



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 36 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 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.³

State Expenditures in All Funds Total \$71.3 Billion for the Biennium

State spending for the current biennium (fiscal years 2016 and 2017) is projected to be \$77.0 billion. Approximately 49.8 percent of that amount (\$38.3 billion) is spending from the general fund. General fund spending as a percent of the all operating funds budget has been between 48.9 percent and 58.8 percent over the past 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 (49.8 percent). The lower percentages of general fund spending 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 36 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 only one account.

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 2016 End of Session Consolidated Fund Statement prepared by Minnesota Management and Budget.

Federal funds that pass through the state treasury make up a major portion of the all funds budget. Federal funds account for 30.2 percent of the all funds expenditures for the FY 2016-17 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 2016-17 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

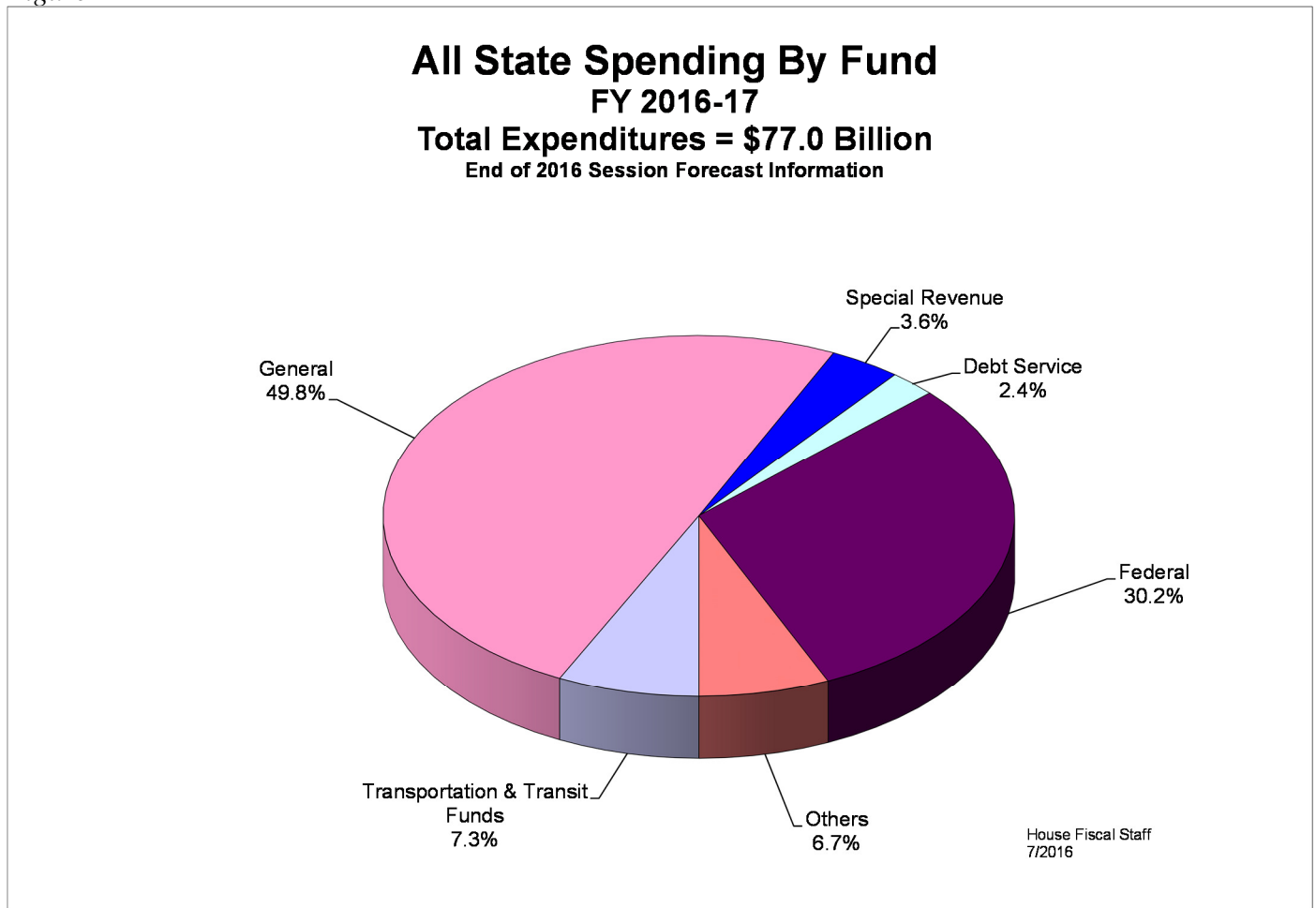


Table 1

Minnesota State Budget - All Operating Funds - Expenditures - Annual Comparison			
Dollars in thousands			
Data is from End of 2016 Session Information			
	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2016-17</u>
General Fund (adjusted for transfers)	18,636,121	19,700,990	38,337,111
Transit Assistance Fund	341,877	333,568	675,445
Medical Education Research Fund	76,053	76,054	152,107
