

Minnesota State Budget

Projected Budget Deficit and Budget Overview

January 13, 2010

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Office of Senate Counsel, Research and Fiscal Analysis*

Presentation Outline

- **Recap the November State Budget Forecast — General Fund**

- **Budget Overview**
 - “All Funds”
 - General Fund
 - Overview of largest budget areas (Education and HHS)

- **Budget Comparisons and Related Considerations**

The Role of Legislative Fiscal Staff

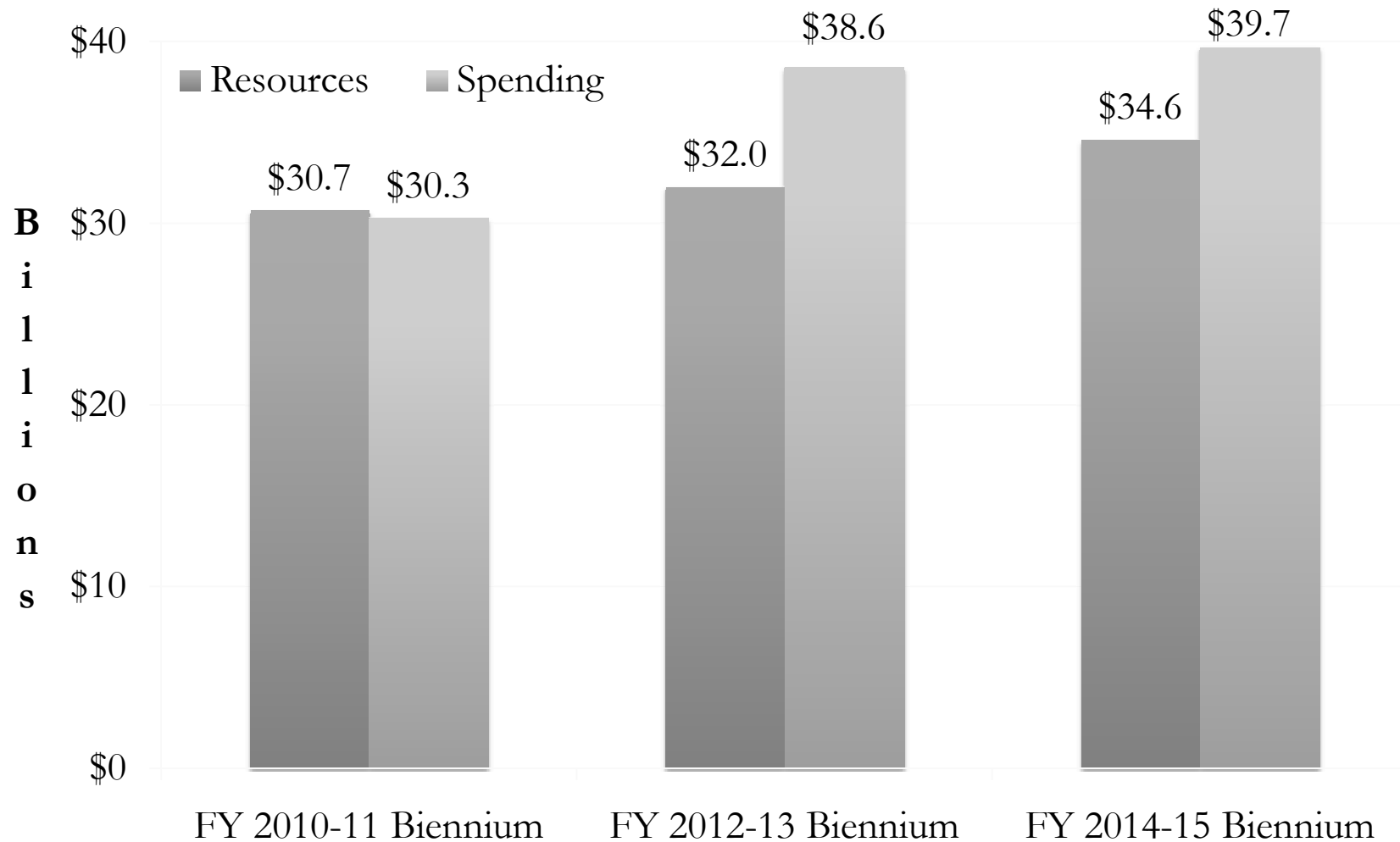
- Analyze spending and revenue proposals, including modeling of many proposed education and tax law changes.
- Request and interpret **Fiscal Notes** and **Revenue Estimates**; interface with state agencies to ascertain information in support of the policy process.
- Draft budgetary legislation.
- Track budget proposals and decisions using **Spreadsheets**.
- Support legislative oversight of enacted budgets.

General Fund Budget Forecast (November 2010)

