



Overview of Minnesota State Budget

January 2017

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Minnesota House Fiscal Staff

www.house.leg.state.mn.us/fiscal/fahome.asp

Outline

- House Fiscal Staff – pages 3-4
- Budget Timeline – page 5
- Budget Basics – page 6
- All Funds Budget – page 7-9
- General Fund Budget – pages 10-12
- General Fund Spending History – pages 13-15
- Perspectives on State Spending – pages 16-20
- Current State General Fund Budget Situation – page 21

House Fiscal Analysis Department Staff Assignments
2017 Session Committee Structure

<u>Finance Committee</u>	<u>Fiscal Analyst</u>	<u>Telephone</u>	<u>Room</u>
Agriculture Finance	Ken Savary	296-7171	378
Capital Investment	Andrew Lee	296-4181	325
Education Finance	Emily Adriaens	296-4178	328
Environment & Natural Resources Finance	Brad Hagemeyer	296-7165	376
Health & Human Services Finance	Doug Berg	296-5346	372
Higher Education & Career Readiness Finance	Ken Savary	296-7171	378
Jobs Growth & Energy Affordability Finance	Chris Zempel	296-4162	370
Legacy Funding	John Walz Brad Hagemeyer	296-8236 296-7165	320 376
Public Safety & Security Finance	John Walz	296-8236	320
State Government Finance	Helen Roberts	296-4117	322
Veterans Affairs	Helen Roberts	296-4117	322
Taxes (Income & Sales)	Cynthia Templin	297-8405	326
(Property Tax and Local Aids)	Katherine Schill	296-5384	330
Transportation Finance	Andrew Lee	296-4181	325
Ways & Means	Bill Marx	296-7176	373



Fiscal Staff Responsibilities:

- Analyze spending and revenue requests from executive branch and other sources.
- Assist finance committee in developing and analyzing budgetary options.
- Draft legislation to implement legislative budget decisions.
- Track legislative fiscal decisions.
- Provide analysis for legislative oversight of the enacted budget.
- Respond to request from individual members needing analysis or information on state budget issues and government finances.



Budget Enactment Timeline:

- December 2 – MMB releases November economic forecast.
- January – Legislative session convenes (Jan. 3). Governor makes budget recommendations (Jan. 24). Legislative bill deadlines established.
- February 28 – MMB releases February economic forecast.
- March – House Ways and Means Committee and Senate Leadership establish committee spending targets.
- April – Omnibus finance bills leave the House floor. Conference committees begin meeting.
- May – Conference committees conclude. Conference committee reports return to the House floor for final passage. Legislature adjourns.
- May – Governor signs/vetoes legislation.



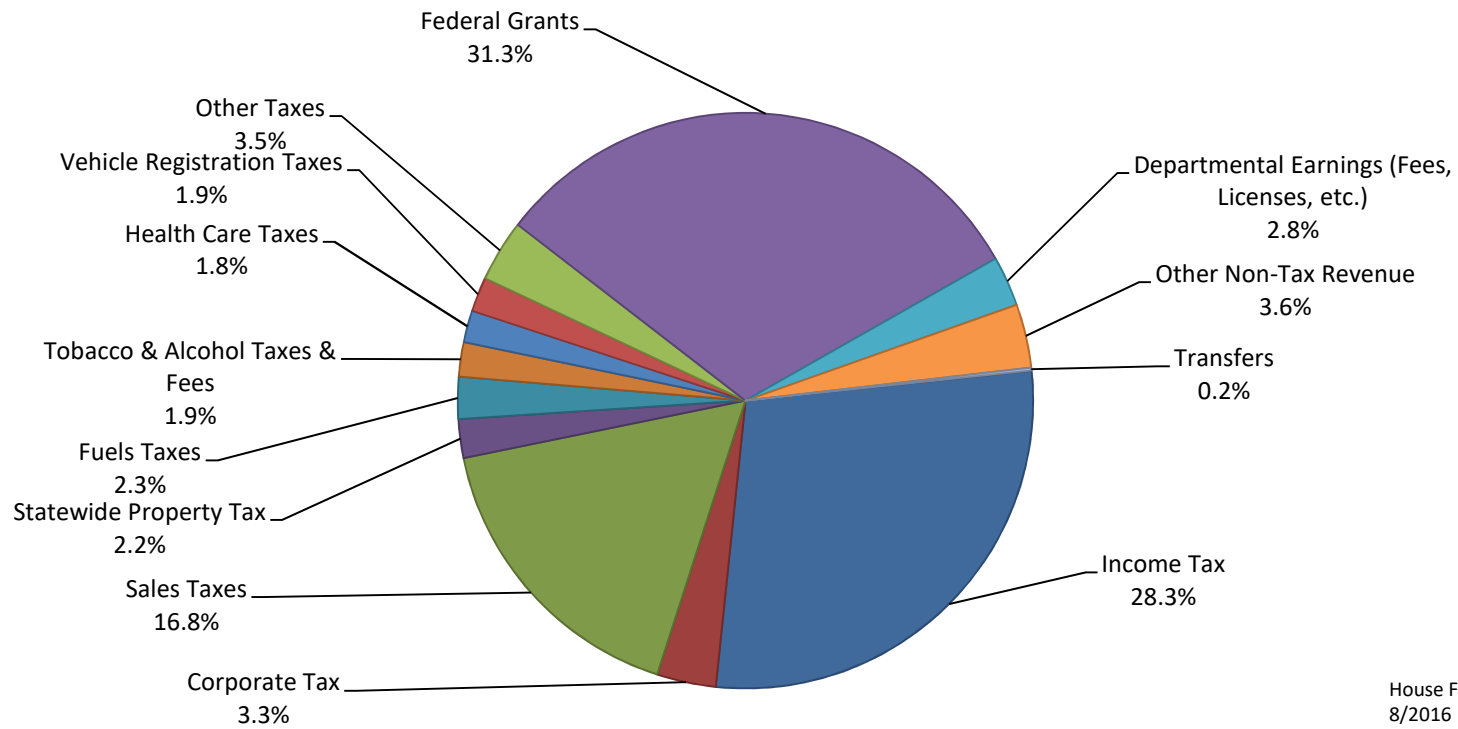
Budget Basics:

- The state fiscal year goes from July 1 to June 30. The fiscal year starting July 1, 2016 is fiscal 2017 (FY 2017).
- The state budgets on a biennial basis. A biennium is two fiscal years. FY's 2016 and 2017 make up the current biennium that started July 1, 2015 and ends June 30, 2017.
- The 2015 Legislature considered a budget for the FY 2016-17 biennium (July 1, 2015 – June 30, 2017). The 2016 Legislature made adjustments to that budget.
- The 2017 Legislature must enact a budget for FY 2018-19.