State Government Special Revenue	163,100	161,675	324,775
Special Revenue Fund	1,457,895	1,353,888	2,811,783
Agricultural Fund	28,613	29,158	57,771
Mn Environment & Nat Res Trust Fund	55,533	37,909	93,442
Natural Resources Fund	99,311	103,536	202,847
Game & Fish Fund	116,881	113,549	230,430
Outdoor Heritage Fund	148,481	110,454	258,935
Arts & Cultural Heritage Fund	61,324	62,365	123,689
Clean Water Fund	172,136	114,247	286,383
Parks & Trails Fund	51,216	45,722	96,938
Health Care Access Fund	836,722	513,733	1,350,455
Iron Range Resources & Rehabilitation Fund	46,465	50,113	96,578
NE Minnesota Economic Protection Fund	6,088	4,088	10,176
Workforce Development Fund	70,518	54,974	125,492
Municipal-State Aid Highway	177,733	182,644	360,377
County-State Aid Highway	705,450	713,495	1,418,945
Trunk Highway Fund	1,579,344	1,498,964	3,078,308
Highway User Tax Distribution Fund	4,537	4,558	9,095
State Airports Fund	25,941	26,007	51,948
Environmental Fund	77,277	79,047	156,324
Remediation Fund	39,069	33,217	72,286
Workers Compensation Special Fund	98,453	101,009	199,462
Federal Funds	11,293,277	11,625,878	22,919,155
Federal TANF Reserve Fund	181,233	201,375	382,608
Debt Service Fund	867,717	906,662	1,774,379
Stadium Debt Service Fund	30,154	30,158	60,312
Permanent School Endowment Fund	28,330	28,303	56,633
Other Funds and Transfers Out	636,143	635,830	1,271,973
Total Expenditures and Transfers	38,112,992	38,933,170	77,046,162
Percent that is General Fund			49.8%

Notes for Table 1:

1. General fund numbers may differ from other comparisons because general fund appropriations that are transferred to other funds are shown as expenditures in those funds rather than the general fund in this comparison.
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.

