

# Fiscal Analysis Department

## Minnesota House of Representatives

---



### ISSUE BRIEF

#### State General Fund Budget Situation February 2015

*The latest state budget forecast for the state's general fund released by the Minnesota Management and Budget Department on February 27, 2015 projects a \$476 million balance for the current biennium and a \$1.867 billion positive balance for the FY 2016-17 biennium. The FY 2016-17 balance includes the FY 2015 balance carried forward and is \$830 million higher than the balance projected in the November 2014 forecast.*

#### The Current Biennium – FY 2014-15

The November 2014 budget forecast projected a general fund balance of \$372.7 million for the current biennium ending June 30, 2015. This forecast projects an additional \$103.2 million bringing the projected FY 2014-15 balance to \$475.8 million. This change is the net result of a revenue increase of \$67.5 million, a spending decrease of \$37.5 million and an increase in the stadium reserve of \$1.8 million.

The following chart illustrates budget changes since the November 2014 forecast.

<u>FY 2014-15 General Fund Changes from November 2014</u>	
Change (Increase) in Revenues	\$ 67.5 million
Change (Decrease) in Spending	37.5 million
Change in (Increase) Stadium Reserves	- 1.8 million
Net Change	\$103.2 million

Unlike in the November forecast none of the projected balance is directed to the budget reserve.

The following chart illustrates the general fund budget situation for FY 2014-15 after the February forecast.

Beginning Balance	\$ 1,712 million
Revenues and other Resources	39,438 million
Expenditures	- 39,300 million
Reserves	- 1,374 million
<b>Balance</b>	<b>\$ 476 million</b>

**Next Biennium – FY 2016-17**

The 2015 legislature will be adopting a budget for the biennium beginning July 1, 2015 and ending June 30, 2017. The November 2014 forecast projected that revenues for the FY 2016-17 biennium will exceed expenditures by \$637.4 million.

The February forecast projects that revenues for FY 2016-17 will exceed expenditures by \$1,368.4 million. When the projected FY 2014-15 balance is added to the FY 2016-17 numbers, the end of FY 2017 balance increases from \$1,036.9 million to \$1,867.4 million.

Expenditures for FY 2016 and 2017 are set at the same level as in FY 2015 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 2015 that are considered one time are not continued.

The following chart illustrates the changes since the November forecast.

<u>FY 2016-17 General Fund Changes from November 2014</u>	
Change (Increase) in Revenues	\$616.5 million
Change (Decrease) in Expenditures	114.5 million
Change (increase) in Stadium Reserve	<u>- 5.4 million</u>
Net Change	+ \$725.6 million

The following chart illustrates the general fund budget situation for FY 2016-17.

Balance Forward	\$475.9 million
Revenues	42,496.8 million
Expenditures	- 41,128.4 million
Decrease in Stadium Reserve	<u>23.1 million</u>
Balance	\$1,867.4 million

Expenditures for FY 2016-17 include no adjustment for inflation unless such an adjustment is specified in law. Applying inflation to state appropriations for FY 2016-17 at the rate of the consumer price index (CPI) would increase expenditures by another approximately \$893 million.

### **The Following Biennium – FY 2018-19**

When budget decisions are being made for the FY 2016-17 biennium, the implications of those decisions on revenues and expenditures for the FY 2018-19biennium are tracked. In this forecast, projections for FY 2018-19 show revenues exceeding expenditures by \$3.184 billion for that biennium.

FY 2018-19 Revenues	\$ 46,265.6 million
FY 2018-19 Expenditures	<u>43,081.2 million</u>
Difference	\$ 3,184.4 million

This projected FY 2018-19 balance is \$433 million more than it was in the November 2014 forecast projections.

For the complete February 2015 State Budget Forecast document, go to:  
<http://www.mn.gov/mmb/images/Budget%2526Economic-Forecast-Feb2015.pdf>

*For more information, contact Bill Marx, Chief Fiscal Analyst, at 651-296-7176 or at [bill.marx@house.mn](mailto:bill.marx@house.mn)*