



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

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 any of 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 \$50.1 Billion for the Biennium

State spending for the current biennium (fiscal years 2006 and 2007) is estimated to be \$50.1 billion. Approximately 58.9 percent of that amount (\$29.5 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 eight biennia.

In addition to the general fund, expenditures are made from 32 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 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 23.4 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 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 End of 2005 Session Consolidated Fund Statement prepared by the Minnesota Department of Finance, dated August 11, 2005.

Figure 1

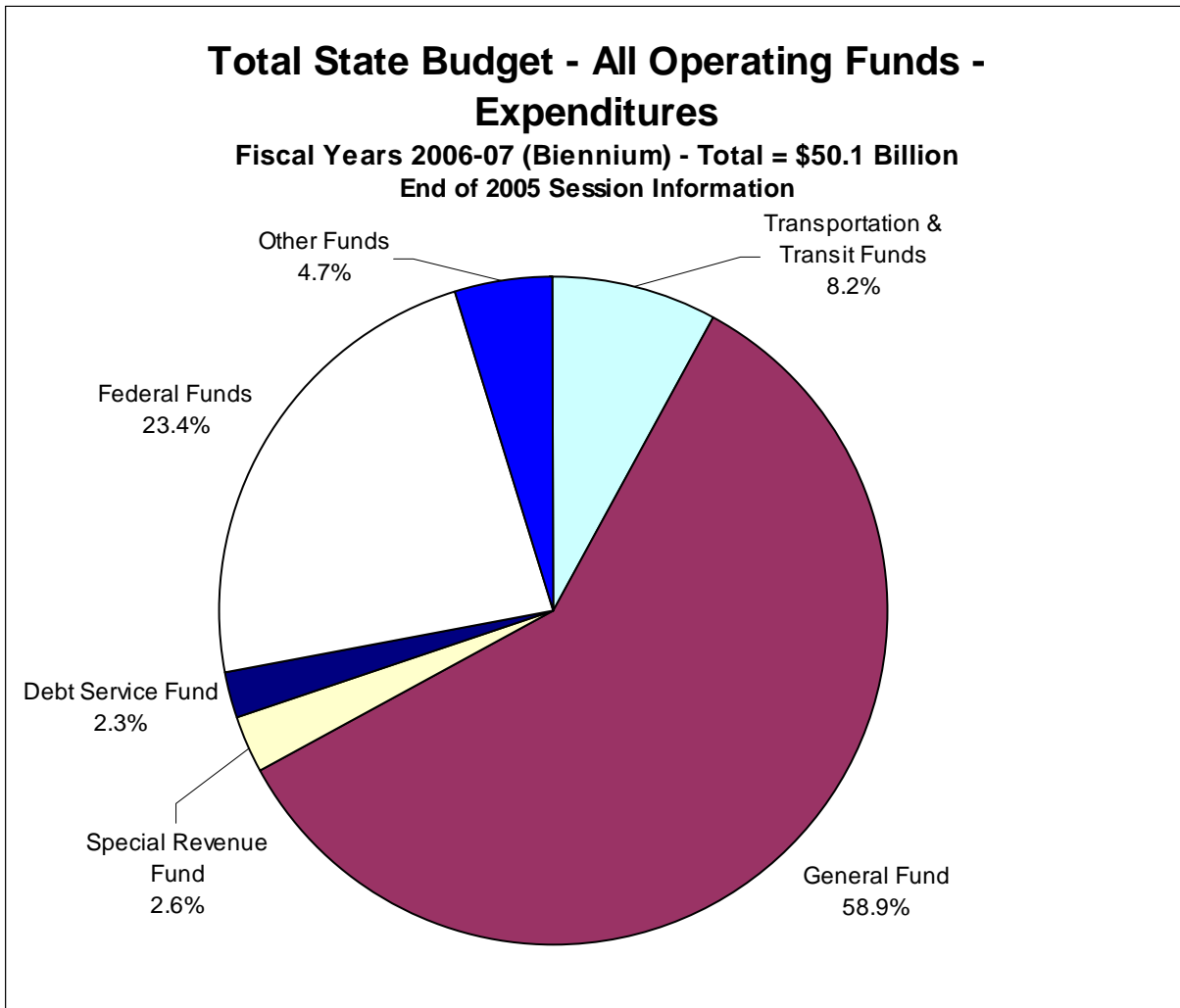


Table 1

Minnesota State Budget - All Operating Funds - Expenditures by Fund			
Dollars in thousands			
Information from the End of 2005 session consolidated fund statement			
	<u>FY 2006</u>	<u>FY 2007</u>	<u>Biennial FY 2006-07</u>
General Fund (adjusted for transfers)	14,496,123	15,003,173	29,499,296
Mn Environment & Nat Res Trust Fund	18,158	17,589	35,747
Petroleum Tank Release Fund	22,460	22,460	44,920
State Government Special Revenue	104,436	106,328	210,764
Natural Resources Fund	73,665	72,240	145,905
Health Care Access Fund	365,671	461,715	827,386
