



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 28 other funds. Expenditures from all these funds must be authorized in legislation.

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The General Fund is the State's Largest Operating Fund

Most discussions of state expenditures focus on the state 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 with the most flexibility. 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). 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 \$46.1 Billion for the Biennium

State spending for the current biennium (fiscal years 2004 and 2005) is estimated to be \$46.1 billion. Approximately 59.3 percent of that amount (\$26.4 billion) is spending from the general fund. General fund spending as a percent of the all operating funds budget has been between 58.6 percent and 61.3 percent for the past ten years.

In addition to the general fund, expenditures are made from 28 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 with 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 are also included in the all funds budget. Federal funds account for 23.6 percent of the all funds expenditures.

Figure 1 and Table 1 provide expenditure information by fund for the 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.

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 provides 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.

³ The data in this document is from the End of 2003 Session Consolidated Fund Statement prepared by the Minnesota Department of Finance, dated June 6, 2003.

Figure 1

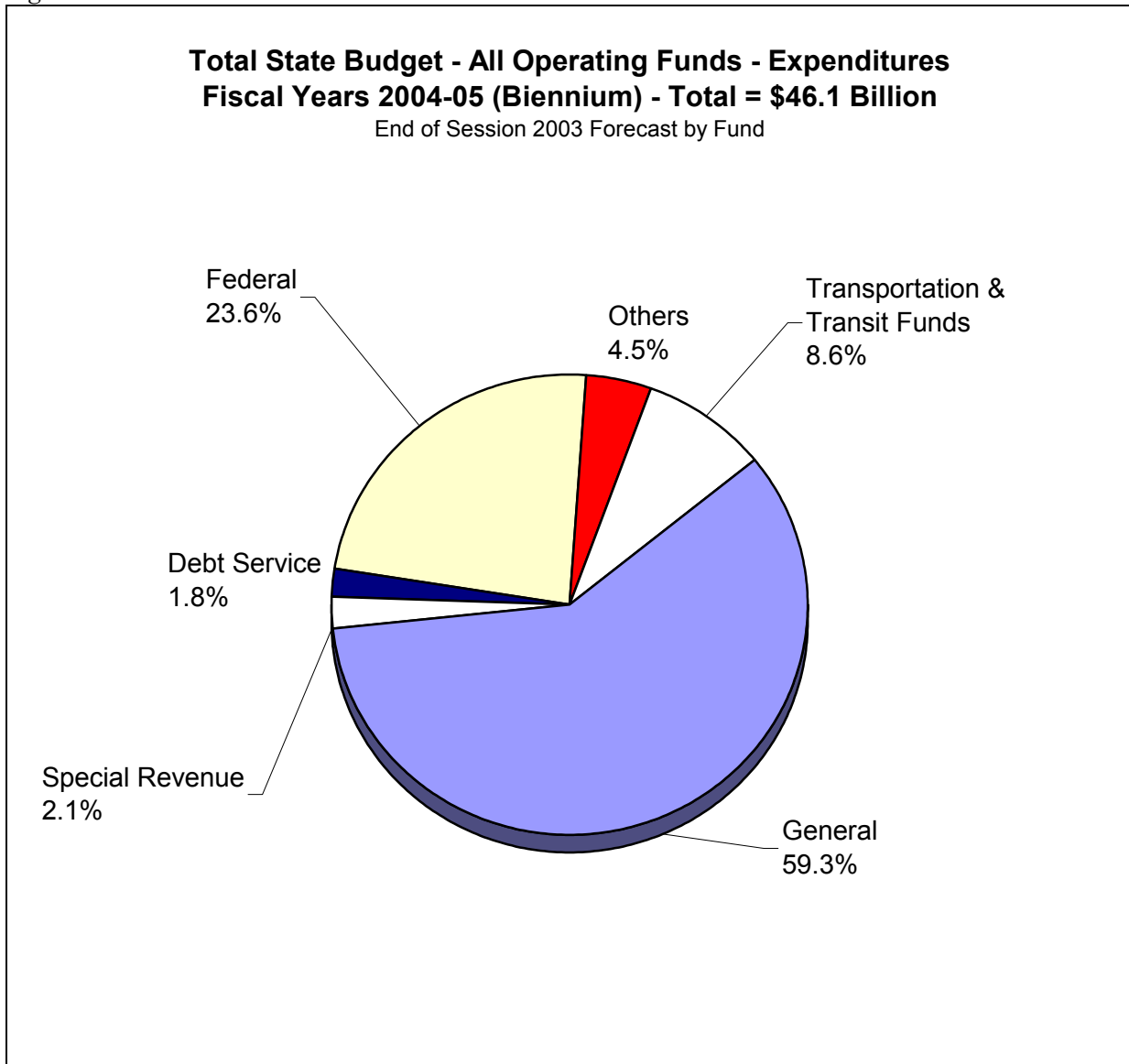


Table 1

Minnesota State Budget - All Operating Funds - Expenditures by Fund			
<i>Dollars in thousands</i>			
