

# Fiscal Analysis Department

## Minnesota House of Representatives

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### ISSUE BRIEF

#### State General Fund Budget Situation February 2010

*The latest budget forecast for the state's general fund, released by the Department of Finance on March 2, 2010, projects a \$994million deficit for the current biennium. This forecast also projects a \$5.789 billion general fund deficit for the FY 2012-13biennium.*

#### **The Current Biennium – FY 2010-11**

The February 2010 state budget forecast projects a negative balance of \$994.4 million for the biennium ending June 30, 2011. This February forecast decreases the projected deficit by \$208.3 million as compared to the November 2009 forecast projection of a negative balance of \$1.203 billion.

The following chart illustrates the \$208.3 million budget change from the November 2009 forecast:

<u>FY 2010-11 General Fund Changes from the November 2009 Forecast</u>	
Change (Increase) in Revenues	\$ 24.7 million
Change (Decrease) in Expenditures	<u>-183.6 million</u>
Net Change	\$ 208.3 million

Several changes have occurred in revenues since the November 2009 forecast. Income tax revenues are down \$47 million. Corporate taxes are \$127 million higher.

Projected general fund expenditures in the health and human services area are \$150million lower than the November 2009 estimates. \$83 million of the health and human services change is due to an increase in federal funding that lowers general fund spending. Projected K-12 Education expenditures are \$14 million lower than in the November 2009 estimates. Spending for property tax aids and credits is down \$15 million.

The budget reserve is at \$0, the cash flow account at \$350 million, both unchanged from the November forecast.

The following chart illustrates the updated general fund budget situation for FY 2010-11.

Beginning Balance	\$ 96.9 million
Revenues	30,011.2 million
Expenditures	<u>31,102.5 million</u>
Balance	-\$ 994.4 million

### Next Biennium – FY 2012-13

The February 2010 forecast projects a negative balance of \$5,789.0 million for the FY 2012-13 biennium. This compares to a projection of a negative \$5,426.3 million balance projected in the November 2009 forecast.

<u>FY 2012-13 General Fund Changes From November 2009</u>	
Change (Decrease) in Revenues	-\$312 million
Change (Increase) in Expenditures	<u>51 million</u>
Net Change	-\$363 million

Major revenue changes from the November 2009 forecast estimates include a reduction of \$194 million in projected income tax revenue. Revenues from fines and surcharges is projected to be \$30 million lower. Major expenditure changes from the November 2009 forecast include an increase of \$105 million in K-12 education expenditures and a decrease of \$39 million in health and human services expenditures.

These expenditure projections for FY 2012-13 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 expenditures for inflation at the consumer price indicator (CPI) amounts would add approximately \$1.181 billion to the spending amounts.

The following chart illustrates the general fund budget situation for FY 2012-13.

Revenues	\$32,906 million
Expenditures	<u>38,695 million</u>
Balance	-\$ 5,789 million
<i>Inflation (CPI rates)</i>	<u>1,181 million</u>
<i>Balance with inflation</i>	-\$ 6,970 million

The complete Department of Finance February 2010 forecast document is at:

<http://www.mmb.state.mn.us/doc/fu/10/complete-feb10.pdf>

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