



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 35 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. 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 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 \$62.1 Billion for the Biennium

State spending for the current biennium (fiscal years 2012 and 2013) is projected to be \$62.1 billion. Approximately 53.3 percent of that amount (\$33.1 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 61.3 percent over the past ten 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 2012-13 (53.3 percent). The lower percentages in recent years have been due to reductions in general fund spending that are greater than reductions in spending from other funds and to an increase in federal fund spending because of the federal American Rehabilitation and Reinvestment Act (ARRA or federal stimulus). The ARRA spending was at its highest levels in FY 2010 and 2011 but some ARRA spending has carried into FY 2012.

In addition to the general fund, expenditures are made from 35 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. Federal funds that pass through the state treasury make up a major portion of the all funds budget. Federal funds account for 28.8 percent of the all funds expenditures for the FY 2012-13 biennium. The spending of federal funds is restricted to purposes allowed in federal law.

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 November 2011 Consolidated Fund Statement prepared by the Minnesota Department of Finance, dated December 8, 2011.

Figure 1 and Table 1 provide expenditure information by fund for the FY 2012-13 biennium. Approximately 20 smaller funds are grouped in the “other” category in Figure 1 but they are all listed separately in Table 1. Also, several transportation and transit related funds are grouped together in Figure 1.

Figure 1

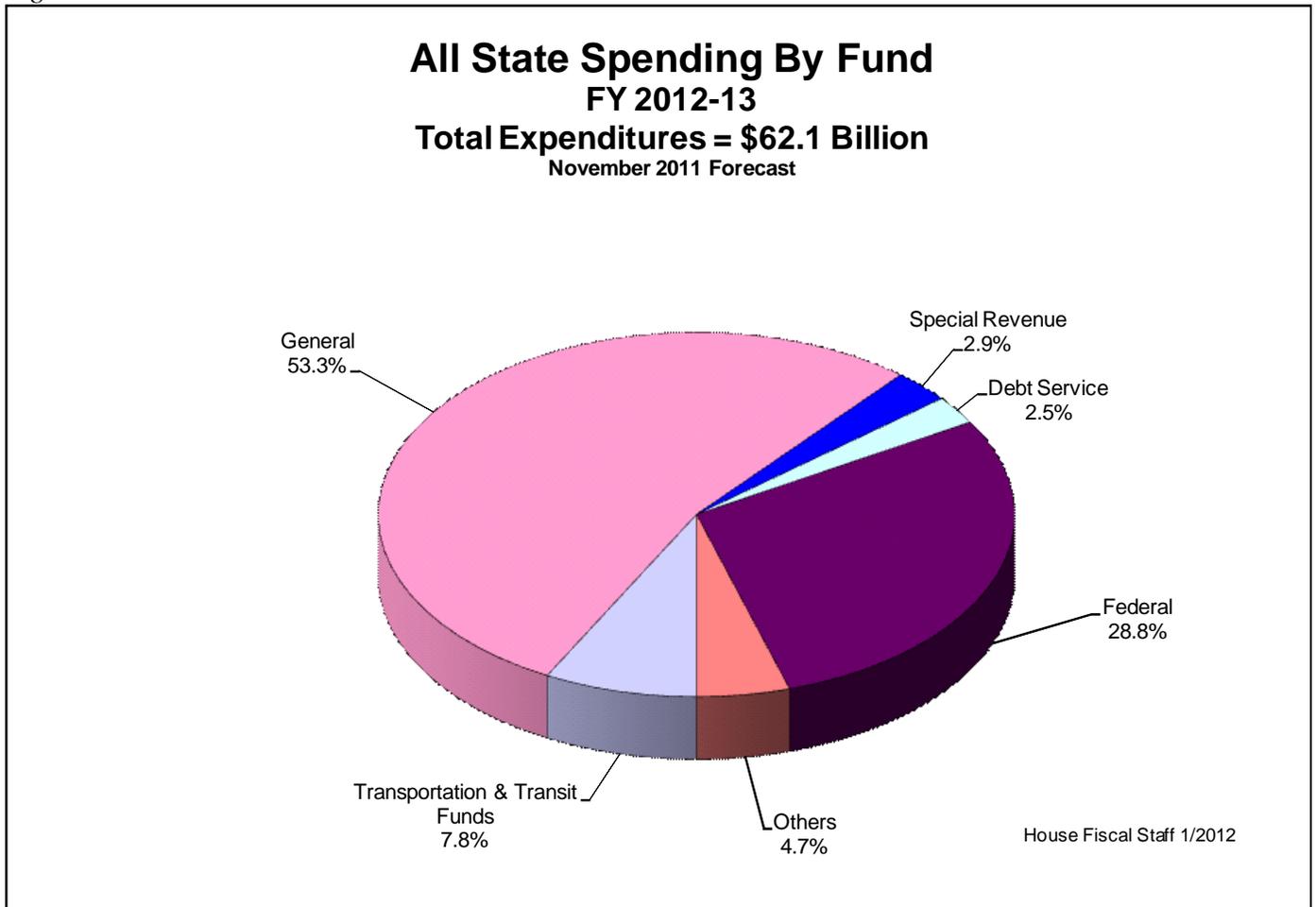


Table 1

Minnesota State Budget - All Operating Funds - Expenditures by Fund			
