Fiscal Analysis Department
Minnesota House of Representatives

ISSUE BRIEF

State General Fund Budget Forecast
December 2016

The latest budget forecast for the state's general fund released by the Minnesota Management and Budget Department on December 2, 2016 projects a $678 million balance for the current biennium and a $1.4billion balance by the end of the FY 2018-19 biennium. This compares to May 2016 end of session projections for a $729 million balance for the FY 2016-17 biennium and a $1.776 billion balance by the end of the FY 2018-19 biennium. Both of these FY 2018-19 numbers include carry forward of the FY 2016-17 balance.

The Current Biennium – FY 2016-17

In May 2016, after the 2016 legislative session, the state was projected to end the FY 2016-17 biennium on June 30, 2017 with a general fund balance of $728.6 million. Determination of this amount was based on revenues and expenditures from the February 2016 forecast with modifications for 2016 legislative enactments. The balance was higher than usual because no capital investment or major tax bills were enacted during the 2016 session.

The November 2016 budget forecast projects a $1,011.7 million balance for the general fund as of June 30, 2017. However, one third of that total amount, or $333.9 million, was allocated under current law to increase the budget reserve. The following chart illustrates budget changes since the May 2016 end of session estimates.

FY 2016-17 General Fund Changes from May 2016	
End of Special Session Projected Balance	$ 729 million
Change (Increase) in Revenues from End of Session	41 million
Change (Decrease) in Expenditures from End of Session	245 million
Change (Increase) in Stadium Reserve	- 3 million
Subtotal	$1,012 million
Increase in Budget Reserve	- 334 million
Balance	**$ 678 million**

The most significant revenue changes from the February forecast and end of the 2016 session numbers are a $106 million decrease in sales tax revenue and a $54 million increase in corporate

income tax. Projected expenditures in health and human services are down $206 million, most of it due to changes in medical assistance. Spending for debt service is down $35 million.

The following chart illustrates the overall general fund budget picture for FY 2016-17.

FY 2016-17 Budget	
Beginning Balance	$ 2,103 million
Revenues	42,382 million
Expenditures	- 41,502 million
Total Reserves	- 2,305 million
Balance	**$ 678 million**

The Next Biennium – FY 2018-19

The 2017 legislature will be setting a budget for the biennium beginning July 1, 2017 and ending June 30, 2019. At the end of the 2016 session, projected revenue for the FY 2018-19 biennium exceeded projected expenditures by $1,047.9 million. (This amount, plus the $729 million balance from FY 2017 carried forward equaled the $1,776 million balance projected for FY 2018-19.) Now FY 2018-19 projected revenues are expected to exceed projected expenditures by $723 million, a decrease of $325 million. In determining the spending level, expenditures for FY 2018 and 2019 are set at the same level as in FY 2017 except (1) that appropriations for those programs where a formula or entitlement is set in law are adjusted to reflect that amounts needed to fund the formula or entitlement in law and (2) appropriations are adjusted for inflation if such an adjustment is specified in law. Other expenditures for FY 2018-19 include no adjustment for inflation. Appropriations in FY 2017 that were considered one-time are not continued

FY 2018-19 General Fund Changes From End of 2016 Session	
Change (Decrease) in Carry Forward from FY 2017	$ - 51 million
Change (Decrease) in Revenues from End of Session	- 467 million
Change (Decrease) in Expenditures from End of Session	152 million
Change (Increase) in Reserves	- 10 million
Total Changes	- $376 million

Major changes from the end of session estimates include a $425 million reduction in sales tax revenue and a $36 million decrease in individual income tax revenue.

Health and human service spending is projected to be $173 million less than the end of session estimates.

The following chart illustrates the overall general fund budget picture for FY 2018-19.

FY 2018-19 Budget	
FY 2017 Balance Carried Forward	$ 2,982 million
Revenues	45,321 million
Expenditures	-44,585 million
Total Reserves	- 2,305 million
Balance	$1,400 million

The Following Biennium – FY 2020-21

When budget decisions are being made for the FY 2018-19 biennium, the implications of those decisions on revenues and expenditures for the FY 2020-21 biennium will be tracked. In this forecast, projections for FY 2020-21 show revenues exceeding expenditures by $1,479 million for that biennium. Expenditure numbers for FY 2020 and 2021 also are set at essentially the same level as in FY 2019 except that appropriations for those programs where a formula or entitlement is set in law are adjusted to reflect that amounts needed to fund the formula or entitlement in law. Expenditure estimates for FY 2020-21 do not include amounts for inflation unless those adjustments are required by law.

The following chart illustrates the overall general fund budget picture for FY 2020-20.

FY 2020-21 Budget	
FY 2020-21 Revenues	$48,539 million
FY 2020-21 Expenditures	47,059 million
Difference	$ 1,479 million

The complete November 2016 general fund budget forecast document issued by Minnesota Management & Budget is at:
https://mn.gov/mmb-stat/documents/economic-forecast/complete-document/november-2016.pdf

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