

Office Memorandum

Date: March 27, 2017

To: Representative Kurt Daudt, Speaker of the House
 Senator Paul Gazelka, Majority Leader
 Representative Melissa Hortman, Minority Leader
 Senator Tom Bakk, Minority Leader

From: Commissioner Myron Frans

Subject: Revisions to Governor Dayton's 2018-19 Biennial Budget Recommendations

This letter officially transmits changes to Governor Dayton's proposed FY 2018-19 budget that was originally released on January 24th, 2017. The changes submitted today incorporate the impact of both the February forecast and enacted legislation this session along with adjustments to the Governor's FY 2018-19 budget plan.

The Governor's revised general fund recommendations are based upon the February 2017 forecast that increased available resources projected for the current biennium and the next. The budget adjustments reflect the fact that the projected available balance for FY 2018-19 has increased from \$1.400 billion to \$1.651 billion due to changes in the underlying revenue and expenditure forecast.

The general fund impact of both the February forecast changes and revised Governor's budget plan is summarized below. After changes, the available balance of \$200 million remains for the FY 2018-19 revised budget. The Governor is recommending that at least \$200 million be left unallocated in the enacted budget as a contingency savings against economic and federal changes beyond the state's control.

FY 2018-19 General Fund Recommendations

(\$ in millions)

| | January Budget | March Budget | \$ Change |
|--|----------------|--------------|-----------|
| Beginning Balance | \$2,653 | \$2,720 | \$67 |
| Forecast Revenues | 45,321 | 45,663 | 342 |
| <i>Recommended Tax Changes</i> | (53) | (74) | (21) |
| <i>Recommended Non-tax Changes</i> | (2) | (7) | (5) |
| Total Revenues | 45,266 | 45,582 | 316 |
| Forecast Expenditures | 44,585 | 44,741 | 156 |
| <i>Recommended Expenditure Changes</i> | 1,249 | 1,367 | 118 |
| Total Expenditures | 45,834 | 46,108 | 274 |
| Reserves | 2,006 | 1,996 | (10) |
| Ending Balance | \$79 | \$200 | \$121 |

Two general fund summary tables are attached to this letter. The first shows the Governor's proposed recommended general fund revenues and expenditures compared to the February forecast; the second displays the Governor's initial January recommended budget compared to the revised March budget submission.

Revisions to the Governor's budget can be found on the MMB website (<http://www.mn.gov/mmb>) including a revised general fund statement and other supporting documents. Revised budget documents and updated fiscal and change item pages will be posted in the coming days.

Individual agency staff, along with MMB executive budget officers, are prepared to answer any questions you may have on the recommendations.

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

FY 2018-19 General Fund Budget

Governor's Revised Rec vs February 2017 Forecast

(\$ in thousands)

| | 2-17 Forecast FY 2018-19 | 3-17 Gov Rec FY 2018-19 | \$ Change |
|--|-----------------------------|----------------------------|--------------------|
| <u>Actual & Estimated Resources</u> | | | |
| Balance Forward From Prior Year | 2,722,888 | 2,720,108 | (2,780) |
| Current Resources: | | | |
| Tax Revenues | 43,898,994 | 43,898,994 | - |
| Non-Tax Revenues | 1,401,048 | 1,401,048 | - |
| Subtotal - Non-Dedicated Revenue | 45,300,042 | 45,300,042 | - |
| Dedicated Revenue | 1,205 | 1,205 | - |
| Transfers In | 308,585 | 308,585 | - |
| Prior Year Adjustments | 53,510 | 53,510 | - |
| Subtotal - Other Revenue | 363,300 | 363,300 | - |
| Budget Changes - Taxes | - | (74,080) | (74,080) |
| Budget Changes - Non-Taxes | - | (7,096) | (7,096) |
| Subtotal-Current Resources | 45,663,342 | 45,582,166 | (81,176) |
| Total Resources Available | 48,386,230 | 48,302,274 | (83,956) |
| <u>Actual & Estimated Spending</u> | | | |
| E-12 Education | 18,271,866 | 18,985,369 | 713,503 |
| Higher Education | 3,069,493 | 3,387,533 | 318,040 |
| Property Tax Aids & Credits | 3,451,877 | 3,551,977 | 100,100 |
| Health & Human Services | 14,324,310 | 13,909,358 | (414,952) |
| Public Safety & Judiciary | 2,174,294 | 2,430,364 | 256,070 |
| Transportation | 243,592 | 230,503 | (13,089) |
| Environment & Agriculture | 404,029 | 474,993 | 70,964 |
| Jobs, Economic Development, Housing & Commerce | 397,685 | 509,667 | 111,982 |
| State Government & Veterans | 1,025,224 | 1,177,442 | 152,218 |
| Debt Service | 1,142,817 | 1,189,219 | 46,402 |
| Capital Projects & Grants | 255,924 | 281,900 | 25,976 |
| Estimated Cancellations | (20,000) | (20,000) | - |
| Total Expenditures & Transfers | 44,741,111 | 46,108,325 | 1,367,214 |
| Balance Before Reserves | 3,645,119 | 2,193,949 | (1,451,170) |
| Cash Flow Account | 350,000 | 350,000 | - |
| Budget Reserve | 1,603,443 | 1,603,443 | - |
| Stadium Reserve | 40,301 | 40,301 | - |
| Budgetary Balance | 1,651,375 | 200,205 | (1,451,170) |