<i>Information from the End of 2003 session consolidated fund statement</i>			
	<u>FY 2004</u>	<u>FY 2005</u>	<u>Biennial FY 2004-05</u>
General Fund (adjusted for transfers)	13,552,257	13,809,568	27,361,825
Minnesota Technology, Inc.	5,476	6,716	12,192
Mn Environment & Nat Resources Trust Fund	15,050	15,050	30,100
Petroleum Tank Release Fund	23,576	23,049	46,625
State Government Special Revenue	77,267	83,921	161,188
Natural Resources Fund	54,189	51,185	105,374
Health Care Access Fund	328,117	355,060	683,177
Special Revenue Fund	495,800	487,237	983,037
Agricultural Fund	19,782	19,499	39,281
State Airports Fund	21,134	21,134	42,268
Game & Fish Fund	86,140	85,894	172,034
Iron Range Resources & Rehabilitation Fund	27,702	27,702	55,404
Workforce Development Fund	42,167	44,252	86,419
Municipal-State Aid Highway	114,582	117,001	231,583
County-State Aid Highway	436,214	445,423	881,637
Trunk Highway Fund	1,200,255	1,280,522	2,480,777
Highway User Tax Distribution Fund	22,065	22,908	44,973
Federal TANF Reserve Fund	212,593	224,045	436,638
Federal Funds	5,167,014	5,301,676	10,468,690
Workers Compensation Special Fund	114,157	112,180	226,337
Environmental Fund	41,457	41,457	82,914
Remediation Fund	61,528	34,993	96,521
Metropolitan Area Transit Fund	132,849	134,074	266,923
Greater Minnesota Transit Fund	9,067	9,067	18,134
Medical Education Research Fund	75,838	78,694	154,532
NE Minnesota Economic Protection Fund	1,723	1,723	3,446
Gift Fund	5,571	4,758	10,329
Endowment & Permanent School Fund	19,682	20,005	39,687
Debt Service Fund	418,436	432,712	851,148
Transfers to Other Funds	35,385	34,885	70,270
Total Expenditures and Transfers	22,817,073	23,326,390	46,143,463
Percent that is General Fund	59.4%	59.2%	59.3%

Note: 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.

