

Fiscal Analysis Department

Minnesota House of Representatives



ISSUE BRIEF

State General Fund Budget Situation December 2013

The latest budget forecast for the state's general fund, released by the Minnesota Management and Budget Department on December 5, 2013, projects a \$1.086 billion positive balance for the current biennium. This is an increase of \$1.039 billion over the \$46 million balance projected at the end of the 2013 Session. Under current law \$246 million of this balance is appropriated as education aid to repay delayed (shifted) payments from earlier years. Another \$15 million is transferred to the airports fund to repay a previous transfer. The forecast also projects a \$2.197 billion balance for the FY 2016-17biennium.

The Previous Biennium – FY 2012-13

The ending balance for FY 2013 was \$636.1 million. That amount was reported on September 30 and, under a law enacted in 2013, immediately appropriated for repayment of previously delayed or shifted payments to school districts. \$291.5 million of the appropriation fully repaid the aid payment shift to the 90 percent current year, 10 percent next year level. Another \$343.5 million reduced the property tax revenue recognition shift from 48.6 percent to 23.1 percent. The remaining \$1.1 million is carried forward and added to the FY 2014-15 balance.

The Current Biennium – FY 2014-15

At the end of the 2013 session, the state was projected to end the FY 2014-15 biennium on June 30, 2015 with a general fund balance of \$46 million. Determination of this amount was based on revenues and expenditures from the February 2013 forecast with modifications for legislation enacted in 2013. At the end of the session the budget reserve was projected to have a balance of \$656.5 million and the cash flow account a balance of \$350 million.

The November 2013 budget forecast projects a \$1.038 billion improvement in the budget situation for the FY 2014-15 biennium. The following chart illustrates budget changes since the end of the 2013 session.

<u>FY 2014-15 General Fund Nov. Forecast Changes from May 2013</u>	
FY 2012-13 Balance Carried Forward into FY 2014-15	\$1 million
Change (Increase) in Revenues from End of Session	787 million
Change (Decrease) in Spending from End of Session	247 million
Change in Reserves	<u>4 million</u>
Net FY 2014-15 Change	\$1,039 million
FY 2014-15 Balance from End of 2013 Session	<u>46 million</u>
Initial FY 2104-15 Balance	\$1,086 million
Spending for Education Aid (Eliminate Shifts)	-246 million
Transfer to the Airports Fund	<u>-15 million</u>
Net FY 2014-15 Balance	\$825 million

For FY 2014-15, revenue is projected to be \$787 million higher than the end of 2013 session estimate. Income tax revenue is \$496 million higher than end of session amounts and corporate tax revenue is projected to be \$254 million higher than the end of session estimate.

Total spending for FY 2014-15 is \$247 million lower than May 2013 projections and shift payback implemented on September 30. However, the spending will be \$13 million higher after the additional education aid payments and transfer to the airports fund are included. Health and human service spending is down \$117 million. Spending for property tax and local government aids and credits is \$70 million lower.

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

Beginning Balance Forward	\$ 637 million
Reserves Carried Forward	1,006 million
Appropriations Carried Forward	69 million
Revenues and other Resources	39,209 million
Expenditures	- 39,067 million
Reserves	- <u>1,029 million</u>
Balance	\$ 825 million

Next Biennium – FY 2016-17

As of May 2013, projected revenues for FY 2016-17 biennium exceeded projected expenditures by \$735 million. Now the projected balance for FY 2016-17 has improved by \$1,462 million to a positive \$2,197 million. Expenditures for FY 2016-17 include no adjustment for inflation unless such an adjustment is specified in law for the particular program.

<u>FY 2016-17 General Fund Nov. 2013 Forecast Changes From May 2013</u>	
Change (Increase) in Revenues from May 2013	\$1,521 million
Change (Decrease) in Expenditures from May 2013	<u>58 million</u>
Net Change	\$1,462 million

Major revenue changes from the May 2013 estimates include an \$826 million increase in individual income tax revenue, a \$442 million increase in corporate tax revenue and a \$331 million increase in sales tax.

Health and human service spending is projected to be \$212 million higher, tax aids and credits are projected to be \$95 million lower. Debt service costs are projected to be \$145 million lower.

The following chart illustrates the general fund budget situation for FY 2016-17.

Revenues	\$42,981 million
Expenditures	- <u>40,783 million</u>
Balance	\$ 2,197 million

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