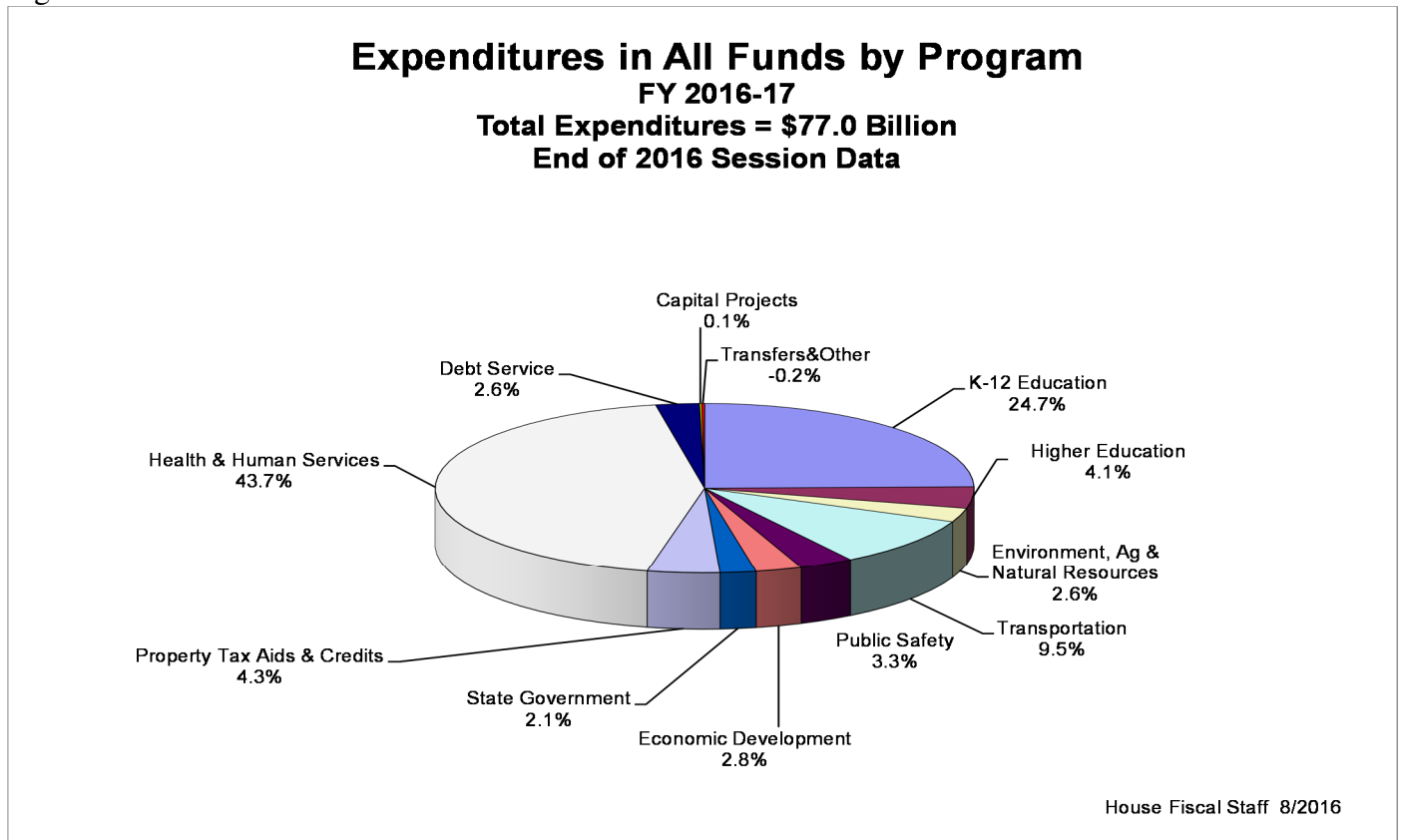
Several changes in the status of funds have occurred in recent years. The metropolitan area transit fund and the greater Minnesota transit fund first began operating in FY 2003 but were folded into a transit assistance fund in FY 2008. The stadium debt service fund began in FY 2014 for debt service payments 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 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.

Figure 2



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 43.7 percent of the total expenditures 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 2016-17. 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.

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 9.5 percent of the all funds spending for FY 2016-17, 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.

Table 2

Total Expenditures - All Funds - Expenditures by Program				
Dollars in thousands				
Data is from End of 2016 Session				
	<u>FY 2016</u>	<u>FY 2017</u>	<u>Biennial FY 2016-17</u>	<u>Percent of Total</u>
K-12 Education	9,379,741	9,723,076	19,102,817	24.8%
Higher Education	1,574,366	1,587,342	3,161,708	4.1%
Environment, Ag & Natural Resources	1,070,309	977,274	2,047,583	2.7%
Transportation	3,755,435	3,568,015	7,323,450	9.5%
Public Safety	1,242,773	1,273,653	2,516,426	3.3%
Economic Development	1,049,979	1,095,304	2,145,283	2.8%
State Government	820,160	836,449	1,656,609	2.2%
Property Tax Aids & Credits	1,659,135	1,686,371	3,345,506	4.3%
Health & Human Services	16,579,607	17,185,395	33,765,002	43.8%
Debt Service	989,948	1,028,923	2,018,871	2.6%
Capital Projects	56,055	44,440	100,495	0.1%
Transfers/Others	-64,514	-73,071	-137,585	-0.2%
Total	38,112,994	38,933,171	77,046,165	100.0%