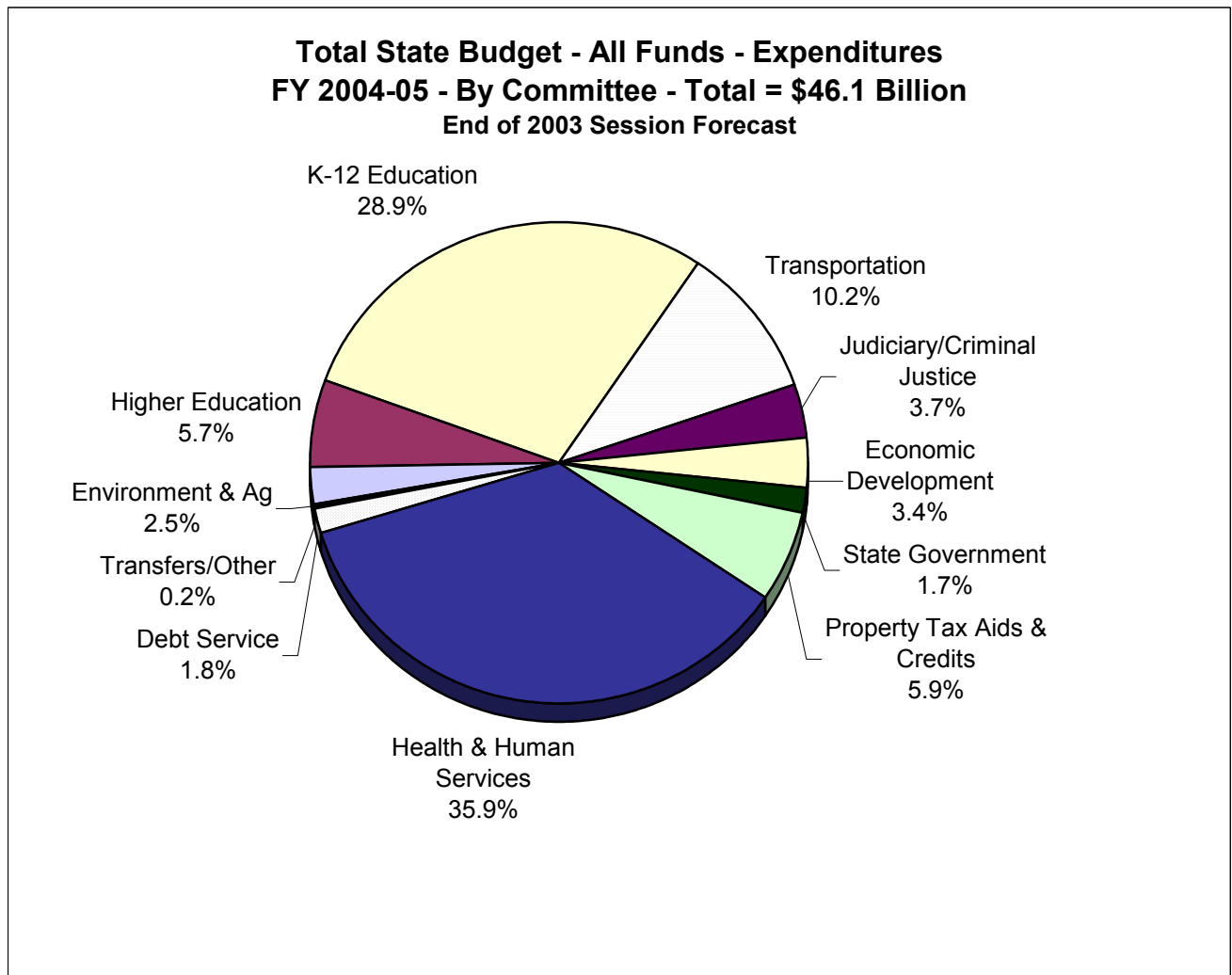
Several changes in the status of funds occurred at the beginning of the FY 2004-05 biennium. A new remediation fund and a changed environment fund replace the solid waste fund and some accounts in other funds. The Minnesota future resources fund and the tobacco use prevention fund no longer have revenue sources (and consequently, no expenditures).

Two funds, the metropolitan area transit fund and the greater Minnesota transit fund first began operating in FY 2003.

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 committee or 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 is different from the more familiar charts that show the general fund only. Health and human service spending at 35.9 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 28.9 percent for FY 2004-05. Health and human services makes up a larger share of the all funds budget because of a large amount of federal fund 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 10.2 percent of the all funds spending for FY 2004-05, it is only 0.6 percent of the general fund spending for the same time period. Most transportation spending is from funds other than the general fund.

Table 2

Minnesota State Budget - All Operating Funds - Expenditures by Program			
<i>Dollars in thousands</i>			
Information from the End of 2003 session consolidated fund statement			
	<u>FY 2004</u>	<u>FY 2005</u>	<u>Biennial FY 2004-05</u>
K-12 Education	6,501,311	6,839,908	13,341,219
Higher Education	1,316,905	1,305,758	2,622,663
Environment & Agriculture	604,343	570,763	1,175,106
Transportation	2,322,067	2,395,830	4,717,897
Judiciary/Criminal Justice	849,281	852,306	1,701,587
Economic Development	782,215	773,568	1,555,783
State Government	392,719	403,849	796,568
Property Tax Aids & Credits	1,407,641	1,330,023	2,737,664
Health & Human Services	8,176,592	8,372,865	16,549,457
Debt Service	418,436	432,712	851,148
Transfers/Other	45,563	48,808	94,371
Total	22,817,073	23,326,390	46,143,463

Biennial Expenditure Increase is 5.0 Percent

State spending in all funds is projected to increase 5.0 percent in the FY 2004-05 biennium over the FY 2002-03 biennium. This compares to an 18.8 percent increase in the FY 2002-03 biennium over the FY 2000-01 biennium. (FY 2003 was the first year that state aid replaced the general education levy for school districts.)