Revenue - All Funds - FY 2016-17

Total Revenues - \$77.1 Billion

End of Session 2016



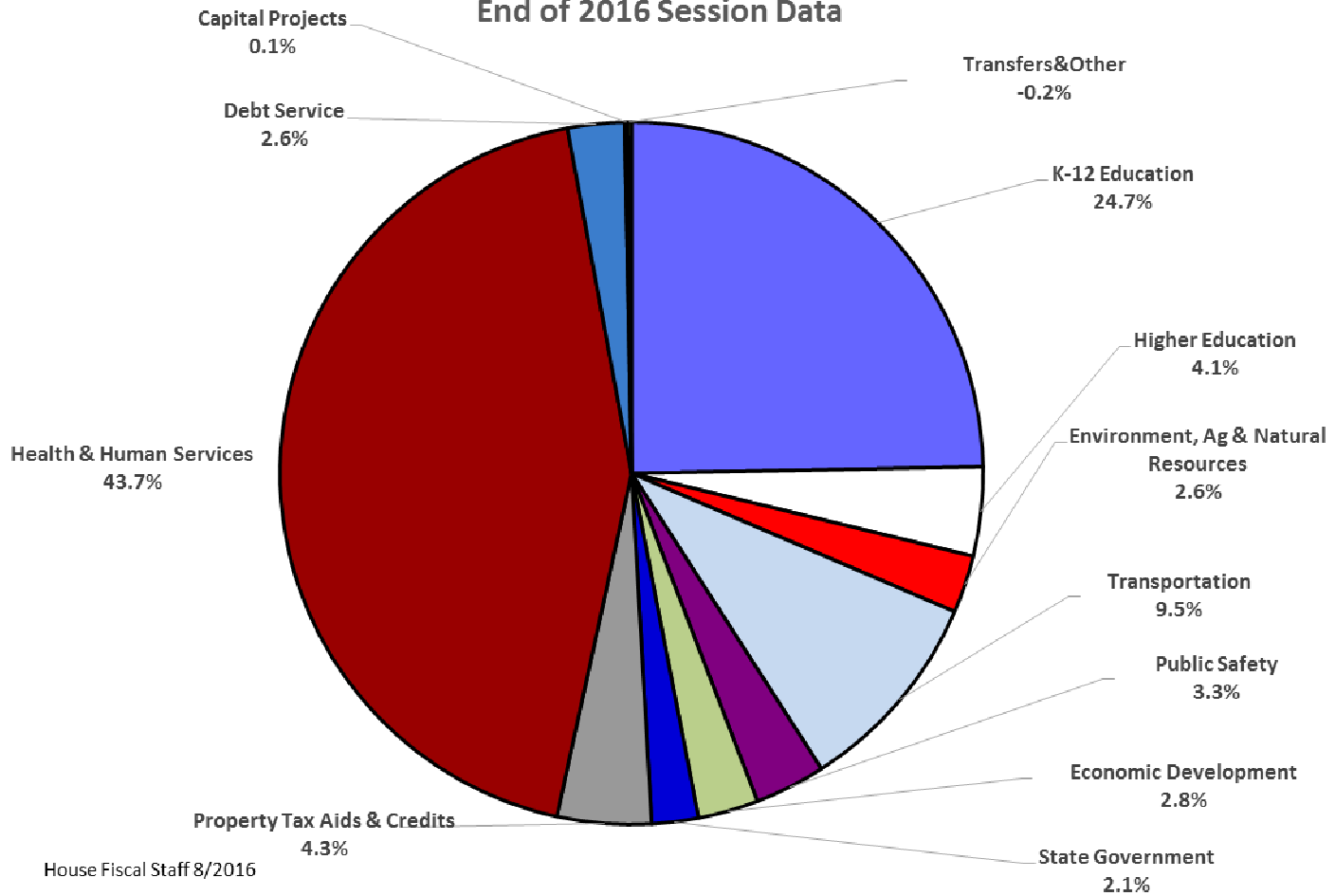
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Expenditures in All Funds by Program

