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# 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. This paper includes expenditure data for all the state's operating funds including the general fund.<sup>1</sup> 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.<sup>2</sup> 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.<sup>3</sup>

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

State spending for the current biennium (fiscal years 2014 and 2015) is projected to be \$71.3 billion. Approximately 52.7 percent of that amount (\$37.6 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 61.0 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 2014-15 (52.7 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, 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. Federal funds that pass through the state treasury make up a major portion of the all funds budget. Federal

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<sup>1</sup> 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.

<sup>2</sup> 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."

<sup>3</sup> The data in this document is from the June 2014 End of Session Consolidated Fund Statement prepared by Minnesota Management and Budget.

funds account for 27.8 percent of the all funds expenditures for the FY 2014-15 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 2014-15 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

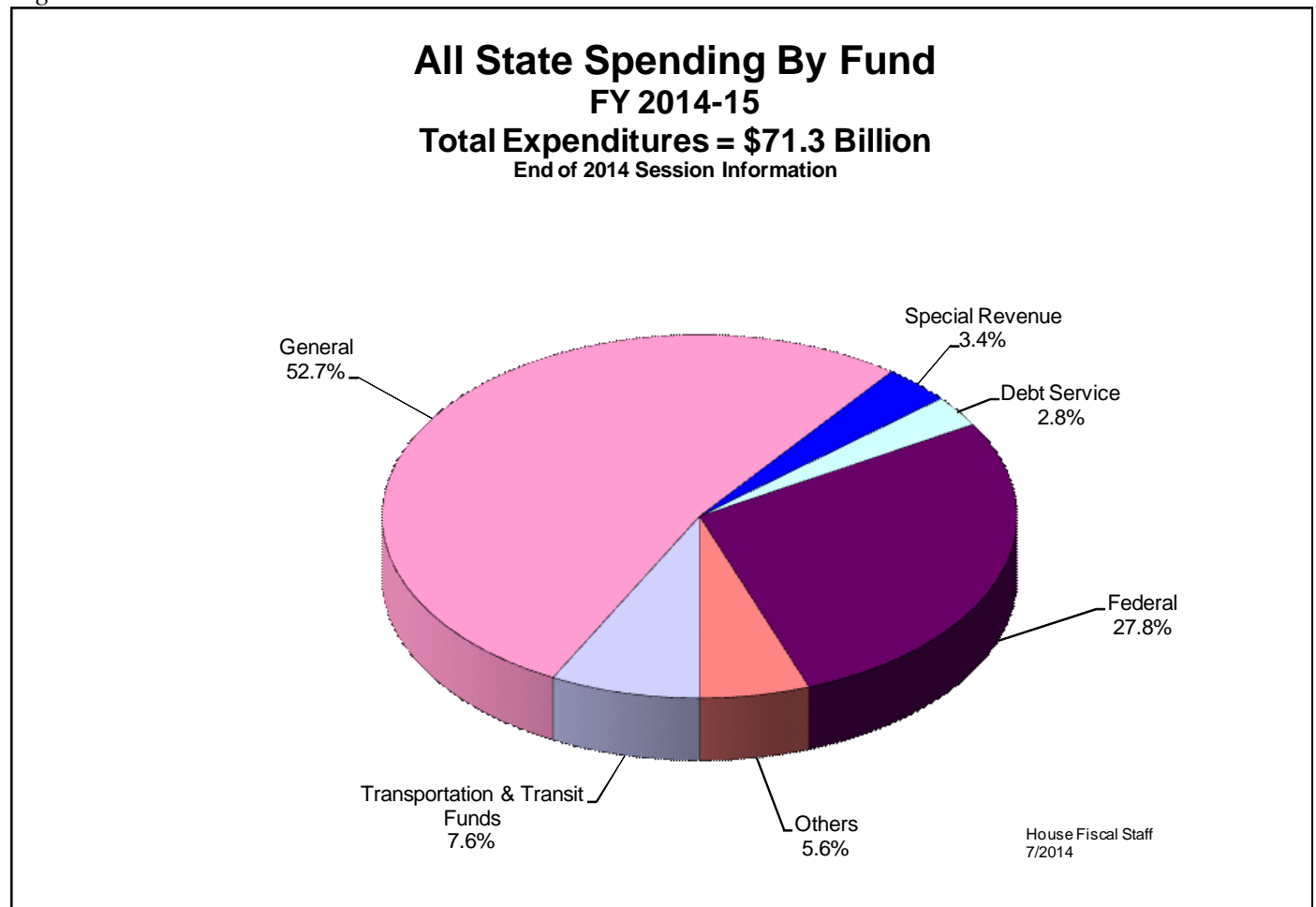


Table 1

<b>Minnesota State Budget - All Operating Funds - Expenditures by Fund</b>			
Dollars in thousands			
Data is from End of 2014 Session Information			
	<u>FY 2014</u>	<u>FY 2015</u>	<u>Biennial FY 2014-15</u>
General Fund (adjusted for transfers)	18,610,917	18,961,602	33,116,105
Transit Assistance Fund	292,350	299,799	592,129
Medical Education Research Fund	79,841	79,841	159,682
