

Date: March 17, 2016

To Representative Kurt Daudt, Speaker of the House
 Senator Tom Bakk, Senate Majority Leader
 Representative Paul Thissen, House Minority Leader
 Senator David Hann, Senate Minority Leader

From: Commissioner Myron Frans 

Subject: **Governor's FY 2016-17 Supplemental Budget Recommendations**

The purpose of this letter is to officially transmit Governor Dayton's proposed supplemental budget for FY 2016-17. The Governor's general fund recommendations are based upon the February 2016 forecast that projects \$900 million available general fund balance for the end of the current biennium. The Governor is proposing general fund budget changes that total \$698 million.

FY 2016-17 Biennium

The Governor's number one priority with this budget proposal is to maintain the fiscal integrity of the state. The proposed supplemental budget maintains structural balance for the current biennium and the next. FY 2016-17 recommended changes include \$37 million in tax reductions, credits and other revenues changes and a \$661 million increase in general fund spending, of which \$411 million is one-time spending.

FY 2016-17 General Fund Recommendations	(\$ in millions)
Forecast Balance	\$900
Tax and Revenue Change	(37)
Spending Change	<u>661</u>
<i>Total – Recommended Changes</i>	<i>\$698</i>
Remaining Budgetary Balance	\$202
<i>Budget Reserve Balance</i>	<i>\$1,597</i>

Next Biennium

The Governor's recommendations impact the projected balance in the FY 2018-19 biennium. Expenditures increases for the next biennium total \$817 million while revenues under the Governor's supplemental budget would be \$5 million higher. These changes, combined with \$202 million remaining from the current biennium would leave a projected balance in the next biennium of \$571 million before inflation and other potential spending pressures are considered. When combined with the \$1.6 billion in the budget reserve, the Governor is leaving over \$2.2 billion to cushion against risk in our forecast.

General Fund Budget Priorities

The Governor's recommendations prioritize fiscal stability and economic opportunity for all by investing in kids, families and communities. Overall, the Governor is recommending \$77 million in FY2016-17 for education and early learning, including:

- \$25 million to make voluntary preschool available to an additional 3,700 four year olds across the state.
- \$17 million in our child care assistance program to increase provider payment rates and streamline eligibility determinations to make assistance more stable for families and increase the number of providers who participate.
- \$11 million in the evidence-based family home visiting program to ensure services are available to eligible teen parents and their newborns up to the age of three.

The Governor's \$100 million equity proposal will help to expand economic opportunities and reduce disparities for Minnesotans of color across our state. His proposals include:

- \$8 million for Youth at Work program, which provides job training, employment opportunities, networking, apprenticeships, skill development, and help applying for college.
- \$6 million to create a revolving loan program, which would provide lending and technical assistance to businesses owned by people of color, women, veterans, and people with disabilities.
- \$33 million to be determined by the input of Minnesota communities during the 2016 Legislative Session.

The Governor is also proposing \$117 million in tax reductions in the current biennium and \$154 million in the next biennium including:

- \$47 million for expansion of the child and dependent Care credit;
- \$39 million for expansion of the working family credit; and
- \$6 million for expansion of the K-12 education credit.

Non-General Fund Recommendations

The Governor is also recommending changes in other state funds. The Governor's non-general fund recommendations primarily impact the health care access fund and the transportation funds. The Governor's recommendation uses health care access fund resources to finance Adults without Children on Medical Assistance, updates a historical transfer to the general fund to reflect its current value, and funds other key health care priorities. The Governor's comprehensive transportation package impacts revenue and spending projections in the transportation funds in an ongoing basis beginning in FY 2017.

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 -- two general fund balance sheet comparisons showing recommended general fund revenues and expenditures compared to the February 2016 forecast for both the current biennium and the planning estimates. Also attached are

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detailed budget changes—descriptions of individual proposals are provided for all changes, by omnibus bill, 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 later this month. Individual agency commissioners and staff, as well as MMB executive budget officers, are prepared to answer any questions you may have on the recommendations.

cc: Senator Richard Cohen, Senate Finance Chair

Representative Jim Knoblach, House Ways and Means Chair

Bill Marx, House Chief Fiscal Analyst

Eric Nauman, Senate Chief Fiscal Analyst