

Fiscal Analysis Department

Minnesota House of Representatives



ISSUE BRIEF

State General Fund Budget Situation February 2020

The latest budget forecast for the state's general fund, released by Minnesota Management and Budget on February 27, 2020, projects a \$1.513 billion positive balance for the current biennium. This forecast also projects a \$2.337 billion general fund positive balance for the FY 2022-23 biennium. The \$2.337 billion balance includes the \$1.513 billion balance from FY 2020-21.

The Current Biennium – FY 2020-21

The February 2020 state budget forecast projects a positive balance of \$1.513 billion for the biennium ending June 30, 2021. This is a increase of \$181 million from the \$1.332 billion balance projected in the November 2019 forecast.

The following chart illustrates the \$181 million budget change from the November 2019 forecast:

<u>FY 2020-21 General Fund Changes from the November 2019 Forecast</u>	
Change (Increase) in Revenues	\$96 million
Change (Decrease) in Expenditures	91 million
Change (Increase) in Reserves	<u>- 6 million</u>
Net Change	\$181 million

Several changes have occurred in revenues since the November 2019 forecast. Income tax revenues are down \$51million. Sales tax revenues are down \$81 million and corporate tax revenues are up \$217 million. Insurance gross earnings are up \$17 million. Cigarette and tobacco taxes are down \$13 million.

Projected general fund spending in elementary and secondary education is down \$99 million compared to the November 2019 estimates. Spending in health and human services is up \$5 million and spending in property tax aids and credits is up \$7 million.

The cash flow account remains at \$350 million and the budget reserve remains at \$2.359 billion. The stadium reserve increases from \$123.8 million to \$129.7 million because of increases in lawful gambling tax receipts..

The following chart illustrates the updated general fund budget situation for FY 2020-21.

Balance Carried Forward from FY 2019	\$ 1,421 million
Reserves Carried Forward from FY 2019	2,480 million
Appropriations Carried Forward from FY 2019	71 million
Revenues	48,752 million
Expenditures	- 48,373 million
Reserves	- <u>2,838 million</u>
Balance	\$ 1,513 million

The Next Biennium – FY 2022-23

The February 2020 forecast projects a positive balance of \$2.337 billion for the FY 2022-23 biennium. This compares to a projection of a positive \$1.919 billion balance in the November 2019 forecast. Changes from November are illustrated below. However, \$1.513 billion of the \$2.337 billion is the balance from FY 2021 carried forward.

FY 2022-23 General Fund Changes from November 2019

Change (Increase) in Revenues	\$ 24 million
Change (Decrease) in Expenditures	222 million
Change (Increase) in Reserves	- <u>15 million</u>
Net Change	\$231 million

Major revenue changes from the November 2019 forecast estimates include a decrease of \$36 million in projected income tax revenue, a decrease of \$96 million in sales tax revenue, and an increase of \$164 million in corporate tax revenue. Major expenditure changes from the November 2019 forecast are a reduction of \$234 million in education spending and an increase of \$12 million in health and human services spending.

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

Revenues	\$51,501 million
Expenditures	<u>51,036 million</u>
Balance	\$ 465 million
Additional Amounts to Stadium Reserve	- 133 million
To the General Fund from Budget Reserve	<u>491 million</u>
Balance	\$ 823 million

This \$823 million plus the FY 2020-21 balance of \$1.513 billion equals the cumulative balance of \$2.337 billion show in MMB documents as the FY 2022-23 balance.

The expenditure projections for FY 2022-23 include no general adjustment for inflation. A few expenditure programs do include inflation because that adjustment is specified in law. Adding an estimated amount to all other expenditures for inflation at the consumer price indicator (CPI) amounts would add approximately \$1.119 billion to the spending amounts.

