

Fiscal Analysis Department

Minnesota House of Representatives



ISSUE BRIEF

State General Fund Budget Situation December 2015

The latest budget forecast for the state's general fund, released by the Minnesota Management and Budget Department on December 3, 2015, projects a \$1.871 billion positive balance for the current biennium. This is an increase of \$1.006 billion over the \$865 million balance projected at the end of the 2015 Session. Under current law \$71 million of this balance is transferred to two environment related funds and \$594 million is transferred to the state's budget reserve. The forecast also projects a \$2.041 billion balance for the FY 2018-19biennium.

The Previous Biennium – FY 2014-15

The ending balance for FY 2015 was \$632 million, \$585 million higher than the \$47 million projected at the end of the 2015 session. Revenue was \$564 million higher than previously projected. Spending in FY 2015 was down \$118 million but \$94 million of that carried forward into FY 2016. The stadium reserve increased by \$3 million because gaming revenue was higher than previously projected.

FY 2015

FY 2015 Balance from End of Session	\$ 47 million
Increase in Revenue	564 million
Decrease in Spending	<u>118 million</u>
Subtotal	729 million
Appropriations Carried Forward	- 94 million
Increase in Stadium Reserve	<u>- 3 million</u>
Balance Carried Forward	\$632 million

The FY 2105 closing balance was reported on October 15 and, under laws enacted in 2015, \$19.4 million of that amount was transferred to the disaster contingency account and \$2.5 million was transferred to the fire safety account. Both of these accounts are in the special revenue fund.

The Current Biennium – FY 2016-17

At the end of the 2015 sessions, the state was projected to end the FY 2016-17 biennium on June 30, 2017 with a general fund balance of \$865 million. (This amount includes the \$47 million projected to carry forward from FY 2015 into FY 2016-17.) Determination of this amount was based on revenues and expenditures from the February 2015 forecast with modifications for legislation enacted in 2015. At the end of the session the budget reserve was projected to have a balance of \$994.3 million and the cash flow account a balance of \$350 million.

The November 2015 budget forecast projects a \$341 million improvement in the budget situation for the FY 2016-17 biennium after transfers required in current law to the budget reserve and two landfill related funds.

The following chart illustrates budget changes in FY 2016-17 since the end of the 2015 session.

<u>FY 2016-17 General Fund Nov. Forecast Changes from June 2015</u>	
Change in FY 2014-15 Balance Carried Forward into FY 2016-17	\$585 million
Change in FY 2014-15 Reserves Carried Forward into FY 2016-17	3 million
Appropriations Carried Forward into FY 2016-17	94 million
Change (Increase) in Revenues from End of Session	90 million
Change (Decrease) in Spending & Transfers from End of Session	178 million
Change in Reserves	<u>609 million</u>
Net Change in FY 2016-17 Balance	\$ 341 million

For FY 2016-17, revenue is projected to be \$90 million higher than the end of 2015 session estimate. Income tax revenue is \$110 million lower than end of session amount. Corporate tax revenue is projected to be \$69 million higher than the end of session estimate and sales tax revenue is projected to be \$91 million higher.

Total spending for FY 2016-17 is \$249 million lower than June 2015 projections. Health and human service spending is down \$416 million. Spending for education is up \$73 million. As a result of the forecasted balance, \$71 million is transferred to two landfill cleanup funds so net spending is down \$178 million (249-71).

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

Beginning Balance Forward	\$ 632 million
Reserves Carried Forward	1,377 million
Appropriations Carried Forward	94 million
Revenues and other Resources	42,718 million
Expenditures	- 41,656 million
Reserves	<u>- 1,960 million</u>
Balance	\$ 1,206 million

Next Biennium – FY 2018-19

As of June 2015, projected revenues for FY 2018-19 biennium exceeded projected expenditures by \$1.298 billion. Now the projected balance for FY 2018-19 has improved by \$748 million to a positive \$2.046 billion. Expenditures for FY 2018-19 include no adjustment for inflation unless such an adjustment is specified in law for the particular program.

<u>FY 2018-19 General Fund Nov. 2015 Forecast Changes From June 2015</u>	
Change (Increase) in Revenues from June 2015	\$311 million
Change (Decrease) in Expenditures from June 2015	<u>437 million</u>
Net Change	\$748 million

Major revenue changes from the June 2015 estimates include a \$213 million decrease in individual income tax revenue, a \$217 million increase in corporate tax revenue and a \$233 million increase in sales tax.

Health and human service spending is projected to be \$542 million lower and K-12 education spending is projected to be \$111 million higher than in June.

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

Revenues	\$46,602 million
Expenditures	- <u>44,557 million</u>
Balance	\$ 2,046 million

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