Dollars in thousands			
Data is from the November 2011 Forecast			
	<u>FY 2012</u>	<u>FY 2013</u>	<u>Biennial FY 2012-13</u>
General Fund (adjusted for transfers)	16,190,817	16,925,288	33,116,105
Mn Environment & Nat Res Trust Fund	31,710	25,328	57,038
Minnesota Future Resources Fund	123	0	123
Petroleum Tank Release Fund	18,588	18,588	37,176
State Government Special Revenue	181,953	160,898	342,851
Natural Resources Fund	98,987	97,108	196,095
Health Care Access Fund	365,720	364,567	1,813,520
Special Revenue Fund	912,066	901,454	1,813,520
Agricultural Fund	24,120	24,503	48,623
Permanent School Endowment Fund	23,481	23,504	46,985
Health Impact Fund	0	0	0
State Airports Fund	20,471	21,942	42,413
Game & Fish Fund	99,849	99,161	199,010
Iron Range Resources & Rehabilitation Fund	24,287	23,914	48,201
Workforce Development Fund	47,490	41,970	89,460
Municipal-State Aid Highway	149,104	157,280	306,384
County-State Aid Highway	553,919	585,013	1,138,932
Trunk Highway Fund	1,562,572	1,287,916	2,850,488
Highway User Tax Distribution Fund	13,499	13,499	26,998
Federal TANF Reserve Fund	203,358	188,842	392,200
Federal Funds	8,609,715	8,853,554	17,463,269
Workers Compensation Special Fund	104,932	104,332	209,264
Environmental Fund	65,858	65,599	131,457
Remediation Fund	36,181	34,663	70,844
Transit Assistance Fund	219,510	237,135	456,645
Outdoor Heritage Fund	101,053	471	101,524
Arts & Cultural Heritage Fund	53,565	52,714	106,279
Clean Water Fund	117,714	88,912	206,626
Parks & Trails Fund	45,066	38,468	83,534
Closed Landfill Investment Fund	0	0	0
Debt Service Fund	1,067,687	489,262	1,556,949
Maximum Effort School Loan Fund	0	0	0
Medical Education Research Fund	53,225	53,225	106,450
NE Minnesota Economic Protection Fund	5,530	1,648	7,178
Gift Fund	5,478	4,888	10,366
Endowment Fund	1	1	2
Transfers to Other Funds	47,465	56,160	103,625
Total Expenditures and Transfers	31,055,094	31,041,807	62,096,901
Percent that is General Fund	52.2%	54.5%	53.3%
See notes on next page			

Notes for Table 1:

