Fiscal Analysis Department
Minnesota House of Representatives

ISSUE BRIEF

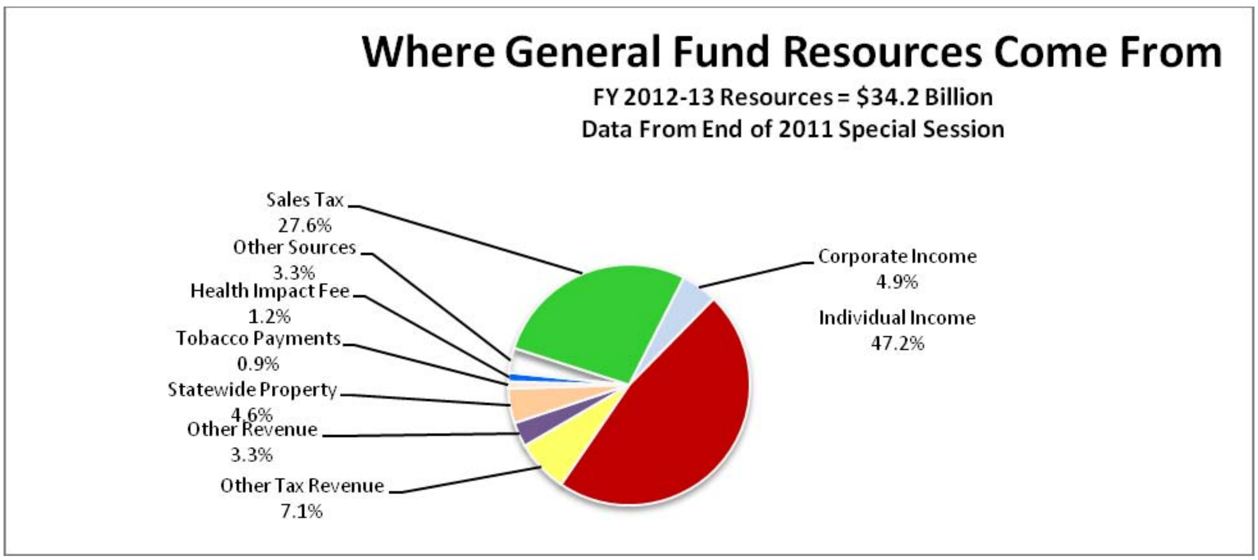
State General Fund Budget Situation
August 2011

The Legislature and Governor did not reach a budget agreement during the 2011 regular legislative session that ended May 23, 2011. That stalemate continued through June resulting in a state government shutdown on July 1, 2011. A budget solution for the FY 2012-13 biennium was finally enacted on July 1, 2011.

The Current Biennium – FY 2012-13

The general fund budget for FY 2012-13 (the two fiscal years (FY) that make up the biennium that began July 1, 2011 and ends June 30, 2013), anticipates $33.7 billion in revenues and $34.3 billion of spending. The difference between revenue and spending is covered by a balance carried forward from the previous biennium and use of reserves.

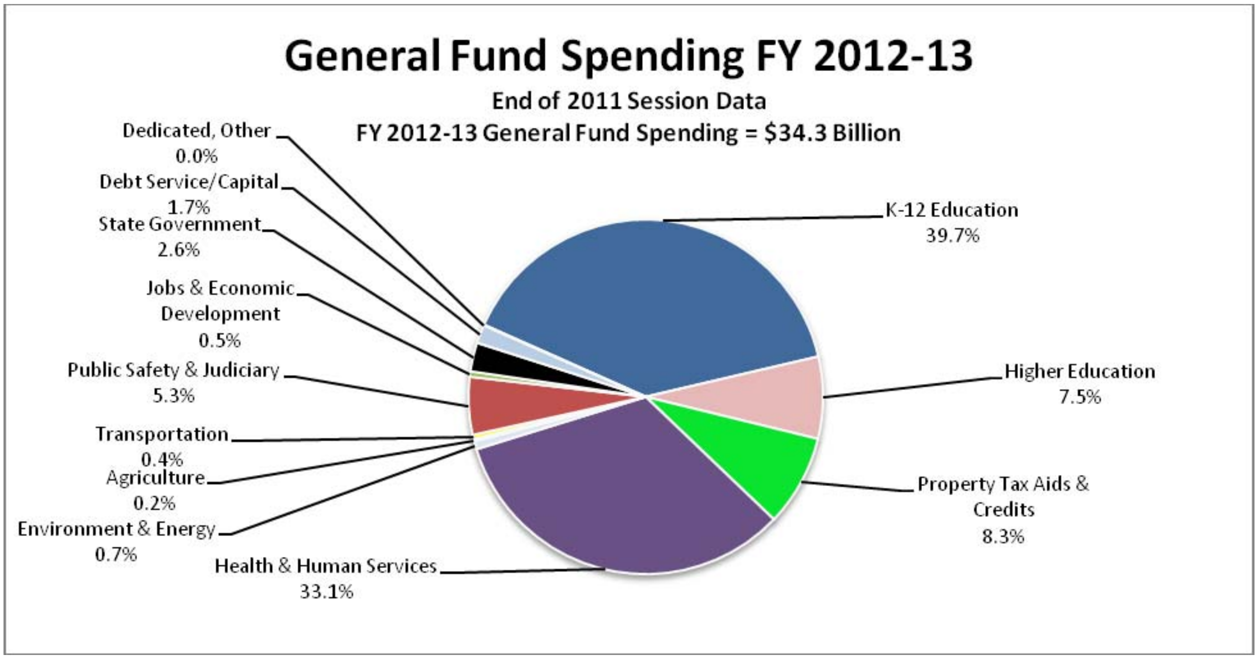
Major general fund revenue sources are illustrated in the graph below:



The budget reserve is $0 and the cash flow account is $95 million.

Spending in FY 2012-13 can be higher than revenue because the balance from the FY 2010-11 biennium carries forward into FY 2012-13. At the end of session that balance forward was projected to be $450 million.

Major categories of general fund spending for the FY 2012-13biennium are illustrated below.



The FY 2012-13 Budget Solution

The state budget forecast released at the end of February 2011 projected at $5.028 billion general fund budget deficit for the FY 2012-13biennium. There was general agreement to not repay the education aid payment shift to 90 percent (it was set at 70 percent in 2010 and scheduled to be repaid in FY 2012). That reduced the projected deficit to $3.6 billion. The rest of the budget solution was negotiated prior to the July special session. The solution is summarized in the chart below.

Not Repay Education Aid Payment Shift to 90%	$1,382 million	27.5%
Spending Reductions (net)	$1,696 million	33.7%
Additional Education Payment Shift to 60%	$ 911 million	18.1%
Tobacco Bonds	$ 640 million	12.7%
Transfer from Cash Flow Account	$ 180 million	3.6%
Revenue Increases	$ 118 million	2.4%
Transfers from Other Funds	$ 100 million	2.0%

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