State Government Special Revenue Fund	159,610	155,659	315,269
Minnesota Future Resources Fund	0	0	0
Special Revenue Fund	1,362,379	1,088,529	2,450,908
Agricultural Fund	28,083	27,368	55,451
MN Environment & Natural Resources Trust Fund	40,199	34,780	74,979
Natural Resources Fund	98,275	97,318	195,593
Game & Fish Fund	104,933	105,400	210,333
Outdoor Heritage Fund	155,584	109,320	264,904
Arts & Cultural Heritage Fund	65,955	58,634	124,589
Clean Water Fund	157,848	100,130	257,978
Parks & Trails Fund	49,936	42,596	92,532
Petroleum Tank Release Fund	20,062	16,597	36,659
Health Care Access Fund	533,162	667,632	1,200,794
Iron Range Resources & Rehabilitation Fund	73,743	38,225	111,968
NE Minnesota Economic Protection Fund	1,596	1,597	3,193
Workforce Development Fund	67,691	49,126	116,817
Endowment Fund	0	0	0
Gift Fund	4,985	4,841	9,826
Municipal State Aid Street Fund	174,768	169,337	344,105
County State Aid Highway Fund	608,366	602,500	1,210,866
Trunk Highway Fund	1,652,518	1,573,166	3,225,684
Highway User Tax Distribution Fund	11,529	11,472	23,001
State Airports Fund	21,253	23,253	44,506
Environmental Fund	72,398	76,531	148,929
Remediation Fund	42,843	37,602	80,445
Closed Landfill Investment Fund	0	0	0
Maximum Effort School Loan Fund	0	0	0
Workers Compensation Special Fund	100,325	100,115	200,440
Federal Fund	9,228,639	10,244,991	19,473,630
Federal TANF Fund	188,059	190,293	378,352
Debt Service Fund	1,073,003	871,529	1,944,532
Stadium Debt Service Fund	7,347	30,152	37,499
Permanent School Endowment Fund	24,274	24,873	49,147
Transfers Out to Other Funds	240,077	41,444	281,521
<b>Total Expenditures and Transfers</b>	<b>35,352,548</b>	<b>35,936,232</b>	<b>71,288,780</b>
<b>Percent that is General Fund</b>	<b>52.6%</b>	<b>52.8%</b>	<b>52.7%</b>
See notes on next page			

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 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.