Health Impact Fund	0	0	0
Special Revenue Fund	677,966	623,109	1,301,075
Agricultural Fund	20,025	20,239	40,264
State Airports Fund	20,013	20,013	40,026
Game & Fish Fund	90,741	91,586	182,327
Iron Range Resources & Rehabilitation Fund	26,102	26,102	52,204
Workforce Development Fund	43,901	44,813	88,714
Municipal-State Aid Highway	119,437	123,308	242,745
County-State Aid Highway	452,571	467,295	919,866
Trunk Highway Fund	1,135,873	1,229,726	2,365,599
Trunk Highway Bond Fund	149,725	102,000	251,725
Highway User Tax Distribution Fund	11,286	11,356	22,642
Federal TANF Reserve Fund	231,921	233,806	465,727
Federal Funds	5,555,343	5,693,365	11,248,708
Workers Compensation Special Fund	112,052	109,802	221,854
Environmental Fund	58,653	58,960	117,613
Remediation Fund	38,227	37,635	75,862
Closed Landfill Investment Fund	0	0	0
Metropolitan Area Transit Fund	120,766	126,055	246,821
Greater Minnesota Transit Fund	8,027	8,284	16,311
Maximum Effort School Loan Fund	0	0	0
Medical Education Research Fund	84,394	88,816	173,210
NE Minnesota Economic Protection Fund	1,081	1,081	2,162
Gift Fund	5,098	4,247	9,345
Endowment Fund	1	1	2
Permanent School Fund	18,680	18,947	37,627
Debt Service Fund	629,860	531,354	1,161,214
Transfers to Other Funds	35,235	39,235	74,470
Total Expenditures and Transfers	24,727,491	25,394,640	50,122,131
Percent that is General Fund	58.6%	59.1%	58.9%

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.