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

Biennial Expenditure Increase is 10.9 Percent

State spending in all funds is projected to increase \$7.567 billion or 10.9 percent in the FY 2016-17 biennium over the FY 2014-15 biennium. This compares to a \$7.789 billion or 12.6 percent increase in the FY 2014-15 biennium over the FY 2012-13 biennium.

Table 3 provides a comparison of expenditures for the FY 2016-17 biennium and the two previous biennia.

Table 3

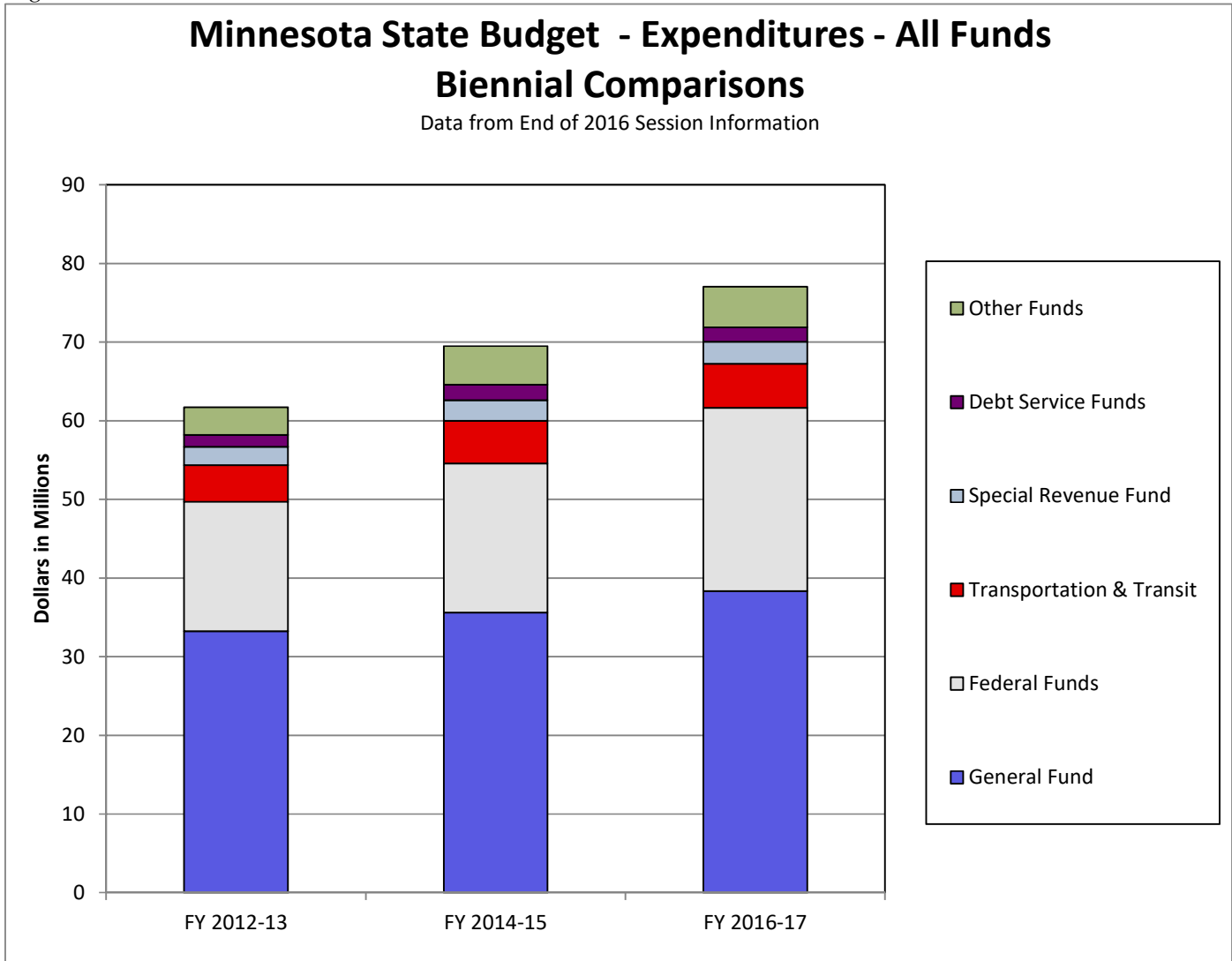
Minnesota State Budget - All Operating Funds - Expenditures - Biennial Comparison			
Dollars in thousands			
Data is from End of 2016 Session Information			
	<u>FY 2012-13</u>	<u>FY 2014-15</u>	<u>FY 2016-17</u>
General Fund (adjusted for transfers)	33,254,992	35,602,808	38,337,111
Transit Assistance Fund	457,823	564,279	675,445
Medical Education Research Fund	108,833	159,402	152,107
State Government Special Revenue	254,633	270,648	324,775
Special Revenue Fund	2,314,872	2,610,765	2,811,783
Agricultural Fund	45,298	51,944	57,771
Mn Environment & Nat Res Trust Fund	51,481	70,768	93,442
Natural Resources Fund	182,901	184,942	202,847
Game & Fish Fund	189,826	205,075	230,430
Outdoor Heritage Fund	144,857	252,041	258,935
Arts & Cultural Heritage Fund	101,248	124,662	123,689
Clean Water Fund	144,307	191,064	286,383
Parks & Trails Fund	77,599	87,485	96,938
Health Care Access Fund	639,396	1,039,543	1,350,455
Iron Range Resources & Rehabilitation Fund	63,509	127,652	96,578
Workforce Development Fund	82,897	111,431	125,492
Gift Fund	12,573	13,771	11,455
Municipal-State Aid Highway	274,415	347,956	360,377