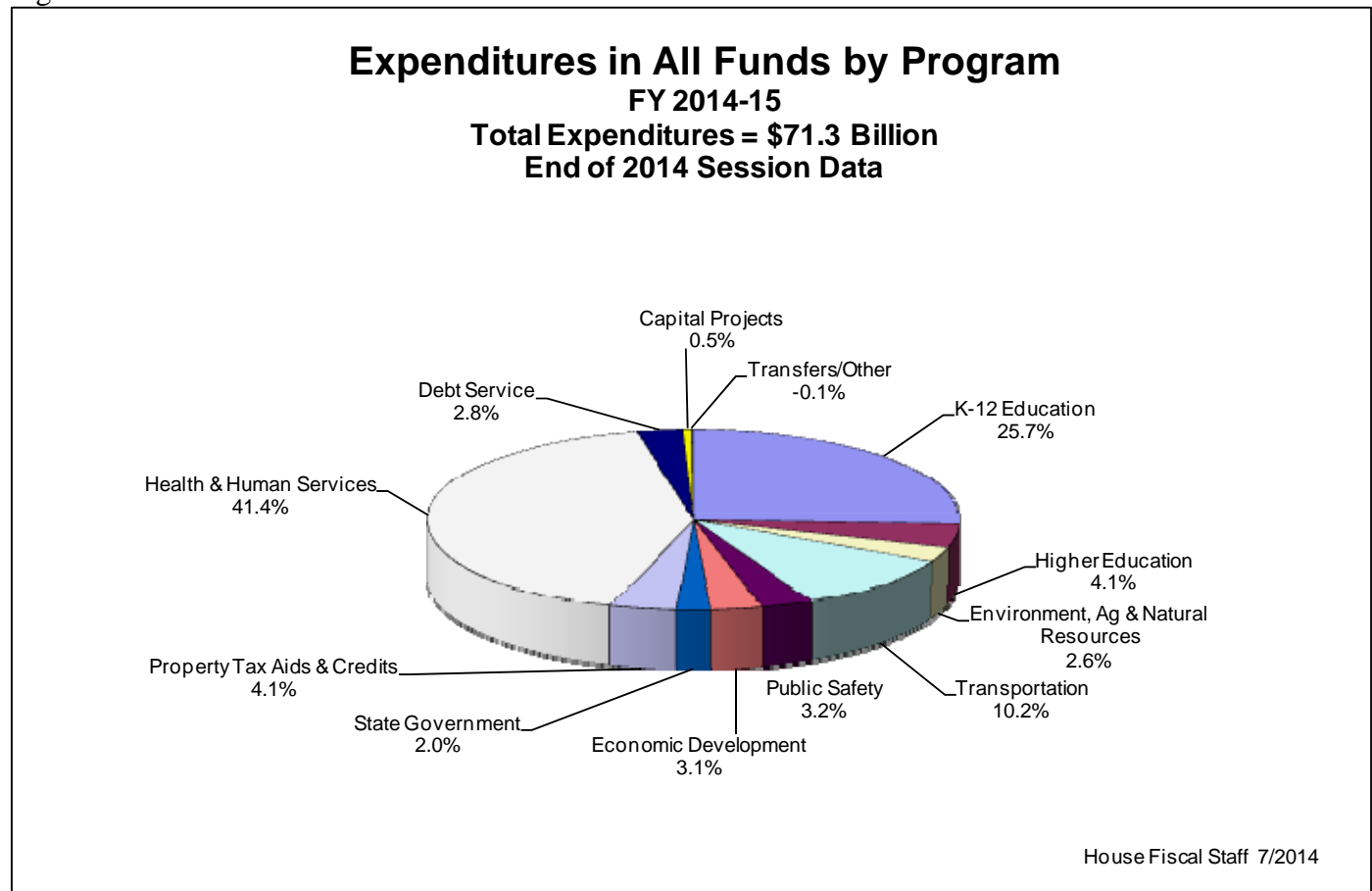
Several changes in the status of funds have occurred in recent years. The metropolitan area transit fund and the greater Minnesota transit fund first began operating in FY 2003 but were folded into a transit assistance fund in FY 2008. The stadium debt service fund began in FY 2014 for debt service payments 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 41.4 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 25.7 percent for FY 2014-15. 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 10.2 percent of the all funds spending for FY 2014-15, 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