FY 2016-17

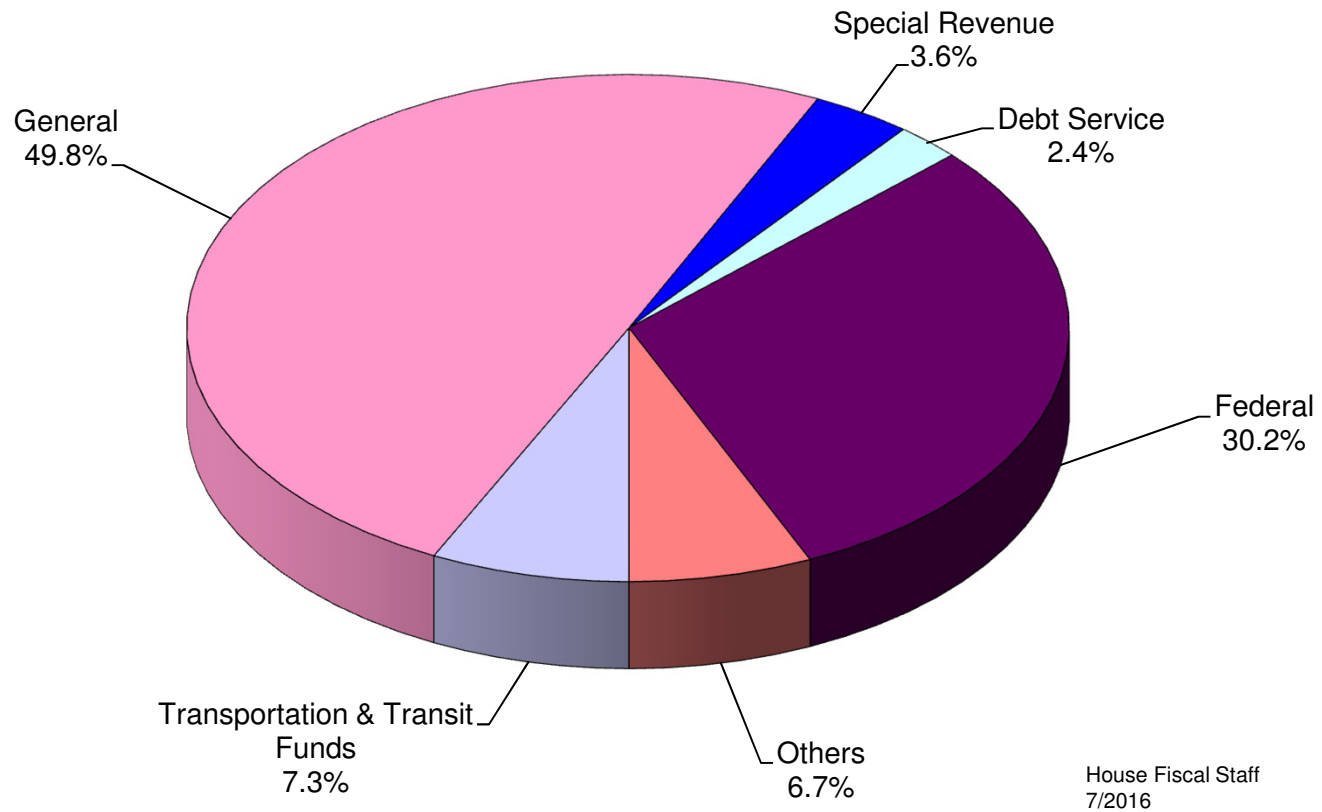
Total Expenditures = \$77.0 Billion

End of 2016 Session Data



All State Spending By Fund FY 2016-17

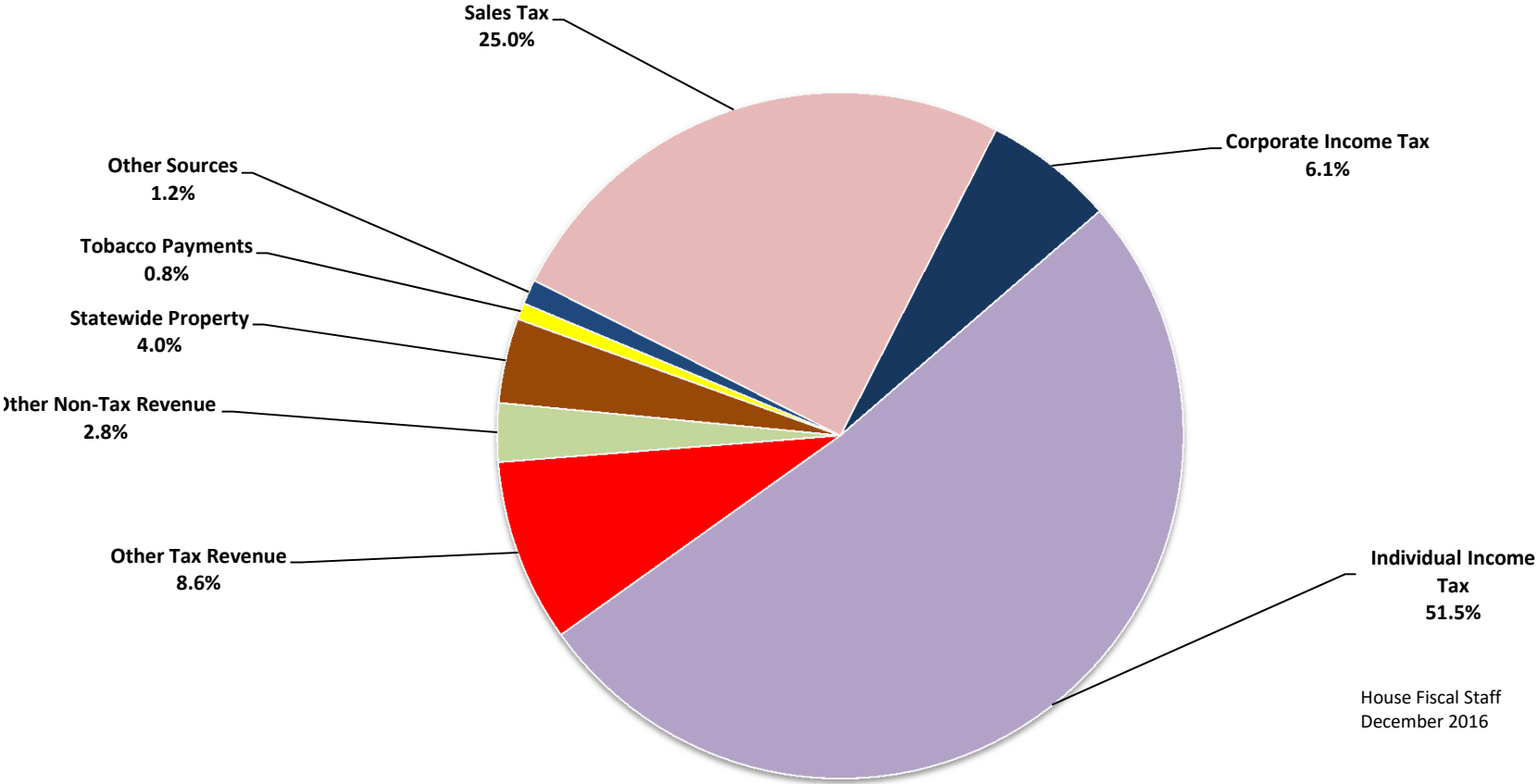
Total Expenditures = \$77.0 Billion
End of 2016 Session Forecast Information



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Where General Fund Resources Come From

