

LCPFP Subcommittee on a Balanced Budget
Monday, December 14, 2009

Model Examples¹ *(Revised)*

The budget calculator used at the October and November meetings of the LCPFP Subcommittee on a Balanced Budget has been updated to reflect the November forecast and the projected \$1.2 billion budget deficit for FY 2010-11, in addition to the revised structural deficit for FY 2012-13. The updated model was used to generate the following requested examples:

- What percent reduction is needed to resolve 100% of the \$1.2 billion shortfall for FY 2010-11, and the ongoing structural imbalance, with permanent spending reductions?
 - FY 2011 permanent reductions would be **7.6%**.
 - The FY 2012-13 structural deficit narrows from \$5.4 to **\$3.0** billion.
 - Additional reductions of **8.9%** would be needed for FY 2012-13; cumulative reductions of about **15%** to current spending.

- What percent reduction is needed in FY 2010-11 to resolve 75% of the \$1.2 billion shortfall with permanent spending reductions if 25% were resolved with one-time changes; how would the FY 2012-13 planning estimates be affected?
 - FY 2011 permanent reductions would be **5.7%**.
 - The FY 2012-13 structural deficit narrows from \$5.4 to **\$3.6** billion.

- What percent reduction is needed in FY 2010-11 to resolve 50% of the \$1.2 billion shortfall with permanent spending reductions if 50% were resolved with one-time changes; how would the FY 2012-13 planning estimates be affected?
 - FY 2011 permanent reductions would be **3.8%**.
 - The FY 2012-13 structural deficit narrows from \$5.4 to **\$4.2** billion.

- What amount of structural deficit remains for FY 2012-13 if the Governor's July-August unallotments are made permanent? This analysis does not address the FY 2010-11 deficit.
 - The FY 2012-13 structural deficit narrows from \$5.4 to **\$3.2** billion.

¹ Model examples not adjusted for federal MOE limitations on the amount of General Fund reductions that can be made, such as for K-12 general education aids, higher education institutions, and health care programs. Also, the model assumes no positive or negative balance carryforwards from FY 2010-11 into FY 2012-13.

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Proposed Constitutional Amendment Example *(Revised)*

The Governor proposed an amendment to the Minnesota Constitution that would limit spending for the current budget to the level of actual revenues for the prior biennium. The following requested example determines what level of budget reductions would be needed for FY 2012-13 if spending were limited to current projections for FY 2010-11 revenues, assuming 100% of the FY 2010-11 deficit is resolved with permanent reductions to FY 2011 spending.

- FY 2012-13 spending would be limited to \$29.986 billion.
- FY 2010-11 spending reductions of \$1.2 billion would carryforward as permanent spending reductions, thereby reducing planned spending for FY 2012-13 from \$38.644 billion to \$36.239 billion.
- FY 2012-13 spending be further decreased by \$6.253 billion, from \$36.239 to \$29.986 billion, beginning in FY2012-13.
- FY 2012-13 spending would decline by **18.5%** relative to the revised planning estimates after FY 2011 cuts, and **23.9%** relative to current planed spending, assuming no reductions to debt service, capital projects, or 'other'.
- The reductions would result in a positive unrestricted General Fund balance of \$3.2 billion, about 10.7 percent of the budget after reductions.

GENERAL FUND BUDGET CALCULATOR (Revised for November 2009 Forecast)

USE THE RED BOXES TO MAKE YOUR CHOICES [Hyperlink to Instructions]

Dollars in Thousands
75% EXAMPLE

CURRENT BIENNIUM -- Projected FY 2010-11 Deficit	
FY 2010-11 Deficit (Nov. 2009 Forecast)	-1,202,668
What changes would you make to balance the budget?	
Permanent Spending (Changes on lines 30-46)	-901,736
Other Permanent Adjustments (enter amount)	
One-time Adjustments (enter amount)	-300,667
Alternative FY 2010-11 Balance	-265

