



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 45 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 2022-23 biennium.³ The budget information in this document is from end of 2021 session budget documents.

State Expenditures in All Funds Total \$104.2 Billion for the FY 2022-23 Biennium

State spending for the current biennium (fiscal years 2022 and 2023) is projected to be \$104.2 billion. Approximately 46.4 percent of that amount (\$48.434 billion) is spending from the general fund. General fund spending as a percent of the all operating funds budget has ranged between 46.4 percent and 51.2 percent over the most recent five biennia. General fund expenditures as a percent of total expenditures are at their lowest levels in recent biennia in the FY 2020-21 (46.5 percent) and FY 2022-23 (46.4 percent). Through the FY 2008-09 biennium general fund spending was about 60 percent of all funds spending. The lower percentages of general fund spending in subsequent years has been due both to less growth in general fund spending compared to the growth in spending from other funds and an increase in federal funds spending due to the American Recovery and Reinvestment Act (ARRA) of 2009, the Affordable Care Act (ACA) of 2010, and federal pandemic related economic stimulus from both the Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020 and the American Rescue Plan Act (ARPA) of 2021.

In addition to the general fund, expenditures are made from 45 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

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 2021 End of Session Consolidated Fund Statement issued August 6, 2021 by Minnesota Management and Budget.

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.

Federal funds that pass through the state treasury make up a major portion of the all funds budget.⁴ Federal funds account for 35.3 percent of the all funds expenditures for the FY 2022-23 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 2022-23 biennium. Approximately 32 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

