

# Fiscal Analysis Department

## Minnesota House of Representatives

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### ISSUE BRIEF

#### State General Fund Budget Forecast December 2018

*The latest budget forecast for the state's general fund released by the Minnesota Management and Budget Department on December 6, 2018 projects a \$720 million balance for the current biennium and a \$1.544 billion balance by the end of the FY 2020-21 biennium. This compares to May 2018 end of session projections for a \$288 million balance for the FY 2018-19 biennium and a \$419 million balance by the end of the FY 2020-21 biennium. Both of these FY 2020-21 numbers include carry forward of the FY 2018-19 balance.*

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

In May 2018, after the 2018 legislative session, the state was projected to end the FY 2018-19 biennium on June 30, 2019 with a general fund balance of \$288 million. Determination of this amount was based on revenues and expenditures from the February 2018 forecast with modifications for 2018 legislative enactments. The balance was higher than usual because a tax bill and a spending bill were not enacted during the 2018 session.

The November 2018 budget forecast projects a \$1,074 million balance for the general fund as of June 30, 2019. However, 33 percent of that total amount, or \$354 million, was allocated under current law to increase the budget reserve. The following chart illustrates budget changes since the May 2018 end of session estimates.

#### **FY 2018-19 General Fund Changes from End of 2018 Session**

End of Special Session Projected Balance	\$ 288 million
Change (increase) in Revenues from End of Session	609 million
Change (decrease) in Expenditures from End of Session	306 million
Pre-Forecast Changes (increase) in Budget Reserve	- 137 million
Change (decrease) in Stadium Reserve	<u>8 million</u>
Subtotal	\$1,074 million
Increase in Budget Reserve	<u>- 354 million</u>
<b>Balance</b>	<b>\$ 720 million</b>

The most significant revenue changes from the February forecast and end of the 2018 session numbers are a \$419 million increase in income tax revenue, a \$120 million decrease in sales tax revenue and a \$107 million increase in corporate income tax. Projected expenditures in health and

human services are down \$216 million, most of it due to changes in medical assistance. Spending for debt service is down \$26 million.

The following chart illustrates the overall general fund budget picture for FY 2018-19.

**FY 2018-19 Budget**

Beginning Balance	\$ 3,333 million
Revenues	45,410 million
Expenditures	- 45,549 million
Total Reserves	- <u>2,475 million</u>
<b>Balance</b>	<b>\$ 720 million</b>

**The Next Biennium – FY 2020-21**

The 2019 legislature will be setting a budget for the biennium beginning July 1, 2019 and ending June 30, 2021. At the end of the 2018 session, projected revenue for the FY 2020-21 biennium exceeded projected expenditures by \$194 million. (This amount, plus the balance from FY 2019 carried forward equaled the \$419 million balance projected for FY 2020-21.) Now FY 2020-21 projected revenues are expected to exceed projected expenditures by \$873 million, an increase of \$679 million. In determining the spending level, expenditures for FY 2020 and 2021 are set at the same level as in FY 2019 except (1) that appropriations for those programs where a formula or entitlement is set in law are adjusted to reflect that amounts needed to fund the formula or entitlement in law, and (2) appropriations are adjusted for inflation if such an adjustment is specified in law. Other expenditures for FY 2020-21 include no adjustment for inflation. Appropriations in FY 2019 that were considered one-time are not continued

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Change (Decrease) in Expenditures from End of Session	489 million
Change (Decrease) in Stadium Reserve	<u>14 million</u>
Total Changes	\$1,125 million

Major changes from the end of session estimates include a \$81 million increase in individual income tax revenue and a \$41 million increase in corporate tax revenue.

Health and human service spending is projected to be \$517 million less than the end of session estimates. Property tax aids and credits are up \$64 million.

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

**FY 2020-21 Budget**

FY 2017 Balance Carried Forward	\$ 3,194 million
Revenues	48,327 million
Expenditures	- 47,454 million
Total Reserves	- <u>2,523 million</u>
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### **The Following Biennium – FY 2020-21**

When budget decisions are being made for the FY 2020-21 biennium, the implications of those decisions on revenues and expenditures for the FY 2022-23 biennium will be tracked. In this forecast, projections for FY 2022-23 show revenues exceeding expenditures by \$456 million for that biennium. Expenditure numbers for FY 2022 and 2023 also are set at essentially the same level as in FY 2021 except that appropriations for those programs where a formula or entitlement is set in law are adjusted to reflect that amounts needed to fund the formula or entitlement in law. Expenditure estimates for FY 2022-23 do not include amounts for inflation unless those adjustments are required by law.

The following chart illustrates the overall general fund budget picture for FY 2022-23.