PLANNING BIENNIUM -- Projected Structural Deficit	
FY 2012-13 Structural Deficit (Nov. 2009 Forecast)	-5,426,266
What adjustments would you make?⁴	
General Assistance Medical Care (GAMC)	0
Buy-back School Property Tax Shift	0
Include Planning Estimate Inflation	0
Other Adjustments (enter amount)	
Adjusted Budget Balance prior to Changes	-5,426,266
What changes would you make to balance the budget?	
Continuation of FY 2010-11 Permanent Changes	-1,803,472
Permanent Spending Changes (see lines 30-46)	-3,620,993
Other Permanent Adjustments (enter amount)	
One-time Adjustments (enter amount)	
Alternate FY 2012-13 Projected Balance	-1,801

Projected Balance in Billions (Interactive)	
FY 2010-11 Balance, (\$0.0)	\$0.0
FY 2012-13 Structural Balance, (\$0.0)	
Alternate FY 2012-13 Projected Balance	(\$2.0)

Spending by Budget Area ²	CURRENT FY 2010-2011			YOUR CHOICES -- Eff. FY 2011				YOUR CHOICES -- FY 2012-13			
	2/09 Forecast Spending	Current Budget ¹	Percent Change	Targeted Changes	Spending Change	Adjusted Spending	Percent Change	FY 2012-13 Current as Adj. by FY2011	Targeted Changes	Spending Change	Adjusted Spending
E- 12 Education ³	13,894,099	11,620,038	-16.4%	1	-355,944	11,264,094	-18.9%	14,711,326	1	-1,423,320	13,288,006
Education Aid Unallotments		[1,717,382]						[1,155,894]	0	0	
Higher Education	3,156,864	2,858,555	-9.4%	1	-81,558	2,776,997	-12.0%	2,862,558	1	-300,569	2,561,989
Tax Aids & Credits	3,435,395	3,096,866	-9.9%	1	-86,105	3,010,761	-12.4%	3,490,830	1	-366,537	3,124,293
Health Care & Human Services	10,192,223	9,165,634	-10.1%	1	-277,129	8,888,505	-12.8%	11,225,581	1	-1,178,686	10,046,895
Agriculture, Veterans & Military	258,598	252,879	-2.2%	1	-7,009	245,870	-4.9%	237,248	1	-24,911	212,337
Environment & Energy	377,895	364,773	-3.5%	1	-10,181	354,592	-6.2%	341,282	1	-35,835	305,447
Economic Development	283,988	272,404	-4.1%	1	-7,510	264,894	-6.7%	248,573	1	-26,100	222,473
Transportation	211,580	192,547	-9.0%	1	-5,371	187,176	-11.5%	186,027	1	-19,533	166,494
Public Safety	1,866,591	1,819,185	-2.5%	1	-52,843	1,766,342	-5.4%	1,723,734	1	-180,992	1,542,742
State Government	622,857	639,160	2.6%	1	-18,085	621,075	-0.3%	614,380	1	-64,510	549,870
Debt Service, Capital & Other	1,206,044	1,004,014	-16.8%	0	0	1,004,014	-16.8%	1,199,105	0	0	1,199,105
Total Expenditures & Transfers	35,506,134	31,286,055	-11.9%		-901,736	30,384,319	-14.4%	36,840,644		-3,620,993	33,219,651

Cumulative FY 2012-13 Change: -5,424,465

FEDERAL MOE LIMITS

[\[Hyperlink to Footnotes\]](#)

- (1) Reflects the November 2009 Forecast which captures the budget enacted in May 2009 and the July & August Governor unallotments and executive actions.
- (2) Budget areas reflect 2009 conference committee structure. Budget categorization may not align with the jurisdiction of House and Senate budget committees.
- (3) Education aid payment and accounting changes made as part of the Governor's unallotments reduce FY2010-11 spending; FY2012 amounts assume unallotments are paid in FY2012.
- (4) The Governor vetoed the FY 2011 appropriation for General Assistance Medical Care (GAMC) but the program remains in law; these amounts reflect the EOS estimates for GAMC for FY 2012-13 prior to the Governor's veto. The financial reporting change for school property tax revenues made as part of the Governor's unallotments is not automatically repaid; shifts in the timing of when school districts recognize these revenues have typically been bought back. Inflation is not required to be formally identified in budget documents.
- (5) After allocation of Fiscal Stabilization for FY 2010-11, the K-12 change is -\$1.771B or -12.7%, the Higher Education change is -\$162.8M or -5.2%; the Health and Human Services change is -\$1.026B or -10.1%, and the Public Safety change is -\$14.7M or -0.8%.
- (6) Permanent changes made effective FY 2011 assumed to continue into FY 2012-13 at a flat nominal impact per fiscal year.
- (7) Amounts do not include the Governor's unallotments for FY 2009 made following the November 2008 forecast or the increased FMAP incorporated into the February 2009 forecast.