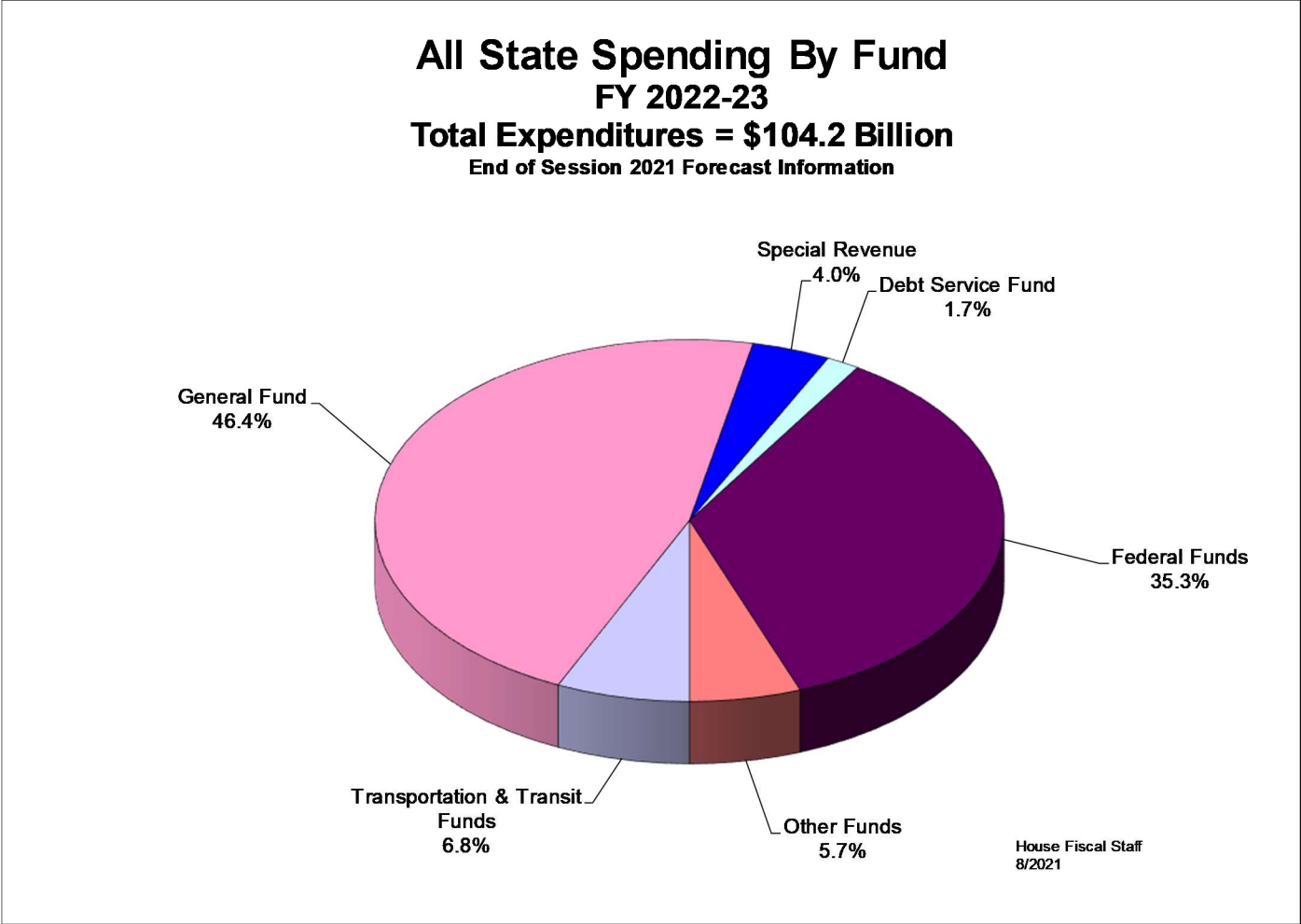


Table 1 is on the next page.

⁴ Many federal funds do pass through the state treasury and the state administers those funds consistent with federal law. However, other federal funds such as social security and payments to farmers are made directly to the recipients by the federal government. They do not pass through the state treasury and are not included in these numbers.

Minnesota State Budget - All Operating Funds - Expenditures - Annual Comparison

Dollars in thousands

Data is from End of Session 2021 Information

	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2022-23</u>
General Fund (adjusted for transfers)	23,367,303	24,966,686	48,333,989
Transit Assistance Fund	406,804	417,776	824,580
Medical Education Research Fund	78,991	78,991	157,982
State Government Special Revenue	75,757	77,659	153,416
Health Related Boards	30,380	29,805	60,185
Construction Codes	33,948	33,503	67,451
Oil Overcharge	0	0	0
911 Emergency	55,922	55,913	111,835
Special Revenue Fund	2,106,077	2,088,033	4,194,110
Opiate Epidemic Response Fund	11,772	13,675	25,447
Agricultural Fund	42,227	41,581	83,808
Mn Environment & Nat Res Trust Fund	70,881	0	70,881
Natural Resources Fund	128,162	125,406	253,568
Game & Fish Fund	125,318	125,146	250,464
Outdoor Heritage Fund	127,837	557	128,394
Arts & Cultural Heritage Fund	73,132	76,617	149,749
Clean Water Fund	126,711	130,081	256,792
Parks & Trails Fund	54,797	55,884	110,681
Renewable Development Fund	48,809	21,328	70,137
Health Care Access Fund	882,152	674,262	1,556,414
Iron Range Resources & Rehabilitation Fund	40,227	39,449	79,676
NE Minnesota Economic Protection Fund	6,768	6,136	12,904
Workforce Development Fund	64,226	65,821	130,047
Municipal-State Aid Highway	217,970	223,662	441,632
County-State Aid Highway	867,510	889,297	1,756,807
Trunk Highway Fund	2,105,349	1,946,062	4,051,411
Highway User Tax Distribution Fund	4,133	3,447	7,580
State Airports Fund	28,508	26,355	54,863
Environmental Fund	90,253	90,705	180,958
Remediation Fund	125,633	150,683	276,316
Workers Compensation Special Fund	68,373	66,089	134,462
Federal Funds	21,135,839	15,033,086	36,168,925
Federal TANF Reserve Fund	220,494	217,030	437,524
Coronavirus Relief Federal Fund	118,261	0	118,261
ARP-State Fiscal Recovery Federal Fund	75,000	0	75,000
Debt Service Fund	796,303	917,759	1,714,062
Stadium Debt Service Fund	30,154	30,155	60,309
Permanent School Endowment Fund	42,720	42,982	85,702
Other Funds and Transfers Out	779,165	768,510	1,547,675
Total Expenditures and Transfers	54,663,866	49,530,131	104,193,997
Percent that is General Fund			46.4%

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. Some funds may have not spending in the years shown.

