

# Fiscal Analysis Department

## Minnesota House of Representatives

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### ISSUE BRIEF

#### State General Fund Budget Situation

February 2013

*The latest state budget forecast for the state's general fund released by the Minnesota Management and Budget Department on February 28, 2013 projects a \$295 million balance for the current biennium and a \$627 million negative balance for the FY 2014-15 biennium. The balance for the FY 2012-13 biennium, under current law, brings the budget reserve to \$653 million and then reduces the education aid payment shift. The FY 2014-15 deficit is \$463 million less than projected in November.*

#### **The Current Biennium – FY 2012-13**

The November 2012 budget forecast projected a general fund balance of \$1.33 billion for the current biennium ending June 30, 2013. Under current law that amount was appropriated to increase the education aid payment percentage. This forecast projects an additional FY 2012-13 balance of \$295 million. This change is the net result of a revenue increase of \$217 million, a spending decrease of \$63 million and a decrease in the stadium reserve of \$15 million.

The following chart illustrates budget changes since the November 2012 forecast.

#### FY 2012-13 General Fund Changes from November 2012

Change (Increase) in Revenues	\$ 217 million
Change (Decrease) in Spending	- 63 million
Change in (Decrease) Stadium Reserves	- 15 million
Net Change	+ \$295 million

Under current law \$8.6 million of the \$295 million is allocated to bring the budget reserve to \$653 million and the remainder is appropriated to reduce the education aid payment shift. However, changes to the aid payment shift are made at the tenth of a percentage point so any remaining balance goes to the budget reserve. That brings the budget reserve to \$657 million.

The following chart illustrates the general fund budget situation for FY 2012-13 after the February forecast and after allocation of the \$295 balance.

Beginning Balance	\$ 1,289 million
Revenues and other Resources	35,161 million
Expenditures	- 35,442 million
Reserves	<u>- 1,008 million</u>
<b>Balance</b>	<b>\$ 0 million</b>

**Next Biennium – FY 2014-15**

The 2013 legislature will be adopting a budget for the biennium beginning July 1, 2013 and ending June 30, 2015. In the November 2012 forecast, projected expenditures for the FY 2014-15 biennium exceeded projected revenues by \$1.095 billion.

The February forecast projects expenditures for FY 2014-15 exceeding revenues by \$627 million. The projected deficit for FY 2014-15 has decreased \$463 million compared to the November 2012 forecast.

Expenditures for FY 2014 and 2015 are set at the same level as in FY 2013 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 2013 that were considered one time are not continued.

The following chart illustrates the changes since the November forecast.

<u>FY 2014-15 General Fund Changes from November 2012</u>	
Change (Increase) in Revenues	\$323 million
Change (Decrease) in Expenditures	<u>\$117 million</u>
Net Change	+ \$463 million

The projected budget deficit for the FY 2014-15 biennium is \$627 million. The following chart illustrates the general fund budget situation for FY 2014-15.

Revenues	\$36,116 million
Expenditures	36,744 million
Decrease in Stadium Reserve	<u>1,307 million</u>
Balance	- \$627 million

Expenditures for FY 2014-15 include no adjustment for inflation unless such an adjustment is specified in law. Applying inflation to state appropriations for FY 2014-15 at the rate of the consumer price index (CPI) would increase expenditures by another approximately \$850 million.

**The Following Biennium – FY 2016-17**

When budget decisions are being made for the FY 2014-15 biennium, the implications of those decisions on revenues and expenditures for the FY 2016-17 biennium will be tracked. In this forecast, projections for FY 2016-17 show revenues exceeding expenditures by \$782 million for that biennium.

FY 2016-17 Revenues	\$ 39,295 million
FY 2016-17 Expenditures	<u>38,512 million</u>
Difference	+ \$ 782 million

This projected FY 2016-17 balance is \$519 million more than it was in the November 2012 forecast projections.

For the complete February 2013 State Budget Forecast document, go to:  
<http://www.mmb.state.mn.us/doc/fu/13/complete-feb13.pdf>

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