<b>Total Expenditures - All Funds - Expenditures by Program</b>				
<b>Dollars in thousands</b>				
Data is from End of 2014 Session Information				
	<u>FY 2014</u>	<u>FY 2015</u>	<u>Biennial FY 2014-15</u>	<u>Percent of Total</u>
K-12 Education	9,300,269	9,038,674	18,338,943	25.7%
Higher Education	1,436,513	1,496,380	2,032,893	4.1%
Agriculture, Environment & Natural Resources	972,464	883,983	1,856,447	2.6%
Transportation	3,796,473	3,484,758	7,281,231	10.2%
Public Safety	1,141,677	1,166,785	2,308,462	3.2%
Jobs & Economic Development	1,182,142	1,050,306	2,232,448	3.1%
State Government	745,680	716,433	1,462,113	2.1%
Property Tax Aids & Credits	1,323,432	1,639,432	2,962,864	4.2%
Health & Human Services	14,107,745	15,461,909	29,569,654	41.5%
Debt Service	1,102,087	925,849	2,027,936	2.8%
Capital Projects	274,576	99,028	373,604	0.5%
Transfers/Others	-30,514	-27,309	-57,823	-0.1%
Total	35,352,544	35,936,228	71,288,772	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 15.2 Percent**

State spending in all funds is projected to increase \$9.419 billion or 15.2 percent in the FY 2014-15 biennium over the FY 2012-13 biennium. This compares to a \$3.465 billion or 5.9 percent increase in the FY 2012-13 biennium over the FY 2010-11 biennium.

Table 3 provides a comparison of expenditures for the FY 2014-15 biennium and the two previous biennia.