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

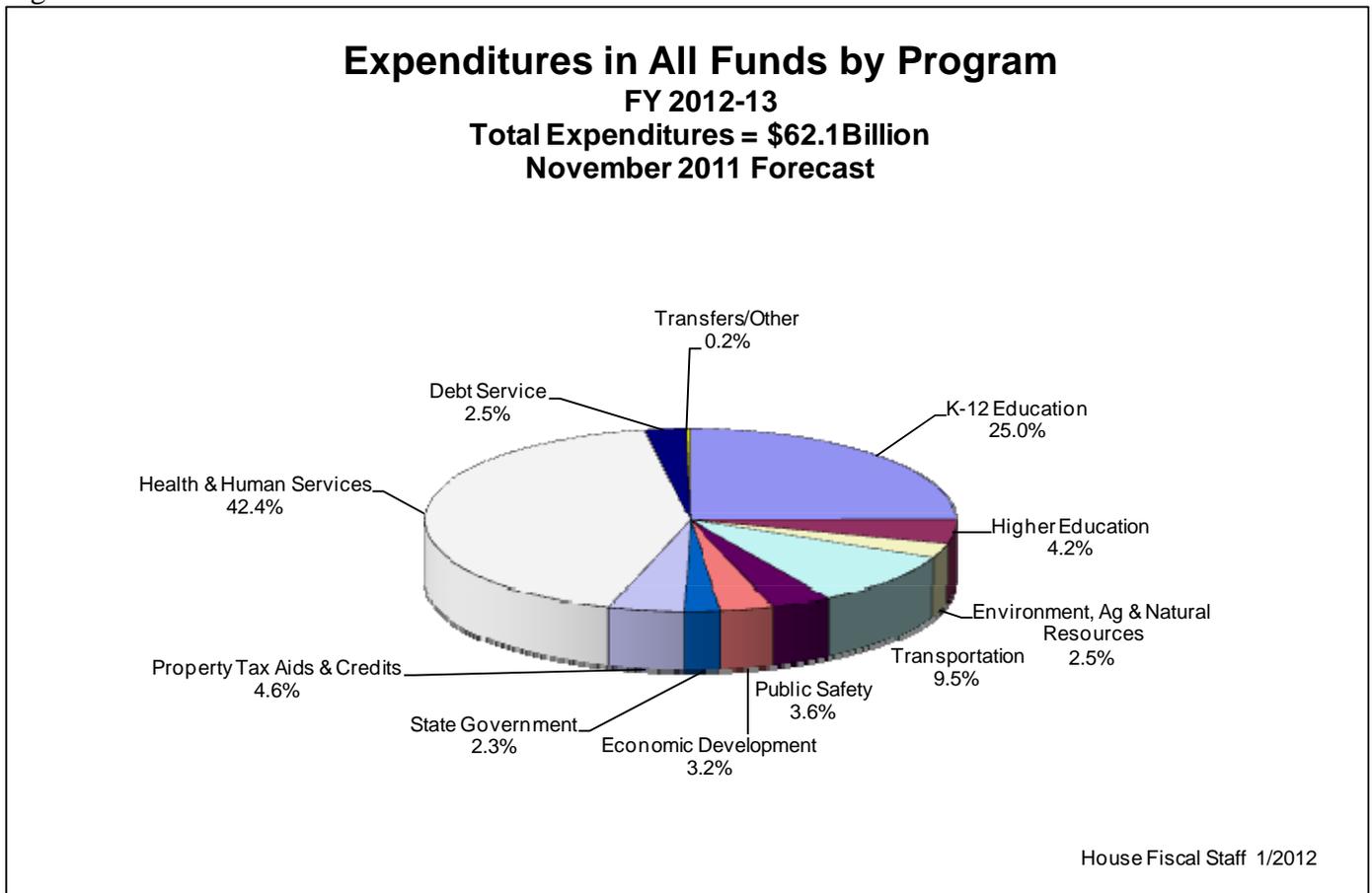
Several changes in the status of funds have occurred in recent years. The metropolitan area transit fund and the greater Minnesota transit fund first began operating in FY 2003 but were folded into a transit assistance fund in FY 2008. The health impact fund began in FY 2006. It has no expenditures because all of the revenue it receives is transferred to the general fund.

