



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 34 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 \$55.7 Billion for the Biennium

State spending for the current biennium (fiscal years 2008 and 2009) is estimated to be \$55.7 billion. Approximately 59.8 percent of that amount (\$33.3 billion) is spending from the general fund. General fund spending as a percent of the all operating funds budget has been between 58.1 percent and 61.3 percent over the past ten biennia.

In addition to the general fund, expenditures are made from 34 other funds. Most other funds are dedicated 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 are also included in the all funds budget. Federal funds account for 23.2 percent of the all funds expenditures for the FY 2008-09 biennium.

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.

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 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 2007 Consolidated Fund Statement prepared by the Minnesota Department of Finance, dated November 30, 2007.

All State Spending By Fund

FY 2008-09

Total Expenditures = \$55.7 Billion

November 2007 Forecast

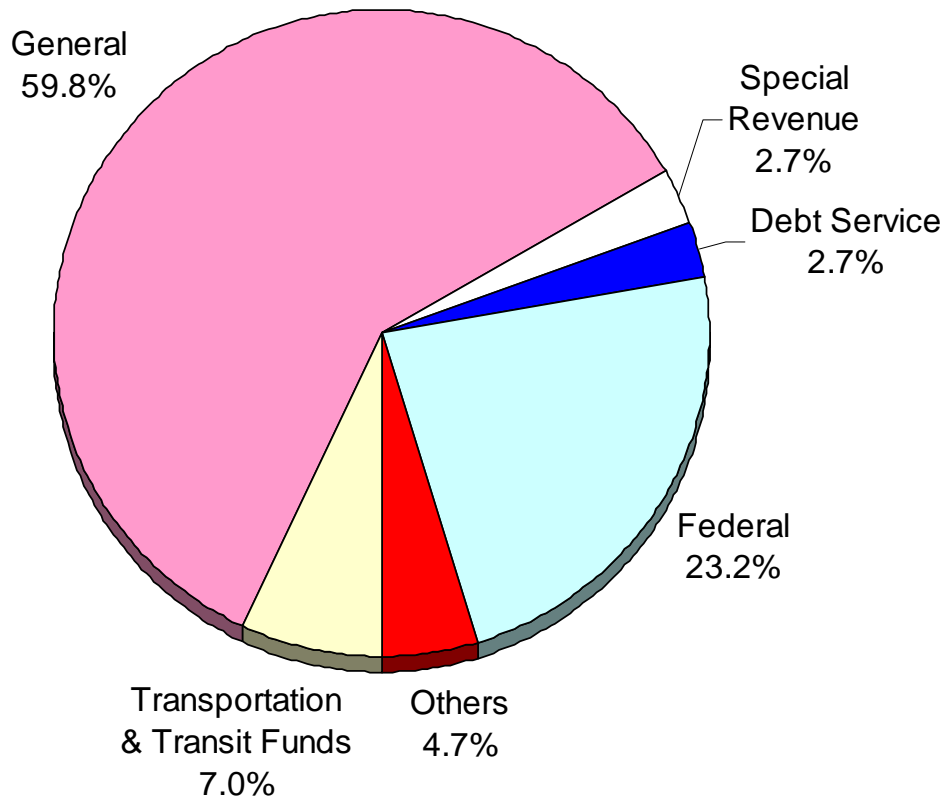


Table 1

Minnesota State Budget - All Operating Funds - Expenditures by Fund			
Dollars in thousands			
Data is from the November 2007 Forecast			
	<u>FY 2008</u>	<u>FY 2009</u>	<u>Biennial FY 2008-09</u>
General Fund (adjusted for transfers)	16,521,519	16,794,042	33,315,561
Mn Environment & Nat Res Trust Fund	29,214	22,866	52,080
Minnesota Future Resources Fund	212	0	212
Petroleum Tank Release Fund	27,372	22,429	49,801
State Government Special Revenue	143,159	137,164	280,323
Natural Resources Fund	90,359	86,462	176,821
Health Care Access Fund	394,170	464,613	858,783