FY 2018-19 General Fund Budget
Governor's Revised Rec vs Governor's Original Budget Rec
(\$ in thousands)

| | 1-17 Gov Rec FY 2018-19 | 3-17 Gov Rec FY 2018-19 | \$ Change |
|--|----------------------------|----------------------------|----------------|
| <u>Actual & Estimated Resources</u> | | | |
| Balance Forward From Prior Year | 2,652,803 | 2,720,108 | 67,305 |
| Current Resources: | | | |
| Tax Revenues | 43,538,901 | 43,898,994 | 360,093 |
| Non-Tax Revenues | 1,418,671 | 1,401,048 | (17,623) |
| Subtotal - Non-Dedicated Revenue | 44,957,572 | 45,300,042 | 342,470 |
| Dedicated Revenue | 1,205 | 1,205 | - |
| Transfers In | 308,585 | 308,585 | - |
| Prior Year Adjustments | 53,458 | 53,510 | 52 |
| Subtotal - Other Revenue | 363,248 | 363,300 | 52 |
| Budget Changes - Taxes | (53,453) | (74,080) | (20,627) |
| Budget Changes - Non-Taxes | (1,381) | (7,096) | (5,715) |
| Subtotal-Current Resources | 45,265,986 | 45,582,166 | 316,180 |
| Total Resources Available | 47,918,789 | 48,302,274 | 383,485 |
| <u>Actual & Estimated Spending</u> | | | |
| E-12 Education | 18,786,335 | 18,985,369 | 199,034 |
| Higher Education | 3,387,533 | 3,387,533 | - |
| Property Tax Aids & Credits | 3,569,439 | 3,551,977 | (17,462) |
| Health & Human Services | 13,851,530 | 13,909,358 | 57,828 |
| Public Safety & Judiciary | 2,424,365 | 2,430,364 | 5,999 |
| Transportation | 226,093 | 230,503 | 4,410 |
| Environment & Agriculture | 471,949 | 474,993 | 3,044 |
| Jobs, Economic Development, Housing & Commerce | 493,912 | 509,667 | 15,755 |
| State Government & Veterans | 1,169,596 | 1,177,442 | 7,846 |
| Debt Service | 1,188,820 | 1,189,219 | 399 |
| Capital Projects & Grants | 283,987 | 281,900 | (2,087) |
| Estimated Cancellations | (20,000) | (20,000) | - |
| Total Expenditures & Transfers | 45,833,559 | 46,108,325 | 274,766 |
| Balance Before Reserves | 2,085,230 | 2,193,949 | 108,719 |
| Cash Flow Account | 350,000 | 350,000 | - |
| Budget Reserve | 1,618,443 | 1,603,443 | (15,000) |
| Stadium Reserve | 37,690 | 40,301 | 2,611 |
| Budgetary Balance | 79,097 | 200,205 | 121,108 |