County-State Aid Highway	1,002,562	1,220,754	1,418,945
Trunk Highway Fund	2,872,734	3,218,730	3,078,308
Highway User Tax Distribution Fund	21,992	22,755	9,095
State Airports Fund	42,410	44,838	51,948
Environmental Fund	132,349	148,286	156,324
Remediation Fund	67,954	74,715	72,286
Workers Compensation Special Fund	179,271	170,391	199,462
Federal Funds	16,056,695	18,612,278	22,919,155
Federal TANF Reserve Fund	387,519	349,945	382,608
Debt Service Fund	1,490,529	1,958,129	1,774,379
Stadium Debt Service Fund	0	37,499	60,312
Permanent School Endowment Fund	49,525	49,808	56,633
Other Funds and Transfers Out	985,487	1,555,201	1,270,694
Total Expenditures and Transfers	61,690,487	69,479,565	77,046,162
Biennial Change	3,286,008	7,789,078	7,566,597
Biennial Percentage Change	5.6%	12.6%	10.9%

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.

General fund only spending in FY 2016-17, as shown in this analysis, is \$2.735 billion or 7.7 percent higher than in FY 2014-15.⁴

Significant changes in other funds spending for FY 2016-17 include a \$4.307 billion or 23.1 percent increase in spending in the federal fund and a \$311 million or 29.9 percent increase in spending from the health care access fund. The increase in the federal fund is due largely to an increase in federal funds for health care under the Affordable Care Act. The increase in the health care access fund can be attributed to a higher spending level in FY 2016 and 2017 of funds not spent in FY 2014 and 2015. The FY 2014-15 funds were not spent because federal funds covered more health care costs than originally expected.

