Overview of Minnesota State Budget

January 2017

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Minnesota House Fiscal Staff

(www.house.leg.state.mn.us/fiscal/fahome.asp)
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<th>Fiscal Analyst</th>
<th>Telephone</th>
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<td>Agriculture Finance</td>
<td>Ken Savary</td>
<td>296-7171</td>
<td>378</td>
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<tr>
<td>Capital Investment</td>
<td>Andrew Lee</td>
<td>296-4181</td>
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<td>Education Finance</td>
<td>Emily Adriaens</td>
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<td>Environment &amp; Natural Resources Finance</td>
<td>Brad Hagemeier</td>
<td>296-7165</td>
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<td>Health &amp; Human Services Finance</td>
<td>Doug Berg</td>
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<td>Higher Education &amp; Career Readiness Finance</td>
<td>Ken Savary</td>
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<td>Jobs Growth &amp; Energy Affordability Finance</td>
<td>Chris Zempel</td>
<td>296-4162</td>
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<td>Legacy Funding</td>
<td>John Walz</td>
<td>296-8236</td>
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<td>Brad Hagemeier</td>
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<td>Public Safety &amp; Security Finance</td>
<td>John Walz</td>
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<td>State Government Finance</td>
<td>Helen Roberts</td>
<td>296-4117</td>
<td>322</td>
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<td>Veterans Affairs</td>
<td>Helen Roberts</td>
<td>296-4117</td>
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<td>Taxes (Income &amp; Sales)</td>
<td>Cynthia Templin</td>
<td>297-8405</td>
<td>326</td>
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<tr>
<td>(Property Tax and Local Aids)</td>
<td>Katherine Schill</td>
<td>296-5384</td>
<td>330</td>
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<tr>
<td>Transportation Finance</td>
<td>Andrew Lee</td>
<td>296-4181</td>
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<tr>
<td>Ways &amp; Means</td>
<td>Bill Marx</td>
<td>296-7176</td>
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Fiscal Staff Responsibilities:

- Analyze spending and revenue requests from executive branch and other sources.

- Assist finance committee in developing and analyzing budgetary options.

- Draft legislation to implement legislative budget decisions.

- Track legislative fiscal decisions.

- Provide analysis for legislative oversight of the enacted budget.

- Respond to request from individual members needing analysis or information on state budget issues and government finances.
Budget Enactment Timeline:

- December 2 – MMB releases November economic forecast.

- January – Legislative session convenes (Jan. 3). Governor makes budget recommendations (Jan. 24). Legislative bill deadlines established.

- February 28 – MMB releases February economic forecast.

- March – House Ways and Means Committee and Senate Leadership establish committee spending targets.

- April – Omnibus finance bills leave the House floor. Conference committees begin meeting.

- May – Conference committees conclude. Conference committee reports return to the House floor for final passage. Legislature adjourns.

- May – Governor signs/vetoes legislation.
Budget Basics:

- The state fiscal year goes from July 1 to June 30. The fiscal year starting July 1, 2016 is fiscal 2017 (FY 2017).

- The state budgets on a biennial basis. A biennium is two fiscal years. FY’s 2016 and 2017 make up the current biennium that started July 1, 2015 and ends June 30, 2017.


- The 2017 Legislature must enact a budget for FY 2018-19.
Revenue - All Funds - FY 2016-17
Total Revenues - $77.1 Billion
End of Session 2016

Federal Grants 31.3%
Income Tax 28.3%
Other Taxes 3.5%
Vehicle Registration Taxes 1.9%
Health Care Taxes 1.8%
Tobacco & Alcohol Taxes & Fees 1.9%
Fuels Taxes 2.3%
Statewide Property Tax 2.2%
Sales Taxes 16.8%
Corporate Tax 3.3%
Departmental Earnings (Fees, Licenses, etc.) 2.8%
Other Non-Tax Revenue 3.6%
Transfers 0.2%
Expenditures in All Funds by Program
FY 2016-17
Total Expenditures = $77.0 Billion
End of 2016 Session Data

- Health & Human Services: 43.7%
- K-12 Education: 24.7%
- Transportation: 9.5%
- Public Safety: 3.3%
- Economic Development: 2.8%
- State Government: 2.1%
- Property Tax Aids & Credits: 4.3%
- Higher Education: 4.1%
- Environment, Ag & Natural Resources: 2.8%
- Transfers & Other: -0.2%
- Debt Service: 2.6%
- Capital Projects: 0.1%
All State Spending By Fund
FY 2016-17
Total Expenditures = $77.0 Billion
End of 2016 Session Forecast Information

- General: 49.8%
- Federal: 30.2%
- Transportation & Transit Funds: 7.3%
- Debt Service: 2.4%
- Special Revenue: 3.6%
- Others: 6.7%

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Where General Fund Resources Come From
FY 2016-17 Resources = $42.4 Billion
Data From November 2016 Forecast

- Individual Income Tax: 51.5%
- Corporate Income Tax: 6.1%
- Sales Tax: 25.0%
- Other Non-Tax Revenue: 2.8%
- Statewide Property: 4.0%
- Tobacco Payments: 0.8%
- Other Sources: 1.2%
- Other Tax Revenue: 8.6%

House Fiscal Staff
December 2016
General Fund Spending FY 2016-17

Estimates Based on November 2016 Data
FY 2016-17 General Fund Spending = $41.5 Billion