<b><u>FY 2022-23 Budget</u></b>	
FY 2022-23 Revenues	\$50,735 million
FY 2022-23 Expenditures	<u>50,279 million</u>
Difference	\$ 456 million

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**ISSUE BRIEF**

**State General Fund Budget Forecast**  
December 2018

*The latest budget forecast for the state's general fund released by the Minnesota Management and Budget Department on December 6, 2018 projects a \$720 million balance for the current biennium and a \$1.544 billion balance by the end of the FY 2020-21 biennium. This compares to May 2018 end of session projections for a \$288 million balance for the FY 2018-19 biennium and a \$419 million balance by the end of the FY 2020-21 biennium. Both of these FY 2020-21 numbers include carry forward of the FY 2018-19 balance.*

**The Current Biennium – FY 2018-19**

In May 2018, after the 2018 legislative session, the state was projected to end the FY 2018-19 biennium on June 30, 2019 with a general fund balance of \$288 million. Determination of this amount was based on revenues and expenditures from the February 2018 forecast with modifications for 2018 legislative enactments. The balance was higher than usual because a tax bill and a spending bill were not enacted during the 2018 session.

The November 2018 budget forecast projects a \$1,074 million balance for the general fund as of June 30, 2019. However, 33 percent of that total amount, or \$354 million, was allocated under current law to increase the budget reserve. The following chart illustrates budget changes since the May 2018 end of session estimates.

<b><u>FY 2018-19 General Fund Changes from End of 2018 Session</u></b>	
End of Special Session Projected Balance	\$ 288 million
Change (increase) in Revenues from End of Session	609 million
Change (decrease) in Expenditures from End of Session	306 million
Pre-Forecast Changes (increase) in Budget Reserve	- 137 million
Change (decrease) in Stadium Reserve	<u>8 million</u>
Subtotal	\$1,074 million
Increase in Budget Reserve	<u>- 354 million</u>
<b>Balance</b>	<b>\$ 720 million</b>

The most significant revenue changes from the February forecast and end of the 2018 session numbers are a \$419 million increase in income tax revenue, a \$120 million decrease in sales tax revenue and a \$107 million increase in corporate income tax. Projected expenditures in health and



human services are down \$216 million, most of it due to changes in medical assistance. Spending for debt service is down \$26 million.

The following chart illustrates the overall general fund budget picture for FY 2018-19.

**FY 2018-19 Budget**

Beginning Balance	\$ 3,333 million
Revenues	45,410 million
Expenditures	- 45,549 million
Total Reserves	- <u>2,475 million</u>
<b>Balance</b>	<b>\$ 720 million</b>

**The Next Biennium – FY 2020-21**

The 2019 legislature will be setting a budget for the biennium beginning July 1, 2019 and ending June 30, 2021. At the end of the 2018 session, projected revenue for the FY 2020-21 biennium exceeded projected expenditures by \$194 million. (This amount, plus the balance from FY 2019 carried forward equaled the \$419 million balance projected for FY 2020-21.) Now FY 2020-21 projected revenues are expected to exceed projected expenditures by \$873 million, an increase of \$679 million. In determining the spending level, expenditures for FY 2020 and 2021 are set at the same level as in FY 2019 except (1) that appropriations for those programs where a formula or entitlement is set in law are adjusted to reflect that amounts needed to fund the formula or entitlement in law, and (2) appropriations are adjusted for inflation if such an adjustment is specified in law. Other expenditures for FY 2020-21 include no adjustment for inflation. Appropriations in FY 2019 that were considered one-time are not continued

**FY 2020-21 General Fund Changes From End of 2018 Session**

Change (Increase) in Carry Forward from FY 2019	\$ 432 million
Change (Increase) in Revenues from End of Session	190 million
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Change (Decrease) in Stadium Reserve	<u>14 million</u>
Total Changes	\$1,125 million

Major changes from the end of session estimates include a \$81 million increase in individual income tax revenue and a \$41 million increase in corporate tax revenue.

Health and human service spending is projected to be \$517 million less than the end of session estimates. Property tax aids and credits are up \$64 million.

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

**FY 2020-21 Budget**

FY 2017 Balance Carried Forward	\$ 3,194 million
Revenues	48,327 million
Expenditures	- 47,454 million
Total Reserves	- <u>2,523 million</u>
<b>Balance</b>	<b>\$1,544 million</b>

### **The Following Biennium – FY 2020-21**

When budget decisions are being made for the FY 2020-21 biennium, the implications of those decisions on revenues and expenditures for the FY 2022-23 biennium will be tracked. In this forecast, projections for FY 2022-23 show revenues exceeding expenditures by \$456 million for that biennium. Expenditure numbers for FY 2022 and 2023 also are set at essentially the same level as in FY 2021 except that appropriations for those programs where a formula or entitlement is set in law are adjusted to reflect that amounts needed to fund the formula or entitlement in law. Expenditure estimates for FY 2022-23 do not include amounts for inflation unless those adjustments are required by law.

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<b><u>FY 2022-23 Budget</u></b>	
FY 2022-23 Revenues	\$50,735 million
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Difference	\$ 456 million

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