When the Legislature adjourned in May 2008, the projected budget for the fiscal year (FY) 2008-09 biennium had a $6 million balance. This Issue Brief discusses the current state general fund budget situation.

The Current Biennium – FY 2008-09

The enacted budget for FY 2008-09 (the two year biennium that began July 1, 2007 and ends June 30, 2009) anticipates $34.1 billion in revenues and $34.6 billion of spending.

Major general fund revenue sources are illustrated in the graph below:

In the 2008 session, various revenue changes and spending changes were enacted to balance the budget for the FY 2008-09 biennium. These changes include using $500 million of the budget reserve. The budget reserve amount makes up the difference between the $34.1 billion of revenue and $34.6 billion of spending. Also, the $34.1 billion of revenue includes $1.2 billion carried forward from the previous biennium.

At the end of the 2008 session, a budget balance of $6 million was projected for the biennium ending June 30, 2009. Since then the preliminary revenue data for the first year of the biennium ending June 30, 2008 indicate revenues were $388 higher than the forecasted amount.
Major categories of general fund spending are illustrated below.

The Next Biennium – FY 2010-11

At the end of the 2008 legislative session, projected spending for the FY 2010-11 biennium exceeds projected revenue by $945 million. In these spending projections, expenditures for FY 2010 and 2011 are set at essentially the same level as in FY 2009 except that appropriations for those programs where a formula or entitlement is set in law are adjusted to reflect the amounts needed to fund that formula or entitlement. Appropriations in FY 2009 that were considered one time are not continued.

FY 2010-11 General Fund
Projected Revenue $35.187 billion
Projected Spending $36.132 billion
Balance - $ .945 billion

Expenditures for FY 2010-11 shown above include no adjustment for inflation unless such an adjustment is specified in law. The February 2008 forecast rate of inflation was 1.9 percent for FY 2010 and 1.8 percent for FY 2011.

New state budget forecasts will be issued in November 2008 and February 2009. The 2009 Legislature will need to deal with the budget deficit as determined by those forecasts.

For more information, contact Bill Marx, Chief Fiscal Analyst, at 651-296-7176 or bill.marx@.mn.us