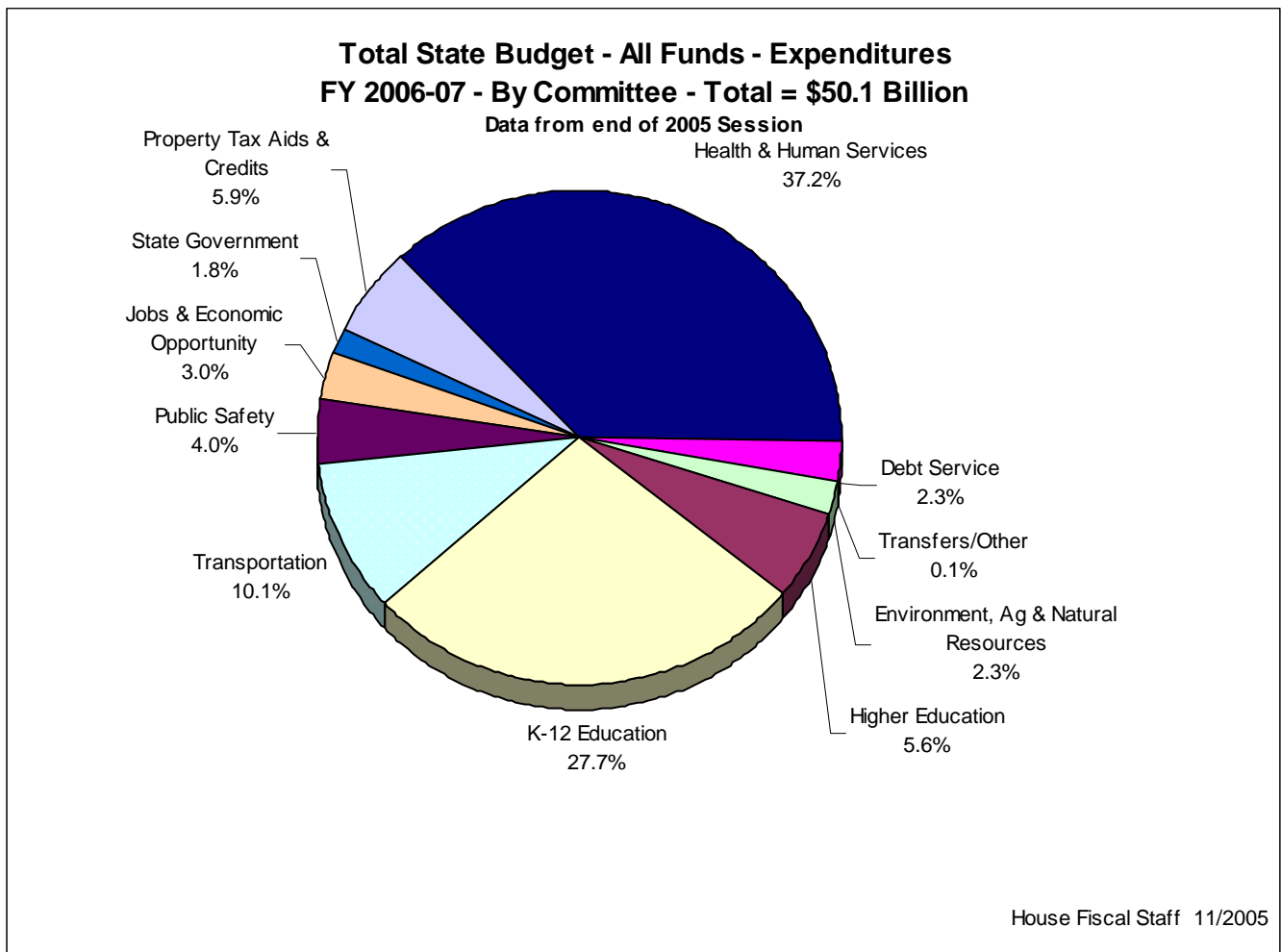
Several changes in the status of funds have occurred in recent years. A new remediation fund and a changed environment fund replaced the solid waste fund and some accounts in other funds beginning in FY 2004. The Minnesota future resources fund and the tobacco use prevention fund no longer have revenue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

The metropolitan area transit fund and the greater Minnesota transit fund first began operating in FY 2003. 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 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 37.2 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 27.7 percent for FY 2006-07. 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 10.1 percent of the all funds spending for FY 2006-07, 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

Minnesota State Budget - All Operating Funds - Expenditures by Program			
Dollars in thousands			
Information from the End of 2005 session consolidated fund statement			
	<u>FY 2006</u>	<u>FY 2007</u>	<u>Biennial FY 2006-07</u>
K-12 Education	6,795,831	7,066,558	13,862,389
Higher Education	1,394,757	1,423,966	2,818,723
Environment & Agriculture	583,196	573,463	1,156,659
Transportation	2,498,689	2,555,948	5,054,637
Public Safety	998,934	1,009,123	2,008,057
Jobs & Economic Development	776,827	735,535	1,512,362
State Government	452,657	425,616	878,273
Property Tax Aids & Credits	1,450,308	1,517,645	2,967,953
Health & Human Services	9,116,819	9,530,480	18,647,299
Debt Service	629,860	531,354	1,161,214
Transfers/Other	29,613	21,952	51,565
Total	24,727,491	25,391,640	50,119,131

These operating fund by committee comparisons use the fiscal committee structure of the House of Representatives budget committees to allocate expenditures by committee. In the 2005 legislative session, the House moved some Department of Human Service (DHS) accounts to the Jobs and Economic Development Committee. The information presented here has the general fund expenditures by DHS allocated by the House committee structure but for other funds all DHS expenditures are allocated to the Health and Human Services category.

