



## Office Memorandum

**Date:** April 13, 2015

**To:** Representative Kurt Daudt, Speaker of the House

Senator Tom Bakk, Senate Majority Leader

**From:** Commissioner Myron Frans 

**Phone:** (651) 201 -1811

**Subject:** Supplemental Budget Update #2

The purpose of this letter is to officially transmit an update to Governor Dayton's FY 2016-17 biennial budget recommendations, originally released on January 27<sup>th</sup> and revised on March 19<sup>th</sup>, 2015. The changes submitted today incorporate five general fund expenditure changes and one non-general fund revenue error correction.

The February 2015 forecast projects a \$1.867 billion available balance for the FY 2016-17 biennium. With this update, the Governor is proposing general fund spending changes that total \$1.662 billion, \$3.967 million higher than previously recommended.

The general fund impact of both the Governor's March 19<sup>th</sup> revisions and these revisions (April 13<sup>th</sup>) is summarized below. After changes, the available balance of \$8 million remains for the FY 2016-17 revised budget.

### FY 2016-17 General Fund Recommendations (\$ in millions)

	March 19 Budget	April 13 Budget	\$ Change
Beginning Balance	\$1,831	\$1,831	\$0
Forecast Revenues	42,497	42,497	0
<i>Recommended Tax Changes</i>	<i>(134)</i>	<i>(134)</i>	<i>0</i>
<i>Recommended Non-tax Changes</i>	<i>(44)</i>	<i>(44)</i>	<i>0</i>
Total Revenues	42,318	42,318	0
Forecast Expenditures	41,128	41,128	0
<i>Recommended Spending Changes</i>	<i>1,658</i>	<i>1,662</i>	<i>4</i>
Total Expenditures	42,786	42,790	4
Reserves	1,351	1,351	0
Ending Balance	\$ 12	\$ 8	\$(4)

## Supplemental Budget Changes

This update includes six changes to the Governor's FY 2016-17 biennial budget recommendations. These changes are detailed below:

1. Office of Higher Education. The Governor is withdrawing his recommendation for additional funding for tuition reciprocity. Upon further review, this recommendation is no longer needed. As a result, General Fund spending is reduced by \$5.2 million in FY 2016-17 and \$7.0 million in FY 2018-19.
2. Capital Projects. The Governor's April 7<sup>th</sup> capital budget recommendations have lower debt service costs than were anticipated in his earlier budget recommendations. As a result, General Fund spending is reduced by \$2.523 million in FY 2016-17 and \$2.526 million in FY 2018-19. In addition, the appropriations for debt service are revised to reflect \$88 million of appropriation bonds being paid for out of the General Fund and not the Debt Service Fund.
3. Office of Veteran Affairs. The Governor is recommending additional operating resources for the Department to maintain operations of the Veterans Homes. As a result, General Fund spending is increased by \$10.797 million in FY 2016-17 and \$13.169 million in FY 2018-19.
4. Department of Agriculture. The Governor is recommending additional resources for the Department's emergency response to the spread of H5N2, the highly pathogenic avian flu outbreak. As a result, General Fund spending is increased by \$514 thousand in FY 2016-17.
5. Board of Animal Health, the Governor is recommending additional resources for the Board's emergency response to the spread of H5N2, the highly pathogenic avian flu outbreak. As a result, General Fund spending is increased by \$379 thousand in FY 2016-17.
6. Department of Revenue. The Governor is correcting an error to the Compressed Natural Gas (CNG) Definition and Gasoline Equivalent Fix change item. As a result, revenues to the highway user tax distribution fund are reduced by \$10 thousand in FY 2016-17 and \$15 thousand in FY 2018-19.

Attached to this letter is a table detailing these changes by bill area. You will also find updated documents on the MMB website. Commissioners, agency staff, and MMB executive budget officers are prepared to answer any questions you may have on these changes.

### Attachment

cc: Senator Richard Cohen, Senate Finance Chair  
Senator David Hahn, Minority Leader  
Representative Jim Knoblach, House Ways and Means  
Representative Paul Thissen, Minority Leader  
Bill Marx, Chief House Fiscal Analyst  
Eric Nauman, Chief Senate Fiscal Analyst

# April 2015 Revised Governor's Supplemental Recommendations

## General Fund - Comparison to March 19 Governor's Recommendations

### **FY 2016-17 Expenditure Summary (Change from March 19 Recommendation)**

(\$ in Millions)

	<b>March 19 Budget</b>		<b>April 13 Budget</b>		<b>\$ Change</b>
Higher Education	\$ 3,181	\$	3,176	\$	(5)
Environment & Agriculture	360		361		1
State Government & Veterans	1,010		1,021		11
Debt Service	1,331		1,321		(10)
Capital Projects	271		278		7
All Other	36,633		36,633		-
<b>Total Expenditures</b>	<b>\$ 42,786</b>	<b>\$</b>	<b>42,790</b>	<b>\$</b>	<b>4</b>

### **FY 2018-19 Expenditure Summary (Change from March 19 Recommendation)**

(\$ in Millions)

	<b>March 19 Budget</b>		<b>April 13 Budget</b>		<b>\$ Change</b>
Higher Education	\$ 3,273	\$	3,266	\$	(7)
Environment & Agriculture	341		341		-
State Government & Veterans	1,016		1,029		13
Debt Service	1,315		1,299		(16)
Capital Projects	275		288		13
All Other	39,503		39,503		-
<b>Total Expenditures</b>	<b>\$ 45,723</b>	<b>\$</b>	<b>45,727</b>	<b>\$</b>	<b>4</b>