



State Expenditures – All Operating Funds

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The state of Minnesota's operating budget is organized into a number of funds. The operating budget includes the general fund and 40 other funds. Expenditures from all these funds must be authorized in legislation.

The General Fund is the State's Largest Operating Fund

Most discussions of state expenditures focus on the state general fund. However, many state expenditures are supported by appropriations from funds other than the general fund. The information in this paper includes expenditure data for all the state's operating funds including the general fund.¹ The general fund is the single largest operating fund and also the one that allows the most flexibility in spending. Most expenditures from funds other than the general fund are limited to certain purposes that are usually related to the source of the fund's revenues. All expenditures from all these funds must be authorized in law.² This authorization may be in the form of an annual direct appropriation (an appropriation enacted in legislation every two years or every year) or may be a standing or "statutory" appropriation in statute (such an appropriation is in permanent law and does not need to be re-enacted every two years to remain effective). This paper presents a complete picture of all the expenditures from the state's operating funds that are used for general government operations for the FY 2018-19 biennium.³

State Expenditures in All Funds Total \$83.6 Billion for the FY 2018-19 Biennium

State spending for the current biennium (fiscal years 2018 and 2019) is projected to be \$83.6 billion. Approximately 50.6 percent of that amount (\$42.3 billion) is spending from the general fund. General fund spending as a percent of the all operating funds budget has ranged between 48.9 percent and 53.9 percent over the most recent five biennia. General fund expenditures as a percent of total expenditures have been at their lowest levels in FY 2010-11 (48.9 percent) and FY 2016-17 (50.4 percent). Through the 2008-09 biennium general fund spending was about 60 percent of all funds spending. The lower percentages of general fund spending in subsequent years have been due to reductions in general fund spending that are greater than reductions in spending from other funds, an increase in federal fund spending because of the federal American Rehabilitation and Reinvestment Act (ARRA or federal stimulus) and increased federal spending due to the Affordable Care Act (ACA). The ARRA spending was at its highest levels in FY 2010 and 2011.

In addition to the general fund, expenditures are made from 40 other funds. Most other funds are dedicated funds or dedicated accounts in funds established for certain programs such as the trunk highway fund or the game and fish fund. Dedicated funds are those where revenues are from a specific source (such as hunting and fishing licenses for the game and fish fund) and expenditures are limited to specific purposes that are related to the revenue sources (improving wildlife habitat as an example for the game and fish fund). Some funds consist of many separate dedicated accounts (such as the special revenue fund) while others may have

¹ The operating funds are those that pay for ongoing state services, programs, and agencies. There are three other general categories of funds authorized in law but not included here as operating funds. Enterprise funds are for those operations that provide services to the public and are expected to recover the full costs of those services. The state bookstore and state lottery are examples. Internal service funds are for those operations that provide services to state agencies. Examples are computer services and printing. Fiduciary funds are authorized in law for functions for which the state has a trust responsibility. Examples include pension funds and the permanent school fund. Some fiduciary funds have expenditures that are included in the state's operating funds because a certain portion of the trust fund is available for expenditure each year. The permanent school fund is an example of this, interest earned each year is spent and is included in this all funds discussion.

² Minnesota Constitution, article XI, Section 1: "No money shall be paid out of the treasury of this state except in pursuance of an appropriation by law."

³ The data in this document is from the July 2018 End of Session Consolidated Fund Statement prepared by Minnesota Management and Budget.

only one account.

Federal funds that pass through the state treasury make up a major portion of the all funds budget. Federal funds account for 28.7 percent of the all funds expenditures for the FY 2018-19 biennium. The spending of federal funds is restricted to purposes allowed in federal law.

Figure 1 and Table 1 provide expenditure information by fund for the FY 2018-19 biennium. Approximately 20 smaller funds are grouped in the “other” category in the graph in Figure 1 but they are all listed separately in Table 1. Also, several transportation and transit related funds are grouped together into one category in Figure 1.

