

Fiscal Analysis Department

Minnesota House of Representatives



ISSUE BRIEF

State General Fund Budget Forecast December 2014

The latest budget forecast for the state's general fund released by the Minnesota Management and Budget Department on December 4, 2014 projects a \$556 million balance for the current biennium and a \$1.037 billion balance by the end of the FY 2016-17 biennium. This compares to May 2014 end of session projections for a \$32 million balance for the FY 2014-15 biennium and a \$603 million balance for the FY 2016-17 biennium.

The Current Biennium – FY 2014-15

In May 2014, after the 2014 legislative session, the state was projected to end the FY 2014-15 biennium on June 30, 2015 with a general fund balance of \$32.3 million. Determination of this amount was based on revenues and expenditures from the February 2014 forecast with modifications for 2014 legislative enactments.

The November 2014 budget forecast projects a \$556 million balance for the general fund as of June 30, 2015. However, one third of that total amount is allocated under current law to increase the budget reserve. The following chart illustrates budget changes since the May 2014 end of session estimates.

FY 2014-15 General Fund Changes from May 2014

End of Special Session Projected Balance	\$ 32 million
Change (Increase) in Revenues from End of Session	279 million
Change (Decrease) in Expenditures from End of Session	250 million
Change (Increase) in Reserves	<u>- 5 million</u>
Subtotal	\$ 556 million
Increase in Budget Reserve	<u>-183 million</u>
Balance	\$ 373 million

The most significant revenue changes from the February forecast and end of the 2014 session numbers is a \$289 million increase in income tax revenue and a \$72 million decrease in sales tax revenue. Projected expenditures in health and human services are down \$248 million, most of it due to changes in medical assistance. Spending in K-12 Education is down \$50 million.

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

FY 2014-15 Budget

Beginning Balance	\$ 1,712 million
Revenues and other Resources	39,371 million
Expenditures	- 39,338 million
Reserves	<u>- 1,372 million</u>
Balance	\$ 373 million

The Next Biennium – FY 2016-017

The 2015 legislature will be setting a budget for the biennium beginning July 1, 2015 and ending June 30, 2017. At the end of the 2014 session, projected revenue for the FY 2016-17 biennium exceeded projected expenditures by \$571.2 million. (This amount, plus the \$32.3 million balance from FY 2015 carried forward equaled the \$603.5 million balance.) Now FY 2016-17 projected revenues are expected to exceed projected expenditures by \$637 million, an increase of \$66 million. In determining the spending level, expenditures for FY 2016 and 2017 are set at the same level as in FY 2015 except (1) 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 and (2) appropriations are adjusted for inflation if such an adjustment is specified in law. Other expenditures for FY 2016-17 include no adjustment for inflation. Appropriations in FY 2015 that were considered one-time are not continued

FY 2016-17 General Fund Changes From End of Session

Change (Increase) in Carry Forward from FY 2015	\$341 million
Change (Decrease) in Revenues from End of Session	-412 million
Change (Decrease) in Expenditures from End of Session	502 million
Change (Decrease) in Reserves	<u>2 million</u>
Balance	\$433 million

Major changes from the end of session estimates include a \$167 million reduction in individual income tax revenue and a \$117 million decrease in corporate tax revenue.

Health and human service spending is projected to be \$443 million less than the end of session estimates.

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

FY 2016-17 Budget

FY 2015 Balance Carried Forward	\$ 373 million
Revenues	41,880 million
Expenditures	41,243 million
Change (Decrease) in Reserves	<u>- 27 million</u>
Balance	\$1,037 million

The Following Biennium – FY 2018-19

When budget decisions are being made for the FY 2016-17 biennium, the implications of those decisions on revenues and expenditures for the FY 2018-19 biennium will be tracked. In this forecast, projections for FY 2018-19 show revenues exceeding expenditures by \$2,751 million for that biennium. Expenditure numbers for FY 2018 and 2019 also are set at essentially the same level as in FY 2017 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 2018-19 do not include amounts for inflation unless those adjustments are required by law.

The following chart illustrates the overall general fund budget picture for FY 2018-19.

FY 2018-19 Budget

FY 2018-18 Revenues	\$45,801 million
FY 2018-19 Expenditures	<u>43,050 million</u>
Difference	\$ 2,751 million

The complete November 2014 general fund budget forecast document issued by Minnesota Management & Budget is at:

http://www.mn.gov/mmb/images/Budget%2526Economic_Forecast_Nov2014.pdf

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