Special Revenue Fund	755,376	773,318	1,528,694
Agricultural Fund	19,182	18,584	37,766
Permanent School Endowment Fund	27,571	28,203	55,774
Health Impact Fund	0	0	0
State Airports Fund	26,062	26,164	52,226
Game & Fish Fund	94,415	96,179	190,594
Iron Range Resources & Rehabilitation Fund	32,200	32,200	64,400
Workforce Development Fund	55,643	47,876	103,519
Municipal-State Aid Highway	117,727	121,940	239,667
County-State Aid Highway	439,967	455,692	895,659
Trunk Highway Fund	1,256,998	1,157,300	2,414,298
Highway User Tax Distribution Fund	11,436	11,736	23,172
Federal TANF Reserve Fund	185,585	199,747	385,332
Federal Funds	6,163,751	6,360,021	12,523,772
Workers Compensation Special Fund	108,370	105,453	213,823
Environmental Fund	66,215	66,188	132,403
Remediation Fund	53,078	41,855	94,933
Transit Assistance Fund	127,832	148,090	275,922
Closed Landfill Investment Fund	0	0	0
Debt Service Fund	838,515	638,957	1,477,472
Maximum Effort School Loan Fund	0	0	0
Medical Education Research Fund	85,418	66,134	151,552
NE Minnesota Economic Protection Fund	3,396	3,396	6,792
Gift Fund	7,459	5,356	12,815
Endowment Fund	1	1	2
Transfers to Other Funds	88,383	46,111	134,494
Total Expenditures and Transfers	27,770,585	27,978,077	55,748,662
Percent that is General Fund	59.5%	60.0%	59.8%

Notes: 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.

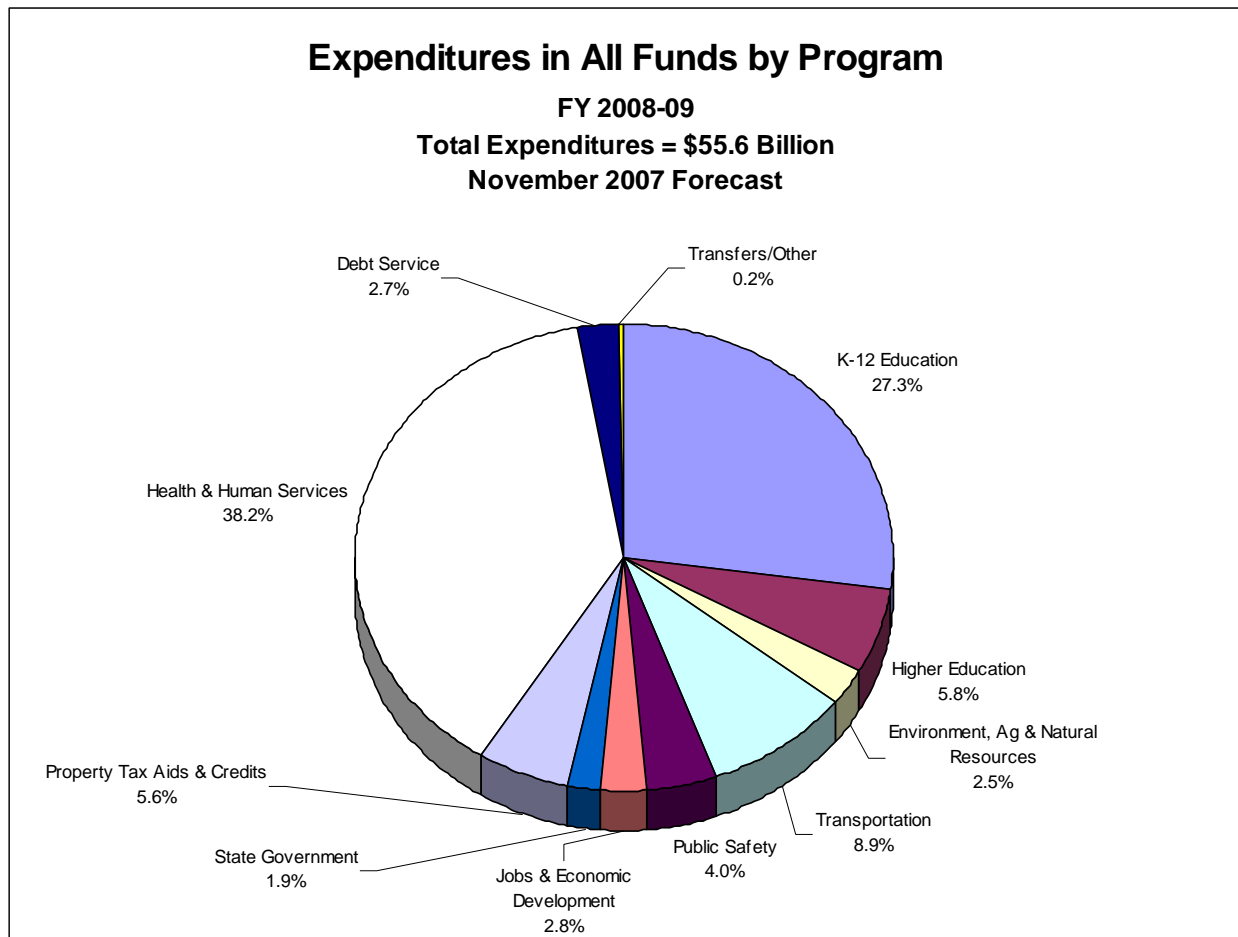
Several changes in the status of funds have occurred in recent years. A new remediation fund and a changed environment fund replaced the solid waste fund and some accounts in other funds beginning in FY 2004. The Minnesota future resources fund and the tobacco use prevention fund no longer have revenue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