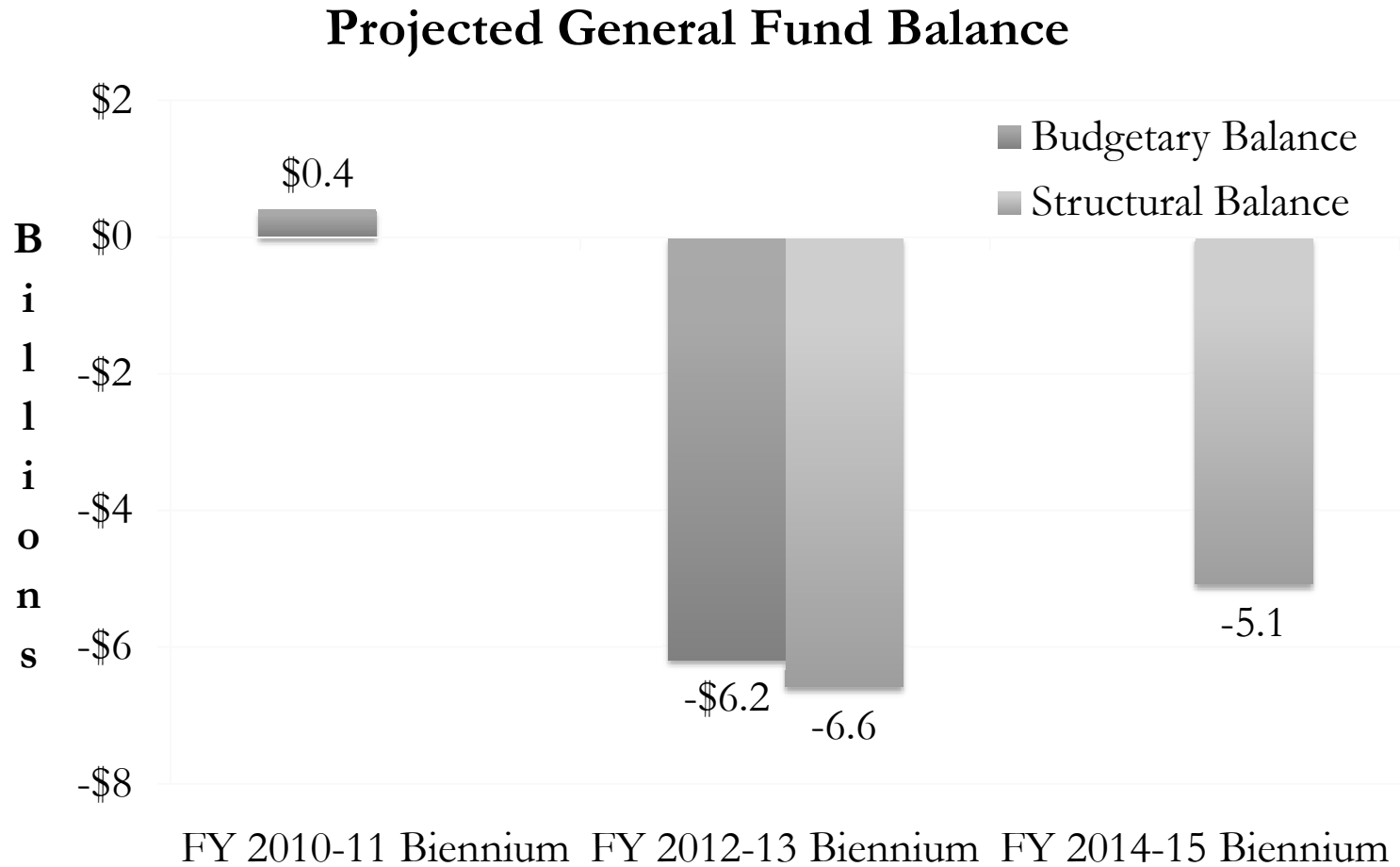
- **Current Biennium (FY 2010-11)** — \$399 million positive balance assumed to carryforward to FY 2012-13.
- **FY 2012-13** — \$6.2 billion deficit after carryforward.
- **Budget “Tails” (FY 2014-15)** — absent ongoing changes, a significant budget gap continues (\$5.1 billion).

General Fund Budget Forecast (November 2010)

Projected General Fund Resources & Spending



General Fund Budget Forecast (November 2010)



Structural Balance

Current Revenues compared to Current Spending

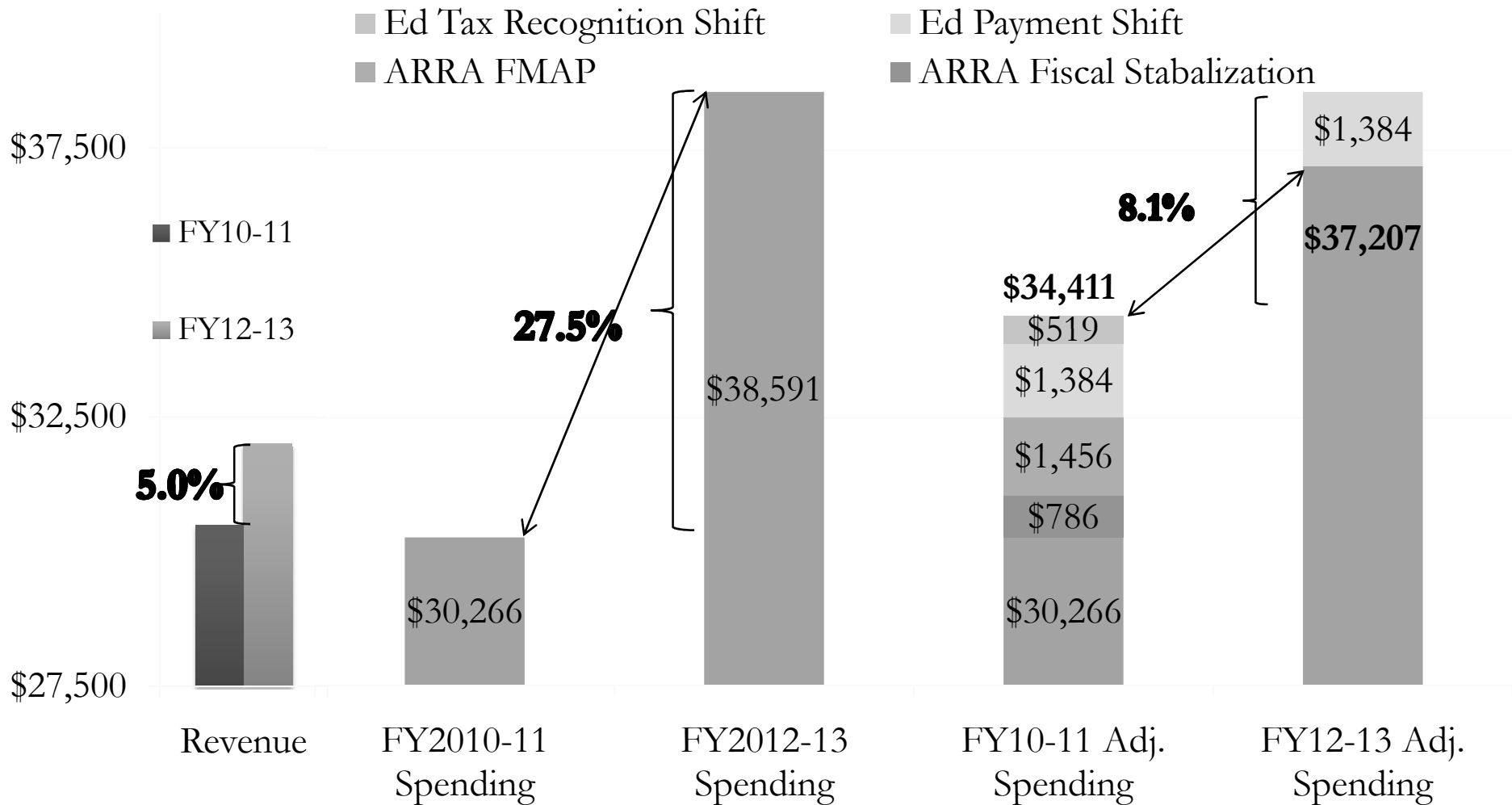
- Spending exceeds revenues.
- One-time solutions used to address ongoing budget gaps.