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.

And several COVID-19 related funds have been created in 2020 and 2021 to keep the amounts in those funds separate and spent on eligible purposes.

Health and Human Services is the Largest Expenditure Program Area

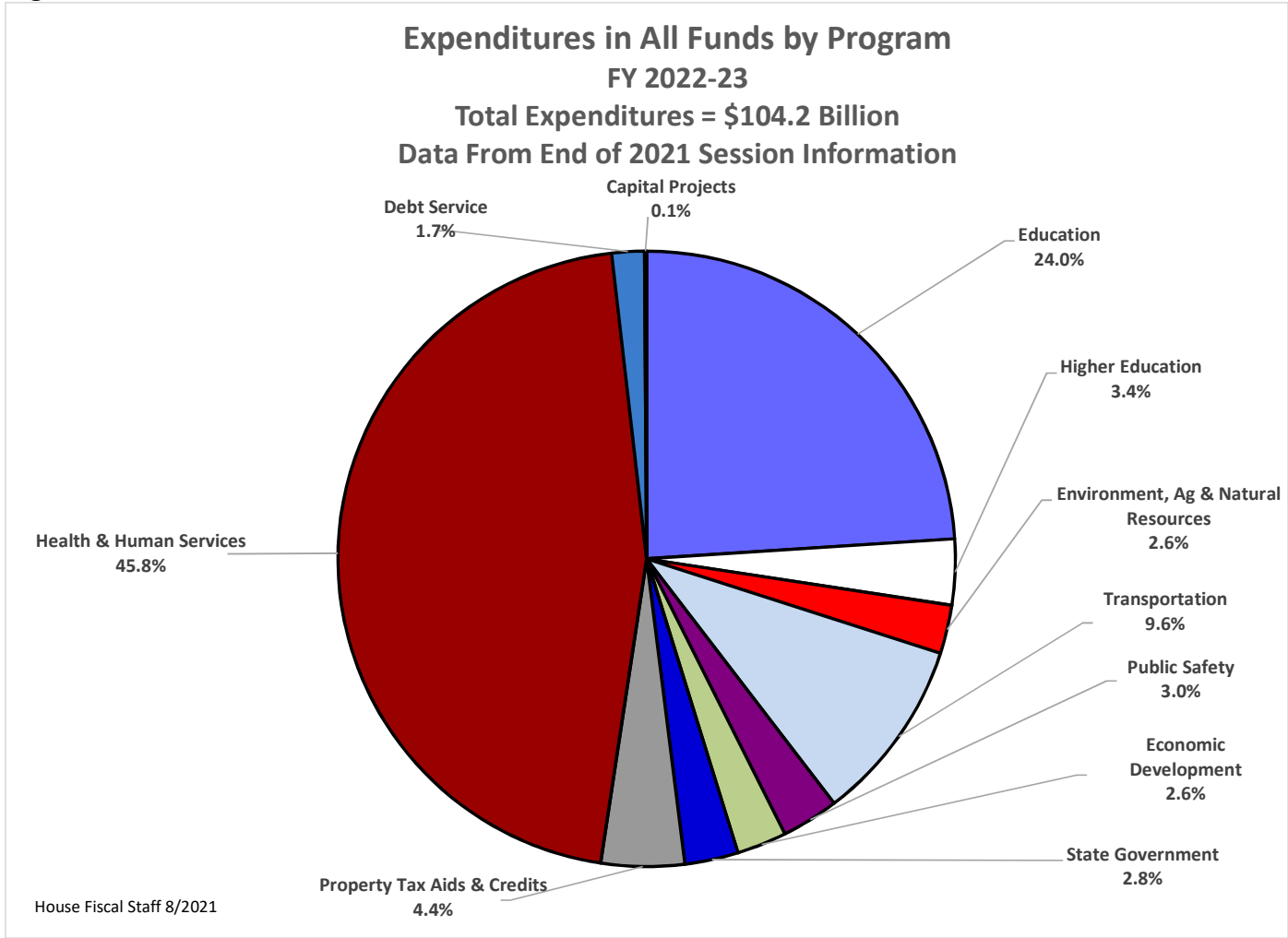
The previous information presented state operating expenditures organized by fund. Another way to organize these expenditures is by general program area. Figure 2 and Table 2 show information organized by program area.