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 42.4 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 25.0 percent for FY 2012-13. 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 in health and human services. Shifts and delays in payments for school districts also cause the K-12 Education share to be lower than it would otherwise be.

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 2012-13, but it is only 0.4 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 the November 2011 Forecast				
	<u>FY 2012</u>	<u>FY 2013</u>	<u>Biennial FY 2012-13</u>	<u>Percent of Total</u>
K-12 Education	7,305,411	8,203,268	15,508,679	25.0%
Higher Education	1,317,007	1,316,393	2,633,400	4.2%
Agriculture, Environment & Natural Resources	862,646	700,271	1,562,917	2.5%
Transportation	3,088,257	2,822,256	5,910,513	9.5%
Public Safety	1,140,727	1,110,713	2,251,440	3.6%
Economic Development	1,033,082	951,235	1,984,317	3.2%
State Government	692,101	713,884	1,405,985	2.3%
Property Tax Aids & Credits	1,468,699	1,367,292	2,835,991	4.6%
Health & Human Services	12,995,313	13,326,954	21,258,433	42.4%
Debt Service	1,067,687	489,262	1,556,949	2.5%
Transfers/Others	63,863	66,508	130,371	0.2%
Total	31,034,793	31,068,036	62,102,829	100.0%

These operating fund by general program 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 6.3 Percent

State spending in all funds is projected to increase \$3.692 billion or 6.3 percent in the FY 2012-13 biennium over the FY 2010-11 biennium. This compares to a \$3.259 billion or 5.9 percent increase in the FY 2010-11 biennium over the FY 2008-09 biennium.

Table 3 provides a comparison of expenditures for the FY 2012-13 biennium and the two previous biennia.

General fund spending in FY 2012-13, as shown in this analysis, is \$4.528 billion or 15.8 percent higher than in FY 2010-11.⁴

Table 3

Minnesota State Budget - All Operating Funds - Expenditures - Biennial Comparison			
Dollars in thousands			
Data is from the November 2011 forecast			
	<u>FY 2008-09</u>	<u>FY 2010-11</u>	<u>FY 2012-13</u>
General Fund (adjusted for transfers)	32,419,579	28,588,564	33,116,105
State Government Special Revenue	250,022	233,073	342,851
Natural Resources Fund	165,214	166,593	196,095
Health Care Access Fund	776,259	1,103,162	730,287
Special Revenue Fund	1,737,299	2,037,435	1,813,520
State Airports Fund	36,498	42,557	42,413
Game & Fish Fund	188,997	192,564	199,010
Iron Range Resources & Rehabilitation Fund	79,988	49,748	48,201
Workforce Development Fund	101,073	94,240	89,460
Municipal-State Aid Highway	223,879	290,105	306,384
County-State Aid Highway	881,211	1,086,444	1,138,932
Trunk Highway Fund	2,715,359	2,812,153	2,850,488
Highway User Tax Distribution Fund	19,899	20,799	26,998
Federal Funds	13,108,216	17,772,074	17,463,269
Federal TANF Reserve Fund	441,797	454,827	392,200
Workers Compensation Special Fund	208,142	191,378	209,264
Environmental Fund	131,113	125,825	131,457
Remediation Fund	85,199	86,599	70,844
Transit Assistance Fund	260,424	359,985	456,645
Outdoor Heritage Fund	0	126,916	101,524
Arts & Cultural Heritage Fund	0	93,253	106,279
Clean Water Fund	0	115,903	206,626
Parks & Trails Fund	0	59,735	83,534
Debt Service Fund	1,585,254	2,669,313	1,556,949
Other Funds and Transfers Out	-270,184	-368,766	417,566
Total Expenditures and Transfers	55,145,238	58,404,479	62,096,901
Biennial Change		3,259,241	3,692,422
Biennial Percentage Change		5.9%	6.3%