Biennial Expenditure Increase is 6.9 Percent

State spending in all funds is projected to increase 6.9 percent in the FY 2006-07 biennium over the FY 2004-05 biennium. This compares to a 9.6 percent increase in the FY 2004-05 biennium over the FY 2002-03 biennium.

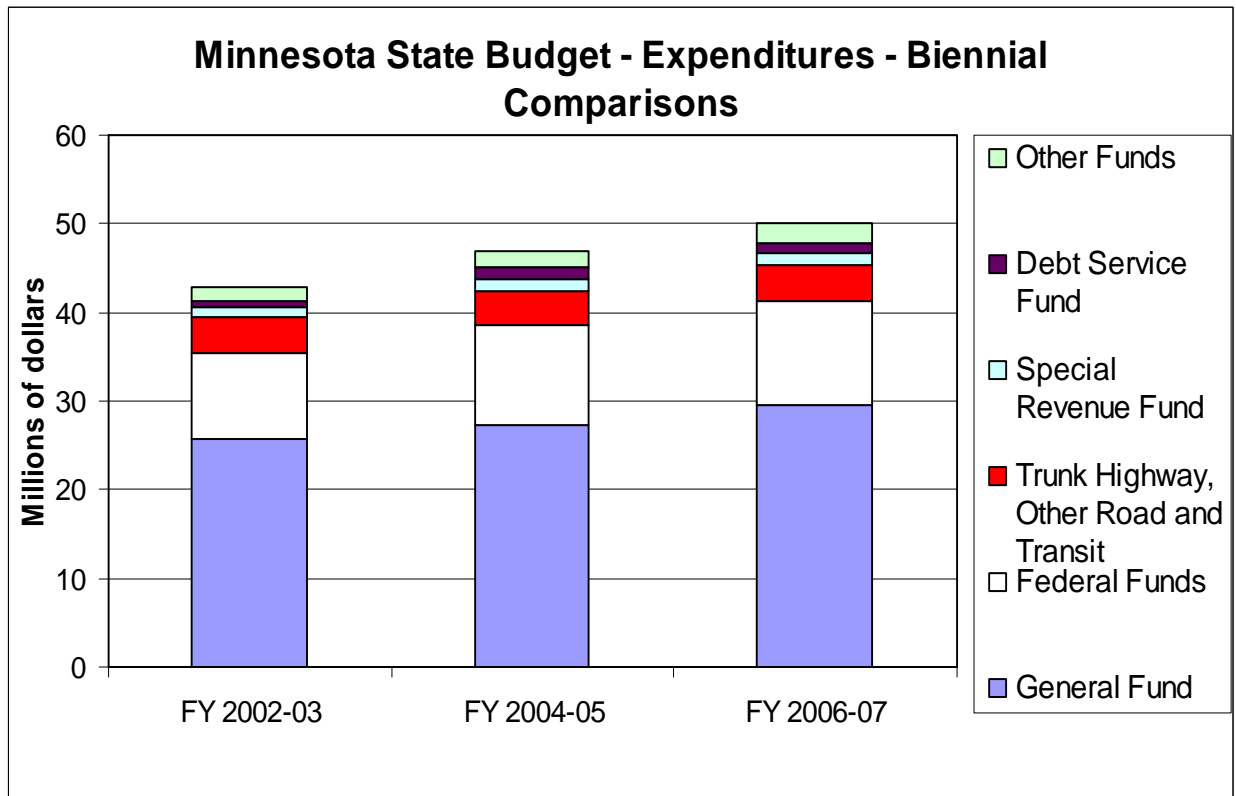
Table 3 provides a comparison of expenditures for the FY 2006-07 biennium and the two previous biennia. Figure 3 illustrates the same information in a graph. Again, in this graph information for the smaller funds is combined into an “other” category. Also, information on various transportation and transit funds is combined into one category.