Figure 1

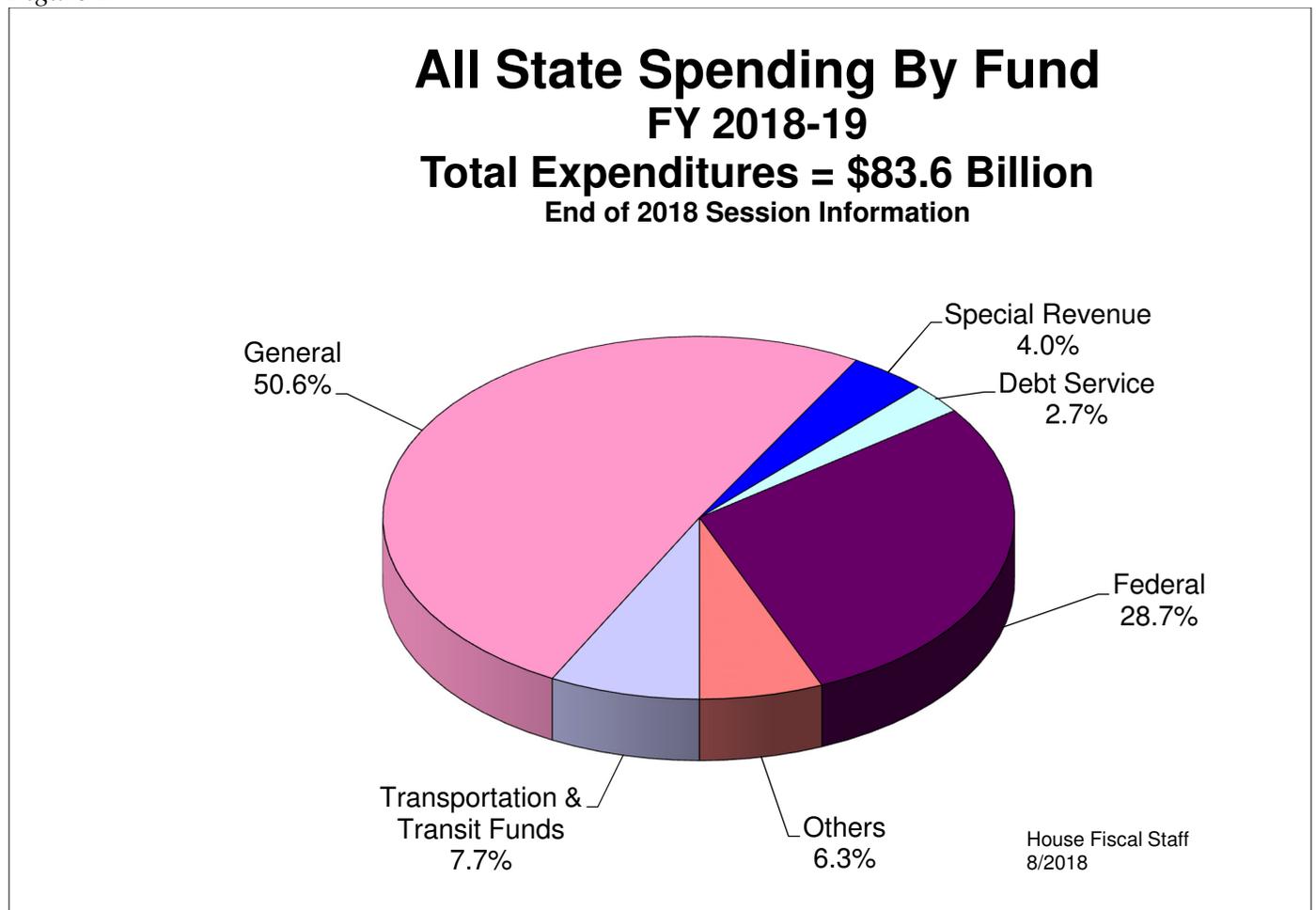


Table 1

Minnesota State Budget - All Operating Funds - Expenditures - Annual Comparison			
Dollars in thousands			
Data is from End of 2018 Session Information			
	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2018-19</u>
General Fund (adjusted for transfers)	20,893,236	21,364,956	42,258,192
Transit Assistance Fund	363,139	358,268	721,407
Medical Education Research Fund	78,841	78,841	157,682
State Government Special Revenue	57,986	58,577	116,563
Health Related Boards	28,446	26,627	55,073
Construction Codes	32,124	32,696	64,820
Oil Overcharge	0	0	0
911 Emergency	54,653	54,704	109,357
Special Revenue Fund	1,672,329	1,637,325	3,309,654
Agricultural Fund	41,563	41,347	82,910
Mn Environment & Nat Res Trust Fund	50,965	51,033	101,998
Natural Resources Fund	109,065	111,775	220,840
Game & Fish Fund	115,492	116,078	231,570
Outdoor Heritage Fund	184,004	115,881	299,885
Arts & Cultural Heritage Fund	60,579	66,036	126,615
Clean Water Fund	158,258	111,373	269,631
Parks & Trails Fund	52,742	47,775	100,517
Renewable Development Fund	19,160	4,800	23,960
Health Care Access Fund	520,233	571,124	1,091,357
Iron Range Resources & Rehabilitation Fund	23,352	25,000	48,352
NE Minnesota Economic Protection Fund	2,323	2,323	4,646
Workforce Development Fund	78,492	57,790	136,282
Municipal-State Aid Highway	197,081	198,380	395,461
County-State Aid Highway	776,576	792,594	1,569,170
Trunk Highway Fund	1,905,371	1,746,313	3,651,684
Highway User Tax Distribution Fund	12,794	12,824	25,618
State Airports Fund	36,610	21,659	58,269
Environmental Fund	80,253	80,833	161,086
Remediation Fund	167,861	42,534	210,395
Workers Compensation Special Fund	105,207	78,512	183,719