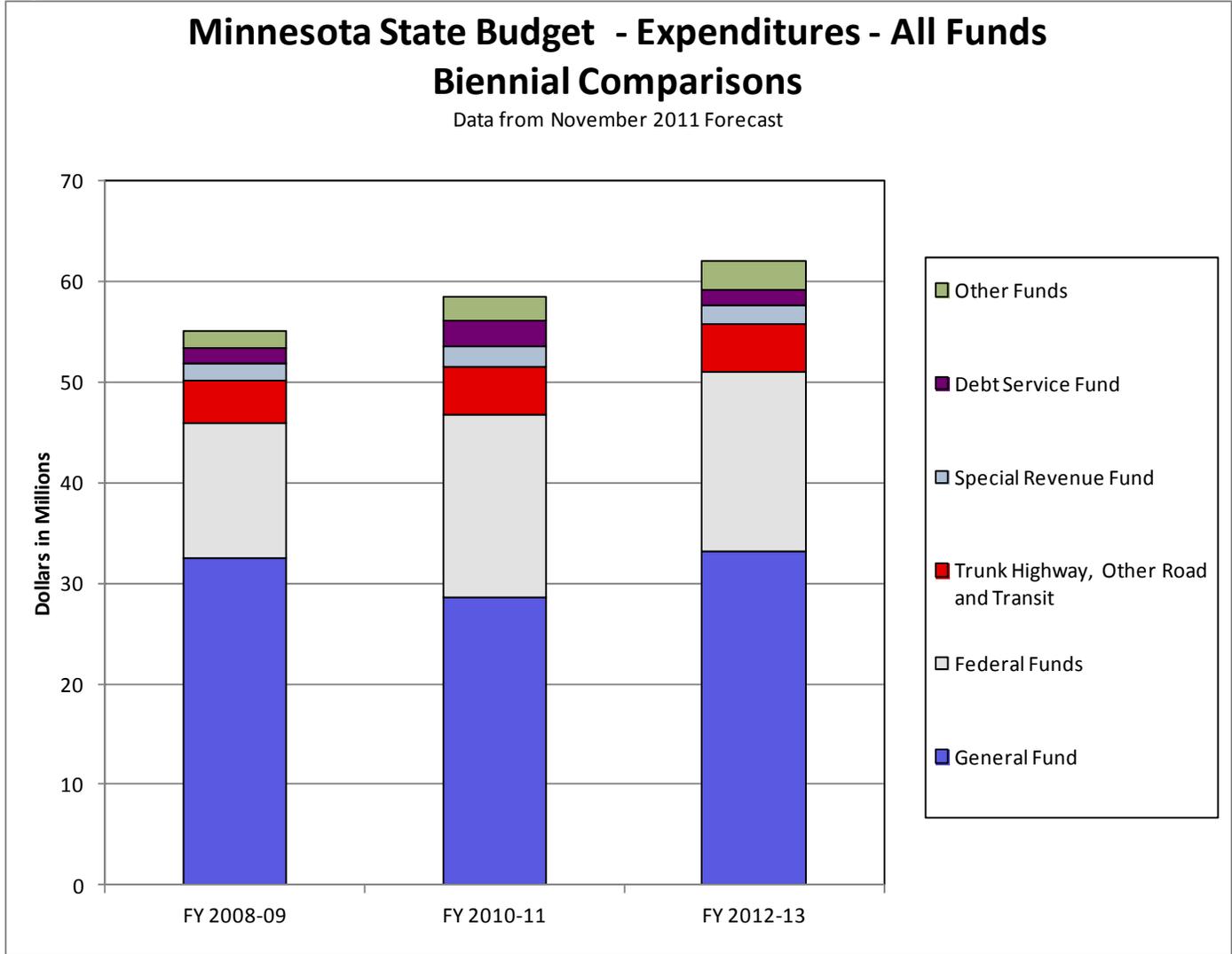
Note: General fund numbers may differ from other comparisons because general fund appropriations that are transfers to other funds are shown as expenditures from the other fund rather than in the general fund.