The metropolitan area transit fund and the greater Minnesota transit fund first began operating in FY 2003 but are folded into a transit assistance fund in FY 2008. The health impact fund began in FY 2006.

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 is different from the more familiar charts that show the general fund only. Health and human service spending at 38.2 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 27.3 percent for FY 2008-09. Health and human services makes up a larger share of the all funds budget compared to general fund only because of a large amount of federal fund spending in health and human services.

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 8.9 percent of the all funds spending for FY 2008-09 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

Total Expenditures - All Funds - Expenditures by Program				
Dollars in thousands				
Data is from the November 2007 Forecast				
	FY 08	FY 09	Biennial FY 2008-09	Percent of Total
K-12 Education	7,535,395	7,654,873	15,190,268	27.3%
Higher Education	1,603,820	1,613,927	3,217,747	5.8%
Agriculture, Environment & Natural Resources	734,224	667,914	1,402,138	2.5%
Transportation	2,529,433	2,423,265	4,952,698	8.9%
Public Safety	1,091,090	1,113,041	2,204,131	4.0%
Economic Development	847,702	737,613	1,585,315	2.8%
State Government	579,298	501,671	1,080,969	1.9%
Property Tax Aids & Credits	1,562,888	1,575,063	3,137,951	5.6%
Health & Human Services	10,284,602	10,973,831	21,258,433	38.2%
Debt Service	838,515	638,957	1,477,472	2.7%
Transfers/Others	76,083	50,663	126,746	0.2%
Total	27,683,050	27,950,818	55,633,868	100.0%

These operating fund by program comparisons use a general program structure and does not follow the specific fiscal committee structure of the House of Representatives budget committees.

Biennial Expenditure Increase is 12.3 Percent

State spending in all funds is projected to increase 12.3 percent in the FY 2008-09 biennium over the FY 2006-07 biennium. This compares to an 8.4 percent increase in the FY 2006-07 biennium over the FY 2004-05 biennium.

Table 3 (on the next page) provides a comparison of expenditures for the FY 2008-09 biennium and the two previous biennia. Biennial all funds expenditures in FY 2008-09 are projected to be \$6.085 billion or 12.3 percent higher than in FY 2006-07.

