



Office Memorandum

Date: March 27, 2017

To: Representative Kurt Daudt, Speaker of the House
Senator Paul Gazelka, Majority Leader
Representative Melissa Hortman, Minority Leader
Senator Tom Bakk, Minority Leader

From: Commissioner Myron Frans

Subject: Revisions to Governor Dayton's 2018-19 Biennial Budget Recommendations

This letter officially transmits changes to Governor Dayton's proposed FY 2018-19 budget that was originally released on January 24th, 2017. The changes submitted today incorporate the impact of both the February forecast and enacted legislation this session along with adjustments to the Governor's FY 2018-19 budget plan.

The Governor's revised general fund recommendations are based upon the February 2017 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 2018-19 has increased from \$1.400 billion to \$1.651 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 \$200 million remains for the FY 2018-19 revised budget. The Governor is recommending that at least \$200 million be left unallocated in the enacted budget as a contingency savings against economic and federal changes beyond the state's control.

FY 2018-19 General Fund Recommendations

(\$ in millions)

	January Budget	March Budget	\$ Change
Beginning Balance	\$2,653	\$2,720	\$67
Forecast Revenues	45,321	45,663	342
<i>Recommended Tax Changes</i>	(53)	(74)	(21)
<i>Recommended Non-tax Changes</i>	(2)	(7)	(5)
Total Revenues	45,266	45,582	316
Forecast Expenditures	44,585	44,741	156
<i>Recommended Expenditure Changes</i>	1,249	1,367	118
Total Expenditures	45,834	46,108	274
Reserves	2,006	1,996	(10)
Ending Balance	\$79	\$200	\$121

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 a revised general fund statement and other supporting documents. Revised budget documents and updated fiscal and change item pages will be posted in the coming days.

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

cc: Senator Julie Rosen, Senate Finance Chair
Representative Jim Knoblauch, House Ways and Means Chair
Senator Richard Cohen
Representative Lyndon Carlson Sr.
Bill Marx, Chief House Fiscal Analyst
Eric Nauman, Chief Senate Fiscal Analyst

FY 2018-19 General Fund Budget

Governor's Revised Rec vs February 2017 Forecast

(\$ in thousands)

	2-17 Forecast FY 2018-19	3-17 Gov Rec FY 2018-19	\$ Change
<u>Actual & Estimated Resources</u>			
Balance Forward From Prior Year	2,722,888	2,720,108	(2,780)
Current Resources:			
Tax Revenues	43,898,994	43,898,994	-
Non-Tax Revenues	1,401,048	1,401,048	-
Subtotal - Non-Dedicated Revenue	45,300,042	45,300,042	-
Dedicated Revenue	1,205	1,205	-
Transfers In	308,585	308,585	-
Prior Year Adjustments	53,510	53,510	-
Subtotal - Other Revenue	363,300	363,300	-
Budget Changes - Taxes	-	(74,080)	(74,080)
Budget Changes - Non-Taxes	-	(7,096)	(7,096)
Subtotal-Current Resources	45,663,342	45,582,166	(81,176)
Total Resources Available	48,386,230	48,302,274	(83,956)
<u>Actual & Estimated Spending</u>			
E-12 Education	18,271,866	18,985,369	713,503
Higher Education	3,069,493	3,387,533	318,040
Property Tax Aids & Credits	3,451,877	3,551,977	100,100
Health & Human Services	14,324,310	13,909,358	(414,952)
Public Safety & Judiciary	2,174,294	2,430,364	256,070
Transportation	243,592	230,503	(13,089)
Environment & Agriculture	404,029	474,993	70,964
Jobs, Economic Development, Housing & Commerce	397,685	509,667	111,982
State Government & Veterans	1,025,224	1,177,442	152,218
Debt Service	1,142,817	1,189,219	46,402
Capital Projects & Grants	255,924	281,900	25,976
Estimated Cancellations	(20,000)	(20,000)	-
Total Expenditures & Transfers	44,741,111	46,108,325	1,367,214
Balance Before Reserves	3,645,119	2,193,949	(1,451,170)
Cash Flow Account	350,000	350,000	-
Budget Reserve	1,603,443	1,603,443	-
Stadium Reserve	40,301	40,301	-
Budgetary Balance	1,651,375	200,205	(1,451,170)



FY 2018-19 General Fund Budget
Governor's Revised Rec vs Governor's Original Budget Rec
(\$ in thousands)

	1-17 Gov Rec FY 2018-19	3-17 Gov Rec FY 2018-19	\$ Change
<u>Actual & Estimated Resources</u>			
Balance Forward From Prior Year	2,652,803	2,720,108	67,305
Current Resources:			
Tax Revenues	43,538,901	43,898,994	360,093
Non-Tax Revenues	1,418,671	1,401,048	(17,623)
Subtotal - Non-Dedicated Revenue	44,957,572	45,300,042	342,470
Dedicated Revenue	1,205	1,205	-
Transfers In	308,585	308,585	-
Prior Year Adjustments	53,458	53,510	52
Subtotal - Other Revenue	363,248	363,300	52
Budget Changes - Taxes	(53,453)	(74,080)	(20,627)
Budget Changes - Non-Taxes	(1,381)	(7,096)	(5,715)
Subtotal-Current Resources	45,265,986	45,582,166	316,180
Total Resources Available	47,918,789	48,302,274	383,485
<u>Actual & Estimated Spending</u>			
E-12 Education	18,786,335	18,985,369	199,034
Higher Education	3,387,533	3,387,533	-
Property Tax Aids & Credits	3,569,439	3,551,977	(17,462)
Health & Human Services	13,851,530	13,909,358	57,828
Public Safety & Judiciary	2,424,365	2,430,364	5,999
Transportation	226,093	230,503	4,410
Environment & Agriculture	471,949	474,993	3,044
Jobs, Economic Development, Housing & Commerce	493,912	509,667	15,755
State Government & Veterans	1,169,596	1,177,442	7,846
Debt Service	1,188,820	1,189,219	399
Capital Projects & Grants	283,987	281,900	(2,087)
Estimated Cancellations	(20,000)	(20,000)	-
Total Expenditures & Transfers	45,833,559	46,108,325	274,766
Balance Before Reserves	2,085,230	2,193,949	108,719
Cash Flow Account	350,000	350,000	-
Budget Reserve	1,618,443	1,603,443	(15,000)
Stadium Reserve	37,690	40,301	2,611
Budgetary Balance	79,097	200,205	121,108