	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
Revenues	16,680	15,388	14,620	15,873	15,459	16,545	16,910	17,684
Spending	17,005	16,843	14,627	15,640	19,774	18,817	19,648	20,029
Difference	(325)	(1,455)	(7)	233	(4,315)	(2,272)	(2,738)	(2,345)
<i>Estimated Inflation</i>					336	703	1162	1651

November 2010 State Budget Forecast

General Fund Spending Increase: FY 2010-11 to FY 2012-13

Dollars in Thousands



General Fund Budget Deficit Compared to Projected Spending/Other States

- MN's \$6.2 billion deficit for FY 2012-13 is **16% of projected spending** (\$38.6 billion).
- 15 States report deficits for the current year (FY 2011); MN has a positive balance.
- At least 27 states report general fund deficits for FY 2012 or FY 2013, or both; a larger number of states are likely to have deficits but projections not available for some.

Minnesota's Budget Deficit for FY 2012-13 is Large Relative to Other States

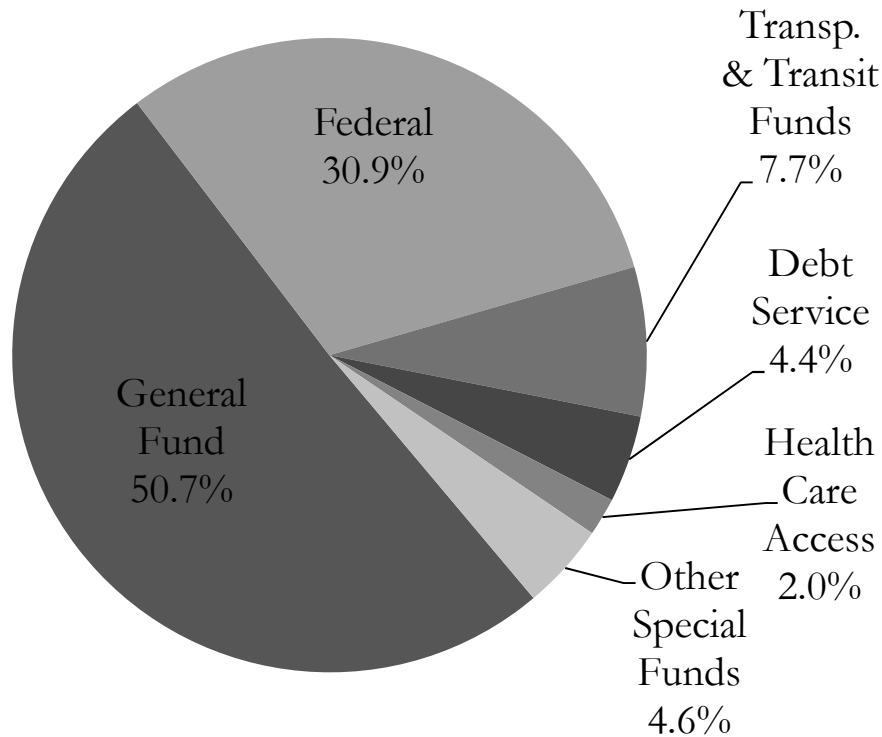
<u>Size of Deficit</u>	<u>FY 2012</u>	<u>FY 2013</u>
> 15%	NJ (26.0%), MN (21.8%) , NC (20.3%), CA (18.7%), ME (17.9%), MI (17.0%), CO (16.0%)	NY (20.4%), CA (20.2%), ME (16.3%), NC (15.4%),
10% - 15%	AZ (14.8%), NY (14.6%), WA (14.5%), ID (14.0%), OK (14.0%), MD (13.5%), CT (11.7%), NE (11.0%), MT (10.2%),	WA (14.5%), AZ (13.9%), MN (12.1%) , MD (11.8%), CT (11.6%), NE (11.0%),
< 10%	RI (9.2%), WI (9.2%), VT (8.6%), UT (7.5%), MA (6.0), KY (5.9%), IA (3.7%), TN (1.2%),	WI (9.6%), RI (9.5%), MT (8.5%), VT (5.5%), TN (0.6%),
No Deficit	AK, AR, IN, ND, OR, VA, WY	AK, AR, IN, ND, OR, WY
Unknown	DE, GA, IL, MS, MO, NV, NH, NM, OH, PA, SC, SD, TX, WV,	CO, DE, GA, ID, IL, IA, KY, MA, MI, MS, MO, NV, NH, NJ, NM, OH, OK, PA, SC, SD, TX, UT, VA, WV,