Table 3

Minnesota State Budget - All Funds - Expenditures - Biennial Comparisons			
Dollars in thousands			
Data is from End of 2005 session			
	<u>FY 2002-03</u>	<u>FY 2004-05</u>	<u>FY 2006-07</u>
General Fund (adjusted for transfers)	25,660,239	27,228,250	29,499,296
Petroleum Tank Release Fund	56,509	45,967	44,920
State Government Special Revenue	129,141	158,556	210,764
Natural Resources Fund	90,786	119,030	145,905
Health Care Access Fund	553,119	609,270	827,386
Special Revenue Fund	1,092,909	1,291,972	1,301,075
Game & Fish Fund	162,424	172,683	182,327
Workforce Development Fund	96,693	102,722	88,714
Municipal-State Aid Highway	246,655	254,249	242,745
County-State Aid Highway	786,725	853,564	919,866
Trunk Highway Fund	2,838,822	2,527,843	2,617,324
Highway User Tax Distribution Fund	39,219	42,821	22,642
Federal Funds	9,712,012	11,246,080	11,714,435
Workers Compensation Special Fund	262,661	233,446	221,854
Remediation Fund	0	92,383	75,862
Metropolitan Area Transit Fund	124,140	249,792	246,821
Medical Education Research Fund	172,676	158,038	173,210
Debt Service Fund	789,875	1,413,171	1,161,214
Other Funds and Transfers	-39,588	95,448	425,771
Total Expenditures and Transfers	42,775,017	46,895,285	50,122,131
Biennial Change	15.6%	9.6%	6.9%

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 was 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 for a six year period ending in FY 2007. The most substantial change in state spending is between FY 2002 and FY 2003. A major contribution to this change is the replacement with state aid of the general education levy. All funds expenditures increased \$2.56 billion or 12.8 percent between FY 2002 and FY 2003. General fund expenditures during this same time increased \$1.15 billion or 9.4 percent.

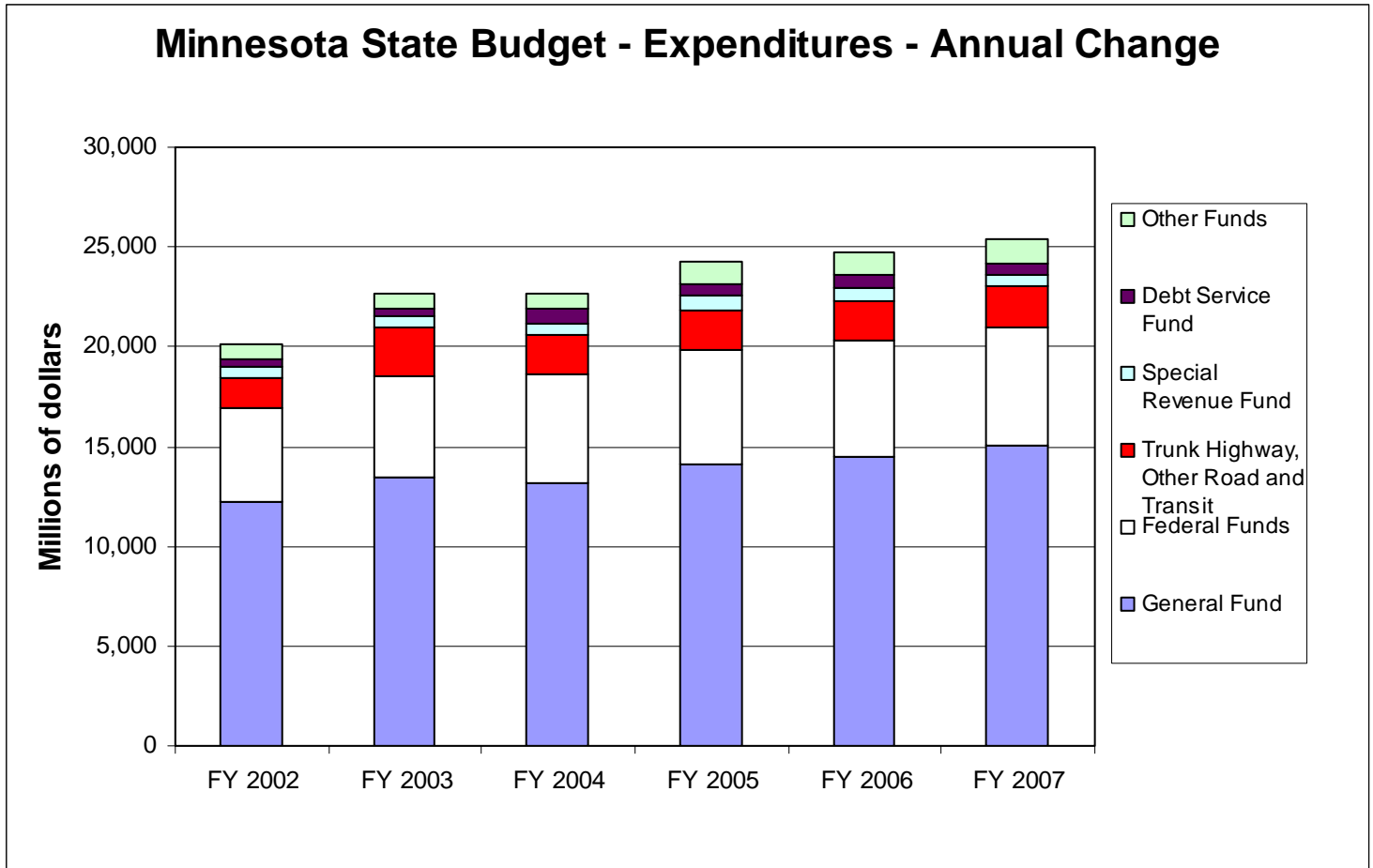
All funds expenditures in FY 2006 are projected to be \$24.73 billion, \$480 million or 2.0 percent higher than expenditures in FY 2005. In FY 2007, all funds expenditures are projected to grow \$667 million or 2.7 percent over the FY 2006 level.