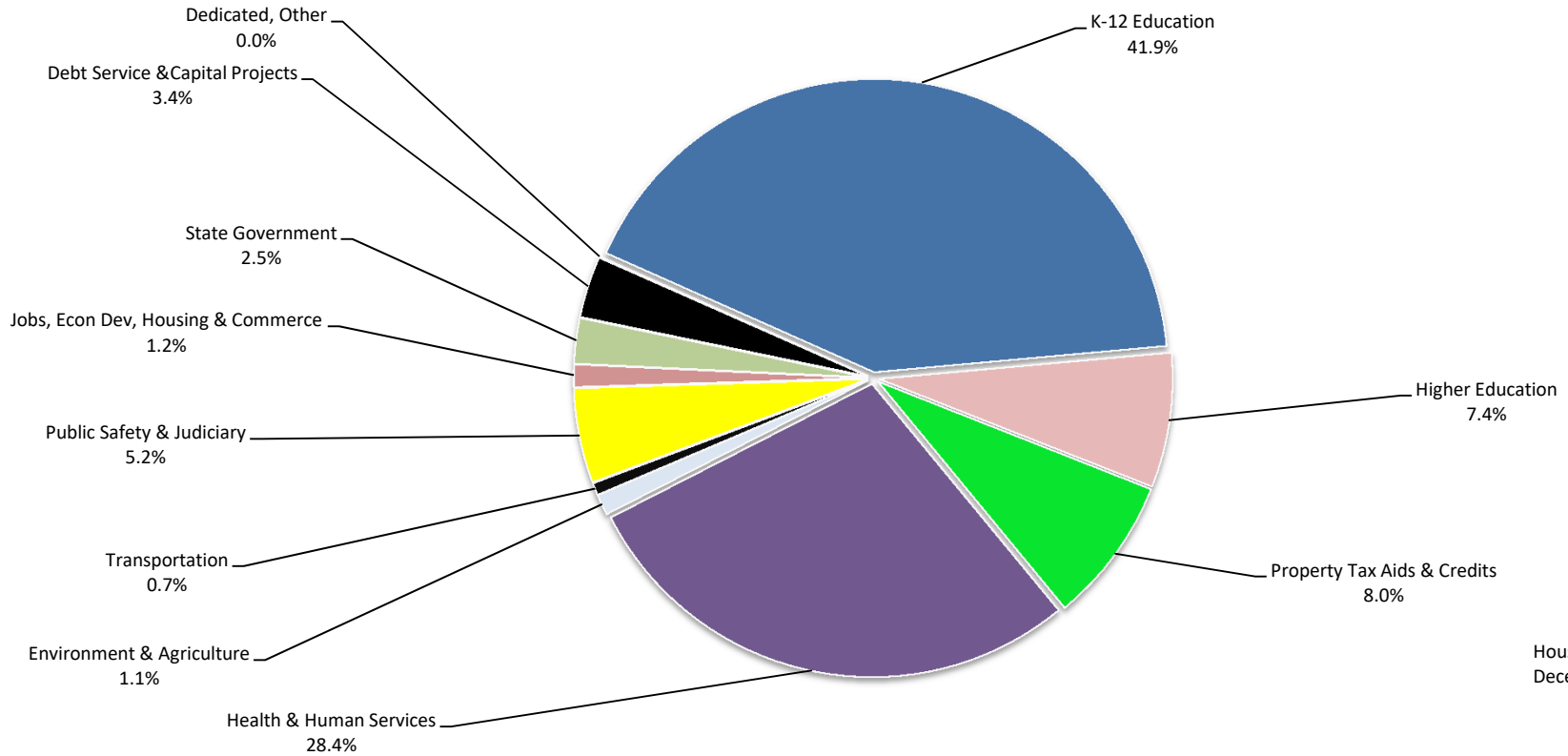
FY 2016-17 Resources = \$42.4 Billion
Data From November 2016 Forecast



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December 2016

General Fund Spending FY 2016-17

Estimates Based on November 2016 Data
FY 2016-17 General Fund Spending = \$41.5 Billion