State Budget Structure

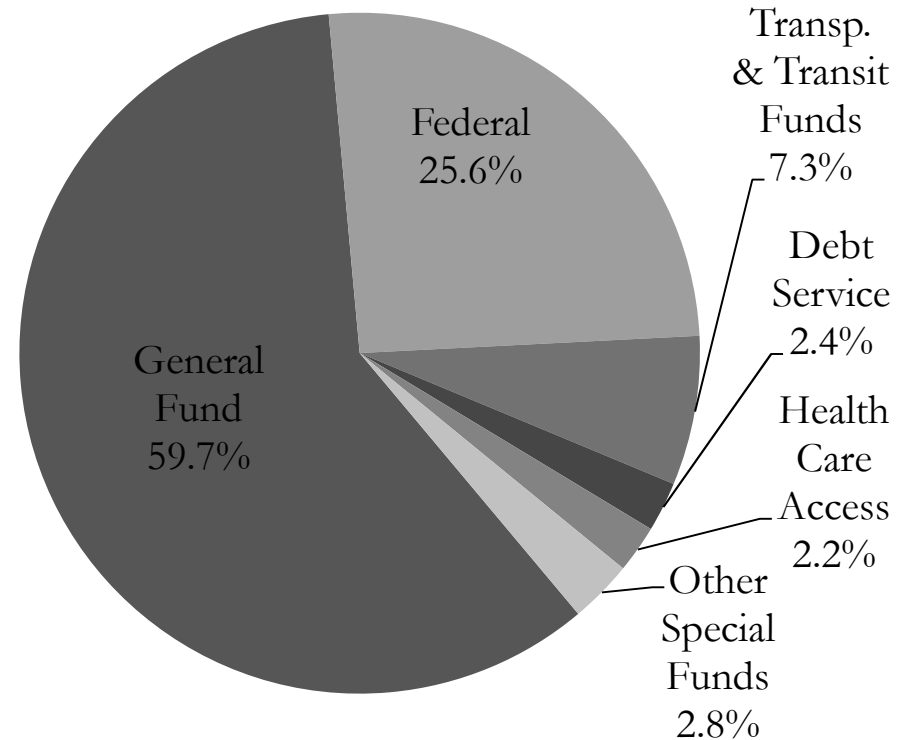
- Approximately 126 “Funds” established in law (funds may be created by Constitution or Statute).
- “**All Funds**” refers to the roughly 39 funds that support biennial operations.
- **General Fund** is largest fund; required to be balanced, tends to be the focus of budget deliberations and of public-media attention.
- Within Funds may be various Accounts, along with Programs, Activities, & lower levels of detail.

State Budget Structure; All Operating Funds

FY 2010-11 = \$59.7 Billion *



FY 2012-13 = \$64.7 Billion *

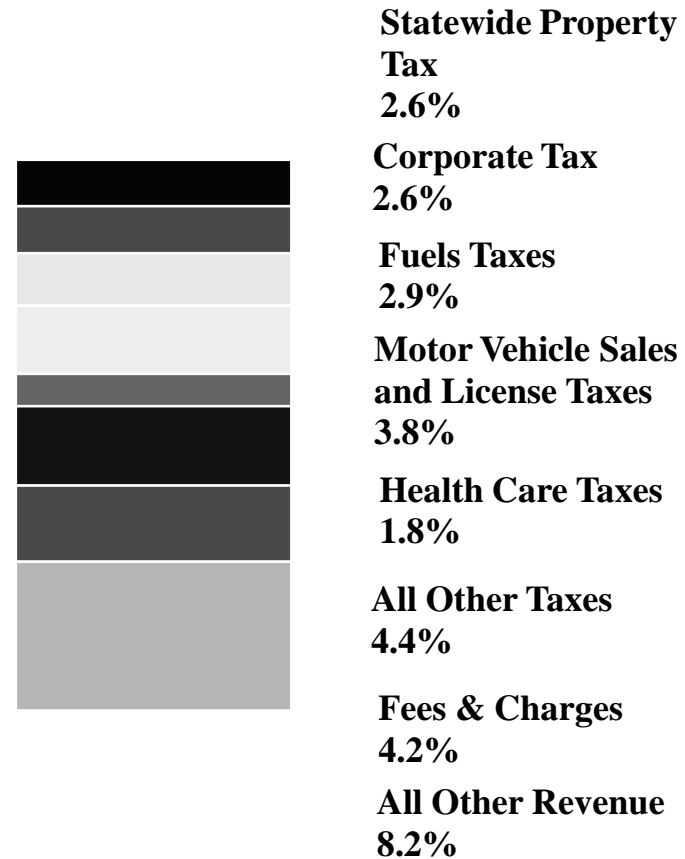
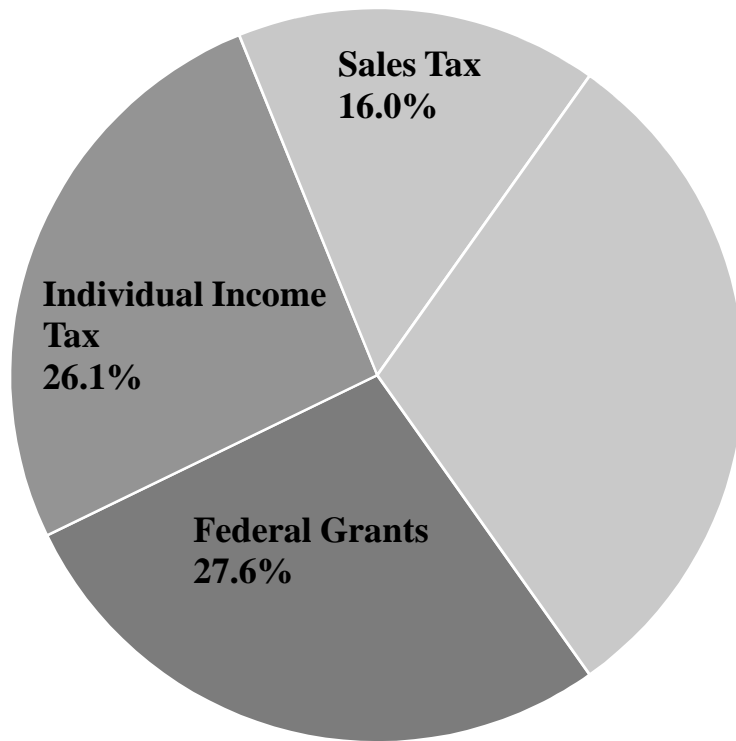