Table 3

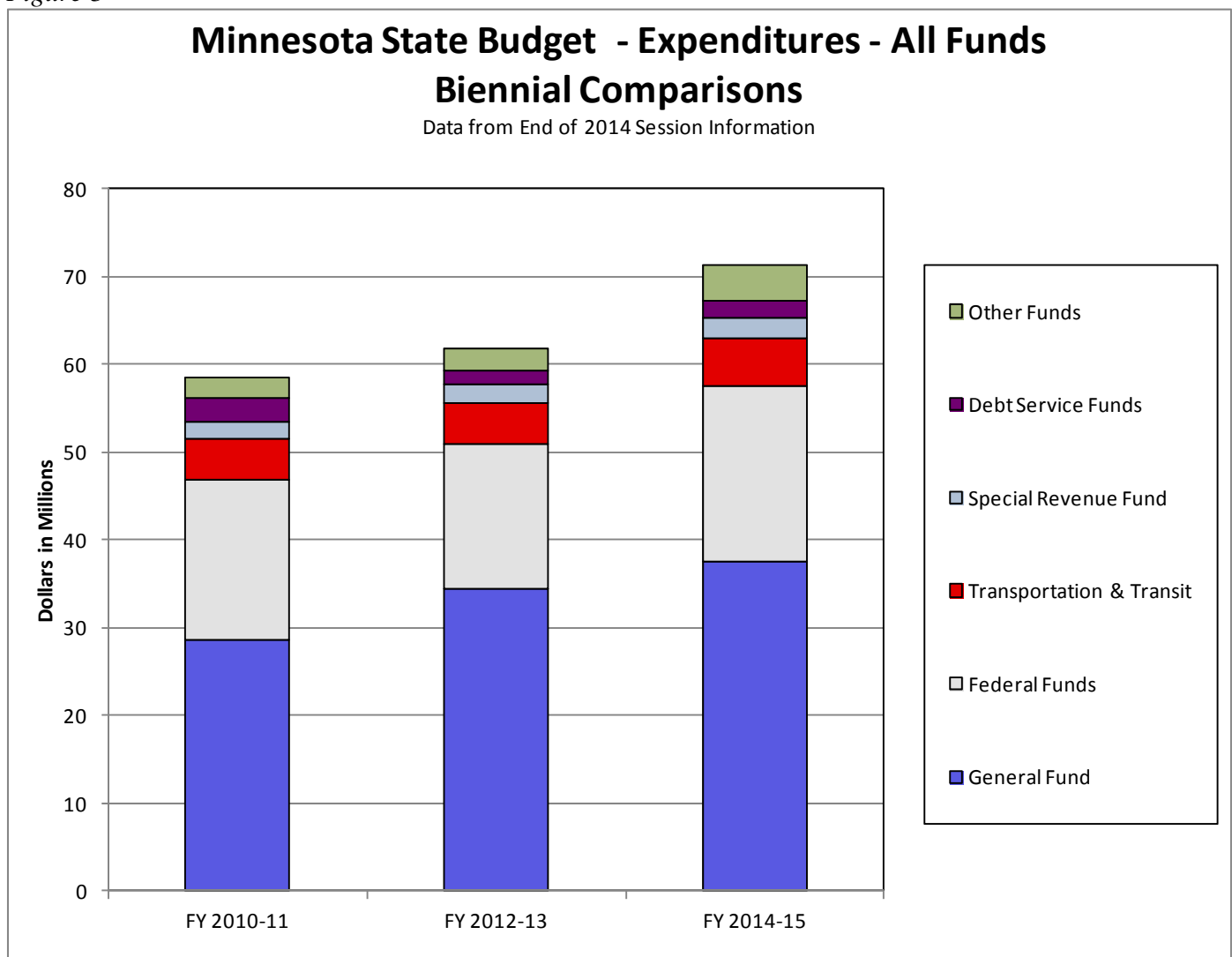
<b>Minnesota State Budget - All Operating Funds - Expenditures - Biennial Comparison</b>			
Dollars in thousands			
Data is from End of 2014 Session Information			
	<u>FY 2010-</u>	<u>FY 2012-</u>	<u>FY 2014-</u>
General Fund (adjusted for transfers)	28,588,564	34,441,003	37,572,519
Transit Assistance Fund	359,985	457,823	592,129
Medical Education Research Fund	172,831	108,833	159,682
State Government Special Revenue	233,073	254,633	315,269
Special Revenue Fund	2,037,435	2,166,058	2,450,908
Agricultural Fund	38,933	45,298	55,451
Mn Environment & Nat Res Trust Fund	54,449	51,481	74,979
Natural Resources Fund	166,593	182,901	195,593
Game & Fish Fund	192,564	189,826	210,333
Outdoor Heritage Fund	126,916	144,857	264,904
Arts & Cultural Heritage Fund	93,253	101,248	124,589
Clean Water Fund	115,903	144,307	257,978
Parks & Trails Fund	59,735	77,599	92,532
Health Care Access Fund	1,103,162	643,710	1,200,794
Iron Range Resources & Rehabilitation Fund	49,748	63,509	111,968
Workforce Development Fund	94,240	82,897	116,817
Gift Fund	13,914	12,573	9,826
Municipal-State Aid Highway	290,105	274,415	344,105
County-State Aid Highway	1,086,444	1,002,562	1,210,866
Trunk Highway Fund	2,812,153	2,872,734	3,225,684
Highway User Tax Distribution Fund	20,799	21,992	23,001
State Airports Fund	42,557	42,410	44,506
Environmental Fund	125,825	132,349	148,929
Remediation Fund	86,599	67,954	80,445
Workers Compensation Special Fund	191,378	179,271	200,440
Federal	17,772,074	16,056,695	19,473,630
Federal TANF Reserve Fund	454,827	387,519	378,352
Debt Service Fund	2,669,313	1,490,529	1,944,532
Stadium Debt Service Fund	0	0	37,499
Permanent School Endowment Fund	45,868	49,526	49,147
Other Funds and Transfers Out	-	123,305	321,373
<b>Total Expenditures and Transfers</b>	<b>58,404,479</b>	<b>61,869,817</b>	<b>71,288,780</b>
<b>Biennial Change</b>		<b>3,465,338</b>	<b>9,418,963</b>
<b>Biennial Percentage Change</b>		<b>5.9%</b>	<b>15.2%</b>
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 spending in FY 2014-15, as shown in this analysis, is \$3.132 billion or 9.1 percent higher than in FY 2012-13.<sup>4</sup>

Significant changes in other funds spending for FY 2014-15 include a \$454 million or 30.5 percent increase in spending from the debt service fund and a \$557 million or 86.5 percent increase in spending from the health care access fund. The increase in debt service is due largely to a major portion of FY 2012 and 2013 debt service needs being funded by proceeds of the so called “tobacco bonds reducing the need for general fund money. The increase in the health care access fund can be attributed to a higher spending level in FY 2014 and 2015 of funds not spent in FY 2012 and 2013. The FY 2012 and 2013 funds were not spent because federal funds covered more health care costs than originally expected.

