

Fiscal Analysis Department

Minnesota House of Representatives



ISSUE BRIEF

State General Fund Budget Situation February 2021

The latest state budget forecast for the state's general fund released by the Minnesota Management and Budget Department on February 26, 2021 projects a \$940 million balance for the current biennium and a \$1.571 billion positive balance for the FY 2022-23biennium. The FY 2022-23 balance includes the FY 2021 balance carried forward of \$940 million and is \$ 2.454 billion higher than the balance projected in the November 2020 forecast.

The Current Biennium – FY 2020-21

The November 2020 budget forecast projected a general fund balance of \$636 million for the current biennium ending June 30, 2021. That was reduced to \$394 million following actions in Special Session 7 in December. This forecast projects a \$940 million balance, \$546 million more than the projected FY 2020-21 balance after Special Session 7. This change is the net result of a revenue increase of 463 million and a spending decrease of \$83 million.

The following chart illustrates budget changes since the November 2020 forecast adjusted for Special Session 7 actions.

<u>FY 2020-21 General Fund Changes from November 2020 Forecast and SS 7</u>	
Change (Increase) in Revenues	\$ 463 million
Change (Decrease) in Spending	<u>83 million</u>
Net Change	\$940 million

The budget reserve has not changed since November and is at \$2.377 billion. In addition, the cash flow account is at \$350 million.

The following chart illustrates the general fund budget situation for FY 2020-21 after the February forecast.

Beginning Balance	\$3,971 million
Revenues and other Resources	47,563 million
Expenditures	- 47,786 million
Reserves	- <u>2,808 million</u>
Balance	\$ 940 million

Next Biennium – FY 2022-23

The 2021 legislature will be adopting a budget for the biennium beginning July 1, 2021 and ending June 30, 2023.

The February 2021 forecast projects that revenues for FY 2022-23 will exceed expenditures by \$260 million. When the projected FY 2020-21 balance is added to the FY 2022-23 numbers, the end of FY 2023 balance increases from -\$638 million in the November 2020 forecast to a positive \$1.571 billion in this forecast.

Revenues for the FY 2022-23 biennium have increased \$1.423 billion from the November 2020 forecast. All major tax revenues have increased. Total spending has decreased by \$455 million primarily because of lower projected spending in Health and Human Services and Education.

Expenditures for FY 2022 and 2023 are set at the same level as in FY 2021 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 2021 that are considered one time are not continued.

The following chart illustrates the changes since the November forecast.

FY 2023-23 General Fund Changes from November 2020 Forecast

Change (Increase) in Revenues	\$1,423 million
Change (Decrease) in Expenditures	<u>455 million</u>
Net Change	\$1,878 million

The following chart illustrates the general fund budget situation for FY 2022-23.

Balance Forward	\$940 million
Reserves Carried Forward	2,808 million
Revenues	50,917 million
Expenditures	- 50,657 million
Reserves	<u>- 2,437 million</u>
Balance	\$1,571 million

Expenditures for FY 2022-23 include no adjustment for inflation unless such an adjustment is specified in law. Applying inflation to state appropriations for FY 2022-23 at the rate of the consumer price index (CPI) would increase expenditures by another approximately \$1,042 billion.

The Following Biennium – FY 2024-25

When budget decisions are being made for the FY 2022-23 biennium, the implications of those decisions on revenues and expenditures for the FY 2024-25 biennium are tracked. In this forecast, projections for FY 2024-25 show revenues exceeding expenditures by \$845million for that biennium.

FY 2024-25 Revenues	\$54,287 million
FY 2024-25 Expenditures	<u>53,442 million</u>
Difference	\$845 million

This projected FY 2024-25 balance is \$1.397 billion more than it was in the November 2020 forecast projections.

For the complete February 2021 State Budget Forecast document, go to the link below on the MMB web site: <https://mn.gov/mmb-stat/000/az/forecast/2021/budget-and-economic-forecast/february-2021-forecast.pdf>

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