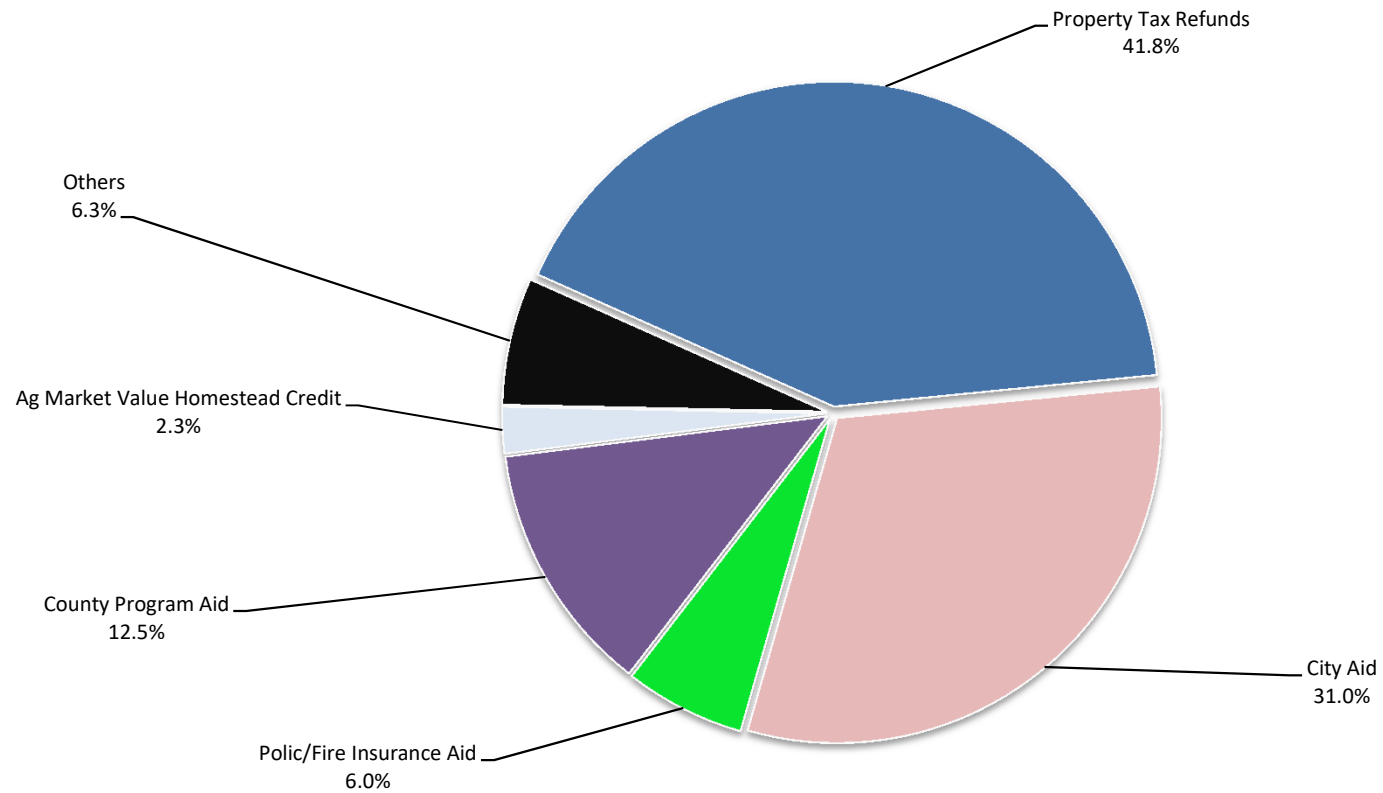


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December 2016

General Fund Spending For Property Tax Aids & Credits FY 2016-17

Estimates Based on November 2016 Forecast Data

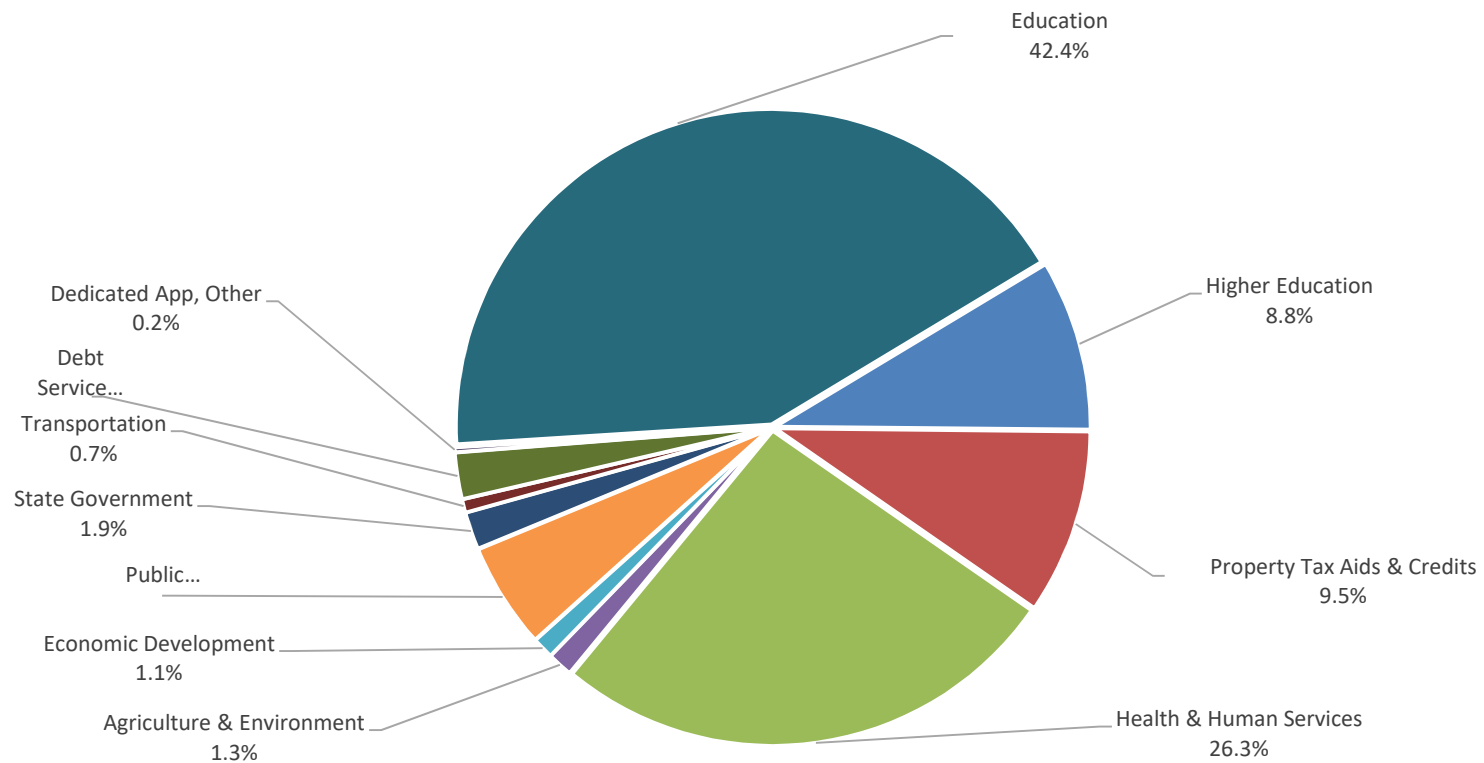
FY 2016-17 General Fund Spending for Property Tax Aids & Credits = \$3.3 Billion