K-12 Education 41.9%
Higher Education 7.4%
Property Tax Aids & Credits 8.0%
Health & Human Services 28.4%
Environment & Agriculture 1.1%
Public Safety & Judiciary 5.2%
Jobs, Econ Dev, Housing & Commerce 1.2%
Transportation 0.7%
State Government 2.5%
Debt Service & Capital Projects 3.4%
Dedicated, Other 0.0%

House Fiscal Staff
December 2016
General Fund Spending For Property Tax Aids & Credits FY 2016-17
Estimates Based on November 2016 Forecast Data
FY 2016-17 General Fund Spending for Property Tax Aids & Credits = $3.3 Billion

- Property Tax Refunds: 41.8%
- City Aid: 31.0%
- Polic/Fire Insurance Aid: 6.0%
- County Program Aid: 12.5%
- Ag Market Value Homestead Credit: 2.3%
- Others: 6.3%

House Fiscal Staff
February 2017
Ten Years Ago

Allocation of General Fund Resources FY 2006-07 By Program
FY 2006-07 General Fund = $31.5 Billion
Feb. 2008 Forecast

- Education: 42.4%
- Health & Human Services: 26.3%
- Property Tax Aids & Credits: 9.5%
- Higher Education: 8.8%
- Agriculture & Environment: 1.3%
- Economic Development: 1.1%
- State Government: 1.9%
- Transportation: 0.7%
- Debt Service: 0.2%
- Dedicated App, Other: 0.2%
- Public: 0.2%
Way Back in FY 1988-89

Where the Money Goes FY 1988-89
General Fund Spending - Total Spending $12.5 Billion

- K-12 Education: 24.5%
- Health, Human Services: 15.8%
- Property Tax Aids & Credits: 19.0%
- State Government: 4.8%
- Reserves: 4.4%
- Carry Forward to Next Biennium: 3.2%
- Dedicated Revenue Expenditures: 7.6%
- Post Secondary Ed: 13.4%
- Other: 2.3%
- Debt Service: 2.0%
- Semi-State & Transportation: 1.5%
- Corrections: 1.6%
Expenditures - All Funds
General Fund, Federal Fund and Other Funds
Data from November 2016 Forecast Information, Actual Dollars Not Adjusted for Inflation

Fiscal Years

Dollars in Billions

General Fund
Federal Fund
Other Funds

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Expenditures - All Funds Adjusted for Inflation
General Fund and Other Funds
Data from November 2016 Forecast, Actual Dollars Adjusted Using Consumer Price Index

Fiscal Years

FY 2016 Dollars in Billions

FY 98 FY 99 FY 00 FY 01 FY 02 FY 03 FY 04 FY 05 FY 06 FY 07 FY 08 FY 09 FY 10 FY 11 FY 12 FY 13 FY 14 FY 15 FY 16 FY 17

General Fund CPI Adjusted
All Other Funds CPI Adjusted

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Expenditures - All Funds Per Capita Adjusted for Inflation
General Fund and Other Funds
Data from November 2016 Forecast, Actual Dollars Divided by MN Total Population and Adjusted Using CPI

Expenditures per Capita in FY 2016 Dollars

Fiscal Years

- Gen Fund Per Capita/CPI Adj
- Other Funds Per Capita/CPI Adj

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Price of Government
State & Local Revenue as Percent of Personal Income
Data is from November 2016 Forecast Information
Questions above previous four slides

• Spending versus revenue?
• Adjustment for inflation?
• Adjustment for population change?
• Adjustment for income change?
• Which is the more accurate measure?
• Is there an accurate measure?

• Important: Know what is being presented.
Current Budget Situation:

- As of the November 2016 budget forecast, the current biennium (FY 2016-17) was projected to end with a $678 million general fund balance. For the next biennium (FY 2018-19) general fund revenues are projected to exceed spending by $736 million. (The sum of those amounts is $1.4 billion.)

- Revenues are projected to exceed spending in FY 2020-21 by $1.48 billion.

- Since the November forecast, November and December revenues have been $29 million less than the forecasted amount.

- A large share of Minnesota revenue is dependent on economic changes (income tax, corporate income tax, sales tax).

- A federal tax conformity bill already enacted reduces revenue in FY 2017-2019 slightly and by $90.6 million in FY 2020-21.

- A health insurance premium relief bill has been enacted. Funding was from the budget reserve reducing the reserve by $326.9 million.

- The state’s budget reserve is now at $1,618 million. In addition, a cash flow account has $350 million. A MMB report recommends a budget reserve at 4.9% of revenue or $2,077 million.
Governor's Recommended FY 2017-19 Changes

<table>
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<tr>
<th>Category</th>
<th>Change</th>
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<tr>
<td>Education</td>
<td>609,371</td>
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<td>Higher Education</td>
<td>318,040</td>
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<td>Property Tax Aids &amp; Credits</td>
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<td>State Tax Changes</td>
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<td>Health &amp; Human Services</td>
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<td>Public Safety &amp; Judiciary</td>
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<td>Jobs &amp; Ec Dev, Housing &amp; Commerce</td>
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<td>State Government &amp; Veterans Affairs</td>
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<td>Debt Service</td>
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<td>Capital Projects</td>
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<td><strong>Total</strong></td>
<td><strong>1,328,437</strong></td>
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Notes: (1) The Governor recommends increasing spending from the Health Care Access Fund by $716 million that would replace general fund spending. (2) Appropriations of $326.9 million for health insurance premium payment assistance in FY 2017 is not included in these numbers.
Questions?

Minnesota House Fiscal Staff

www.house.leg.state.mn.us/fiscal/fahome.htm

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