Table 4

Minnesota State Budget - All Funds - Expenditures - Annual Change						
Dollars in thousands						
Data is from End of 2005 session						
	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
General Fund (adjusted for transfers)	12,253,129	13,407,110	13,144,712	14,083,538	14,496,123	15,003,173
Petroleum Tank Release Fund	23,995	32,514	23,004	22,963	22,460	22,460
State Government Special Revenue	57,407	71,734	66,845	91,711	104,436	106,328
Natural Resources Fund	42,351	48,435	49,164	69,866	73,665	72,240
Health Care Access Fund	249,523	303,596	321,806	287,464	365,671	461,715
Special Revenue Fund	537,555	555,354	566,897	725,075	677,966	623,109
Game & Fish Fund	72,715	89,709	77,159	95,524	90,741	91,586
Workforce Development Fund	56,810	39,883	57,239	45,483	43,901	44,813
Municipal-State Aid Highway	111,047	135,608	136,960	117,289	119,437	123,308
County-State Aid Highway	368,750	417,975	411,025	442,539	452,571	467,295
Trunk Highway Fund	1,090,568	1,748,254	1,230,591	1,297,252	1,285,598	1,331,726
Highway User Tax Distribution Fund	17,589	21,630	19,992	22,829	11,286	11,356
Federal Funds	4,633,630	5,078,382	5,484,765	5,761,315	5,787,264	5,927,171
Workers Compensation Special Fund	135,653	127,008	111,404	122,042	112,052	109,802
Remediation Fund	0	0	37,731	54,652	38,227	37,635
Metropolitan Area Transit Fund	0	124,140	127,672	122,120	120,766	126,055
Medical Education Research Fund	61,396	111,280	75,344	82,694	84,394	88,816
Debt Service Fund	360,896	428,979	820,484	592,687	629,860	531,354
Other Funds and Transfers	32,575	-72,163	-114,841	210,289	211,073	214,698
Total Expenditures and Transfers	20,105,589	22,669,428	22,647,953	24,247,332	24,727,491	25,394,640
Annual Change	3.6%	12.8%	-0.1%	7.1%	2.0%	2.7%

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 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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