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February 2017

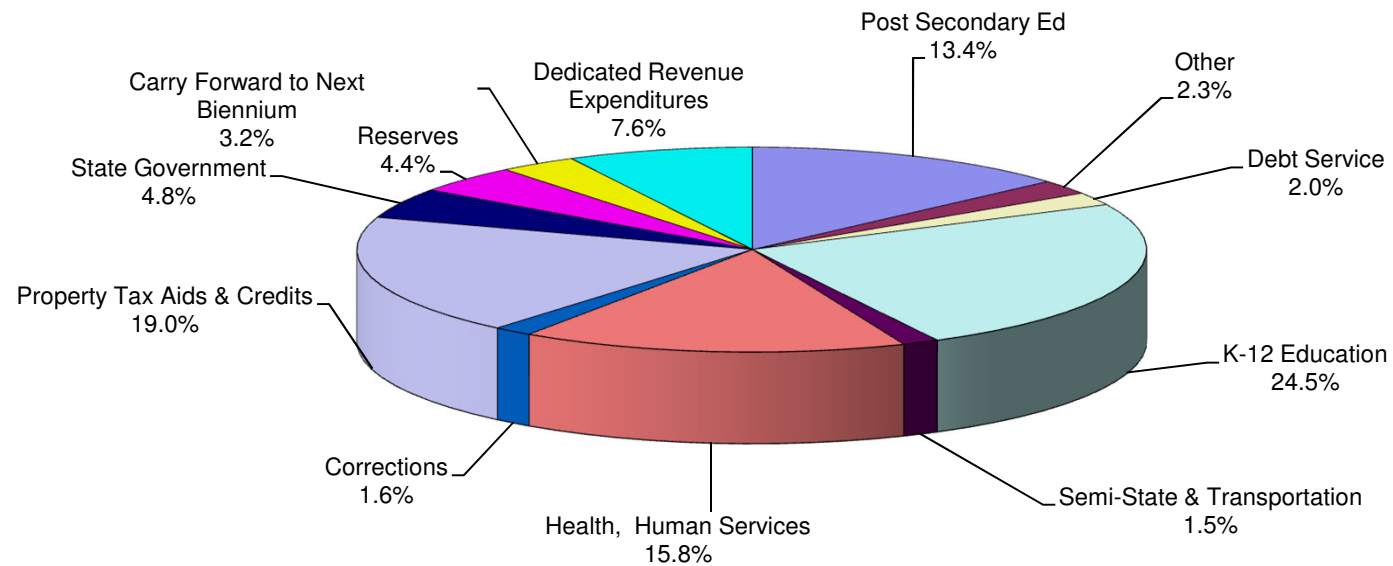
Ten Years Ago

Allocation of General Fund Resources FY 2006-07 By Program
FY 2006-07 General Fund = \$31.5 Billion
Feb. 2008 Forecast



Way Back in FY 1988-89

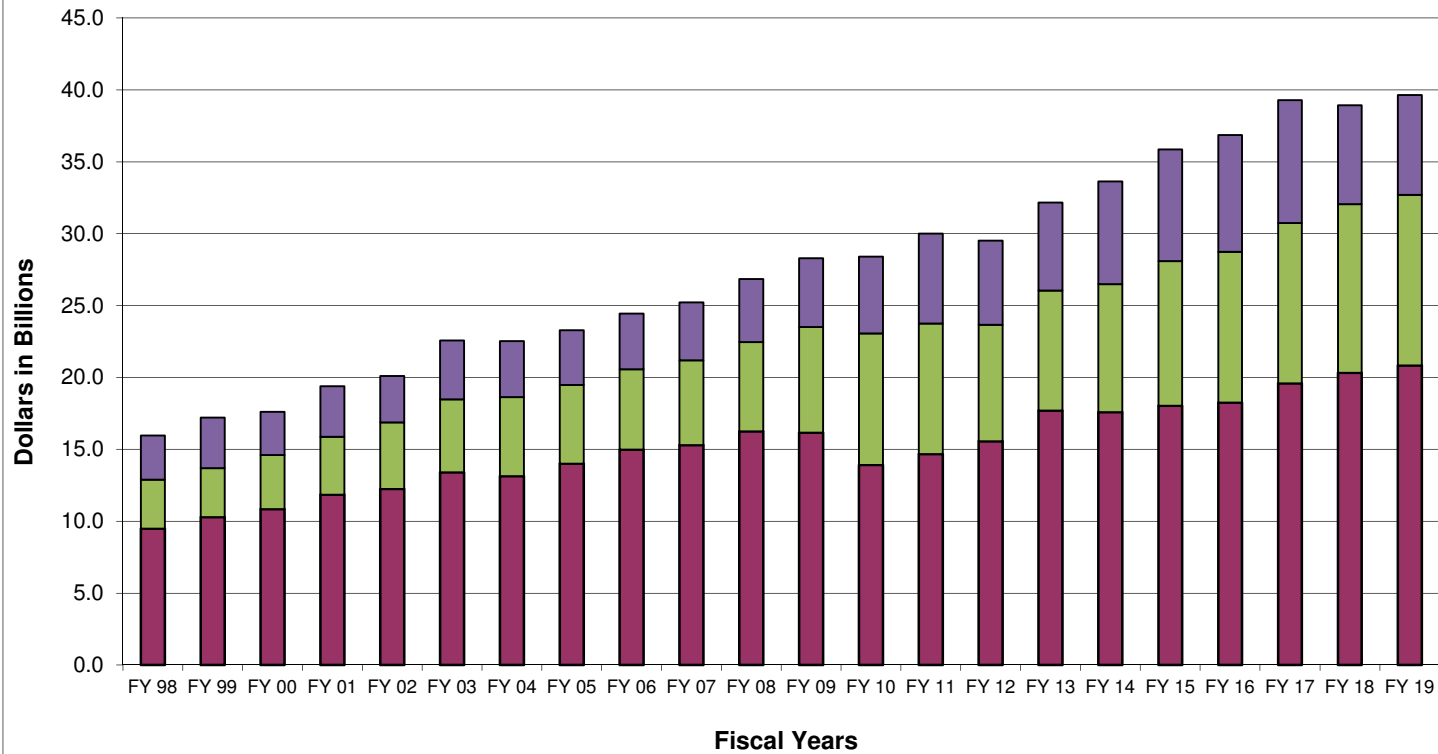
Where the Money Goes FY 1988-89 General Fund Spending - Total Spending \$12.5 Billion



Expenditures - All Funds

General Fund, Federal Fund and Other Funds

Data from November 2016 Forecast Information, Actual Dollars Not Adjusted for Inflation