Federal Funds	11,687,625	11,911,955	23,599,580
Federal TANF Reserve Fund	203,486	206,250	409,736
Debt Service Fund	1,347,864	880,425	2,228,289
Stadium Debt Service Fund	29,993	30,158	60,151
Permanent School Endowment Fund	33,301	33,372	66,673
Other Funds and Transfers Out	710,268	700,577	1,410,845
Total Expenditures and Transfers	41,891,272	41,670,715	83,561,987
Percent that is General Fund			50.6%

Notes for Table 1:

1. General fund numbers may differ from other presentations because general fund appropriations that are transferred to other funds are shown as expenditures in those funds rather than the general fund in this presentation.
2. Some funds show \$0 in spending but may have unexpended balances or transactions that are handled as transfers to other funds. Spending would then occur from that other fund.

Several changes in the status of funds have occurred in recent years. The Renewable Development Fund was first created as a state fund in fiscal year 2018 as a result of legislation enacted in 2017. The stadium debt service fund began in FY 2014 for debt service payments for the professional football stadium.

Four funds were created by a 2008 constitutional amendment and first began operating in FY 2010. They are the Outdoor Heritage Fund, the Arts and Cultural Heritage Fund, the Clean Water Fund and the Parks and Trails Fund. These four funds together are referred to as the Legacy Funds.

Health and Human Services is the Largest Expenditure Program Area

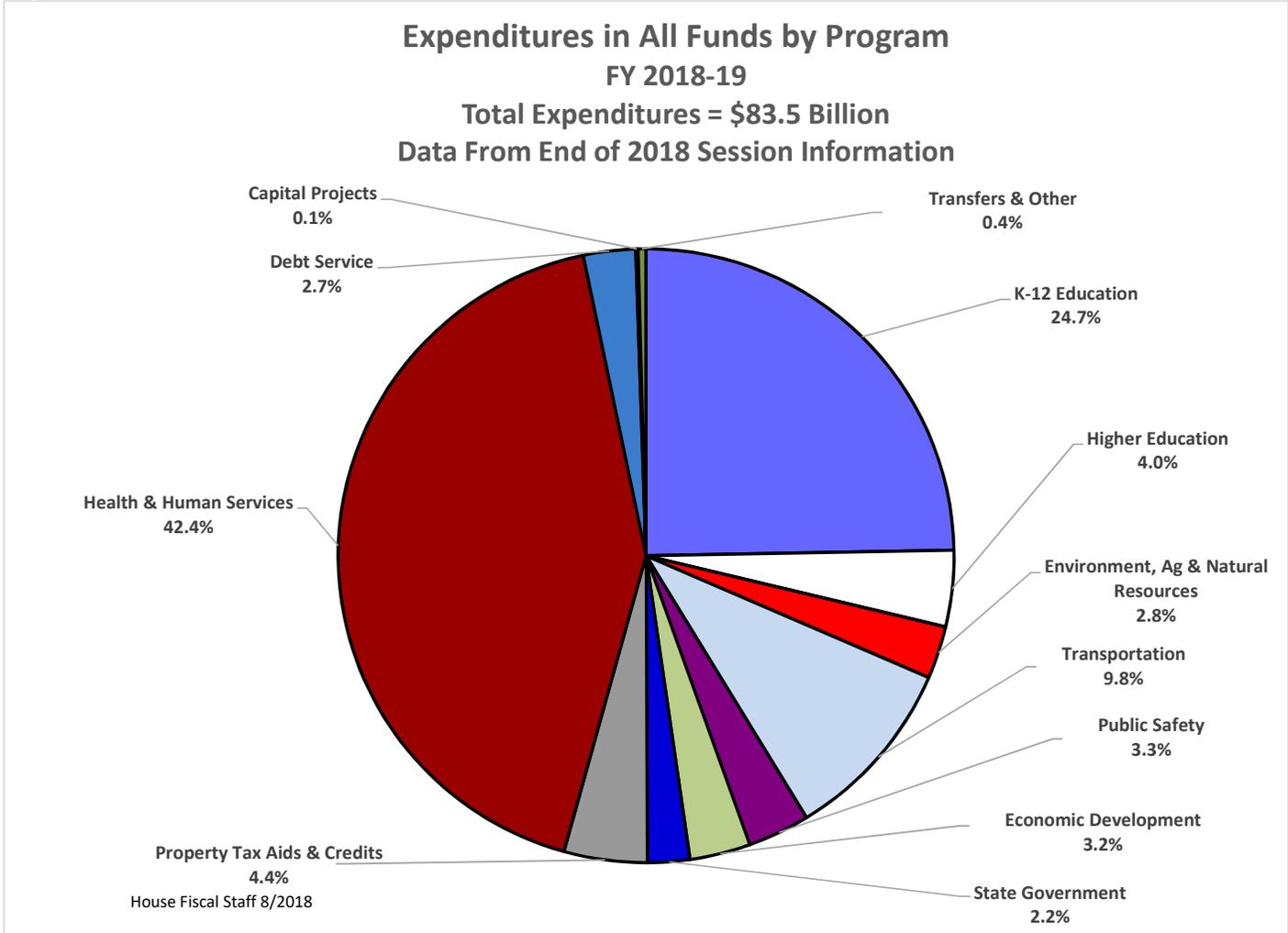
The previous information presented state operating expenditures organized by fund. Another way to organize these expenditures is by general program area. Figure 2 and Table 2 show information organized by program area.

