

Fiscal Analysis Department

Minnesota House of Representatives



ISSUE BRIEF

State General Fund Budget Situation February 2019

The latest state budget forecast for the state's general fund released by the Minnesota Management and Budget Department on February 28, 2019 projects a \$563 million balance for the current biennium and a \$1.052 billion positive balance for the FY 2020-21 biennium. The FY 2020-21 balance includes the FY 2019 balance carried forward and is \$492 million lower than the balance projected in the November 2018 forecast.

The Current Biennium – FY 2018-19

The November 2018 budget forecast projected a general fund balance of \$720 million for the current biennium ending June 30, 2019. This forecast projects \$157 million less reducing the projected FY 2018-19 balance to \$563 million. This change is the net result of a revenue decrease of \$198 million and a spending decrease of \$41 million.

The following chart illustrates budget changes since the November 2018 forecast.

<u>FY 2018-19 General Fund Changes from November 2018 Forecast</u>	
Change (Decrease) in Revenues	- \$ 198 million
Change (Decrease) in Spending	<u>41 million</u>
Net Change	- \$157 million

Unlike in the November forecast none of the projected balance is directed to the budget reserve. The budget reserve has not changed since November and is still at \$2.075 billion. In addition, the cash flow account is at \$350 million.

The following chart illustrates the general fund budget situation for FY 2018-19 after the February forecast.

Beginning Balance	\$3,333 million
Revenues and other Resources	45,212 million
Expenditures	- 45,508 million
Reserves	<u>- 2,475 million</u>
Balance	\$ 563 million

Next Biennium – FY 2020-21

The 2019 legislature will be adopting a budget for the biennium beginning July 1, 2019 and ending June 30, 2021. The November 2018 forecast projected that revenues for the FY 2020-21 biennium will exceed expenditures by \$873 million.

The February 2019 forecast projects that revenues for FY 2020-21 will exceed expenditures by \$538 million. When the projected FY 2018-19 balance is added to the FY 2020-21 numbers, the end of FY 2021 balance decreases from \$1,545 million in the November 2018 forecast to \$1,052 million in this forecast.

Revenues for the FY 2020-21 biennium have decreased \$386 million from the November forecast. Individual income tax and sales tax revenue has decreased, corporate tax revenue has increased. Total spending has decreased slightly.

Expenditures for FY 2020 and 2021 are set at the same level as in FY 2019 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 2019 that are considered one time are not continued.

The following chart illustrates the changes since the November forecast.

<u>FY 2020-21 General Fund Changes from November 2018 Forecast</u>	
Change (Decrease) in Revenues	- \$386 million
Change (Decrease) in Expenditures	<u>51 million</u>
Net Change	- \$335 million

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

Balance Forward	\$563 million
Reserves Carried Forward	2,475 million
Revenues	47,941 million
Expenditures	- 47,403 million
Reserves	<u>- 2,523 million</u>
Balance	\$1,052 million

Expenditures for FY 2020-21 include no adjustment for inflation unless such an adjustment is specified in law. Applying inflation to state appropriations for FY 2020-21 at the rate of the consumer price index (CPI) would increase expenditures by another approximately \$1,097 million.

The Following Biennium – FY 2022-23

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 are tracked. In this forecast, projections for FY 2022-23 show expenditures exceeding revenue by \$11 million for that biennium.

FY 2022-23 Revenues	\$ 50,192 million
FY 2022-23 Expenditures	<u>50,203 million</u>
Difference	- \$11 million

This projected FY 2022-23 balance is \$467 million less than it was in the November 2018 forecast projections.

For the complete February 2019 State Budget Forecast document, go to the link below on the MMB web site:

<https://mn.gov/mmb-stat/000/az/forecast/2019/budget-and-economic-forecast/final-report.pdf>

For more information, contact Bill Marx, Chief Fiscal Analyst, at 651-296-7176 or at bill.marx@house.mn