# ISSUE BRIEF

**State General Fund Budget Situation**
February 2016

*The latest budget forecast for the state's general fund, released by Minnesota Management and Budget on February 26, 2016, projects a $900 million positive balance for the current biennium. This is a $306 decrease from the last forecast in November 2015. This forecast also projects a $1.184 billion general fund positive balance for the FY 2018-19 biennium.*

## The Current Biennium – FY 2016-17

The February 2016 state budget forecast projects a positive balance of $900 million for the biennium ending June 30, 2017. This is a decrease of $306 million from the $1.206 billion balance projected in the November 2015 forecast ($1.206 billion was the amount remaining after transfers to two environmental funds and to the budget reserve, the initial November 2015 balance was $1.871 billion).

The following chart illustrates the $306 million budget change from the November 2015 forecast:

| FY 2016-17 General Fund Changes from the November 2015 Forecast | |
|---|---|
| Change (Decrease) in Revenues | - $427 million |
| Change (Decrease) in Expenditures | 129 million |
| Change (Increase) in Reserves | - 8 million |
| Net Change | - $306 million |

Several changes have occurred in revenues since the November 2015 forecast. Income tax revenues are down $95 million. Sales taxes are down $311 million and corporate taxes are down $93 million. Lawful gambling tax revenues are up $9 million.

Projected general fund spending in health and human services is down $130 million. Spending in elementary and secondary education is up $11 million compared to the November 2015 estimates.

The cash flow account remains at $350 million and the budget reserve remains at $1.597 billion.

The following chart illustrates the updated general fund budget situation for FY 2016-17.

| | |
|---|---|
| Beginning Balance Forward | $ 632 million |
| Reserves Carried Forward | 1,377 million |
| Appropriations Carried Forward | 94 million |
| Revenues | 42,289 million |
| Expenditures | - 41,524 million |
| Reserves | - 1,968 million |
| Balance | $ 900 million |

**Next Biennium – FY 2018-19**

The February 2016 forecast projects a positive balance of $1.184 billion for the FY 2018-19 biennium. This compares to a projection of a positive $2.047 billion balance projected in the November 2015 forecast. Changes from November are illustrated below.

| FY 2018-19 General Fund Changes From November 2015 | |
|---|---|
| Change (Decrease) in Revenues | - $898 million |
| Change (Decrease) in Expenditures | 36 million |
| Net Change | -$862 million |

Major revenue changes from the November 2015 forecast estimates include a decrease of $517 million in projected income tax revenue, a decrease of $282 million in sales tax revenue, and a decrease of $123 million in corporate tax revenue. There are no major expenditure changes from the November 2015 forecast.

These expenditure projections for FY 2018-19 include no general adjustment for inflation. A few expenditure programs do include inflation because that adjustment is specified in law. Adding an estimated amount to all expenditures for inflation at the consumer price indicator (CPI) amounts would add approximately $1.72 billion to the spending amounts.

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

| | |
|---|---|
| Revenues | $45,703 million |
| Expenditures | 44,519 million |
| Balance | $ 1,184 million |
| | |
| *Inflation (CPI rates)* | *1,742 million* |
| *Balance with inflation* | *- $ 558 million* |

The complete Department of Finance February 2016 forecast document is at:
http://www.mn.gov/mmb/images/Budget%2526Economic-Forecast-Feb16.pdf

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