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.

Significant changes in other funds spending for FY 2012-13 include a \$1.112 billion or 41.7 percent decrease in spending from the debt service fund and a \$110 million or 41.7 percent increase in spending from the state government special revenue fund. The decrease in debt service is due largely to less spending because of less bond refunding. The increase in state government special revenue spending is due primarily to more accounts being moved into that fund.

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.

Figure 3



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 and Figure 4 show the all funds expenditure change information on an annual basis for a six year period ending in FY 2013. During this period the most substantial change in total state spending is between FY 2010 and FY 2011, an increase of \$1.599 billion or 5.6 percent. The change from FY 2011 to FY 2012 is an increase of \$1.054 billion or 3.5 percent and the change from FY 2012 to FY 2013 is a decrease of \$13 million or essentially 0 percent.

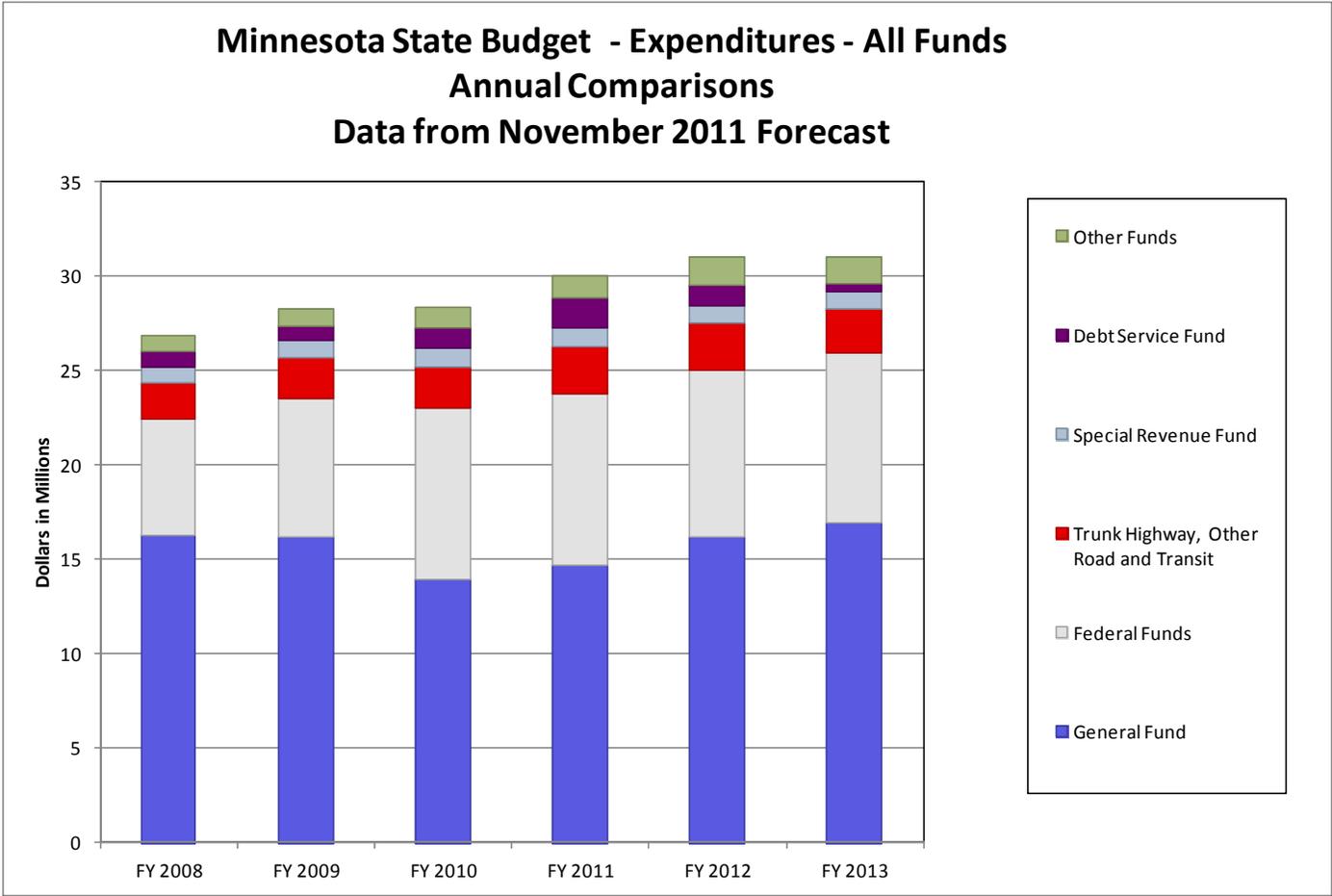
There are substantial changes in spending of some of the funds from year to year. Some of that is due to unique circumstances. Debt service spending changes show up as substantially higher between some years because bond refinancing affects the amount of spending. Spending in the Outdoor Heritage Fund is appropriated one year at a time so almost no appropriations are currently in place for FY 2013. Spending change can also be affected by authorized spending for one year being carried forward to a future year.