Figure 3



<sup>4</sup> 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.)

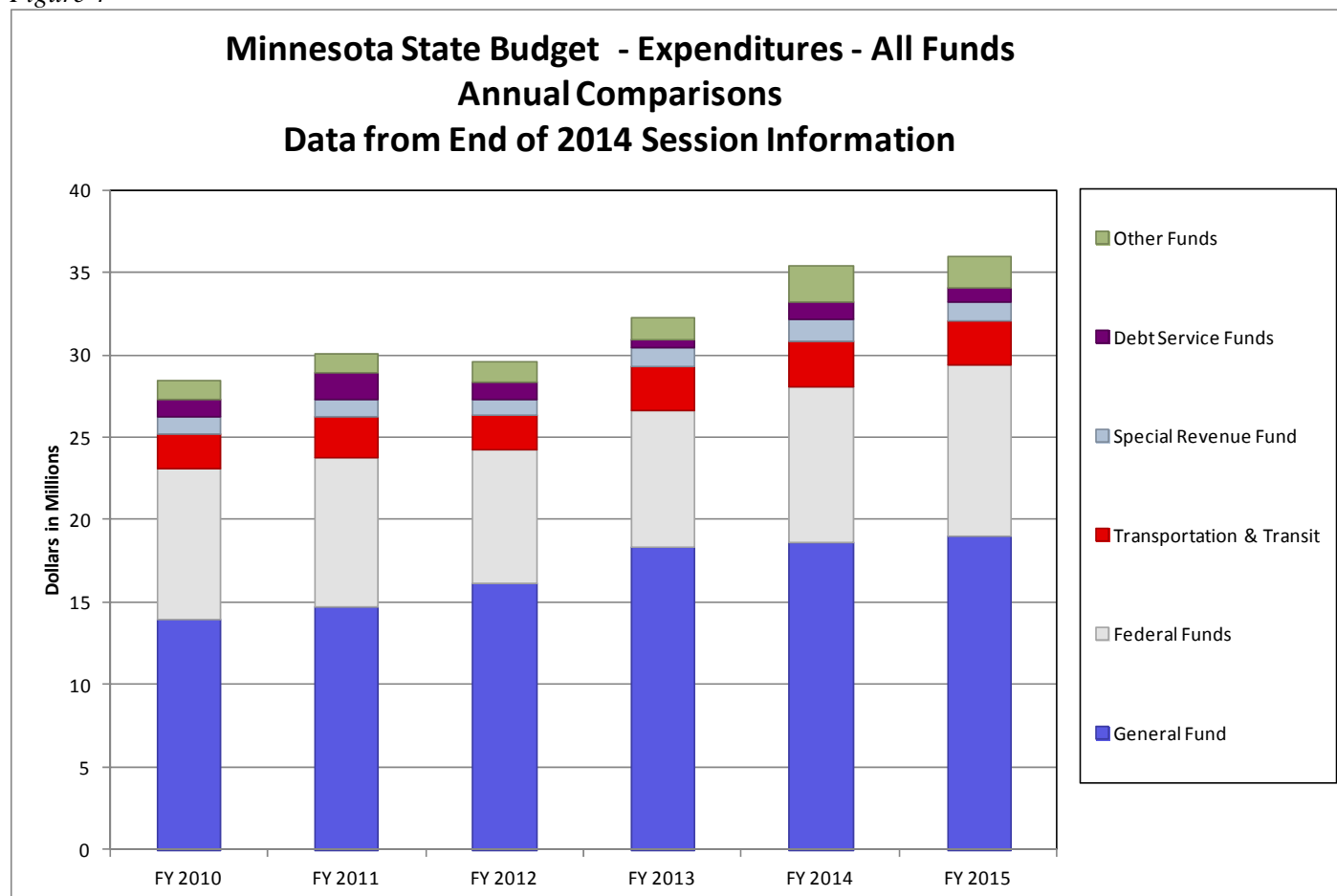
Table 4

Minnesota State Budget - All Operating Funds - Expenditures - Annual Comparison						
Dollars in thousands						
Data is from End of 2104 Session Information						
	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
General Fund (adjusted for transfers)	13,923,380	14,665,184	16,151,991	18,289,012	18,610,917	18,961,602
Transit Assistance Fund	156,136	203,849	223,253	234,570	292,350	299,779
Medical Education Research Fund	87,555	85,276	55,494	53,339	79,841	79,841
State Government Special Revenue	116,020	117,053	118,850	135,783	159,610	155,659
Special Revenue Fund	1,028,508	1,008,927	1,023,415	1,142,643	1,362,379	1,088,529
Agricultural Fund	19,487	19,446	22,137	23,161	28,083	27,368
Mn Environment & Nat Res Trust Fund	24,972	29,477	25,008	26,473	40,199	34,780
Natural Resources Fund	80,602	85,991	88,624	94,277	98,275	97,318
Game & Fish Fund	93,685	98,879	88,682	101,144	104,933	105,400
Outdoor Heritage Fund	55,138	71,778	61,101	83,756	155,584	109,320
Arts & Cultural Heritage Fund	33,889	59,364	47,303	53,945	65,955	58,634
Clean Water Fund	43,527	72,376	61,428	82,879	157,848	100,130
Parks & Trails Fund	12,137	47,598	39,224	38,375	49,936	42,596
Health Care Access Fund	518,278	584,884	316,461	327,249	533,162	667,632
Iron Range Resources & Rehabilitation Fund	23,561	26,187	24,863	38,646	73,743	38,225
NE Minnesota Economic Protection Fund	5,482	11,810	1,578	1,831	1,596	1,597
Workforce Development Fund	47,141	47,099	36,265	46,632	67,691	49,126
Municipal-State Aid Highway	132,030	158,075	140,524	133,891	174,768	169,337