General fund spending in FY 2008-09 is \$3.025 billion or 10.0 percent higher than in FY 2006-07. Significant changes in other funds include a \$1.497 billion or 13.6 percent increase in spending from federal funds, a \$327 million or 28.4 percent increase in spending from the debt service fund and a \$230 million or 36.5 percent increase in spending from the health care access fund.

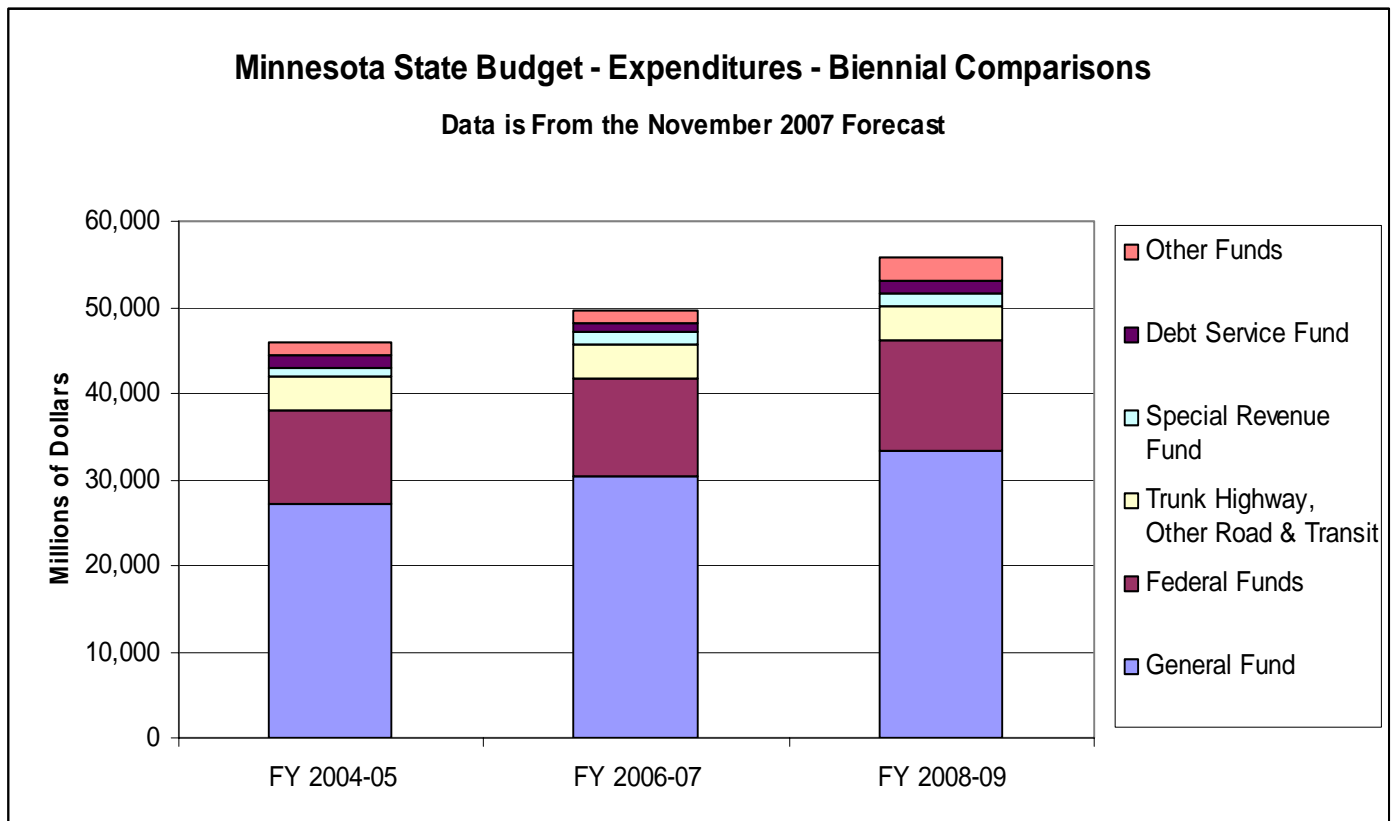
Table 3

Minnesota State Budget - All Operating Funds - Expenditures - Biennial Comparison			
Dollars in thousands			
Data is from the November 2007 forecast			
	<u>FY 2004-05</u>	<u>FY 2006-07</u>	<u>FY 2008-09</u>
General Fund (adjusted for transfers)	27,155,412	30,290,127	33,315,561
Petroleum Tank Release Fund	44,136	33,534	49,801
State Government Special Revenue	150,369	193,019	280,323
Natural Resources Fund	109,535	143,945	176,821
Health Care Access Fund	599,707	628,921	858,783
Special Revenue Fund	1,172,662	1,462,179	1,528,694
Game & Fish Fund	167,578	179,397	190,594
Workforce Development Fund	94,266	91,158	103,519
Municipal-State Aid Highway	270,027	250,859	239,667
County-State Aid Highway	851,684	839,307	895,659
Trunk Highway Fund	2,343,067	2,537,469	2,414,298
Highway User Tax Distribution Fund	41,467	19,627	23,172
Federal TANF Reserve Fund	403,677	428,774	385,332
Federal Funds	10,547,946	11,026,788	12,523,772
Workers Compensation Special Fund	220,098	203,196	213,823
Transit Assistance Fund	0	0	275,922
Metropolitan Area Transit Fund	247,158	230,070	0
Debt Service Fund	1,413,171	1,150,428	1,477,472
Other Funds and Transfers Out	-15,222	-45,104	795,449
Total Expenditures and Transfers	45,816,738	49,663,694	55,748,662
Biennial Change	7.4%	8.4%	12.3%

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 other funds rather than in the general 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 2007 and FY 2008

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 may be revealing.

Table 4 and Figure 4 show the all funds expenditure change information on an annual basis for a six year period ending in FY 2009. During this period the most substantial change in state spending is between FY 2007 and FY 2008, a change of 10.2 percent. The general fund only change between FY 2008 and 2007 is 8.0 percent. Several other funds had substantially greater increases between those years. Probably the most substantial increase in another fund is a 59.8 percent increase in spending from the debt service fund.

All funds expenditures in FY 2008 are projected to be \$27.77 billion, \$2.559 billion or 10.2 percent higher than expenditures in FY 2007. In FY 2009, all funds expenditures are projected to grow \$207 million or 0.7 percent over the FY 2008 level.