GENERAL FUND BUDGET CALCULATOR (Revised for November 2009 Forecast)

Dollars in Thousands
50% EXAMPLE

USE THE RED BOXES TO MAKE YOUR CHOICES [Hyperlink to Instructions]

CURRENT BIENNIUM -- Projected FY 2010-11 Deficit	
FY 2010-11 Deficit (Nov. 2009 Forecast)	-1,202,668
What changes would you make to balance the budget?	
Permanent Spending (Changes on lines 30-46)	-601,157
Other Permanent Adjustments (enter amount)	
One-time Adjustments (enter amount)	-601,334
Alternative FY 2010-11 Balance	-177

PLANNING BIENNIUM -- Projected Structural Deficit	
FY 2012-13 Structural Deficit (Nov. 2009 Forecast)	-5,426,266
What adjustments would you make? ⁴	
General Assistance Medical Care (GAMC)	0
Buy-back School Property Tax Shift	0
Include Planning Estimate Inflation	0
Other Adjustments (enter amount)	
Adjusted Budget Balance prior to Changes	-5,426,266
What changes would you make to balance the budget?	
Continuation of FY 2010-11 Permanent Changes	-1,202,315
Permanent Spending Changes (see lines 30-46)	-4,227,960
Other Permanent Adjustments (enter amount)	
One-time Adjustments (enter amount)	
Alternate FY 2012-13 Projected Balance	4,008

Projected Balance in Billions (Interactive)	
FY 2010-11 Balance, (\$0.0)	\$0.0
FY 2012-13 Balance, (\$0.0)	(\$2.0)

Proportionate Spending Change: **3.8%**

0 **12.1%**

Spending by Budget Area ²	CURRENT FY 2010-2011			YOUR CHOICES -- Eff. FY 2011				FY 2012-13		YOUR CHOICES -- FY 2012-13		
	2/09 Forecast Spending	Current Budget ¹	Percent Change	Targeted Changes	Spending Change	Adjusted Spending	Percent Change	Current as Adj. by FY2011	Targeted Changes	Spending Change	Adjusted Spending	
E- 12 Education ³	13,894,099	11,620,038	-16.4%	1	-237,296	11,382,742	-18.1%	14,948,622	1	-1,662,024	13,286,599	
Education Aid Unallotments		[1,717,382]						[1,155,894]	0	0		
Higher Education	3,156,864	2,858,555	-9.4%	1	-54,372	2,804,183	-11.2%	2,916,930	1	-351,490	2,565,440	
Tax Aids & Credits	3,435,395	3,096,866	-9.9%	1	-57,403	3,039,463	-11.5%	3,548,234	1	-427,562	3,120,671	
Health Care & Human Services	10,192,223	9,165,634	-10.1%	1	-184,753	8,980,881	-11.9%	11,410,334	1	-1,374,945	10,035,389	
Agriculture, Veterans & Military	258,598	252,879	-2.2%	1	-4,673	248,206	-4.0%	241,921	1	-29,151	212,769	
Environment & Energy	377,895	364,773	-3.5%	1	-6,788	357,985	-5.3%	348,070	1	-41,942	306,127	
Economic Development	283,988	272,404	-4.1%	1	-5,006	267,398	-5.8%	253,579	1	-30,556	223,023	
Transportation	211,580	192,547	-9.0%	1	-3,581	188,966	-10.7%	189,608	1	-22,848	166,760	
Public Safety	1,866,591	1,819,185	-2.5%	1	-35,229	1,783,956	-4.4%	1,758,963	1	-211,955	1,547,008	
State Government	622,857	639,160	2.6%	1	-12,057	627,103	0.7%	626,436	1	-75,486	550,951	
Debt Service, Capital & Other	1,206,044	1,004,014	-16.8%	0	0	1,004,014	-16.8%	1,199,105	0	0	1,199,105	
Total Expenditures & Transfers	35,506,134	31,286,055	-11.9%		-601,157	30,684,898	-13.6%	37,441,801		-4,227,960	33,213,842	