Table 4

Minnesota State Budget - All Operating Funds - Expenditures - Biennial Comparison						
Dollars in thousands						
Data is from the November 2011 forecast						
	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
General Fund (adjusted for transfers)	16,250,922	16,168,657	13,923,380	14,665,184	16,190,817	16,925,288
State Government Special Revenue	119,592	130,430	116,020	117,053	181,953	160,898
Natural Resources Fund	80,063	85,151	80,602	85,991	98,987	97,108
Health Care Access Fund	369,134	407,125	518,278	584,884	365,720	364,567
Special Revenue Fund	841,394	895,905	1,028,508	1,008,927	912,066	901,454
State Airports Fund	21,425	15,073	21,599	20,958	20,471	21,942
Game & Fish Fund	89,105	99,892	93,685	98,879	99,849	99,161
Iron Range Resources & Rehabilitation Fund	45,632	34,356	23,561	26,187	24,287	23,914
Workforce Development Fund	45,853	55,220	47,141	47,099	47,490	41,970
Municipal-State Aid Highway	116,340	107,539	132,030	158,075	149,104	157,280
County-State Aid Highway	424,803	456,408	458,989	627,455	553,919	585,013
Trunk Highway Fund	1,205,094	1,510,265	1,333,537	1,478,616	1,562,572	1,287,916
Highway User Tax Distribution Fund	9,153	10,746	10,077	10,722	13,499	13,499
Federal Funds	6,006,647	7,101,569	8,901,504	8,870,570	8,609,715	8,853,554
Federal TANF Reserve Fund	203,741	238,056	233,066	221,761	203,358	188,842
Workers Compensation Special Fund	101,471	106,671	102,659	88,719	104,932	104,332
Environmental Fund	63,562	67,551	62,467	63,358	65,858	65,599
Remediation Fund	41,879	43,320	41,271	45,328	36,181	34,663
Transit Assistance Fund	130,489	129,935	156,136	203,849	219,510	237,135
Outdoor Heritage Fund	0	0	55,138	71,778	101,053	471
Arts & Cultural Heritage Fund	0	0	33,889	59,364	53,565	52,714
Clean Water Fund	0	0	43,527	72,376	117,714	88,912
Parks & Trails Fund	0	0	12,137	47,598	45,066	38,468
Debt Service Fund	814,586	770,668	1,081,067	1,588,246	1,067,687	489,262
Other Funds and Transfers Out	-127,981	-142,203	-107,376	-261,390	209,721	207,845
Total Expenditures and Transfers	26,852,904	28,292,334	28,402,892	30,001,587	31,055,094	31,041,807
Annual Change		1,439,430	110,558	1,598,695	1,053,507	-13,287
Annual Percentage Change		5.4%	0.4%	5.6%	3.5%	0.0%

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.

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.

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