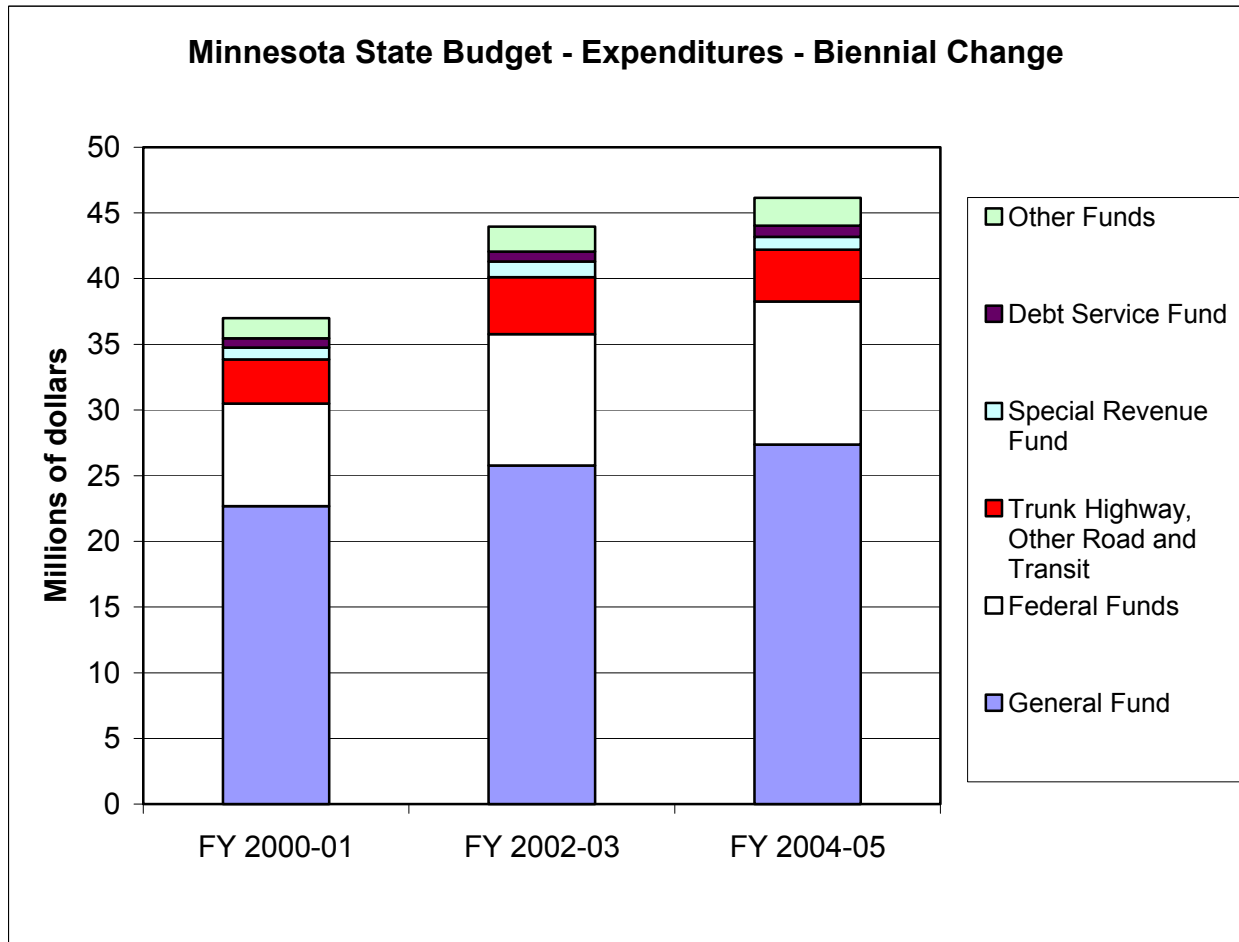
Table 3 provides a comparison of expenditures for the FY 2004-05 biennium and the two previous biennia. Figure 3 illustrates the same information in a graph. Again, in this graph information for the smaller funds in all combined into an “other” category. Also, information on various transportation and transit funds is combined into one category.

