

**Date:** August 25, 2016

**To:** Agency Heads, Boards and Commissions

**From:** Margaret Kelly, State Budget Director 

**Phone:** 651-201-8009

**Subject:** FY 2018-19 Budget Preparation

Thanks to lots of hard work from Minnesotans, our diverse and robust economy continues to grow and contribute to the state's strong financial position. In addition, the budgets enacted by Governor Dayton, Lt. Governor Smith and the Legislature have been both balanced and sustainable—we have \$729 million on the bottom line of the general fund in the current biennium, \$1.047 billion next biennium, and we have the healthiest reserves in our state history.

The strong economy and state financial condition are good news for Minnesota, and put us in a good position as we look ahead, this November, to fiscal years 2018-2021. The July Revenue and Economic update reported that revenues were slightly ahead of forecast (\$230 million) for the current biennium. However, while the U.S. economy continues to grow, it is expected to grow at a slower pace this year than projected in February. And while it is still projected to rebound in 2017, it is projected to rebound to a lower level of growth.

Whether in good, poor, or uncertain economic times, we continue to believe that the best approach to budget planning incorporates a drive toward a better and more efficient use of resources. As we all participate in the last biennial budget for Governor Dayton and Lt. Governor Smith, it will be important to identify how your agency can support their priorities of sustainable budgets, access to quality early education, improving our state's water quality, and making the economy work for all Minnesotan's.

This memo accompanies instructions for agency budget proposals. The form and format of requesting changes will be similar to the previous biennium. In addition to putting your request into context and explaining how you will improve state government with your request, it will also important to highlight how you will advance the Governor and Lt. Governor's priorities, including equity and inclusion.

All budget development schedules, documents, templates, and other tools, are posted on our website at <http://mn.gov/mmb/budget/budget-instructions/bibudprep/>. Please review them as you begin budget planning; we have highlighted the changes from previous budget cycles. **All budget proposals are due to MMB by the statutory deadline of October 17, 2016.**

Budget decision-making will begin following the November forecast. Your work now will allow us to understand your request and begin to frame budget options for the decision-making process. I ask that

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you continue to work with MMB Executive Budget Officers to identify agency priorities and effective budget alternatives and options.

Thank you for all your efforts over the coming months.

cc: MMB Budget Division