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 45.8 percent of the total expenditures for FY 2022-23 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 24.0 percent for FY 2022-23. 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 69.8 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 9.6 percent of the all funds spending for FY 2022-23, but it is only 0.9 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 - FY 2022-23**Allocations by Program**

End of 2021 Session Data, Dollars in thousands

	<u>EOS 21</u> <u>FY 2022</u>	<u>EOS 21</u> <u>FY 2023</u>	<u>EOS 21</u> <u>FY 2023-23</u>	<u>% of</u> <u>Total</u>
Education	13,402,779	11,692,908	25,095,687	24.0%
Higher Education	1,816,390	1,794,980	3,611,370	3.4%
Environment, Ag & Natural Resources	1,424,601	1,252,646	2,677,247	2.6%
Transportation	5,295,926	4,800,756	10,096,682	9.6%
Public Safety	1,566,660	1,576,420	3,143,080	3.0%
Economic Development	1,498,593	1,231,182	2,729,775	2.6%
State Government	1,586,028	1,342,370	2,928,398	2.8%
Property Tax Aids & Credits	2,474,382	2,099,297	4,573,679	4.4%
Health & Human Services	25,004,345	22,970,559	47,974,904	45.8%
Debt Service	826,457	947,914	1,774,371	1.7%
Capital Projects	68,872	50,918	119,790	0.1%
Transfers & Other	<u>-5,000</u>	<u>-15,000</u>	<u>-20,000</u>	0.0%
Total	54,960,033	49,744,950	104,704,983	100.0%

House Fiscal Staff 8/2021

Biennial Expenditure Increase is 12.0 Percent

State spending in all funds is projected to increase \$10.688 billion or 11.4 percent in the FY 2022-23 biennium over the FY 2020-21 biennium. This compares to an \$11.807 billion or 14.5 percent increase in the FY 2020-21 biennium over the FY 2018-19 biennium.

One factor to keep in mind is that for closed fiscal years (fiscal year 2021 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 2021 but if there is authority to spend that appropriation in fiscal years later than 2021 the actual spending of that appropriation could be showing up in fiscal year 2021 or in later years.

General fund only spending in FY 2022-23, as shown in this analysis, is \$4.876 billion or 10.5 percent higher than in FY 2020-21. Please note that this general fund comparison may differ from others because, in these numbers, spending that is transferred to another fund, is shown as spending from that fund rather than the general fund.

Significant changes in other funds spending for FY 2022-23 include an \$8.362 billion or 30.1 percent increase in spending in the federal fund. The increase in the federal fund is due largely to increases in federal funds for recovery from the COVID-19 pandemic.