County-State Aid Highway	458,989	627,455	432,608	569,954	608,366	602,500
Trunk Highway Fund	1,333,537	1,478,616	1,209,093	1,663,641	1,652,518	1,573,166
Highway User Tax Distribution Fund	10,077	10,722	10,866	11,126	11,529	11,472
State Airports Fund	21,599	20,958	19,227	23,183	21,253	23,253
Environmental Fund	62,467	63,358	59,247	73,102	72,398	76,531
Remediation Fund	41,271	45,328	32,454	35,500	42,843	37,602
Workers Compensation Special Fund	102,659	88,719	89,025	90,246	100,325	100,115
Federal Funds	8,901,504	8,870,570	7,906,931	8,149,764	9,228,639	10,244,991
Federal TANF Reserve Fund	233,066	221,761	192,426	195,093	188,059	190,293
Debt Service Fund	1,081,067	1,588,246	1,042,364	448,165	1,073,003	871,529
Stadium Debt Service Fund	0	0	0	0	7,347	30,152
Permanent School Endowment Fund	22,940	22,928	24,393	25,133	24,274	24,873
Other Funds and Transfers Out	-267,812	-430,327	60,899	71,570	265,124	62,882
Total Expenditures and Transfers	28,402,892	30,001,587	29,605,734	32,264,083	35,352,548	35,936,232
Annual Change		1,598,695	-395,853	2,658,349	3,088,465	583,684
Annual Percentage Change		5.6%	-1.3%	9.0%	9.6%	1.7%
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 2015. During this period the most substantial change in total state spending is between FY 2013 and FY 2014, an increase of \$3.088 billion or 9.6 percent. The change from FY 2012 to FY 2013 is an increase of \$2.658 billion or 9.0 percent and the change from FY 2011 to FY 2012 is a decrease of \$396 million or -1.3 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 between 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.

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