

# Fiscal Analysis Department

## Minnesota House of Representatives

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### ISSUE BRIEF

#### State General Fund Budget Situation February 2018

*The latest budget forecast for the state's general fund, released by Minnesota Management and Budget on February 28, 2018, projects a \$329 million positive balance for the current biennium. This is a \$517 million increase from the last forecast in November 2017. This forecast also projects a \$251 million general fund positive balance for the FY 2020-21 biennium.*

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

The February 2018 state budget forecast projects a positive balance of \$329 million for the biennium ending June 30, 2019. This is an increase of \$517 million from the -\$188 million balance projected in the November 2017 forecast.

The following chart illustrates the \$517 million budget change from the November 2017 forecast:

<u>FY 2018-19 General Fund Changes from the November 2017 Forecast</u>	
Change (Increase) in Revenues	\$353 million
Change (Decrease) in Expenditures	166 million
Change (Increase) in Reserves	<u>- 2 million</u>
Net Change	\$517 million

Several changes have occurred in revenues since the November 2017 forecast. Income tax revenues are up \$25 million. Sales tax revenues are up \$119 million and corporate tax revenues are up \$119 million. Estate taxes are up \$46 million. Cigarette and tobacco taxes are down \$44 million. Investment income is up \$20 million.

Projected general fund spending in health and human services is down \$245 million mostly due to the Children's Health Care Program (CHIP) now funded by the federal government. Spending in elementary and secondary education is down \$54 million compared to the November 2017 estimates. State Government spending is up \$116 million, \$114 million of that is due to appropriations for the House and Senate now enacted into law.

The cash flow account remains at \$350 million and the budget reserve remains at \$1.608 billion.

The following chart illustrates the updated general fund budget situation for FY 2018-19.

Beginning Balance Forward	\$ 995 million
Reserves Carried Forward	1,980 million
Appropriations Carried Forward	358 million
Revenues	44,801 million
Expenditures	- 45,789 million
Reserves	- <u>2,016 million</u>
Balance	\$ 329 million

### Next Biennium – FY 2020-21

The February 2018 forecast projects a positive balance of \$251 million for the FY 2020-21 biennium. This compares to a projection of a negative \$398 million balance projected in the November 2017 forecast. Changes from November are illustrated below.

<u>FY 2020-21 General Fund Changes from November 2017</u>	
Change (Increase) in Revenues	\$490 million
Change (Decrease) in Expenditures	<u>161 million</u>
Net Change	\$651 million

Major revenue changes from the November 2017 forecast estimates include a increase of \$196 million in projected income tax revenue, an increase of \$291 million in sales tax revenue, and a decrease of \$58 million in estate tax revenue. Major expenditure changes from the November 2017 forecast are a reduction of \$162 million in health and human service spending, a reduction of \$94 million in education spending and an increase of \$129 million in state government finance spending (almost all due to the House and Senate funding).

These expenditure projections for FY 2020-21 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 all expenditures for inflation at the consumer price indicator (CPI) amounts would add approximately \$1.224 billion to the spending amounts.

The following chart illustrates the general fund budget situation for FY 2020-21.

Revenues	\$48,136 million
Expenditures	<u>47,823 million</u>
Balance	\$ 313 million
Additional Amounts to Stadium Reserve	- 62 million
Balance	\$ 251 million
<i>Inflation (CPI rates)</i>	<u>1,224 million</u>
<i>Balance if inflation counted</i>	- \$ 973 million

The complete Department of Finance February 2018 forecast document is at:  
<https://mn.gov/mmb-stat/000/az/forecast/2018/budget-and-economic-forecast/final.pdf>

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