Figure 3 illustrates this spending 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

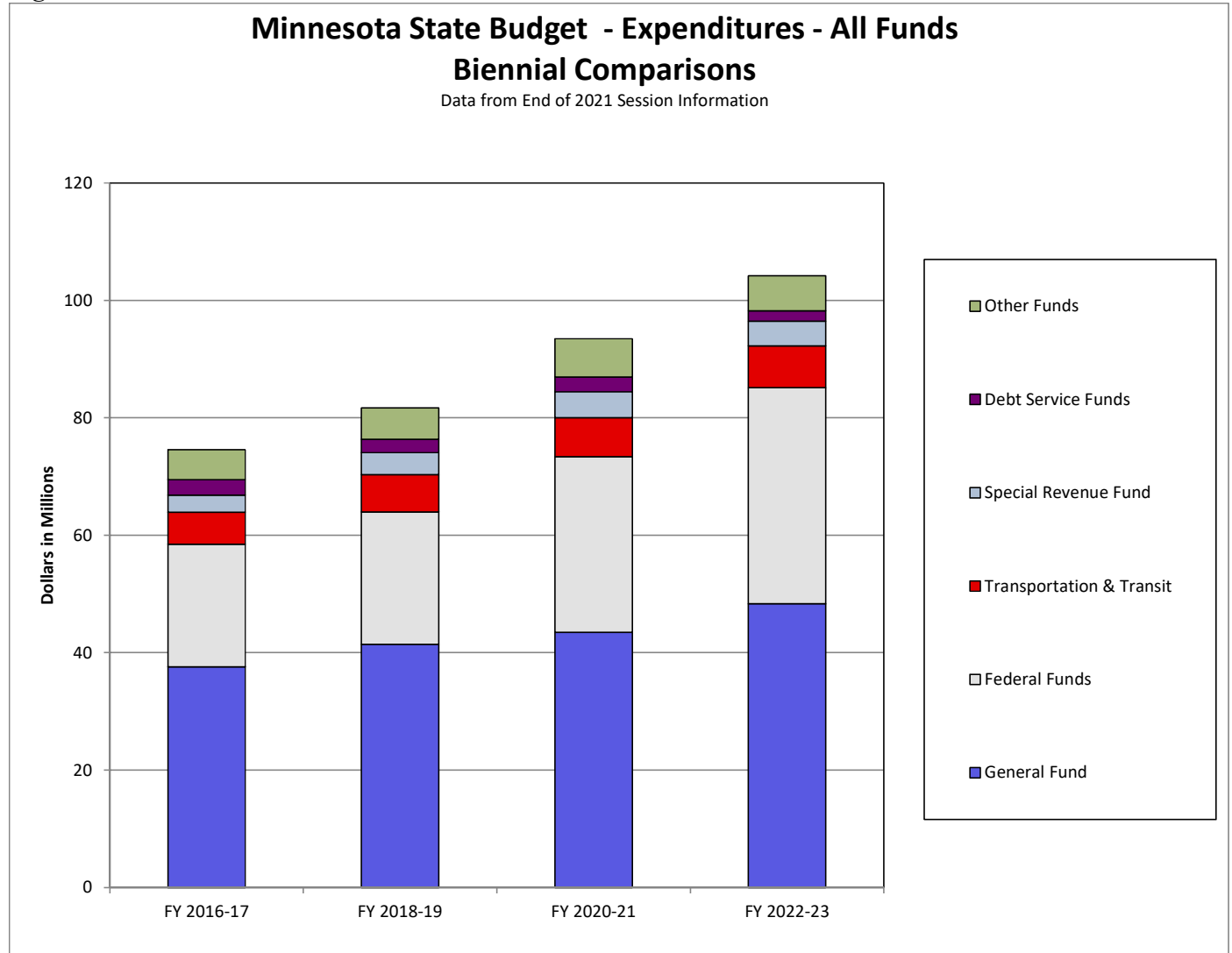


Table 3 provides a comparison by fund of expenditures for the FY 2022-23 biennium and the two previous biennia. This chart lists all funds. Several funds show spending in FY 2020-21 and 2022-23 that is related to the COVID-19 pandemic. Two of those, Health Care Response Fund and COVID-19 Minnesota Fund, are state related funds. Two others, the Coronavirus Relief Fund and the State Fiscal Recovery Fund, are funds for federal money.