Table 4

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

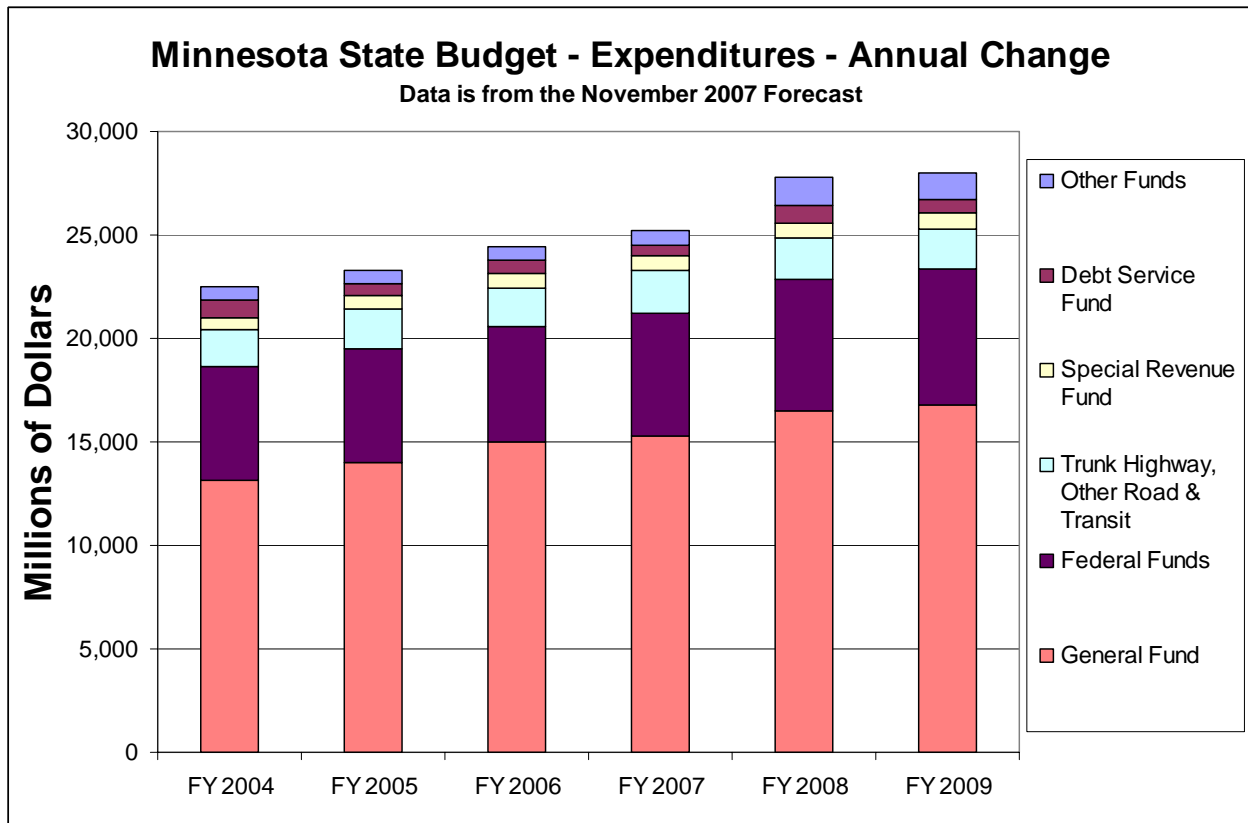
Dollars in thousands

Data is from the November 2007 forecast

	<u>FY 04</u>	<u>FY 05</u>	<u>FY 06</u>	<u>FY 07</u>	<u>FY 08</u>	<u>FY 09</u>
General Fund (adjusted for transfers)	13,144,712	14,010,700	14,987,825	15,302,302	16,521,519	16,794,042
Petroleum Tank Release Fund	23,004	21,132	19,630	13,904	27,372	22,429
State Government Spec Revenue	66,845	83,524	95,074	97,945	143,159	137,164
Natural Resources Fund	49,164	60,371	69,396	74,549	90,359	86,462
Health Care Access Fund	321,806	277,901	302,463	326,458	394,170	464,613
Special Revenue Fund	566,897	605,765	720,830	741,349	755,376	773,318
Game & Fish Fund	77,159	90,419	84,116	95,281	94,415	96,179
Workforce Development Fund	57,239	37,027	42,654	48,504	55,643	47,876
Municipal-State Aid Highway	136,960	133,067	119,453	131,406	117,727	121,940
County-State Aid Highway	411,025	440,659	424,887	414,420	439,967	455,692
Trunk Highway Fund	1,110,066	1,233,001	1,158,298	1,379,171	1,256,998	1,157,300
Highway User Tax Distribut Fund	19,992	21,475	8,923	10,704	11,436	11,736
Federal TANF Reserve Fund	212,306	191,371	224,735	204,039	185,585	199,747
Federal Funds	5,272,459	5,275,487	5,351,002	5,675,786	6,163,751	6,360,021
Workers Compensation Spec Fund	111,404	108,694	101,894	101,302	108,370	105,453
Transit Assistance Fund					127,832	148,090
Metropolitan Area Transit Fund	127,672	119,486	115,631	114,439	0	0
Debt Service Fund	820,484	592,687	625,551	524,877	838,515	638,957
Other Funds and Transfers Out	-1,766	-13,456	-106	-44,998	438,391	357,058
Total Expenditures and Transfers	22,527,428	23,289,310	24,452,256	25,211,438	27,770,585	27,978,077
Annual Change	-0.2%	3.4%	5.0%	3.1%	10.2%	0.7%

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 other 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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