The allocation of all state funds by program areas presents a different picture than the more familiar charts that show the general fund only spending. Health and Human Services spending at 42.4 percent of the total expenditures for FY 2018-19 is the largest program area. K-12 Education, which is the largest portion of general fund only spending, is the second largest area of the all funds expenditure budget at 24.7 percent for FY 2018-19. Health and Human Services makes up a larger share of the all funds budget compared to general fund only primarily because of a large amount of federal fund spending is in the Health and Human Services area.

Together, Health and Human Services spending and K-12 Education spending account for 67.1 percent of the all funds spending.

The area with perhaps the most noticeable difference in the all funds budget compared to the general fund only budget is transportation. Transportation spending makes up 9.8 percent of the all funds spending for FY 2018-19, but it is only 0.7 percent of the general fund spending for the same time period. Most transportation spending is from funds other than the general fund.

Figure 2



These comparisons use a general program structure and do not necessarily follow the specific fiscal committee account structure of the House of Representatives budget committees.

Table 2

Total Expenditures - All Funds				
Allocations by Program				
End of 2018 Session Fund Balance Data, Dollars in thousands				
	EOS 18 <u>FY 18</u>	EOS 18 <u>FY 19</u>	EOS 18 <u>FY 2018-19</u>	% of <u>Total</u>
K-12 Education	10,185,908.5	10,465,178.5	20,651,087.0	24.7%
Higher Education	1,695,821.0	1,661,117.0	3,356,938.0	4.0%
Environment, Ag & Natural Resou	1,297,990.7	1,011,132.4	2,309,123.0	2.8%
Transportation	4,175,862.3	3,991,956.3	8,167,818.7	9.8%
Public Safety	1,372,021.3	1,353,974.3	2,725,995.6	3.3%
Economic Development	1,353,285.0	1,309,108.0	2,662,393.0	3.2%
State Government	1,033,085.0	819,289.0	1,852,374.0	2.2%
Property Tax Aids & Credits	1,729,340.0	1,917,698.0	3,647,038.0	4.4%
Health & Human Services	17,505,297.3	17,949,463.3	35,454,760.7	42.4%
Debt Service	1,377,857.0	910,583.0	2,288,440.0	2.7%
Capital Projects	30,648.0	72,196.0	102,844.0	0.1%
Transfers & Other	<u>134,157.9</u>	<u>209,020.2</u>	<u>343,178.1</u>	0.4%
Total	41,891,274.0	41,670,716.0	83,561,990.0	100.0%

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Biennial Expenditure Increase is 12.0 Percent

State spending in all funds is projected to increase \$8.984 billion or 12.0 percent in the FY 2018-19 biennium over the FY 2016-17 biennium. This compares to a \$5.098 billion or 7.3 percent increase in the FY 2016-17 biennium over the FY 2014-15 biennium.