Table 3 is on the next page.

Minnesota State Budget - All Operating Funds - Expenditures - Biennial Comparison			
Dollars in thousands			
Data is from End of 2021 Session Information			
	<u>FY 2018-19</u>	<u>FY 2020-21</u>	<u>FY 2022-23</u>
General Fund (adjusted for transfers)	41,415,256	43,458,298	48,333,989
Transit Assistance Fund	735,749	747,546	824,580
Medical Education Research Fund	158,091	158,334	157,982
State Government Special Revenue	116,181	128,639	153,416
Health Related Boards	44,694	59,897	60,185
Construction Codes	65,524	64,974	67,451
Oil Overcharge	0	0	0
911 Emergency	79,257	111,631	111,835
Health Care Response Fund	0	73,916	0
COVID-19 Minnesota Fund	0	239,555	0
Special Revenue Fund	3,749,925	4,469,513	4,194,110
Opiate Epidemic Response	0	9,487	25,447
Agricultural Fund	77,443	82,967	83,808
Mn Environment & Nat Res Trust Fund	95,783	115,040	70,881
Natural Resources Fund	209,285	246,115	253,568
Game & Fish Fund	225,122	244,968	250,464
Outdoor Heritage Fund	215,522	338,466	128,394
Arts & Cultural Heritage Fund	134,868	152,112	149,749
Clean Water Fund	228,268	330,190	256,792
Parks & Trails Fund	81,486	123,481	110,681
Renewable Development Fund	21,624	28,453	70,137
Health Care Access Fund	1,072,915	1,476,273	1,556,414
Iron Range Resources & Rehabilitation Fund	67,664	94,249	79,676
Workforce Development Fund	125,181	156,119	130,047
Gift Fund	14,819	37,058	29,239
Municipal-State Aid Highway	392,006	435,540	441,632
County-State Aid Highway	1,512,602	1,578,419	1,756,807
Trunk Highway Fund	3,658,448	3,769,489	4,051,411
Highway User Tax Distribution Fund	25,724	23,410	7,580
State Airports Fund	58,514	62,989	54,863
Environmental Fund	165,375	175,220	180,958
Remediation Fund	199,433	159,652	276,316
Workers Compensation Special Fund	177,678	153,973	134,462
Federal Funds	22,172,447	27,806,736	36,168,925
Federal TANF Reserve Fund	373,756	350,250	437,524
Coronavirus Relief Federal Fund	0	1,770,089	118,261
ARPA-State Fiscal Recovery Fund	0	0	75,000
Debt Service Fund	2,195,881	2,453,160	1,714,062
Stadium Debt Service Fund	60,313	60,313	60,309
Permanent School Endowment Fund	70,941	79,898	85,702
Other Funds and Transfers Out	1,701,103	1,679,528	1,531,340
Total Expenditures and Transfers	81,698,878	93,505,947	104,193,997
Biennial Change	7,121,185	11,807,069	10,688,050
Biennial Percentage Change	9.5%	14.5%	11.4%

The Largest Annual Change is Between FY 2020 and FY 2021

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 2023. During this period the most substantial change in total state spending is between FY 2020 and FY 2021, an increase of \$7.301 billion or 16.9 percent. And as one can see in both Figure 4 and Table 4 is that the spending of federal funds is considerably higher in FY 2022 than other years. The total change from FY 2018 to FY 2019 is an increase of \$684 million or 1.7 percent and the change from FY 2019 to FY 2020 is an increase of \$1.911 billion or 4.6 percent. The change from FY 2021 to FY 2022 is \$4.260 billion or 8.5 percent. The projected change from FY 2022 to FY 2023 is a decrease of \$5.134 billion or decrease of 9.4 percent.