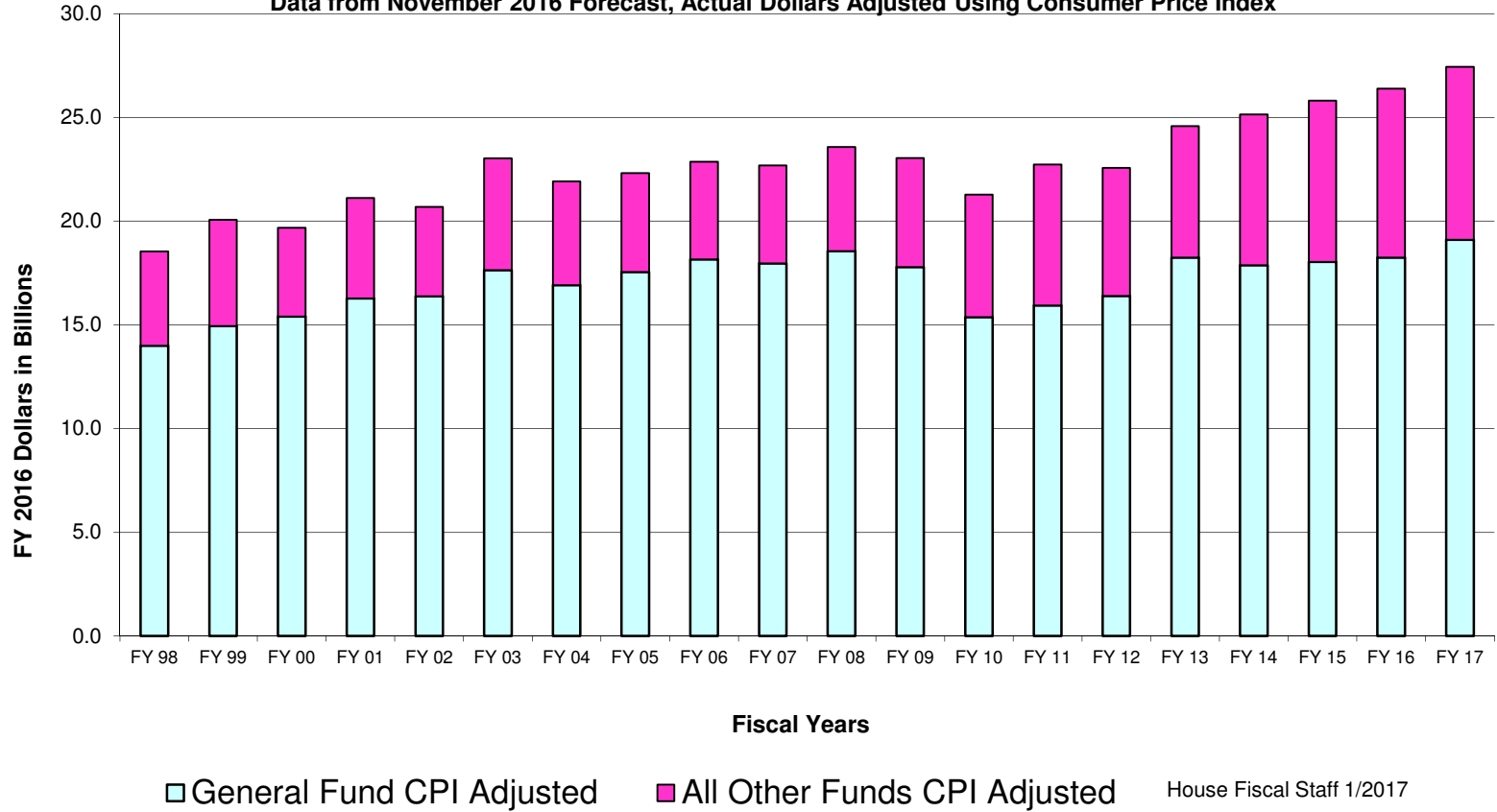
■ General Fund ■ Federal Fund ■ Other Funds

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Expenditures - All Funds Adjusted for Inflation

General Fund and Other Funds

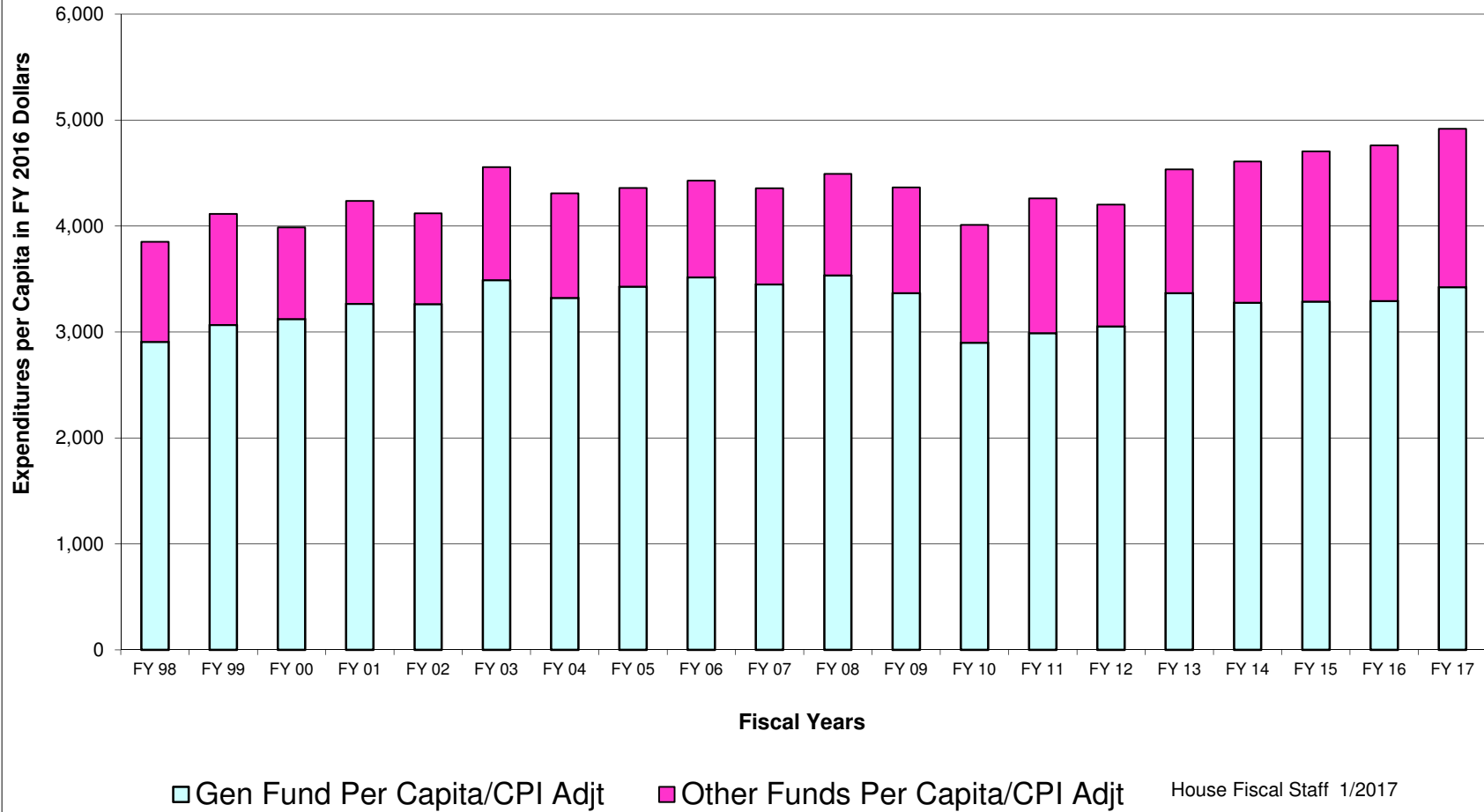
Data from November 2016 Forecast, Actual Dollars Adjusted Using Consumer Price Index



