

# Fiscal Analysis Department

## Minnesota House of Representatives

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### ISSUE BRIEF

#### State General Fund Budget Situation March 2009

*The latest state budget forecast for the state's general fund released by the Minnesota Management and Budget Department on March 4, 2009 projects a \$236 million balance for the current biennium and a \$4.57 billion negative balance for the FY 2010-11biennium. The FY 2010-11deficit is \$277 million less than projected in November. This forecast now builds in \$1.823 billion of federal Medicaid stimulus funds.*

#### The Current Biennium – FY 2008-09

The November 2008 budget forecast projected a general fund deficit of \$426 million for the current biennium ending June 30, 2009. That deficit was resolved under current law by using the remaining \$155 million in the budget reserve and by the Governor using the unallotment process to reduce appropriations by \$271 million. This forecast projects a FY 2008-09 balance of \$236 million. The \$236 million is the net result of a revenue reduction of \$228 million and federal Medicaid funding increases of \$464 million.

The following chart illustrates budget changes since the November 2008 forecast.

#### FY 2008-09 General Fund Changes from November 2008

Change (Decrease) in Revenues	- \$291 million
Change (Decrease) in Spending	+ 63 million
Change (Decrease) in Expenditures - Unallotment	+ 271 million
Change (Decrease) in Expenditures – Federal Stimulus	+ 464 million
Use of Budget Reserve	+ <u>155 million</u>
Net Change	+\$662 million

The following chart illustrates the general fund budget situation for FY 2008-09 after the February forecast.

Beginning Balance	\$ 1,242 million
Revenues and other Resources	32,233 million
Use of Reserves	653 million
Expenditures	<u>33,891 million</u>
Balance	\$ 236 million

A law enacted in the 2009 session allows the FY 2009 balance to carry forward into FY 2010 rather than be appropriated to the budget reserve. This law change is consistent with a requirement for additional federal Medicaid funds that are part of the federal stimulus package.

### Next Biennium – FY 2010-11

The 2009 legislature will be adopting a budget for the biennium beginning July 1, 2009 and ending June 30, 2011. In the November 2008 forecast, projected expenditures for the FY 2010-11 biennium exceeded projected revenues by \$4.847 billion. Expenditures for FY 2010 and 2011 are set at the same level as in FY 2009 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 2009 that were considered one time are not continued.

The following chart illustrates the changes since the November forecast.

<u>FY 2010-11 General Fund Changes from November 2008</u>	
Balance Forward from FY 2008-09	\$ 236 million
Change (Decrease) in Revenues	- 1,166 million
Change (Increase) in Expenditures	- 152 million
Change (Decrease) in Expenditures – Federal Stimulus	<u>1,359 million</u>
Net Change	\$ 277 million

Separate from the federal stimulus funding, the FY 2010-11 budget situation deteriorated \$1,318 million since the November forecast. Federal stimulus funds of \$1,359 million in FY 2010-11 plus \$236 million carried forward from FY 2008-09 allow the FY 2010-11 general fund situation to be \$277 million better than it was in November 2008.

The projected budget deficit for the FY 2010-11 biennium is \$4,570 million. The following chart illustrates the general fund budget situation for FY 2010-11.

Balance Forward from FY 2008-09	\$ 236 million
Revenues	30,700 million
Expenditures	<u>35,506 million</u>
Balance	- \$ 4,570 million

Expenditures for FY 2010-11 include no adjustment for inflation unless such an adjustment is specified in law. Applying inflation to state appropriations for FY 2010-11 at the rate of the consumer price index (CPI) would increase expenditures by another approximately \$170 million.

As the figures above show, this forecast builds in \$1,823 million (\$464 million in FY 2009 and \$1,359 million in FY 2010-11) of federal stimulus funds projected to be received by the state as a reimbursement for an additional portion of Medicaid expenditures. Without this federal stimulus funding, this forecast would be projecting a negative balance of \$6,393 million at the end of FY 2011.

**The Following Biennium – FY 2012-13**

When budget decisions are being made for the FY 2010-11 biennium, the implications of those decisions on revenues and expenditures for the FY 2012-13 biennium will be tracked. In this forecast, projections for FY 2012-13 show expenditures exceeding revenues by \$5,134 million for that biennium.

FY 2012-13 Revenues	\$ 34,244 million
FY 2012-13 Expenditures	<u>39,377 million</u>
Difference	- \$ 5,133 million

This projected FY 2012-13 deficit is \$529 million greater than it was in the November 2008 forecast projections.

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