Figure 4

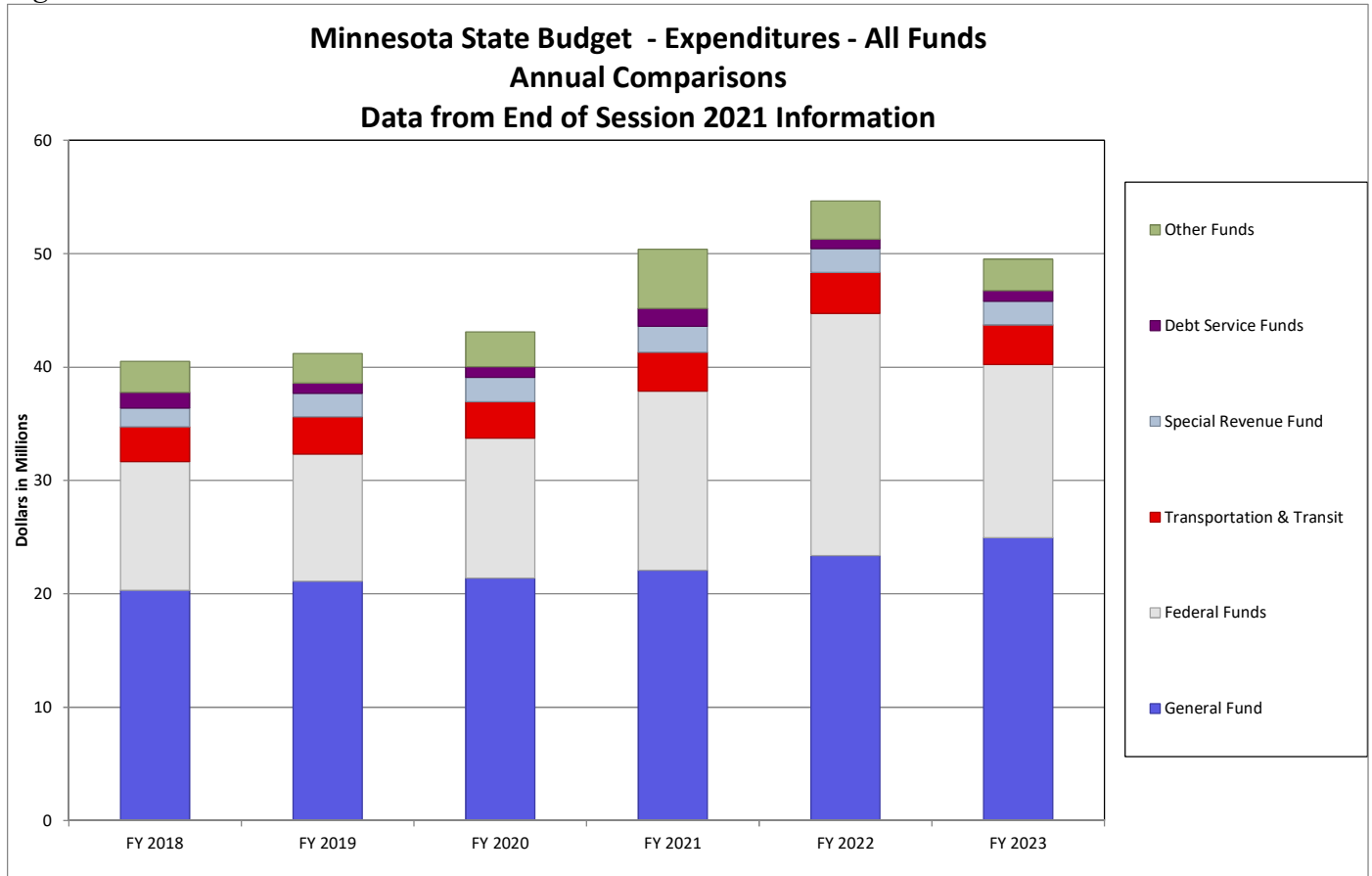


Table 4

Minnesota State Budget - All Operating Funds - Expenditures - Annual Comparison						
Dollars in thousands						
Data is from End of Session 2021 Information						
	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>
General Fund (adjusted for transfers)	20,299,731	21,115,525	21,373,465	22,084,833	23,367,303	24,966,686
Transit Assistance Fund	366,429	369,320	362,822	384,724	406,804	417,776
Medical Education Research Fund	79,006	79,085	79,306	79,028	78,991	78,991
State Government Special Revenue	57,648	58,533	61,749	66,890	75,757	77,659
Health Related Boards	20,269	24,425	23,620	36,277	30,380	29,805
Construction Codes	31,304	34,220	32,484	32,490	33,948	33,503
Oil Overcharge	0	0	0	0	0	0
911 Emergency	38,847	40,410	44,933	66,698	55,922	55,913
Special Revenue Fund	1,661,874	2,088,051	2,165,947	2,303,566	2,106,077	2,088,033
Opiate Epidemic Response Fund		0	0	9,487	11,772	13,675
Agricultural Fund	38,736	38,707	41,351	41,616	42,227	41,581
Mn Environment & Nat Res Trust Fund	52,039	43,744	53,653	61,387	70,881	0
Natural Resources Fund	99,870	109,415	112,058	134,057	128,162	125,406
Game & Fish Fund	106,110	119,012	110,976	133,992	125,318	125,146
Outdoor Heritage Fund	100,385	115,137	140,799	197,667	127,837	557
Arts & Cultural Heritage Fund	63,386	71,482	67,193	84,919	73,132	76,617
Clean Water Fund	106,954	121,314	133,032	197,158	126,711	130,081
Parks & Trails Fund	40,227	41,259	50,620	72,861	54,797	55,884
Renewable Development Fund	18,025	3,599	3,620	24,833	48,809	21,328
Health Care Access Fund	503,246	569,669	720,042	756,231	882,152	674,262
Iron Range Resources & Rehabilitation Fund	31,722	35,942	38,806	55,443	40,227	39,449