One factor to keep in mind is that for closed fiscal years (fiscal year 2017 and earlier in this case) these figures measure when amounts are spent, not when they are appropriated. An appropriation could be made for fiscal year 2017 but if there is authority to spend that appropriation in fiscal years later than 2017 the actual spending of that appropriation could be showing up in fiscal year 2017 or in later years.

General fund only spending in FY 2018-19, as shown in this analysis, is \$4.668 billion or 13.1 percent higher than in FY 2016-17.

Significant changes in other funds spending for FY 2018-19 include a \$3.069 billion or 14.9 percent increase in spending in the federal fund and a \$516 million or 16.4 percent increase in spending from the trunk highway fund. The increase in the federal fund is due largely to increases in federal funds for health care. The increase in the trunk highway fund can be attributed primarily to timing of transportation projects.

Figure 3 illustrates this information in a graph. In this graph information for the smaller funds is combined into an “other” category. Also, information on various transportation and transit funds is combined into one category.

Figure 3

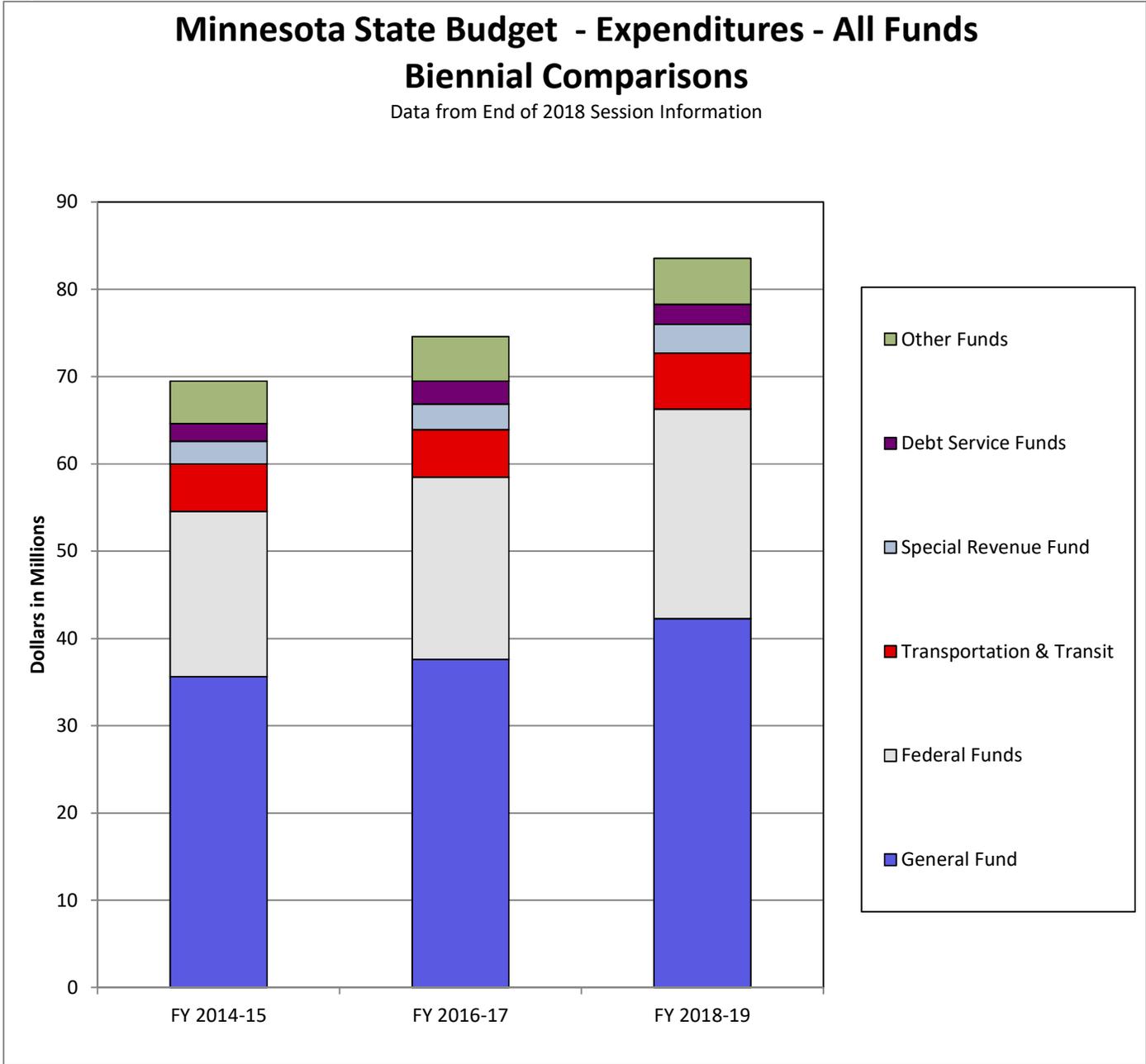


Table 3 provides a comparison by fund of expenditures for the FY 2018-19 biennium and the two previous biennia. This chart lists all funds. The Renewable Development Fund first existed in FY 2018.

Table 3

Minnesota State Budget - All Operating Funds - Expenditures - Biennial Comparison			
Dollars in thousands			
Data is from End of 2018 Session Information			
	<u>FY 2014-15</u>	<u>FY 2016-17</u>	<u>FY 2018-19</u>
General Fund (adjusted for transfers)	35,602,808	37,590,130	42,258,192
Transit Assistance Fund	564,279	638,127	721,407
Medical Education Research Fund	159,402	158,783	157,682
State Government Special Revenue	99,143	107,869	116,563
Health Related Boards	37,610	40,383	55,073
Construction Codes	52,694	56,597	64,820
Oil Overcharge	0	0	0
911 Emergency	81,201	87,305	109,357
Special Revenue Fund	2,610,765	2,908,716	3,309,654
Agricultural Fund	51,944	68,272	82,910
Mn Environment & Nat Res Trust Fund	70,768	80,924	101,998