Table 3

Minnesota State Budget - All Funds - Expenditures - Biennial Change			
<i>Dollars in thousands</i>			
<i>Data is from End of 2003 session</i>			
	<u>FY 2000-01</u>	<u>FY 2002-03</u>	<u>FY 2004-05</u>
General Fund (adjusted for transfers)	22,684,279	25,770,786	27,361,825
Petroleum Tank Release Fund	59,625	60,611	46,625
State Government Special Revenue	112,830	138,023	161,188
Natural Resources Fund	64,300	96,884	105,374
Health Care Access Fund	361,622	557,297	683,177
Special Revenue Fund	918,416	1,192,705	983,037
Game & Fish Fund	141,989	164,828	172,034
Workforce Development Fund	51,710	110,181	86,419
Municipal-State Aid Highway	178,446	225,516	231,583
County-State Aid Highway	774,225	792,999	881,637
Trunk Highway Fund	2,379,623	3,148,324	2,480,777
Highway User Tax Distribution Fund	34,374	39,504	44,973
Federal Funds	7,786,821	9,998,531	10,905,328
Workers Compensation Special Fund	272,585	279,107	226,337
Remediation Fund	0	0	96,521
Metropolitan Area Transit Fund	0	125,583	266,923
Medical Education Research Fund	61,375	146,828	154,532
Debt Service Fund	688,618	751,425	851,148
Other Funds and Transfers	427,160	357,514	404,025
Total Expenditures and Transfers	36,997,998	43,956,646	46,143,463
Biennial Change		18.8%	5.0%

Note: 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.

Figure 3



The Largest Annual Change is Between FY 2002 and FY 2003

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. (In most cases, the first two years will each be lower than the second two years.) In this case, the annual information is revealing.

Table 4 and Figure 4 show the all funds expenditure change information on an annual basis. The most substantial change in state spending is between FY 2002 and FY 2003. A major contributor to this change is the replacement with state aid of the general education levy. All funds expenditures increased \$3.745 billion or 10.2 percent between FY 2002 and FY 2003. General fund expenditures during this same time increased \$1.264 billion or 10.3 percent.