Figure 3



⁴ These change numbers are different than those shown in general fund only comparisons. General fund only comparisons include general fund appropriations that are transferred to other funds (such as debt service) and spent from those funds. The general fund numbers in this comparison do not include those amounts.

Figure 3 illustrates the same 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.

The Largest Annual Change was Between FY 2010 and FY 2011

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. (Frequently, the first two years will each be lower than the second two years.)

Table 4

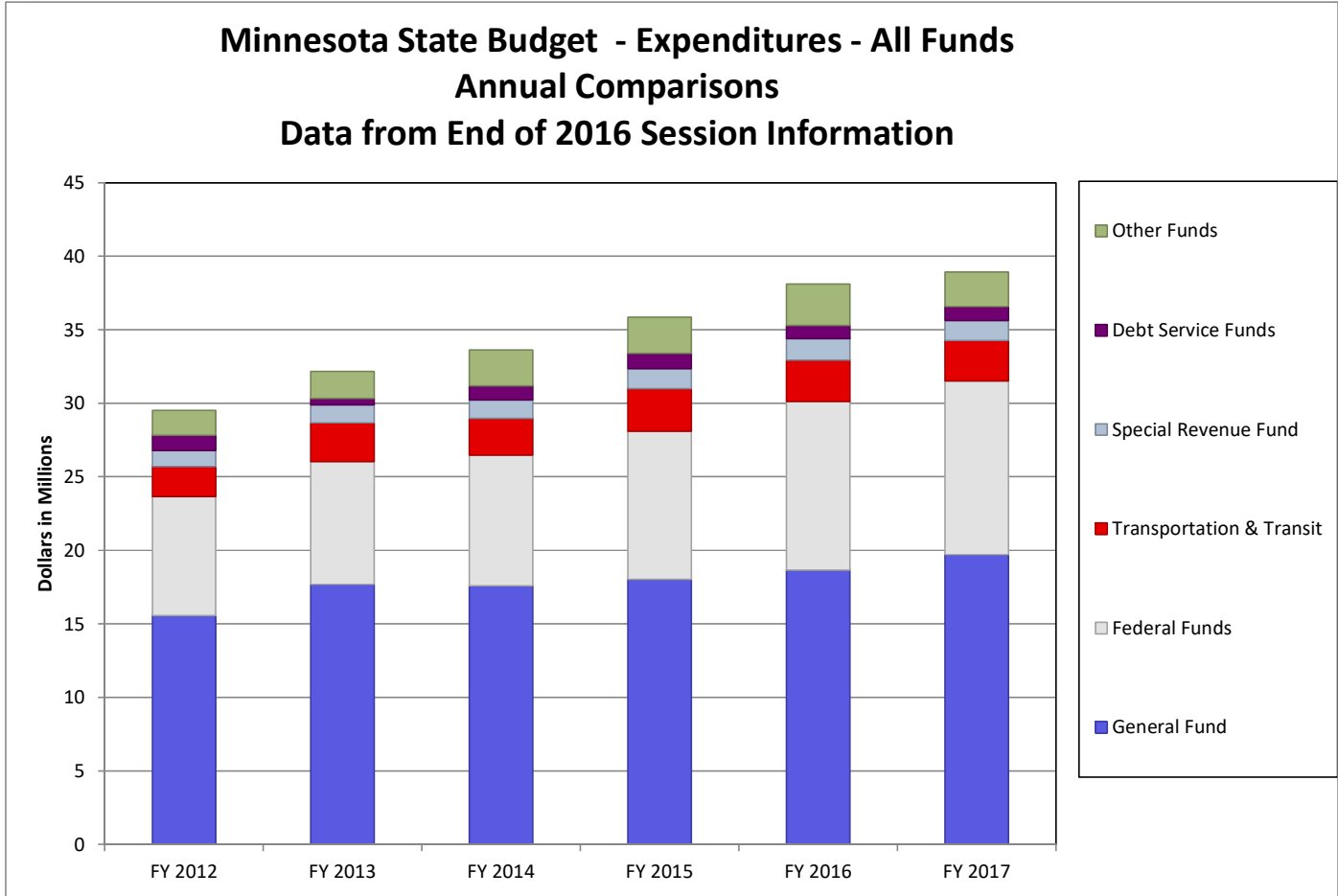
Minnesota State Budget - All Operating Funds - Expenditures - Annual Comparison						
Dollars in thousands						
Data is from End of 2016 Session Information						
	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>
General Fund (adjusted for transfers)	15,565,065	17,689,927	17,580,727	18,022,081	18,636,121	19,700,990
Transit Assistance Fund	223,253	234,570	281,527	282,752	341,877	333,568
Medical Education Research Fund	55,494	53,339	79,788	79,614	76,053	76,054
State Government Special Revenue	118,850	135,783	130,023	140,625	163,100	161,675
Special Revenue Fund	1,088,273	1,226,599	1,254,167	1,356,598	1,457,895	1,353,888
Agricultural Fund	22,137	23,161	24,981	26,963	28,613	29,158
Mn Environment & Nat Res Trust Fund	25,008	26,473	33,731	37,037	55,533	37,909
Natural Resources Fund	88,624	94,277	90,173	94,769	99,311	103,536
Game & Fish Fund	88,682	101,144	97,185	107,890	116,881	113,549
Outdoor Heritage Fund	61,101	83,756	119,255	132,786	148,481	110,454
Arts & Cultural Heritage Fund	47,303	53,945	57,802	66,860	61,324	62,365
Clean Water Fund	61,428	82,879	84,120	106,944	172,136	114,247
Parks & Trails Fund	39,224	38,375	44,542	42,943	51,216	45,722
Health Care Access Fund	314,304	325,092	503,276	536,267	836,722	513,733
Iron Range Resources & Rehabilitation Fund	24,863	38,646	79,385	48,267	46,465	50,113
NE Minnesota Economic Protection Fund	1,578	1,831	29,989	6,686	6,088	4,088