FEDERAL MOE LIMITS

Cumulative FY 2012-13 Change: -5,430,274

[Hyperlink to Footnotes]

- (1) Reflects the November 2009 Forecast which captures the budget enacted in May 2009 and the July & August Governor unallotments and executive actions.
- (2) Budget areas reflect 2009 conference committee structure. Budget categorization may not align with the jurisdiction of House and Senate budget committees.
- (3) Education aid payment and accounting changes made as part of the Governor's unallotments reduce FY2010-11 spending; FY2012 amounts assume unallotments are paid in FY2012.
- (4) The Governor vetoed the FY 2011 appropriation for General Assistance Medical Care (GAMC) but the program remains in law; these amounts reflect the EOS estimates for GAMC for FY 2012-13 prior to the Governor's veto. The financial reporting change for school property tax revenues made as part of the Governor's unallotments is not automatically repaid; shifts in the timing of when school districts recognize these revenues have typically been thought back. Inflation is not required to be formally identified in budget documents.
- (5) After allocation of Fiscal Stabilization for FY 2010-11, the K-12 change is -\$1.771B or -12.7%, the Higher Education change is -\$162.8M or -5.2%; the Health and Human Services change is -\$1.026B or -10.1%, and the Public Safety change is -\$14.7M or -0.8%.
- (6) Permanent changes made effective FY 2011 assumed to continue into FY 2012-13 at a flat nominal impact per fiscal year.
- (7) Amounts do not include the Governor's unallotments for FY 2009 made following the November 2008 forecast or the increased FMAP incorporated into the February 2009 forecast.

Assumptions for Carrying FY 2010-11 Unallotments Spending Reductions into FY 2012-13
(Dollars in Millions)

Net Change - Unallotments & Administrative Actions	-2,676
Subtract Revenue Changes	<u>211</u>
Subtotal - Spending Changes Only	-2,466
Subtract Property Tax Revenue Recognition Payment Delay (one-time)	1,170
Subtract Education Aid Payment Delay (one-time)	<u>601</u>
Subtotal - Spending Changes Without Education Payment Delays	-695
Subtract FY 2010 Changes to Reach a One Year Amount	
LGA, CPA, Market Value Credit	100
DHS Changes	77
Agency Operating Reductions	<u>12</u>
Net One Year Amount to Carry Forward	-507

Explanation, Rationale:

1. Start with total July 2009 Unallotment & Administrative Actions amount for FY 2010-11, subtract revenue changes (reciprocity, capital equipment and corporate tax refund delays).
2. Subtract the two education payment delays which were one-time spending reductions.
3. In order to reach a one year spending reduction that can be carried forward and applied to each of FY 2012 and FY 2013, subtract FY 2010 unallotments from the FY 2010-11 total.
4. The resulting FY 2011 unallotment amount is \$507 million. Applying this amount to FY 2012 and 2013 results in a very rough estimate of making the FY 2010-11 unallotment permanent. FY 2012 and 2013 DHS amounts are forecasted and will be different than the FY 2011 amounts. The \$507 million also includes some unallotments in DHS that were payment delays. While the number is a rough estimate, it may be the best estimate that can be made until decisions are made as to which unallotments are carried forward into FY 2012 and FY 2013 and cost estimates are made for those items.
5. Repayment of the education aid payment delay currently projected at a cost of \$1,159 billion is backed out of projected FY 2012 spending.