November 2010 Forecast

* Adjusting for the K-12 aid payment shift, which moves \$1.4 billion of spending from FY2010-11 into FY2012-13, All Funds spending would total 61.1 billion in FY 2010-11 and \$63.3 billion in FY 2012-13.

Where All Funds Dollars Come From?

\$60.2 Billion for FY 2012-13; 60% from State Taxes and 28% Federal Grants

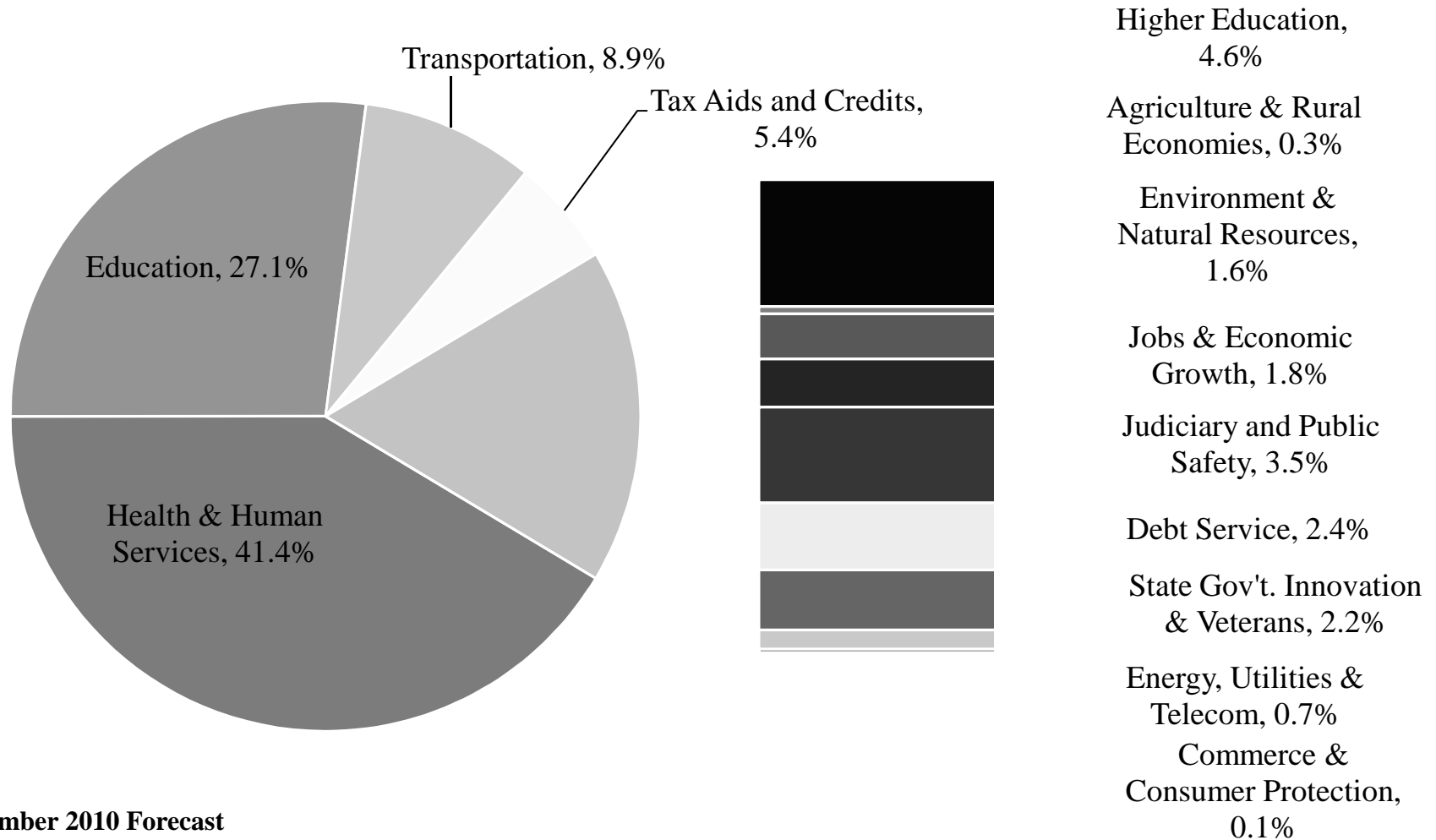


November 2010 Forecast

1/14/2011

All Funds Spending by Budget Area

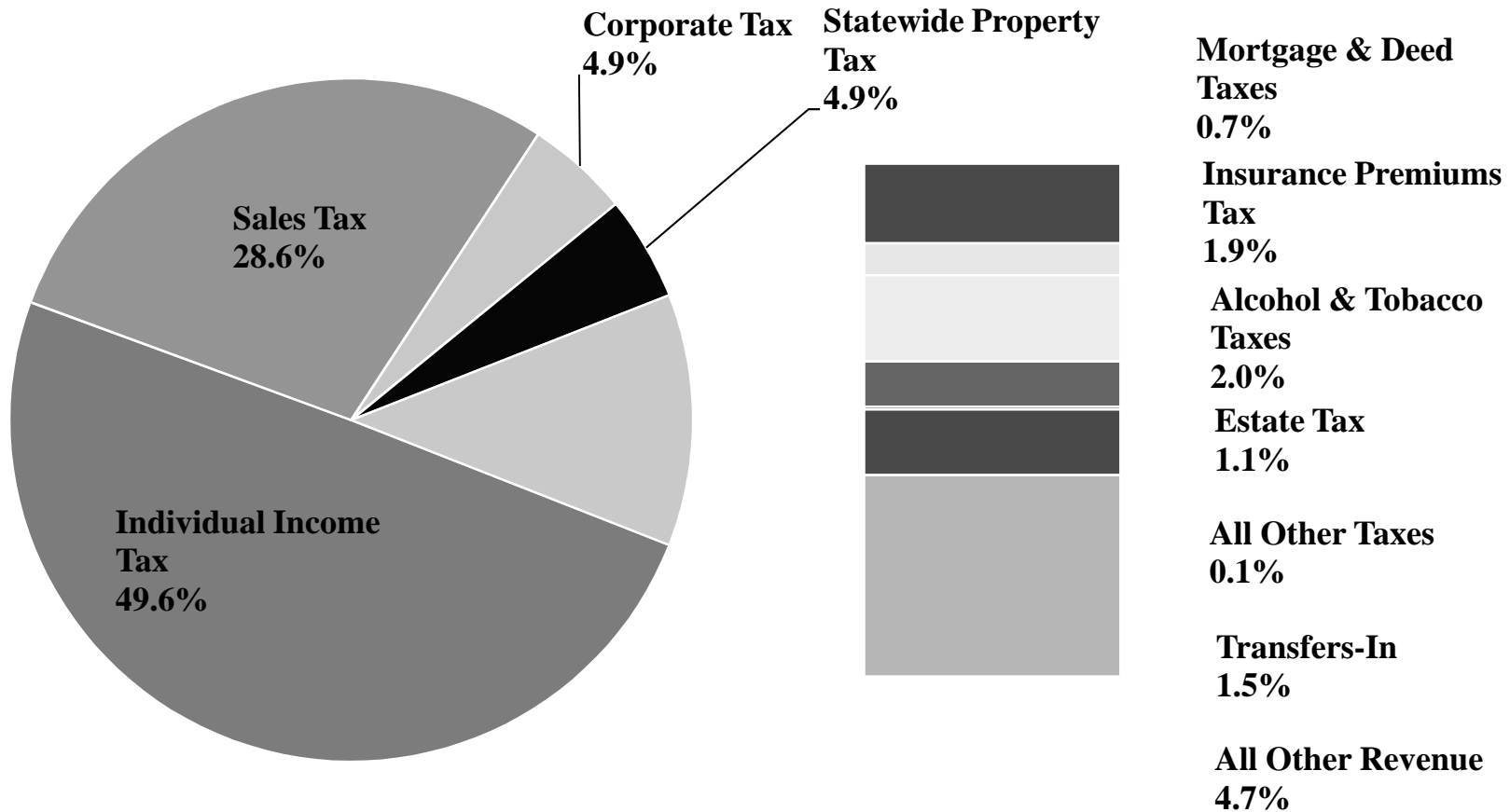
\$64.7 Billion for FY 2012-13



November 2010 Forecast

Where General Fund Dollars Come From?