Workforce Development Fund	36,265	46,632	52,123	59,308	70,518	54,974
Municipal-State Aid Highway	140,524	133,891	164,091	183,865	177,733	182,644
County-State Aid Highway	432,608	569,954	559,755	660,999	705,450	713,495
Trunk Highway Fund	1,209,093	1,663,641	1,461,290	1,757,440	1,579,344	1,498,964
Highway User Tax Distribution Fund	10,866	11,126	11,014	11,741	4,537	4,558
State Airports Fund	19,227	23,183	20,312	24,526	25,941	26,007
Environmental Fund	59,247	73,102	69,861	78,425	77,277	79,047
Remediation Fund	32,454	35,500	37,588	37,127	39,069	33,217
Workers Compensation Special Fund	89,025	90,246	88,230	82,161	98,453	101,009
Federal Funds	7,906,931	8,149,764	8,724,108	9,888,170	11,293,277	11,625,878
Federal TANF Reserve Fund	192,426	195,093	175,420	174,525	181,233	201,375
Debt Service Fund	1,042,364	448,165	951,455	1,006,674	867,717	906,662
Stadium Debt Service Fund	0	0	7,347	30,152	30,154	30,158
Permanent School Endowment Fund	24,393	25,132	23,958	25,850	28,330	28,303
Other Funds and Transfers Out	502,293	492,358	786,064	746,233	636,143	635,830
Total Expenditures and Transfers	29,522,903	32,167,584	33,623,287	35,856,278	38,112,992	38,933,170
Percent that is General Fund						
Annual Change	-478,684	2,644,681	1,455,703	2,232,991	2,256,714	820,178
Annual Percentage Change	-1.6%	9.0%	4.5%	6.6%	6.3%	2.2%

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.

Table 4 and Figure 4 show the all funds expenditure change information on an annual basis for a six year period ending in FY 2017. During this period the most substantial change in total state spending is between FY 2012 and FY 2013, an increase of \$2.645 billion or 9.0 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 \$2.257 billion or 6.3 percent.

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 the “tobacco bonds” and 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.

Figure 4



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.

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