


Date: March 30, 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: Revisions to the Governor's FY 2016-17 Supplemental Budget

The purpose of this memo is to officially transmit an update to the Governor's 2016 supplemental budget recommendations, originally released on March 15, 2016. The changes submitted today incorporate three general fund expenditure changes.

The 2016 February *Budget and Economic Forecast* projects a \$900 million balance for the remainder of the FY 2016-17 biennium. The Governor's March 15 supplemental budget recommendation included \$37 million in revenue reductions and \$661 million increased spending. Today's revisions include \$52 thousand in additional spending recommendations and no revenues changes, leaving a budgetary balance of \$202 million.

FY 2016-17 Governor's Revised General Fund Supplemental Budget Recommendations
 (\$ in millions)

	March 15 Budget	March 30 Budget	\$ Change
February Forecast Balance	\$900.252	\$900.252	\$0.000
Tax and Revenue Change	(37.073)	(37.073)	0.000
Spending Change	661.071	661.123	0.052
<i>Total – Recommended Changes</i>	<i>\$698.144</i>	<i>\$698.196</i>	<i>\$0.052</i>
Remaining Budgetary Balance	\$202.108	\$202.056	\$0.052

The Governor's March 15 supplemental budget recommendation also impacted the next biennium. Revenue changes totaled an increase of \$5 million and recommended spending was \$817 million higher leaving a projected balance in the FY 2018-19 biennium of \$571 million. Today's revisions include spending corrections that reduce the Governor's total recommended spending by \$8 million. No additional revenue changes are recommended leaving the balance of \$579 million in FY 2018-19.

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Attached to this memo are general fund financial summaries showing the FY 2016-19 general fund impact of the Governor's revised supplemental budget recommendation and detailed descriptions of today's revisions. Individual agency commissioners and MMB executive budget officers are prepared to answer any questions you may have on the recommendations.

Attachments

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
Margaret Kelly, State Budget Director

Corrections and Revisions to Governor's 2016 Supplemental Budget

(Dollars in Thousands)

2016 2017 2018 2019

Minnesota Management & Budget

Debt Service

This revision corrects an error in the FY 2019 debt service calculation and reflects the increased cost of issuance due to the addition of the Capitol Complex Security item included in the Governor's revised capital budget recommendations.

General	Expenditure	0	1	1	(7,473)
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Public Safety

Public Safety Officers Death Benefits

The Governor recommends changing the direct appropriation to the Department of Public Safety for Public Safety Officers Death Benefits to an open appropriation. This program provides a one-time monetary death benefit to dependents or the estate of public safety officers killed in the line of duty. This proposal would be effective for FY 2016. The fiscal impact includes known additional costs in FY 2016 due to additional benefits to be paid out. The FY 2017-19 impact reflects the savings related to the conversion from a direct appropriation to an open appropriation, the cost of which is estimated based on a 5 year rolling average of benefit payments.

General	Expenditure	94	(43)	(43)	(43)
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Agriculture

Use of Avian Influenza Funding

The Governor recommends that the use of avian influenza funding be expanded to include planning activities in addition to response activities. This recommendation would also expand the use of avian influenza funding to include other agricultural emergencies.

General	Expenditure	0	0	0	0
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Net General Fund Impact		94	(42)	(42)	(7,516)
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Current Biennium: FY 2016-17 General Fund Budget

Governor's Revised Supplemental Budget vs. February 2016 Forecast

(\$ in thousands)

	2-16 Fcst FY 2016-17	Gov Rev Rec FY 2016-17	\$ Change
<u>Actual & Estimated Resources</u>			
Balance Forward From Prior Year	2,103,017	2,103,017	0
Current Resources:			
Tax Revenues	40,439,203	40,439,203	0
Non-Tax Revenues	1,461,669	1,461,669	0
Subtotal - Non-Dedicated Revenue	41,900,872	41,900,872	0
Dedicated Revenue	1,000	1,000	0
Transfers In	316,942	316,942	0
Prior Year Adjustments	70,053	70,053	0
Subtotal - Other Revenue	387,995	387,995	0
Budget Changes - Taxes	0	(92,705)	(92,705)
Budget Changes - Non-Taxes	0	55,632	55,632
Subtotal-Current Resources	42,288,867	42,251,794	(37,073)
Total Resources Available	44,391,884	44,354,811	(37,073)
<u>Actual & Estimated Spending</u>			
E-12 Education	17,320,117	17,381,180	61,063
Higher Education	3,066,924	3,143,174	76,250
Property Tax Aids & Credits	3,351,415	3,397,695	46,280
Health & Human Services	11,933,778	12,077,126	143,348
Public Safety & Judiciary	2,145,944	2,210,680	64,736
Transportation	277,639	291,503	13,864
Environment & Agriculture	460,701	471,356	10,655
Jobs, Economic Development, Housing & Commerce	439,491	567,518	128,027
State Government & Veterans	1,023,683	1,078,177	54,494
Debt Service	1,239,580	1,247,753	8,173
Capital Projects & Grants	284,643	305,396	20,753
Other	0	33,480	33,480
Estimated Cancellations	(20,000)	(20,000)	0
Total Expenditures & Transfers	41,523,914	42,185,037	661,123
Balance Before Reserves	2,867,970	2,169,774	(698,196)
Cash Flow Account	350,000	350,000	0
Budget Reserve	1,596,522	1,596,522	0
Stadium Reserve	21,196	21,196	0
Budgetary Balance	900,252	202,056	(698,196)

Planning Estimates: FY 2018-19 General Fund Budget

Governor's Revised Supplemental Budget vs February 2016 Forecast

(\$ in thousands)

	2-16 Fcst FY 2018-19	Gov Rev Rec FY 2018-19	\$ Change
<u>Actual & Estimated Resources</u>			
Balance Forward From Prior Year	2,867,970	2,169,774	(698,196)
Current Resources:			
Tax Revenues	44,058,837	44,058,837	0
Non-Tax Revenues	1,408,707	1,408,707	0
Subtotal - Non-Dedicated Revenue	45,467,544	45,467,544	0
Dedicated Revenue	1,000	1,000	0
Transfers In	164,092	164,092	0
Prior Year Adjustments	69,963	69,963	0
Subtotal - Other Revenue	235,055	235,055	0
Budget Changes - Taxes	0	(118,960)	(118,960)
Budget Changes - Non-Taxes	0	124,108	124,108
Subtotal-Current Resources	45,702,599	45,707,747	5,148
Total Resources Available	48,570,569	47,877,521	(693,048)
<u>Actual & Estimated Spending</u>			
E-12 Education	18,095,723	18,223,405	127,682
Higher Education	3,065,693	3,135,193	69,500
Property Tax Aids & Credits	3,453,827	3,450,197	(3,630)
Health & Human Services	14,255,313	14,672,286	416,973
Public Safety & Judiciary	2,152,441	2,221,524	69,083
Transportation	243,072	268,356	25,284
Environment & Agriculture	391,375	392,883	1,508
Jobs, Economic Development, Housing & Commerce	386,603	384,925	(1,678)
State Government & Veterans	1,014,403	1,042,799	28,396
Debt Service	1,206,667	1,270,047	63,380
Capital Projects & Grants	273,630	286,540	12,910
Estimated Cancellations	(20,000)	(20,000)	0
Total Expenditures & Transfers	44,518,747	45,328,155	809,408
Balance Before Reserves	4,051,821	2,549,365	(1,502,456)
Cash Flow Account	350,000	350,000	0
Budget Reserve	1,596,522	1,596,522	0
Stadium Reserve	24,300	24,300	0
Budgetary Balance	2,080,999	578,543	(1,502,456)