



ISSUE BRIEF

State General Fund Budget Situation October 2010

At the end of the 2010 legislative session and first special session, the general fund budget for FY 2010-11 was projected to have a \$5.6 million balance. The general fund budget for FY 2012-13 was projected to have a \$5.76 billion deficit. This Issue Brief reviews those figures and updates them for actions taken in the 2010 second special session. It also discusses some issues related to the FY 2012-13 budget.

General Fund Budget Situation

The Current Biennium - FY 2010-11 – As of May 2010

Balance Forward From FY 2009	96,921
Projected Revenue	30,537,704
Use of Cash Flow Account	84,000
<u>Projected Spending</u>	<u>30,713,069</u>
Balance	5,556

The end of 2010 session fund balance showed a budget balance of \$5.556 million for the current biennium.

During the 2010 Second Special Session (Oct. 18) general fund spending was decreased by \$230.122 million as a result of acknowledging additional federal FMAP (federal matching assistance percentages) funds. The additional FMAP funds were a result of Public Law 111-226 that extended higher FMAPs for six additional months – January – June of 2011.

Spending was increased by \$38.416 million for disaster programs. The net general fund change was a decrease of \$191.706 million. After the special session but prior to the November forecast the general fund balance for FY 2010-11 is now \$197.262 million (the \$5.556 million balance from end of session plus the \$191.706 million net change in special session).

Adjustments in the 2010 Second Special Session for FY 2010-11

End of Session Fund Balance	5,556
Changes Due to Additional FMAP Funds	230,122
<u>Additional Spending for Disaster Relief</u>	<u>-38,476</u>
Balance after Second Special Session	197,262

MMB has reported that general fund revenue for FY 2010 (ending June 30, 2010) was \$76.6 million below the forecasted amount. Spending and other adjustments to the FY 2010 budget were down \$67.7 million. The net of these changes in that FY 2010 ended with a balance \$8.9 million lower than anticipated at the end of the 2010 session.

Revenue for the first quarter of FY 2011 (July 1 – Sept. 30, 2010) has been \$54.865 million above the forecasted amount. Information on spending changes for FY 2011 will be updated in the November forecast.

The Next Biennium – FY 2012-13 - As of May 2010

Balance Forward from FY 2011	5,556
Projected Revenue	32,907,287
<u>Projected Spending</u>	<u>38,678,720</u>
Balance	-5,765,877

Due to the actions in the 2010 Second Special Session, the balance carried forward from FY 2011 into FY 2012-13 would be \$191.7 million higher than previously projected. That would reduce the projected FY 2012-13 deficit from \$5.766 Billion to \$5.575 billion.

FY 2012-13 spending at \$38.678 billion is \$7.965 billion (25.9%) higher than spending in FY 2010-11. FY 2012-13 is substantially higher than FY 2010-11 in a large part because FY 2010-11 spending has been lowered by two major one-time items:

1. \$2.149 billion by replacing state spending with federal stimulus (ARRA) funds, and
2. \$1.961 billion in two K-12 education shifts.

Both of these actions allowed the state to support higher spending in FY 2010-11 than actual general fund revenue would support.

The one “easy” item to reduce spending in FY 2012-13 would be making the 70%/30% education aid payment shift permanent (under current law the education payments return to 90%/10% in FY 2012). That change would reduce state spending in FY 2012-13 by \$1.385 billion still leaving a deficit of \$4.19 billion.

Minnesota Management and Budget is scheduled to release the November general fund budget forecast on December 2010. That forecast will present revised budget number for FY 2010-11, FY 2012-13 and the first projections for FY 2014-15.

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