



March 12, 2020

Rep. Melissa Hortman, Speaker of the House
State Office Building
St. Paul, MN 55155

Sen. Paul Gazelka, Senate Majority Leader
Minnesota Senate Building
St. Paul, MN 55155

Rep. Kurt Daudt, House Minority Leader
State Office Building
St. Paul, MN 55155

Sen. Susan Kent, Senate Minority Leader
Minnesota Senate Building
St. Paul, MN 55155

RE: Governor's FY 2020-21 Supplemental Budget

Dear Senators and Representatives:

The purpose of this letter is to officially transmit Governor Walz's proposed supplemental budget for FY 2020-21. The Governor's general fund recommendations are based upon the February 2020 forecast that projects \$1.513 billion available general fund balance for the end of the current biennium. The Governor is proposing general fund budget changes, including the general fund impact of the 2020 Local Jobs and Projects Plan released in January, that total \$346 million.

The Governor's priority with this budget proposal is ensuring fiscal stability and addressing emergency response and preparedness needs across the state. The proposed supplemental budget maintains structural balance for the current biennium and the next and includes replenishment of the budget reserve in the next biennium. After recommended changes for the FY 2020-21 biennium, the remaining budgetary balance is \$1.167 billion.

FY 2020-21 General Fund Recommendations
(\$ in millions)

| | |
|--|----------------|
| Forecast Balance | \$1,513 |
| Tax and Revenue Change | 9 |
| Capital Budget Debt Service and Cash Capital Costs | 89 |
| Supplemental Budget Recommendations | <u>257</u> |
| <i>Total – Recommended Changes</i> | <i>\$346</i> |
| | |
| Remaining Budgetary Balance | \$1,167 |

The Governor's recommendations impact the projected balance in the FY 2022-23 biennium. Expenditure increases for the next biennium total \$467 million, including a \$179 million impact from the 2020 Local Jobs and Projects Plan, while revenues under the Governor's supplemental budget would be \$19 million higher.

The Governor's budget also replenishes the budget reserve by adding \$491 million at the beginning of FY 2022-23. These changes combined with \$1.167 billion remaining from the current biennium would leave a projected balance in the next biennium of \$1.052 billion before inflation and other potential spending pressures are considered. When combined with the \$2.359 billion in the budget reserve, the Governor is leaving over \$3.4 billion to cushion against risk in our forecast.

Supplemental Budget Materials

Supporting material detailing the Governor's supplemental budget recommendations are posted to the MMB website (mn.gov/mmb). Attached are fund balance comparisons showing recommended general fund revenues and expenditures compared to the February 2020 forecast for both the current biennium and the planning estimates. Also attached are detailed budget changes with descriptions of individual proposals provided for all changes by agency, item and fund.

I expect that supplemental budget bills and any pieces of legislation necessary to implement the Governor's plan will begin to be delivered shortly after this release. Individual agency commissioners and staff, as well as MMB executive budget officers, are prepared to answer any questions you may have on the recommendations.

Sincerely,

A handwritten signature in black ink, appearing to read "Myron Frans". The signature is fluid and cursive, written in a professional style.

Myron Frans
Commissioner

cc: Senator Julie Rosen, Senate Finance Chair
Representative Lyndon Carlson, House Ways and Means Chair
Senator Richard Cohen
Representative Pat Garofalo
Eric Nauman, Senate Chief Fiscal Analyst
Bill Marx, House Chief Fiscal Analyst