



## Office Memorandum

**Date:** March 19, 2015

**To:** Representative Kurt Daudt, Speaker of the House  
Senator Tom Bakk, Senate Majority Leader

**From:** Myron Frans, Commissioner *mf*

**Phone:** (651) 201-8011

**Subject:** Supplemental Budget Update #1

The purpose of this letter is to officially transmit changes to Governor Dayton's proposed FY 2016-17 budget that was originally released on January 27, 2015. The changes submitted today incorporate the impact of the February forecast and adjust the Governor's FY 2016-17 budget plan.

The Governor's revised general fund recommendations are based upon the February 2015 forecast that increased available resources projected for the current biennium and the next. The budget adjustments reflect the fact that the projected available balance for FY 2016-17 has increased from \$1.037 billion to \$1.867 billion due to changes in the underlying revenue and expenditure forecast.

The general fund impact of both the February forecast changes and revised Governor's budget plan is summarized below. After changes, the available balance of \$12 million remains for the FY 2016-17 revised budget.

### FY 2016-17 General Fund Recommendations (\$ in millions)

	January Budget	March Budget	\$ Change
Beginning Balance	\$1,691	\$1,831	\$140
Forecast Revenues	41,880	42,497	617
<i>Recommended Tax Changes</i>	(12)	(134)	(122)
<i>Recommended Non-tax Changes</i>	(4)	(44)	(40)
Total Revenues	41,865	42,318	453
Forecast Expenditures	41,243	41,128	(115)
<i>Recommended Spending Changes</i>	932	1,658	726
Total Expenditures	42,175	42,786	611
Reserves	1,346	1,351	5
Ending Balance	\$35	\$ 12	\$(23)

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Two general fund summary tables are attached to this letter. The first shows the Governor's proposed recommended general fund revenues and expenditures compared to the February forecast; the second displays the Governor's initial January recommended budget compared to the revised March budget submission.

Revisions to the Governor's budget can be found on the MMB website (<http://www.mn.gov/mmb/>) including:

1. A listing of the Governor's total recommendations. Changes from the January submission include new recommendations (proposals that were not in the earlier budget submission), revised recommendations (due to the forecast or other changes), and corrected recommendations (where an error in an earlier recommendation is being corrected);
2. Revised budget documents, with updated fiscal and change item pages;
3. Fund statements;
4. Other supporting documents.

Individual agency staffs, along with MMB executive budget officers, are prepared to answer any questions you may have on the recommendations.

cc: Senator Richard Cohen, Senate Finance Chair  
Representative Jim Knoblach, House Ways and Means Chair  
Bill Marx, Chief House Fiscal Analyst  
Eric Nauman, Chief Senate Fiscal Analyst

**March 2015 Governor's Supplemental Recommendations**  
**General Fund - Comparison to February Forecast**  
(\$ in thousands)