GENERAL FUND BUDGET CALCULATOR (Revised for November 2009 Forecast)

Dollars in Thousands

USE THE RED BOXES TO MAKE YOUR CHOICES [[Hyperlink to Instructions](#)]

Proposed Constitutional Amendment

CURRENT BIENNIUM -- Projected FY 2010-11 Deficit	
FY 2010-11 Deficit (Nov. 2009 Forecast)	-1,202,668
What changes would you make to balance the budget?	
Permanent Spending (Changes on lines 30-46)	-1,202,315
Other Permanent Adjustments (enter amount)	
One-time Adjustments (enter amount)	
Alternative FY 2010-11 Balance	-353

PLANNING BIENNIUM -- Projected Structural Deficit	
FY 2012-13 Structural Deficit (Nov. 2009 Forecast)	-5,426,266
What adjustments would you make?⁴	
General Assistance Medical Care (GAMC)	0
Buy-back School Property Tax Shift	0
Include Planning Estimate Inflation	0
Other Adjustments (enter amount)	
Adjusted Budget Balance prior to Changes	-5,426,266
What changes would you make to balance the budget?	
Continuation of FY 2010-11 Permanent Changes	-2,404,629
Permanent Spending Changes (see lines 30-46)	-6,268,630
Other Permanent Adjustments (enter amount)	
One-time Adjustments (enter amount)	
Alternate FY 2012-13 Projected Balance	3,246,993

Projected Balance in Billions (Interactive)	
FY 2010-11 Balance, (\$0.0)	\$0.0
FY 2012-13 Balance, (\$2.0)	(\$2.0)

Proportionate Spending Change: **7.6%**

18.5%

Spending by Budget Area ²	CURRENT FY 2010-2011			YOUR CHOICES -- Eff. FY 2011				FY 2012-13		YOUR CHOICES -- FY 2012-13		
	2/09 Forecast Spending	Current Budget ¹	Percent Change	Targeted Changes	Spending Change	Adjusted Spending	Percent Change	Current as Adj. by FY2011	Targeted Changes	Spending Change	Adjusted Spending	
E- 12 Education ³	13,894,099	11,620,038	-16.4%	1	-474,593	11,145,445	-19.8%	14,474,030	1	-2,463,855	12,010,175	
Education Aid Unallotments		[1,717,382]						[1,155,894]	0	0		
Higher Education	3,156,864	2,858,555	-9.4%	1	-108,744	2,749,811	-12.9%	2,808,186	1	-519,514	2,288,671	
Tax Aids & Credits	3,435,395	3,096,866	-9.9%	1	-114,806	2,982,060	-13.2%	3,433,427	1	-635,184	2,798,243	
Health Care & Human Services	10,192,223	9,165,634	-10.1%	1	-369,505	8,796,129	-13.7%	11,040,829	1	-2,042,553	8,998,275	
Agriculture, Veterans & Military	258,598	252,879	-2.2%	1	-9,345	243,534	-5.8%	232,575	1	-43,026	189,549	
Environment & Energy	377,895	364,773	-3.5%	1	-13,575	351,198	-7.1%	334,494	1	-61,881	272,613	
Economic Development	283,988	272,404	-4.1%	1	-10,013	262,391	-7.6%	243,566	1	-45,060	198,507	
Transportation	211,580	192,547	-9.0%	1	-7,162	185,385	-12.4%	182,446	1	-33,753	148,694	
Public Safety	1,866,591	1,819,185	-2.5%	1	-70,457	1,748,728	-6.3%	1,688,506	1	-312,374	1,376,132	
State Government	622,857	639,160	2.6%	1	-24,114	615,046	-1.3%	602,323	1	-111,430	490,893	
Debt Service, Capital & Other	1,206,044	1,004,014	-16.8%	0	0	1,004,014	-16.8%	1,199,105	0	0	1,199,105	
Total Expenditures & Transfers	35,506,134	31,286,055	-11.9%		-1,202,315	30,083,740	-15.3%	36,239,487		-6,268,630	29,970,857	

Cumulative FY 2012-13 Change: -8,673,259

FEDERAL MOE LIMITS

FEDERAL MOE LIMITS

[[Hyperlink to Footnotes](#)]

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