

# Fiscal Analysis Department

## Minnesota House of Representatives

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### ISSUE BRIEF

## State General Fund Budget Situation

### February 2017

*The latest state budget forecast for the state's general fund released by the Minnesota Management and Budget Department on February 28, 2017 projects a \$743 million balance for the current biennium and a \$1.649 billion positive balance for the FY 2018-19biennium. The FY 2018-19 balance includes the FY 2017 balance carried forward and is \$250 million higher than the balance projected in the November 2016 forecast.*

### The Current Biennium – FY 2016-17

The November 2016 budget forecast projected a general fund balance of \$677.8 million for the current biennium ending June 30, 2017. That November 2016 balance is then adjusted down to \$656.1 million after accounting for revenue changes in 2017 Laws, Chapter 1 implementing federal tax conformity. Then this forecast projects an additional \$86.8 million bringing the projected FY 2016-17 balance to \$742.9 million. This change is the net result of a revenue increase of \$75.4million, a spending decrease of \$12.2 million and an increase in the stadium reserve of \$0.8 million.

The following chart illustrates budget changes since the November 2016 forecast.

#### FY 2016-17 General Fund Changes from November 2016 Forecast

Change (Increase) in Revenues	\$ 75.4 million
Change (Decrease) in Spending	12.2 million
Change in (Increase) Stadium Reserves	- <u>0.8 million</u>
Net Change	\$86.8 million

Unlike in the November forecast none of the projected balance is directed to the budget reserve. The budget reserve has been reduced from \$1.930 billion in the November forecast to \$1.603 billion following the reduction of \$327.9 million to fund the health insurance premium assistance in 2017 Laws, Chapter 2.

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

Beginning Balance	\$ 2,103 million
Revenues and other Resources	42,435 million
Expenditures	- 41,817 million
Reserves	<u>- 1,978 million</u>
<b>Balance</b>	<b>\$ 743 million</b>

### Next Biennium – FY 2018-19

The 2017 legislature will be adopting a budget for the biennium beginning July 1, 2017 and ending June 30, 2019. The November 2016 forecast projected that revenues for the FY 2018-19 biennium will exceed expenditures by \$736 million.

The February forecast projects that revenues for FY 2018-19 will exceed expenditures by \$922 million. When the projected FY 2016-17 balance is added to the FY 2018-19 numbers, the end of FY 2019 balance increases from \$1,400 million to \$1,650 million.

Expenditures for FY 2018 and 2019 are set at the same level as in FY 2017 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 2017 that are considered one time are not continued.

The following chart illustrates the changes since the November forecast.

<u>FY 2018-19 General Fund Changes from November 2016 Forecast</u>	
Change (Increase) in Revenues	\$321.0 million
Change (Increase) in Expenditures	- 156.3 million
Change (increase) in Stadium Reserve	<u>- 2.6 million</u>
Net Change	+ \$162.1 million

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

Balance Forward	\$743.0 million
Revenues	45,663.3 million
Expenditures	- 44,741.1 million
Increase in Stadium Reserve	<u>-15.3 million</u>
Balance	\$1,649.8 million

Expenditures for FY 2018-19 include no adjustment for inflation unless such an adjustment is specified in law. Applying inflation to state appropriations for FY 2018-19 at the rate of the consumer price index (CPI) would increase expenditures by another approximately \$1,110 million.

**The Following Biennium – FY 2020-21**

When budget decisions are being made for the FY 2018-19 biennium, the implications of those decisions on revenues and expenditures for the FY 2020-21 biennium are tracked. In this forecast, projections for FY 2020-21 show revenues exceeding expenditures by \$2,124 million for that biennium.

FY 2020-21 Revenues	\$ 49,357.3 million
FY 2020-21 Expenditures	<u>47,232.8 million</u>
Difference	\$ 2,124.5 million

This projected FY 2020-21 balance is \$644 million more than it was in the November 2016 forecast projections.

For the complete February 2017 State Budget Forecast document, go to the link below on the MMB web site:

<https://mn.gov/mmb-stat/000/az/forecast/2017/february-forecast/complete-forecast-document.pdf>

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