Natural Resources Fund	184,942	190,936	220,840
Game & Fish Fund	205,075	221,874	231,570
Outdoor Heritage Fund	252,041	200,512	299,885
Arts & Cultural Heritage Fund	124,662	130,124	126,615
Clean Water Fund	191,064	242,312	269,631
Parks & Trails Fund	87,485	87,777	100,517
Renewable Development Fund			23,960
Health Care Access Fund	1,039,543	1,167,298	1,091,357
Iron Range Resources & Rehabilitation Fund	127,652	75,225	48,352
Workforce Development Fund	111,430	122,431	136,282
Gift Fund	13,771	11,438	12,846
Municipal-State Aid Highway	347,956	339,842	395,461
County-State Aid Highway	1,220,754	1,283,968	1,569,170
Trunk Highway Fund	3,218,730	3,136,175	3,651,684
Highway User Tax Distribution Fund	22,755	6,328	25,618
State Airports Fund	44,838	52,981	58,269
Environmental Fund	148,285	154,981	161,086
Remediation Fund	74,715	67,208	210,395
Workers Compensation Special Fund	170,391	162,889	183,719
Federal Funds	18,612,278	20,530,799	23,599,580
Federal TANF Reserve Fund	349,945	359,028	409,736
Debt Service Fund	1,958,129	2,582,207	2,228,289
Stadium Debt Service Fund	37,499	60,312	60,151
Permanent School Endowment Fund	49,808	58,775	66,673
Other Funds and Transfers Out	1,555,201	1,595,167	1,402,645
Total Expenditures and Transfers	69,479,563	74,577,693	83,561,987
Biennial Change	7,789,076 	5,098,130	8,984,294
Biennial Percentage Change	12.6% 	7.3%	12.0%

The Largest Annual Change was Between FY 2017 and FY 2018

Biennial change information compares expenditures for two fiscal years to another two year period. In some cases, a biennial comparison can obscure some of the changes that occur. Also, biennial change will usually be greater than annual change

Figure 4 and Table 4 show the all funds expenditure change information on an annual basis for a six year period ending in FY 2019. During this period the most substantial change in total state spending is between FY 2017 and FY 2018, an increase of \$4.167 billion or 11.0 percent. The change from FY 2014 to FY 2015 is an increase of \$2.233 billion or 6.6 percent and the change from FY 2015 to FY 2016 is an increase of \$998 million or 2.8 percent. The projected change from FY 2018 to FY 2019 is a decrease of \$220 million or decrease of 0.5 percent.