\$32.0 Billion for FY 2012-13; 94% from Tax Revenues

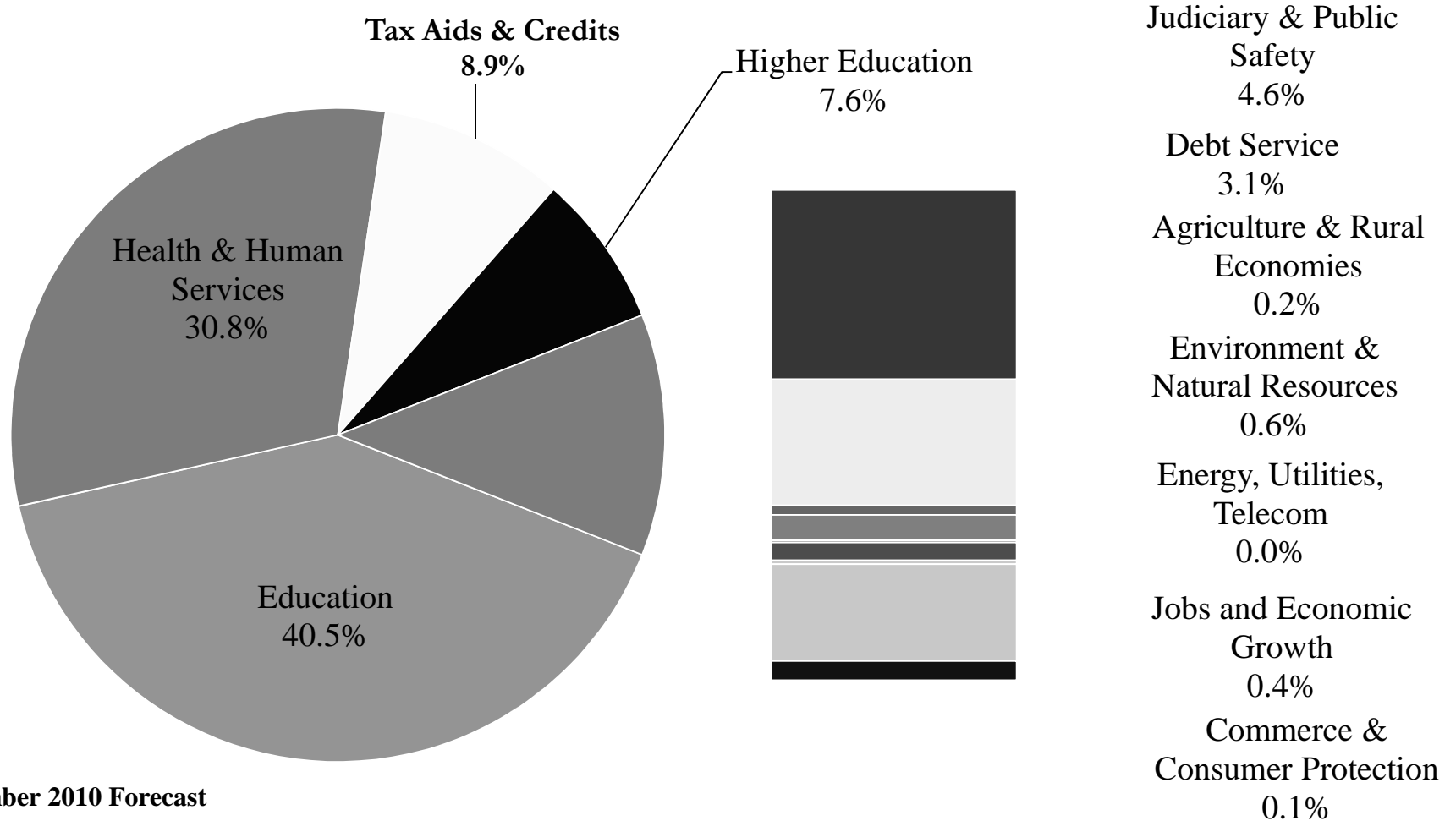


November 2010 Forecast

1/14/2011

General Fund Spending by Budget Area

\$38.6 Billion for FY 2012-13

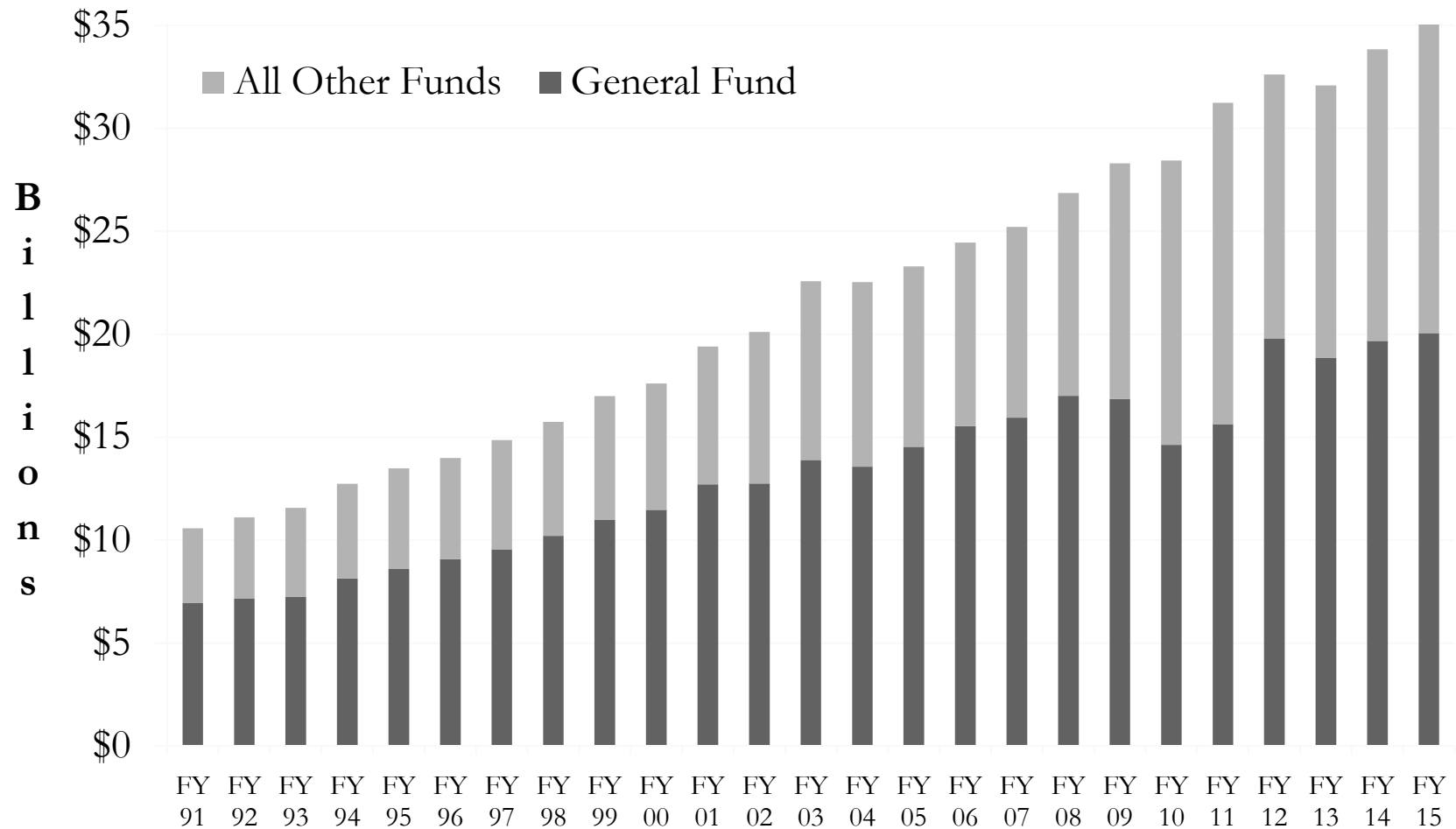


November 2010 Forecast

Trends in State Government Spending

State Spending Only in Nominal Dollars (Not adjusted for inflation or population)

