




Office Memorandum

Date: April 27, 2016

To: Representative Kurt Daudt, Speaker of the House
Senator Tom Bakk, Senate Majority Leader
Representative Paul Thissen, House Minority Leader
Senator David Hann, Senate Minority Leader

From: Commissioner Myron Frans 

Subject: Revision to Governor's 2016 Supplemental Budget

The purpose of this memo is to officially transmit an update to the Governor's 2016 supplemental budget recommendations, originally released on March 15, 2016 and revised on March 30, 2016 (general fund), April 15, 2016 (general fund) and April 6, 2016 (clean water fund). The changes submitted today reflect savings from the early repayment of maximum effort school loans reallocated to fund matching grants for E-12 school support staff and voluntary prekindergarten facilities. These changes impact the general fund and the maximum effort school loan fund.

The 2016 February *Budget and Economic Forecast* projects a \$900 million general fund balance for the remainder of the FY 2016-17 biennium. The Governor's March 30 and April 15 supplemental budget recommendations included \$37 million in revenue reductions and \$660 million increased spending. Today's revisions include no change in current biennium overall spending, instead the Governor's recommendations reallocate spending between the education and debt service budget areas. No additional revenue changes are recommended, leaving a budgetary balance of \$203 million.

FY 2016-17 Governor's Revised General Fund Supplemental Budget Recommendations (\$ in millions)

	<u>April 15</u> <u>Budget</u>	<u>April 27</u> <u>Budget</u>	<u>\$ Change</u>
February Forecast Balance	\$900	\$900	\$0
Tax and Revenue Change	(37)	(37)	0
Spending Change	660	660	0
<i>Total – Recommended Changes</i>	\$697	\$697	\$0
Remaining Budgetary Balance	\$203	\$203	\$0

The Governor's April 15 revised supplemental budget recommendation also impacted the next biennium. Revenue changes totaled an increase of \$5 million and recommended spending was \$809 million higher leaving a projected balance in the FY 2018-19 biennium of \$580 million. Today's revisions include spending changes that increase the Governor's total recommended spending by \$2.1 million. No additional revenue changes are recommended leaving the balance of \$578 million in FY 2018-19

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Today's changes also impact the maximum effort school loan fund. Increased proposed expenditures relative to the February *Budget and Economic Forecast* consolidated fund statement decrease the balance in the fund to \$43 thousand in FY 2017 and \$43 thousand FY 2019.

FY 2016-19 Governor's Revised Maximum Effort School Loan Fund
Supplemental Budget Recommendations
(\$ in millions)

	<u>FY 2016-17</u>	<u>FY 2018-19</u>
Fund Balance – Original Governor's Recommendation	\$1, 043	\$1,243
Supplemental Budget Changes	0	0
<i>Reduced Loan Repayment Revenues</i>	1,000	200
Remaining Budgetary Balance	\$43	\$43

A summary of the specific recommendations and FY 2016-19 general fund and maximum effort school loan fund impacts of today's revisions is attached to this memo. The Department of Education and MMB executive budget officers are prepared to answer any questions you may have on the recommendations.

Attachments

cc: Senator Richard Cohen, Senate Finance Chair
Representative Jim Knoblach, House Ways and Means Chair
Bill Marx, House Chief Fiscal Analyst
Eric Nauman, Senate Chief Fiscal Analyst

Revisions to Governor's 2016 Supplemental Budget

(Dollars in Thousands)

2016 2017 2018 2019

Department of Education

Maximum Effort Loan Early Repayment

The Governor recommends allowing school districts with Maximum Effort School Loans to close the loan by paying the state the outstanding initial principal amount in full prior to December 1, 2016. As a result of this recommendation, the additional loan repayments into the Maximum Effort School Loan fund will offset the expected transfer needed from the General fund to the Debt Service fund in FY 2017.

General	Expenditure	0	(53,349)	1,000	1,100
Maximum Effort School Loan	Expenditure	0	1,000	100	100

School Support Staff

The Governor recommends a matching grant program to increase the number of student support services personnel. Grants must be used to hire new positions and priority for grants will be given to schools in which student support service personnel positions do not exist.

General	Expenditure	0	13,100	0	0
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Voluntary Prekindergarten Facilities Grants

The Governor recommends a matching grant program to support site preparation, renovation, construction, and lease of Prekindergarten facilities for school districts and charter schools.