Figure 4

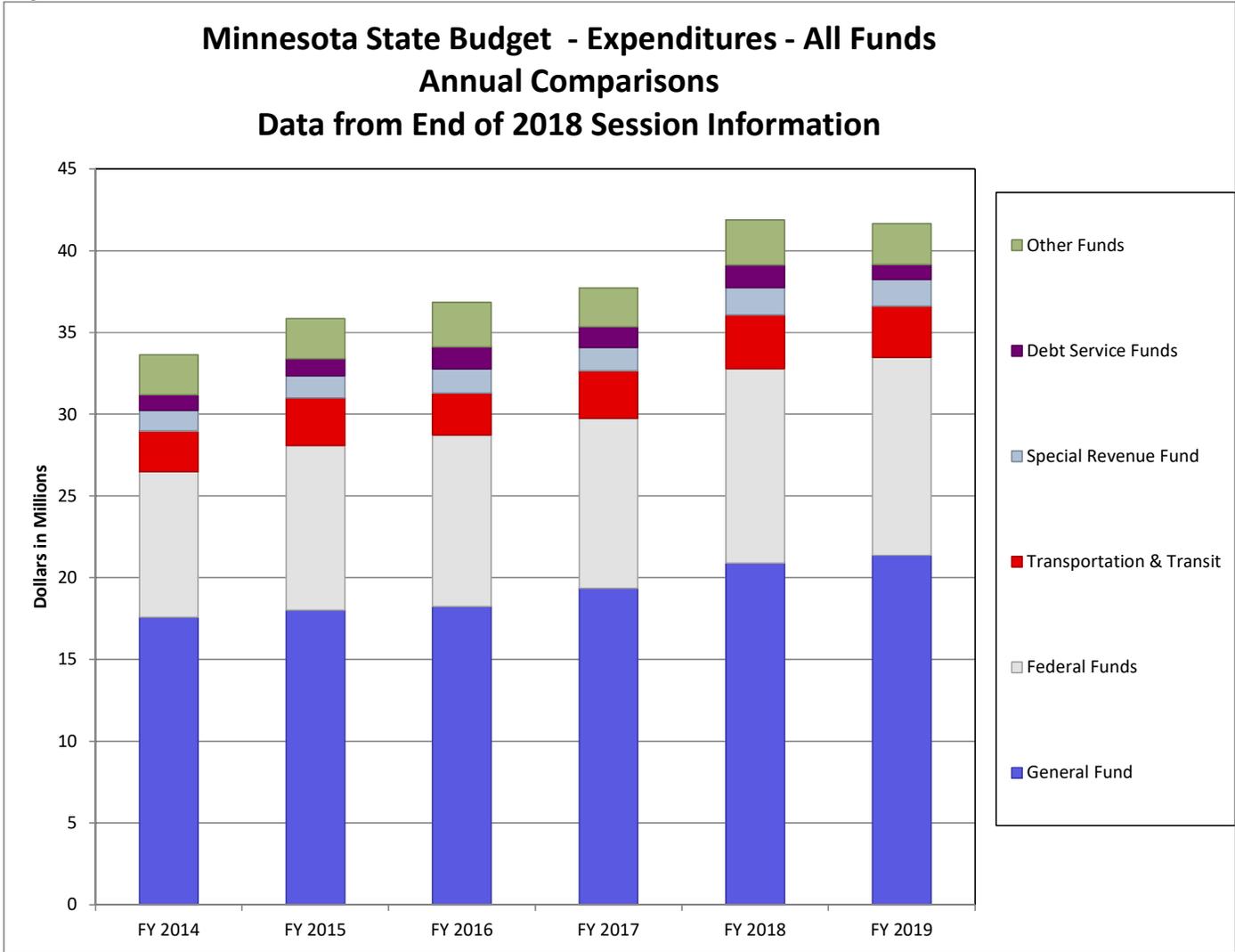


Table 4

Minnesota State Budget - All Operating Funds - Expenditures - Annual Comparison						
Dollars in thousands						
Data is from End of 2018 Session Information						
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
General Fund (adjusted for transfers)	17,580,727	18,022,081	18,245,310	19,344,820	20,893,236	21,364,956
Transit Assistance Fund	281,527	282,752	302,118	336,009	363,139	358,268
Medical Education Research Fund	79,788	79,614	79,942	78,841	78,841	78,841
State Government Special Revenue	45,885	53,258	53,983	53,886	57,986	58,577
Health Related Boards	17,720	19,890	19,098	21,285	28,446	26,627
Construction Codes	26,300	26,394	27,480	29,117	32,124	32,696
Oil Overcharge	0	0	0	0	0	0
911 Emergency	40,118	41,083	42,042	45,263	54,653	54,704
Special Revenue Fund	1,254,167	1,356,598	1,483,010	1,425,706	1,672,329	1,637,325
Agricultural Fund	24,981	26,963	31,860	36,412	41,563	41,347
Mn Environment & Nat Res Trust Fund	33,731	37,037	37,289	43,635	50,965	51,033
Natural Resources Fund	90,173	94,769	89,851	101,085	109,065	111,775
Game & Fish Fund	97,185	107,890	108,907	112,967	115,492	116,078
Outdoor Heritage Fund	119,255	132,786	108,645	91,867	184,004	115,881
Arts & Cultural Heritage Fund	57,802	66,860	66,691	63,433	60,579	66,036
Clean Water Fund	84,120	106,944	108,999	133,313	158,258	111,373
Parks & Trails Fund	44,542	42,943	44,181	43,596	52,742	47,775
Renewable Development Fund					19,160	4,800
Health Care Access Fund	503,276	536,267	801,572	365,726	520,233	571,124
Iron Range Resources & Rehabilitation Fund	79,385	48,267	32,743	42,482	23,352	25,000
NE Minnesota Economic Protection Fund	29,989	6,686	22,180	2,429	2,323	2,323
Workforce Development Fund	52,122	59,308	65,043	57,388	78,492	57,790
Municipal-State Aid Highway	164,091	183,865	187,988	151,854	197,081	198,380
County-State Aid Highway	559,755	660,999	631,544	652,424	776,576	792,594
Trunk Highway Fund	1,461,290	1,757,440	1,400,914	1,735,261	1,905,371	1,746,313
Highway User Tax Distribution Fund	11,014	11,741	2,962	3,366	12,794	12,824
State Airports Fund	20,312	24,526	29,073	23,908	36,610	21,659
Environmental Fund	69,861	78,424	76,144	78,837	80,253	80,833
Remediation Fund	37,588	37,127	34,706	32,502	167,861	42,534
Workers Compensation Special Fund	88,230	82,161	82,723	80,166	105,207	78,512