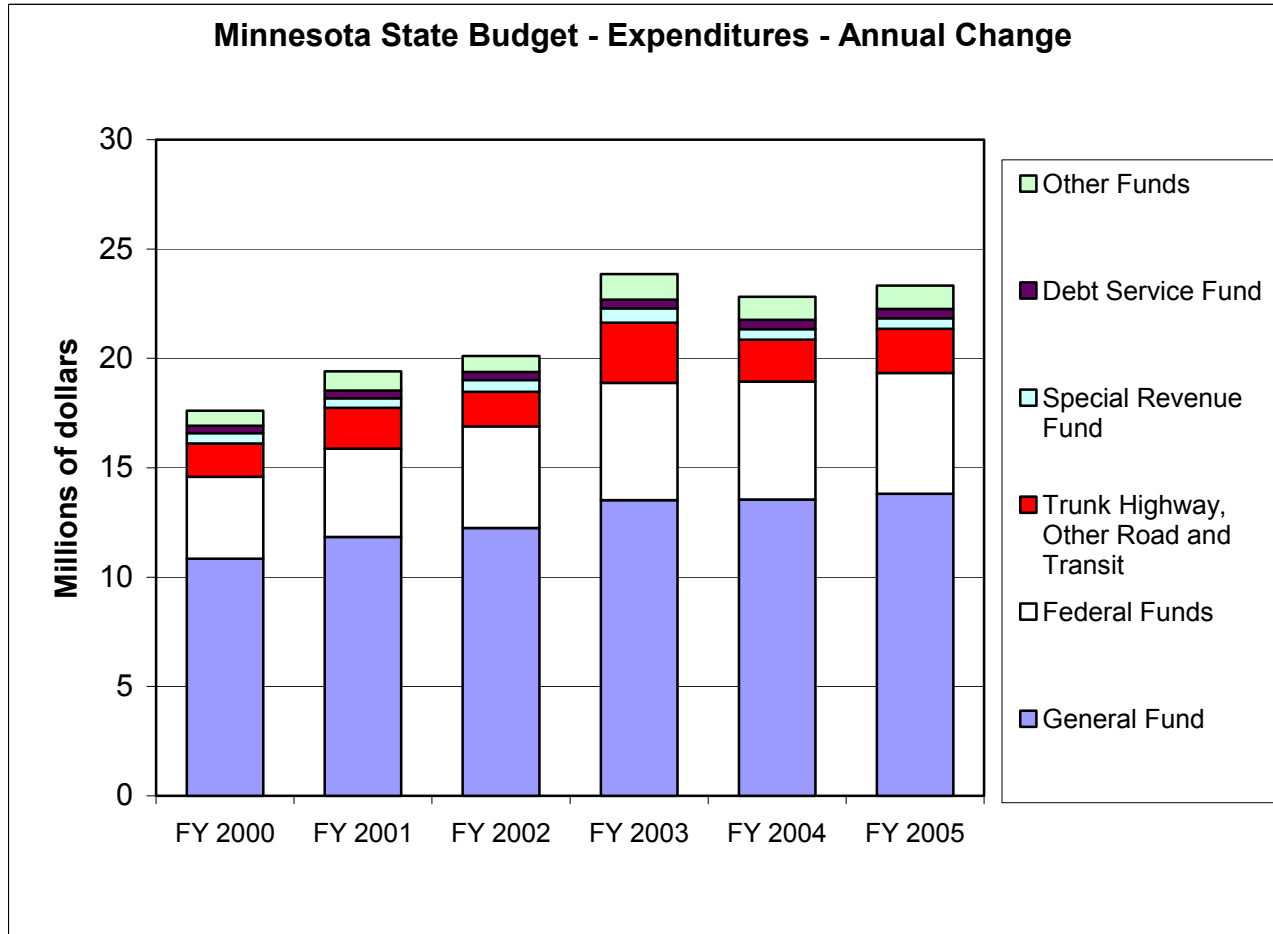
All funds expenditures in FY 2004 are projected to be \$1.034 billion or 4.3 percent lower than expenditures in FY 2003. In FY 2005, all funds expenditures are projected to grow \$509 million or 2.2 percent over the FY 2004 level. FY 2005 expenditures would still be lower than the FY 2003 level.

Table 4

Minnesota State Budget - All Funds - Expenditures - Annual Change						
Dollars in thousands						
Data is from End of 2003 session						
	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
General Fund (adjusted for transfers)	10,841,958	11,842,321	12,253,129	13,517,657	13,552,257	13,809,568
Petroleum Tank Release Fund	32,558	27,067	23,995	36,616	23,576	23,049
State Government Special Revenue	51,422	61,408	57,407	80,616	77,267	83,921
Natural Resources Fund	23,953	40,347	42,351	54,533	54,189	51,185
Health Care Access Fund	166,328	195,294	249,523	307,774	328,117	355,060
Special Revenue Fund	471,592	446,824	537,555	655,150	495,800	487,237
Game & Fish Fund	57,826	84,163	72,715	92,113	86,140	85,894
Workforce Development Fund	0	51,710	56,810	53,371	42,167	44,252
Municipal-State Aid Highway	88,898	89,548	111,047	114,469	114,582	117,001
County-State Aid Highway	392,451	381,774	368,750	424,249	436,214	445,423
Trunk Highway Fund	1,010,602	1,369,021	1,090,568	2,057,756	1,200,255	1,280,522
Highway User Tax Distribution Fund	16,476	17,898	17,589	21,915	22,065	22,908
Federal Funds	3,755,212	4,031,609	4,633,630	5,364,901	5,379,607	5,525,721
Workers Compensation Special Fund	112,959	159,626	135,653	143,454	114,157	112,180
Remediation Fund	0	0	0	0	61,528	34,993
Metropolitan Area Transit Fund	0	0	0	125,583	132,849	134,074
Medical Education Research Fund	22,841	38,534	61,396	85,432	75,838	78,694
Debt Service Fund	334,120	354,498	360,896	390,529	418,436	432,712
Other Funds and Transfers	220,374	206,786	32,575	324,939	202,029	201,996
Total Expenditures and Transfers	17,599,570	19,398,428	20,105,589	23,851,057	22,817,073	23,326,390
Annual Change		10.2%	3.6%	18.6%	-4.3%	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 in those funds 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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