General	Expenditure	0	40,249	0	0
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Net General Fund Impact		0	0	1,000	1,100
Net Maximum Effort Fund Impact		0	1,000	100	100

Current Biennium: FY 2016-17 General Fund Budget

Governor's Revised #3 Supplemental Budget vs. February 2016 Forecast

(\$ in thousands)

	2-16 Fcst FY 2016-17	Gov Rev Rec FY 2016-17	\$ Change
<u>Actual & Estimated Resources</u>			
Balance Forward From Prior Year	2,103,017	2,103,017	0
Current Resources:			
Tax Revenues	40,439,203	40,439,203	0
Non-Tax Revenues	1,461,669	1,461,669	0
Subtotal - Non-Dedicated Revenue	41,900,872	41,900,872	0
Dedicated Revenue	1,000	1,000	0
Transfers In	316,942	316,942	0
Prior Year Adjustments	70,053	70,053	0
Subtotal - Other Revenue	387,995	387,995	0
Budget Changes - Taxes	0	(92,705)	(92,705)
Budget Changes - Non-Taxes	0	55,632	55,632
Subtotal-Current Resources	42,288,867	42,251,794	(37,073)
Total Resources Available	44,391,884	44,354,811	(37,073)
<u>Actual & Estimated Spending</u>			
E-12 Education	17,320,117	17,434,529	114,412
Higher Education	3,066,924	3,143,174	76,250
Property Tax Aids & Credits	3,351,415	3,397,695	46,280
Health & Human Services	11,933,778	12,075,964	142,186
Public Safety & Judiciary	2,145,944	2,210,680	64,736
Transportation	277,639	291,503	13,864
Environment & Agriculture	460,701	471,356	10,655
Jobs, Economic Development, Housing & Commerce	439,491	567,518	128,027
State Government & Veterans	1,023,683	1,078,177	54,494
Debt Service	1,239,580	1,194,404	(45,176)
Capital Projects & Grants	284,643	305,396	20,753
Other	0	33,480	33,480
Estimated Cancellations	(20,000)	(20,000)	0
Total Expenditures & Transfers	41,523,914	42,183,875	659,961
Balance Before Reserves	2,867,970	2,170,936	(697,034)
Cash Flow Account	350,000	350,000	0
Budget Reserve	1,596,522	1,596,522	0
Stadium Reserve	21,196	21,196	0
Budgetary Balance	900,252	203,218	(697,034)

Planning Estimates: FY 2018-19 General Fund Budget

Governor's Revised #3 Supplemental Budget vs February 2016 Forecast

(\$ in thousands)

	2-16 Fcst FY 2018-19	Gov Rev Rec FY 2018-19	\$ Change
<u>Actual & Estimated Resources</u>			
Balance Forward From Prior Year	2,867,970	2,170,936	(697,034)
Current Resources:			
Tax Revenues	44,058,837	44,058,837	0
Non-Tax Revenues	1,408,707	1,408,707	0
Subtotal - Non-Dedicated Revenue	45,467,544	45,467,544	0
Dedicated Revenue	1,000	1,000	0
Transfers In	164,092	164,092	0
Prior Year Adjustments	69,963	69,963	0
Subtotal - Other Revenue	235,055	235,055	0
Budget Changes - Taxes	0	(118,960)	(118,960)
Budget Changes - Non-Taxes	0	124,108	124,108
Subtotal-Current Resources	45,702,599	45,707,747	5,148
Total Resources Available	48,570,569	47,878,683	(691,886)
<u>Actual & Estimated Spending</u>			
E-12 Education	18,095,723	18,223,405	127,682
Higher Education	3,065,693	3,135,193	69,500
Property Tax Aids & Credits	3,453,827	3,450,197	(3,630)
Health & Human Services	14,255,313	14,672,181	416,868
Public Safety & Judiciary	2,152,441	2,221,524	69,083
Transportation	243,072	268,356	25,284
Environment & Agriculture	391,375	392,883	1,508
Jobs, Economic Development, Housing & Commerce	386,603	384,925	(1,678)
State Government & Veterans	1,014,403	1,042,799	28,396
Debt Service	1,206,667	1,272,147	65,480
Capital Projects & Grants	273,630	286,540	12,910
Estimated Cancellations	(20,000)	(20,000)	0
Total Expenditures & Transfers	44,518,747	45,330,150	811,403
Balance Before Reserves	4,051,821	2,548,532	(1,503,289)
Cash Flow Account	350,000	350,000	0
Budget Reserve	1,596,522	1,596,522	0
Stadium Reserve	24,300	24,300	0
Budgetary Balance	2,080,999	577,710	(1,503,289)