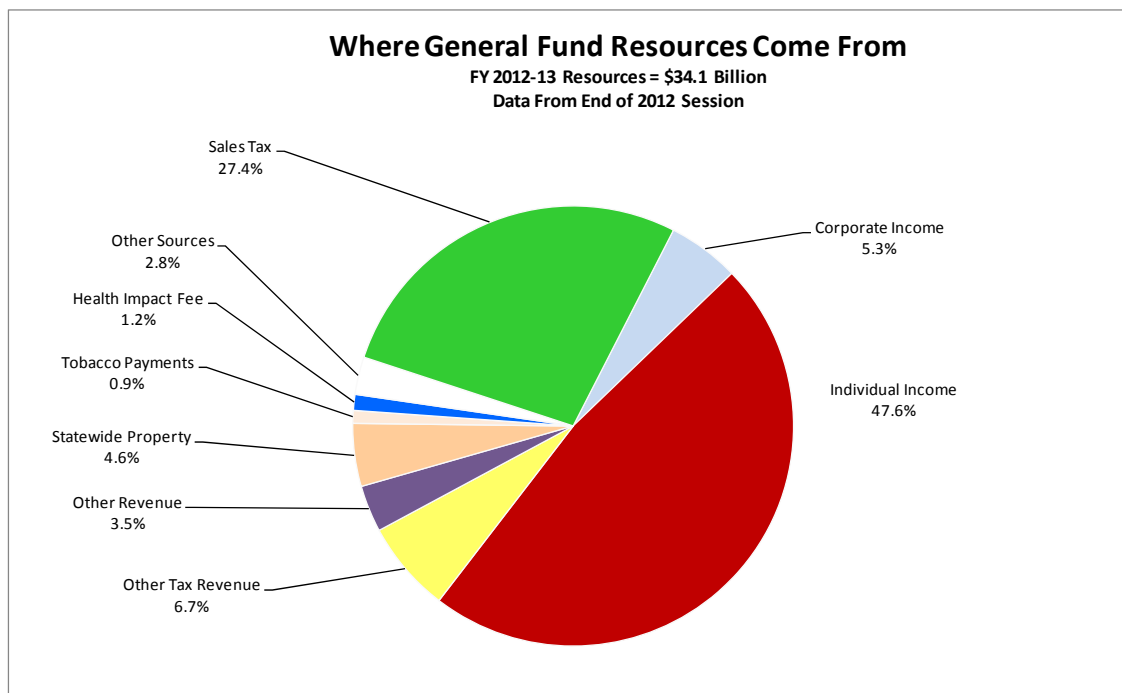
State General Fund Budget Situation August 2012

When the Legislature adjourned in May 2012, the projected budget for the current biennium (July 1 2011 – June 30, 2013) had a \$26.5 million balance. This Issue Brief discusses the current state general fund budget situation.

The Current Biennium – FY 2012-13

The enacted budget for FY 2012-13 (the two year budget biennium that began July 1, 2011 and ends June 30, 2013) anticipates \$34.1 billion in revenues and \$34.1 billion of spending. Over \$200 million of that revenue amount was carried forward from the previous biennium.

Major general fund revenue sources are illustrated in the graph below:

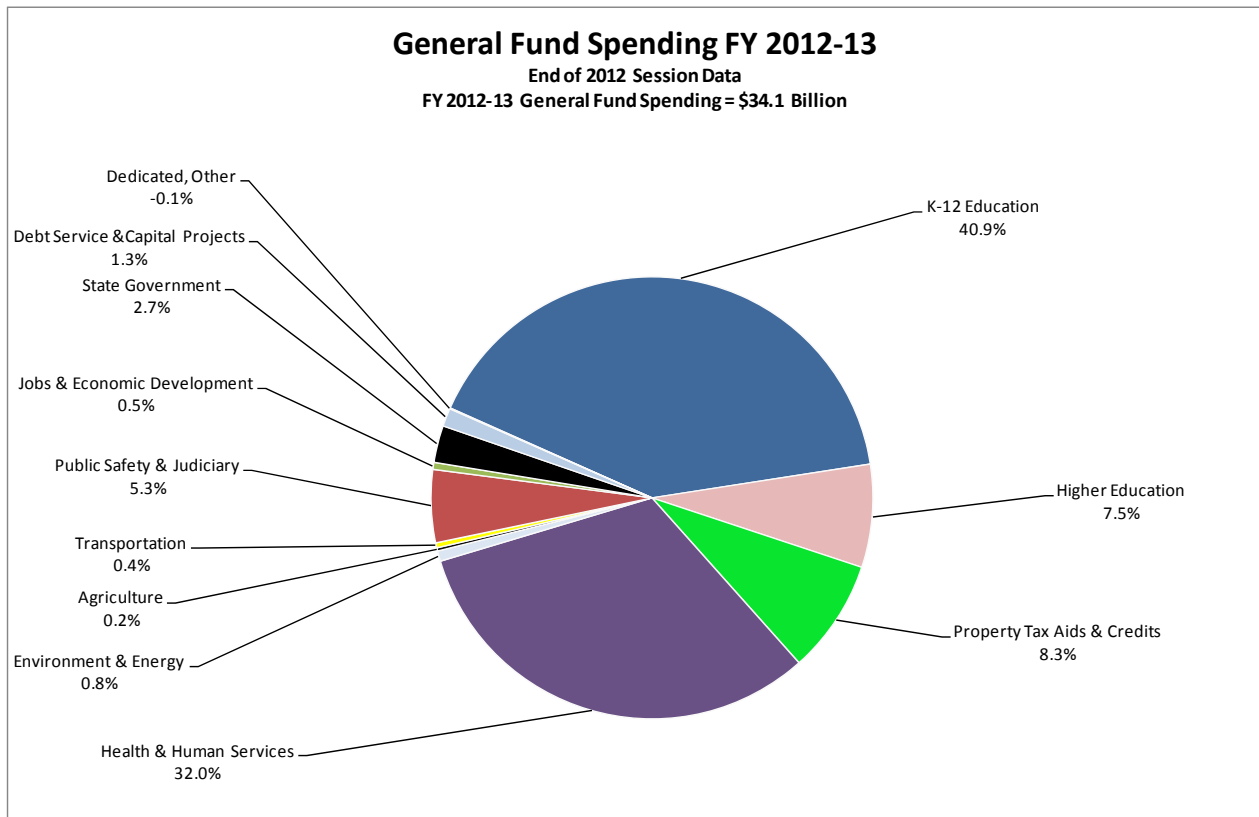


The budget reserve is \$657.6 million and the cash flow account is \$350 million. A \$26.5 million balance is projected to remain on June 30, 2013.

In a 2012 Special Session, it is likely that the \$26.5 million budget balance plus some portion of the budget reserve will be used to fund disaster relief primarily related to northeastern Minnesota flooding.

Preliminary revenue data indicates that state revenue collections in February through July, since the last budget forecast in February, have exceeded the forecasted amount by \$326 million.

Major categories of general fund spending for the FY 2012-13biennium are illustrated below.



Spending for K-12 Education and Health and Human Services makes up almost 73 percent of the general fund budget.

The Next Biennium – FY 2014-15

At the end of the 2012 legislative session, projected spending for the FY 2014-15biennium exceeds projected revenue by \$1.042 billion. In these spending projections, expenditures for FY 2014 and 2015 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 the amounts needed to fund that formula or entitlement. Appropriations in FY 2013 that were considered one time are not continued.

FY 2014-15 General Fund

Projected Revenue	\$35.861 billion
<u>Projected Spending</u>	<u>\$36.903 billion</u>
Balance	- \$ 1.042 billion

Expenditures for FY 2014-15 shown above include no adjustment for inflation unless such an adjustment is specified in law. The February 2008 forecast rate of inflation was 1.9 percent for both FY 2014 and for FY 2015.

New state budget forecasts that project state revenues and spending will be issued in November 2012 and February 2013. The 2013 Legislature will need to reconcile differences between general fund revenue and general fund spending as determined by those forecasts.

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