	<b>2-15 Fcst FY 2016-17</b>	<b>3-15 Gov Rec FY 2016-17</b>	<b>\$ Change</b>
<b><u>Actual &amp; Estimated Resources</u></b>			
Balance Forward From Prior Year	1,850,196	1,831,443	(18,753)
Current Resources:			
Tax Revenues	40,772,333	40,772,333	0
Non-Tax Revenues	1,402,920	1,355,887	(47,033)
Subtotal - Non-Dedicated Revenue	42,175,253	42,128,220	(47,033)
Dedicated Revenue	1,000	1,000	0
Transfers In	250,544	250,544	0
Prior Year Adjustments	70,000	70,000	0
Subtotal - Other Revenue	321,544	321,544	0
Budget Changes - Taxes	0	(133,974)	(133,974)
Budget Changes - Non-Taxes	0	2,600	2,600
Subtotal-Current Resources	42,496,797	42,318,390	(178,407)
<b>Total Resources Available</b>	<b>44,346,993</b>	<b>44,149,833</b>	<b>(197,160)</b>
<b><u>Actual &amp; Estimated Spending</u></b>			
K-12 Education	16,709,783	17,404,393	694,610
K-12 Ptx Rec Shift/Aid Payment Shift	0	0	0
K-12 Education	16,709,783	17,404,393	694,610
Higher Education	2,892,530	3,180,879	288,349
Property Tax Aids & Credits	3,361,341	3,358,891	(2,450)
Health & Human Services	12,771,184	13,072,844	301,660
Public Safety & Judiciary	2,006,509	2,155,618	149,109
Transportation	213,072	244,585	31,513
Environment & Agriculture	335,032	359,861	24,829
Jobs, Economic Development, Housing & Commerce	357,603	409,375	51,772
State Government & Veterans	958,652	1,010,060	51,408
Debt Service	1,271,238	1,330,768	59,530
Capital Projects & Grants	271,481	271,481	0
Estimated Cancellations	(20,000)	(12,500)	7,500
<b>Total Expenditures &amp; Transfers</b>	<b>41,128,425</b>	<b>42,786,255</b>	<b>1,657,830</b>
<b>Balance Before Reserves</b>	<b>3,218,568</b>	<b>1,363,578</b>	<b>(1,854,990)</b>
Cash Flow Account	350,000	350,000	0
Budget Reserve	994,339	994,339	0
Stadium Reserve	6,840	6,840	0
<b>Budgetary Balance</b>	<b>1,867,389</b>	<b>12,399</b>	<b>(1,854,990)</b>

**March 2015 Governor's Supplemental Recommendations  
General Fund - Comparison to January Governor's Recommendations**

(\$ in thousands)

	<b>1-15 Gov Rec FY 2016-17</b>	<b>3-15 Gov Rec FY 2016-17</b>	<b>\$ Difference</b>
<b><u>Actual &amp; Estimated Resources</u></b>			
Balance Forward From Prior Year	1,691,365	1,831,443	140,078
Current Resources:			
Tax Revenues	40,252,578	40,772,333	519,755
Non-Tax Revenues	1,400,411	1,355,887	(44,524)
Subtotal - Non-Dedicated Revenue	41,652,989	42,128,220	475,231
Dedicated Revenue	1,000	1,000	0
Transfers In	156,314	250,544	94,230
Prior Year Adjustments	70,000	70,000	0
Subtotal - Other Revenue	227,314	321,544	94,230
Budget Changes - Taxes	(11,954)	(133,974)	(122,020)
Budget Changes - Non-Taxes	(3,773)	2,600	6,373
Subtotal-Current Resources	41,864,576	42,318,390	453,814
<b>Total Resources Available</b>	<b>43,555,941</b>	<b>44,149,833</b>	<b>593,892</b>
<b><u>Actual &amp; Estimated Spending</u></b>			
K-12 Education	17,191,825	17,404,393	212,568
K-12 Ptx Rec Shift/Aid Payment Shift	0	0	0
	17,191,825	17,404,393	212,568
Higher Education	2,985,439	3,180,879	195,440
Property Tax Aids & Credits	3,372,690	3,358,891	(13,799)
Health & Human Services	12,942,616	13,072,844	130,228
Public Safety & Judiciary	2,142,998	2,155,618	12,620
Transportation	241,525	244,585	3,060
Environment & Agriculture	359,122	359,861	739
Jobs, Economic Development, Housing & Commerce	397,396	409,375	11,979
State Government & Veterans	1,008,079	1,010,060	1,981
Debt Service	1,277,493	1,330,768	53,275
Capital Projects & Grants	268,401	271,481	3,080
Estimated Cancellations	(12,500)	(12,500)	0
<b>Total Expenditures &amp; Transfers</b>	<b>42,175,084</b>	<b>42,786,255</b>	<b>611,171</b>
<b>Balance Before Reserves</b>	<b>1,380,857</b>	<b>1,363,578</b>	<b>(17,279)</b>
Cash Flow Account	350,000	350,000	0
Budget Reserve	994,339	994,339	0
Stadium Reserve	1,390	6,840	5,450
<b>Budgetary Balance</b>	<b>35,128</b>	<b>12,399</b>	<b>(22,729)</b>