Expenditures - All Funds Per Capita Adjusted for Inflation

General Fund and Other Funds

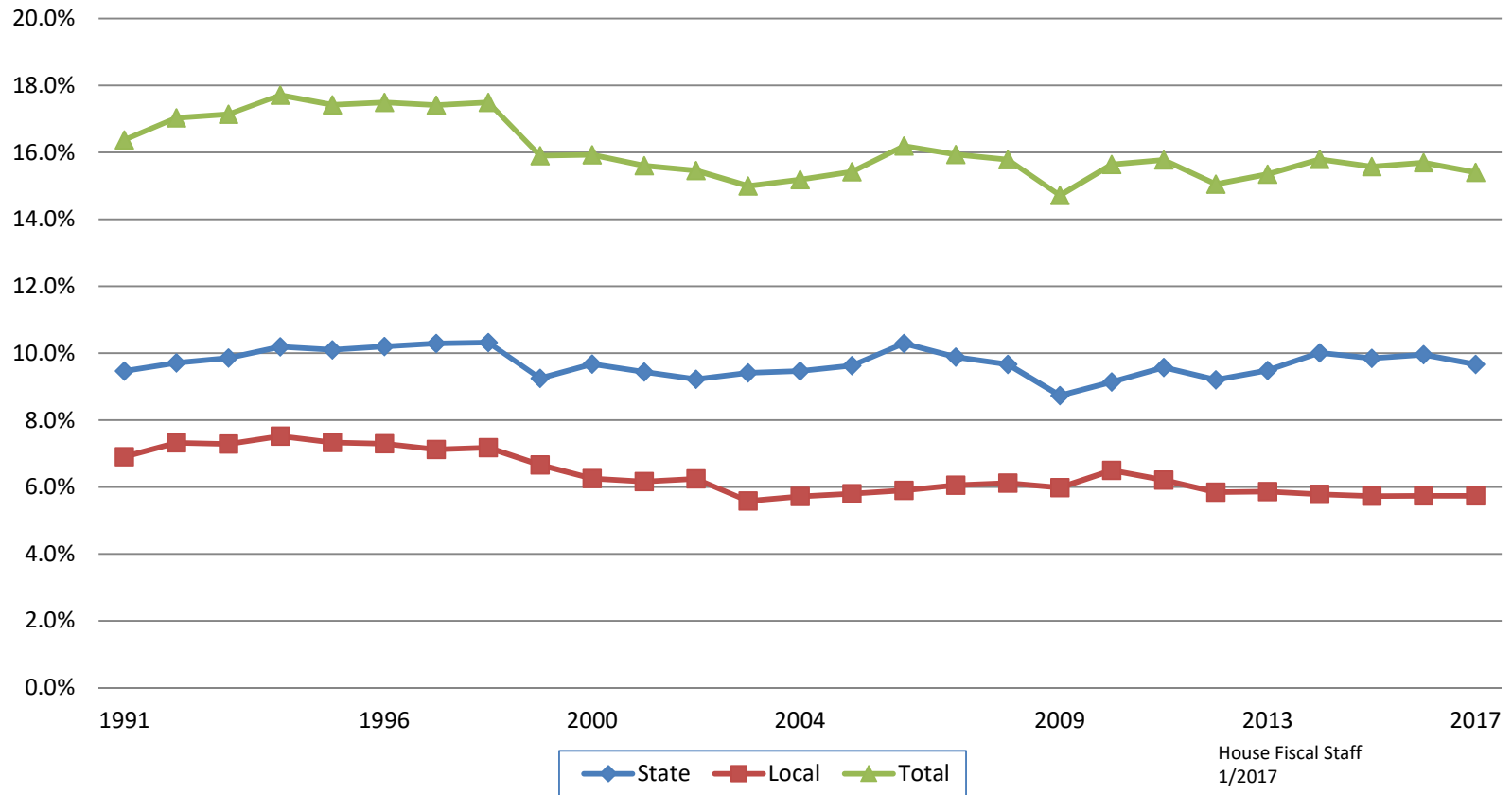
Data from November 2016 Forecast, Actual Dollars Divided by MN Total Population and Adjusted Using CPI



Price of Government

State & Local Revenue as Percent of Personal Income

Data is from November 2016 Forecast Information



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Questions above previous four slides

- Spending versus revenue?
- Adjustment for inflation?
- Adjustment for population change?
- Adjustment for income change?
- Which is the more accurate measure?
- Is there an accurate measure?

- Important: Know what is being presented.



Current Budget Situation:

- ❑ As of the November 2016 budget forecast, the current biennium (FY 2016-17) was projected to end with a \$678 million general fund balance. For the next biennium (FY 2018-19) general fund revenues are projected to exceed spending by \$736 million. (The sum of those amounts is \$1.4 billion.)
- ❑ Revenues are projected to exceed spending in FY 2020-21 by \$1.48 billion.
- ❑ Since the November forecast, November and December revenues have been \$29 million less than the forecasted amount.
- ❑ A large share of Minnesota revenue is dependent on economic changes (income tax, corporate income tax, sales tax).
- ❑ A federal tax conformity bill already enacted reduces revenue in FY 2017-2019 slightly and by \$90.6 million in FY 2020-21.
- ❑ A health insurance premium relief bill has been enacted. Funding was from the budget reserve reducing the reserve by \$326.9 million.
- ❑ The state's budget reserve is now at \$1,618 million. In addition, a cash flow account has \$350 million. A MMB report recommends a budget reserve at 4.9% of revenue or \$2,077 million.

Minnesota House of Representatives



Governor's Recommended FY 2017-19 Changes	
	<u>Change</u>
Education	609,371
Higher Education	318,040
Property Tax Aids & Credits	102,512
State Tax Changes	71,564
Health & Human Services	-399,924
Environment & Agriculture	68,046
Transportation	-18,599
Public Safety & Judiciary	259,271
Jobs & Ec Dev, Housing & Commerce	102,232
State Government & Veterans Affairs	141,718
Debt Service	46,204
Capital Projects	28,002
Total	1,328,437
Notes: (1) The Governor recommends increasing spending from the Health Care Access Fund by \$716 million that would replace general fund spending.	
(2) Appropriations of \$326.9 million for health insurance premium payment assistance in FY 2017 is not included in these numbers.	



Questions?

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