Minnesota State Spending – All Funds by Fiscal Year



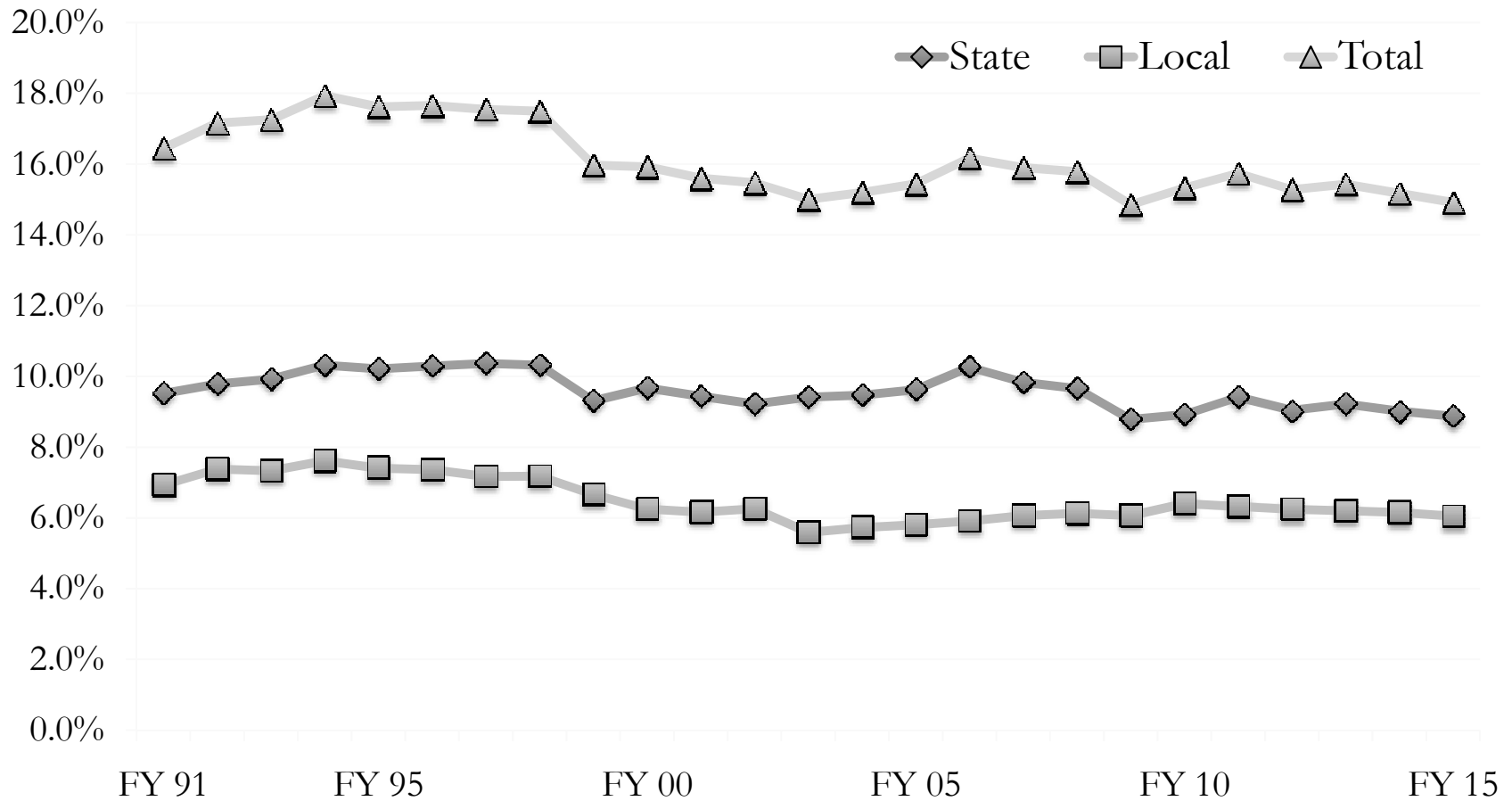
November 2010 Forecast

Trends in MN Government Revenue

MN Price of Government = State and Local Revenue / MN Personal Income

Minnesota Price of Government (POG)

End of 2010 Session Data



November 2010 Forecast

Related Budget Considerations

- About 40% of the All Funds Budget is Federal Funds or Constitutionally Dedicated State Funds.

- Declining balances for non-general funds.

- Federal maintenance-of-effort (MOE) and matching requirements exist in several areas, such as:
 - Health Care Programs funded state/federal share (limits on eligibility changes);
 - Minnesota Family Investment Program (MFIP) requires minimum match for federal TANF;
 - Special education funding; and
 - Certain license fees in non-general fund accounts.

Questions/Wrap-Up

For more budget information, contact the relevant Senate Fiscal Analyst; budget tracking spreadsheets and other materials available at www.senate.mn.

Agency profiles, base budget and forecast information available at www.mmb.state.mn.us.