NE Minnesota Economic Protection Fund	18,486	15,825	8,284	24,766	6,768	6,136
Workforce Development Fund	65,511	59,670	58,463	97,656	64,226	65,821
Municipal-State Aid Highway	193,623	198,383	237,270	198,270	217,970	223,662
County-State Aid Highway	731,088	781,514	795,902	782,517	867,510	889,297
Trunk Highway Fund	1,745,718	1,912,730	1,765,772	2,003,717	2,105,349	1,946,062
Highway User Tax Distribution Fund	11,747	13,977	11,607	11,803	4,133	3,447
State Airports Fund	31,767	26,747	23,929	39,060	28,508	26,355
Environmental Fund	79,502	85,873	83,188	92,032	90,253	90,705
Remediation Fund	160,488	38,945	61,434	98,218	125,633	150,683
Workers Compensation Special Fund	72,407	105,271	76,246	77,727	68,373	66,089
Federal Funds	11,161,854	11,010,593	12,193,849	15,612,887	21,135,839	15,033,086
Federal TANF Reserve Fund	188,209	185,547	172,155	178,095	220,494	217,030
Coronavirus Relief Federal Fund		0	68,110	1,701,979	118,261	0
ARP-State Fiscal Recovery Federal Fund					75,000	0
Debt Service Fund	1,343,167	852,714	893,039	1,560,121	796,303	917,759
Stadium Debt Service Fund	30,155	30,158	30,156	30,157	30,154	30,155
Permanent School Endowment Fund	34,123	36,818	39,485	40,413	42,720	42,982
Other Funds and Transfers Out	923,968	757,643	967,117	1,029,890	779,165	768,510
Total Expenditures and Transfers	40,507,621	41,191,257	43,102,482	50,403,465	54,663,866	49,530,131
Percent that is General Fund						
Annual Change	2,783,632	683,636	1,911,225	7,300,983	4,260,401	-5,133,735
Annual Percentage Change	7.4%	1.7%	4.6%	16.9%	8.5%	-9.4%

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 2022 will be carried forward into a later year when final FY 2022 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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