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Major revenue changes from the November 2019 forecast estimates include a decrease of \$36 million in projected income tax revenue, a decrease of \$96 million in sales tax revenue, and an increase of \$164 million in corporate tax revenue. Major expenditure changes from the November 2019 forecast are a reduction of \$234 million in education spending and an increase of \$12 million in health and human services spending.

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

Revenues	\$51,501 million
Expenditures	<u>51,036 million</u>
Balance	\$ 465 million
Additional Amounts to Stadium Reserve	- 133 million
To the General Fund from Budget Reserve	<u>491 million</u>
Balance	\$ 823 million

This \$823 million plus the FY 2020-21 balance of \$1.513 billion equals the cumulative balance of \$2.337 billion show in MMB documents as the FY 2022-23 balance.

The expenditure projections for FY 2022-23 include no general adjustment for inflation. A few expenditure programs do include inflation because that adjustment is specified in law. Adding an estimated amount to all other expenditures for inflation at the consumer price indicator (CPI) amounts would add approximately \$1.119 billion to the spending amounts.

The complete Department of Finance February 2020 forecast document is at: <https://mn.gov/mmb-stat/000/az/forecast/2020/budget-and-economic-forecast/february-2020-forecast.pdf>

For more information, contact Bill Marx, Chief Fiscal Analyst, at 651-296-7176 or at bill.marx@house.mn



ISSUE BRIEF

State General Fund Budget Situation February 2020

The latest budget forecast for the state's general fund, released by Minnesota Management and Budget on February 27, 2020, projects a \$1.513 billion positive balance for the current biennium. This forecast also projects a \$2.337 billion general fund positive balance for the FY 2022-23 biennium. The \$2.337 billion balance includes the \$1.513 billion balance from FY 2020-21.

The Current Biennium – FY 2020-21

The February 2020 state budget forecast projects a positive balance of \$1.513 billion for the biennium ending June 30, 2021. This is an increase of \$181 million from the \$1.332 billion balance projected in the November 2019 forecast.

The following chart illustrates the \$181 million budget change from the November 2019 forecast:

<u>FY 2020-21 General Fund Changes from the November 2019 Forecast</u>	
Change (Increase) in Revenues	\$96 million
Change (Decrease) in Expenditures	91 million
Change (Increase) in Reserves	<u>- 6 million</u>
Net Change	\$181 million

Several changes have occurred in revenues since the November 2019 forecast. Income tax revenues are down \$51 million. Sales tax revenues are down \$81 million and corporate tax revenues are up \$217 million. Insurance gross earnings are up \$17 million. Cigarette and tobacco taxes are down \$13 million.

Projected general fund spending in elementary and secondary education is down \$99 million compared to the November 2019 estimates. Spending in health and human services is up \$5 million and spending in property tax aids and credits is up \$7 million.

The cash flow account remains at \$350 million and the budget reserve remains at \$2.359 billion. The stadium reserve increases from \$123.8 million to \$129.7 million because of increases in lawful gambling tax receipts..

The following chart illustrates the updated general fund budget situation for FY 2020-21.

Balance Carried Forward from FY 2019	\$ 1,421 million
Reserves Carried Forward from FY 2019	2,480 million
Appropriations Carried Forward from FY 2019	71 million
Revenues	48,752 million
Expenditures	- 48,373 million
Reserves	- <u>2,838 million</u>
Balance	\$ 1,513 million

The Next Biennium – FY 2022-23

The February 2020 forecast projects a positive balance of \$2.337 billion for the FY 2022-23 biennium. This compares to a projection of a positive \$1.919 billion balance in the November 2019 forecast. Changes from November are illustrated below. However, \$1.513 billion of the \$2.337 billion is the balance from FY 2021 carried forward.

FY 2022-23 General Fund Changes from November 2019

Change (Increase) in Revenues	\$ 24 million
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The complete Department of Finance February 2020 forecast document is at: <https://mn.gov/mmb-stat/000/az/forecast/2020/budget-and-economic-forecast/february-2020-forecast.pdf>

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