Federal Funds	8,724,108	9,888,170	10,317,099	10,213,700	11,687,625	11,911,955
Federal TANF Reserve Fund	175,420	174,525	166,696	192,332	203,486	206,250
Debt Service Fund	951,455	1,006,674	1,334,383	1,247,824	1,347,864	880,425
Stadium Debt Service Fund	7,347	30,152	30,154	30,158	29,993	30,158
Permanent School Endowment Fund	23,958	25,850	28,045	30,730	33,301	33,372
Other Funds and Transfers Out	786,064	746,233	760,330	821,666	710,268	700,577
Total Expenditures and Transfers	33,623,286	35,856,277	36,853,705	37,723,988	41,891,272	41,670,715
Percent that is General Fund						
Annual Change	1,455,702	2,232,991	997,428	870,283	4,167,284	-220,557
Annual Percentage Change	4.5%	6.6%	2.8%	2.4%	11.0%	-0.5%
Note: General fund numbers may differ from other comparisons because general fund appropriations that are transfers to other funds are shown as expenditures from the other fund rather than in the general fund.						

There are substantial changes in spending of some of the funds from year to year. Some of that is due to unique circumstances. Debt service spending changes show up as substantially higher in some years because bond refinancing affect the amount of spending. Spending change can also be affected by authorized spending for one year being carried forward to a future year. It is likely that some of the spending currently shown in FY 2018 will be carried forward into a later year when final FY 2018 data is available.

Caution needs to be exercised about comparisons from the tables in this paper, particularly of the general fund amounts. Transfers from one fund to another are shown as expenditures from the fund from which the actual expenditure was made. As an example, an amount is transferred from the general fund to the debt service fund every year to make principal and interest payments on state general obligation bonds. On charts showing expenditures from the general fund, an amount is usually shown for debt service. However, since the actual expenditure for debt service is made from the debt service fund after the amount is transferred from the general fund, the charts in this all funds document show this debt service payment as an expenditure from the debt service fund. The information in this paper should not be used to look at the general fund separate from other funds.

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