

At the beginning of the 2015 legislative session, the February Economic and Budget Forecast projected a FY 2016-17 General Fund balance of \$1.867 billion. Legislative actions during the 2015 regular and special sessions resulted in an \$865 million General Fund fund balance, a change of \$1.002 billion. Areas most impacted were E-12 education, higher education, health and human services, and public safety. The enacted general fund spending budget for the FY 2016-17 biennium is \$41.834 billion, a 1.7 percent increase over the 2015 February forecast. Changes include \$1.134 billion in spending (\$429 million in FY 2015 and \$705 million in FY 2016-17), offset by \$132 million of increased revenues. These changes also impact the next budget period, leaving a projected balance of \$2.170 billion for the 2018-19 biennium.

E-12. \$526 million general fund spending increase in FY 2016-17; \$881 million general fund spending increase in FY 2018-19.

- *General Education Funding:* The basic education formula allowance that funds our K-12 schools was increased by 2% in each year of the biennium. (\$346 million)
- *Early Childhood Education:* Increased investments in early childhood education programs, including Early Learning Scholarships (\$48 million), School Readiness (\$31 million), and Head Start (\$10 million).
- *School Facilities:* Replaced various facilities aids with long-term facilities maintenance aid to provide more equitable and sustainable facilities funding to all districts statewide. (\$32 million)

Higher Education. \$174 million general fund spending increase in FY 2016-17; \$173 million general fund spending increase in FY 2018-19.

- *Operations:* Increased operations funding for the University of Minnesota (\$22 million) and MnSCU (\$100 million) to limit tuition increases over the next two school years.
- *State Grant:* Increased the grant allowance for all eligible students and the number of students eligible for the Office of Higher Education’s State Grant program. (\$7 million)
- *Medical School:* Increased the University of Minnesota Medical School’s research capacity to ensure its national prominence by attracting and retaining world-class faculty, staff, and students. (\$30 million)

Health & Human Services. \$291 million general fund spending reduction in FY 2016-17; \$553 million general fund spending increase in FY 2018-19.

- *Nursing Facilities:* Increased payments to nursing facilities to better reflect the cost of providing care and promote provider quality. (\$138 million)

FY 2016-17 Budget Forecast		
Change from February 2015 Forecast		
<i>(dollars in millions)</i>		
	<u>2016-17</u>	<u>Change</u>
	<u>Enacted</u>	
	<u>Budget</u>	
Beginning Balance	\$1,867	\$(429)
<u>Revenues</u>		
Taxes	\$40,803	\$30
Non-Tax Revenues	1,426	23
Transfers, Other Resources	<u>400</u>	<u>79</u>
Total Revenues	42,629	132
<u>Expenditures</u>		
E-12 Education	\$17,236	\$526
Higher Education	3,066	174
Health and Human Services	12,481	(291)
Public Safety	2,122	115
All Other Bill Areas	<u>6,929</u>	<u>182</u>
Total Expenditures	41,834	705
Reserves	<u>1,351</u>	<u>-</u>
Budgetary Balance	865	(1,002)

- *Public Health:* Advanced varied public health initiatives to reduce disparities, improve population health, and promote access to care. (\$25 million)
- *Health Care:* Increased payments to public health care providers, including rural hospitals and dentists and nonemergency medical transportation providers. (\$22 million)
- *Child Protection:* Increased spending for child protection to support grants to counties for child protection staffing costs and activities, enhanced state oversight, and the establishment of a new grant program to address racial disparities in child welfare. (\$52 million)
- *Chemical and Mental Health:* Provided increased funding for mental health and chemical dependency programs, including children's mental health initiatives, care coordination for those with serious mental illness, a rate increase for chemical dependency providers and increased funding for state-operated services. (\$73 million)
- *Savings:* Captured savings in public health care programs through lowering managed care administrative expenditures and establishing more frequent eligibility verification. (\$34 million in savings)
- *Medical Assistance Costs:* Shifted Medical Assistance spending from the General Fund to Health Care Access Fund to lower General Fund spending in FY 2016-17. (\$538 million) Transferred funds from the General Fund to the Health Care Access Fund in FY 2015 to pay for Medical Assistance spending shifted in FY 2016. (\$455 million)

Transportation. \$62 million general fund spending increase in FY 2016-17; \$30 million general fund spending increase in FY 2018-19.

- *Maintaining State Infrastructure:* Added funding for road and bridge projects in small cities with a population less than 5,000 (\$13 million), and increased spending from the Airport Fund on a one time basis for increased maintenance at state airports (\$11 million).
- *Security and Enforcement:* Enhanced Capitol Security budget (\$3.1 million), and funded the purchase of a new airplane for State Patrol highway enforcement (\$1 million).
- *Railroad Safety:* Provided a one-time increase for railroad safety crossings. Funding is available statewide. (\$5 million)

Public Safety. \$115 million general fund spending increase in FY 2016-17; \$140 million general fund spending increase in FY 2018-19.

- *Crime Lab:* Increased the Bureau of Criminal Apprehension's (BCA) funding to ensure prompt responses and necessary lab work for solving crimes across the state. (\$11 million)
- *Corrections:* Increased funding for the Department of Corrections' Intensive Supervised Release program to supervise high risk offenders in the community (\$4 million), and for the Fugitive Apprehension Unit to apprehend felons (\$2 million).
- *Operations:* Increased support for current services in the Judicial branch and the Department of Corrections. (\$64 million)

Environment & Agriculture. \$39 million general fund spending increase in FY 2016-17; \$60 million general fund spending increase in FY 2018-19.

- *MN Zoo:* Increased funding to Minnesota Zoo to maintain current service levels. (\$6 million)
- *Parks and Trails:* Increased funding to the Parks and Trails division of the Department of Natural Resources to maintain current service levels in state parks. (\$9 million)
- *Recycling:* Created a new competitive recycling grant program, with a maximum award amount of \$250,000, for counties outside the seven-county metropolitan area and municipalities with a population less than 40,000. (\$2 million)

- *Avian Flu*: Provided funding to state agencies for the response to the highly pathogenic avian influenza outbreak. (\$7 million) Additional funding is provided to the rural finance authority for loans to impacted farmers. (\$10 million)
- *Closed Landfill Investment Fund*: Transferred funding from the closed landfill investment fund in both the agriculture and environment bill (\$58 million) and the jobs and economic development bill (\$5 million) to fund one-time spending in those bill areas. Included a statutory requirement to repay the funds.

Jobs, Economic Development, Housing, & Commerce. \$51 million general fund spending increase in FY 2016-17; \$21 million general fund spending increase in FY 2018-19.

- *Broadband*: Increased funding for the Border-to-Border Broadband Development Grant Program. (\$11 million)
- *Olmstead*: Provided additional funding for Individual Placement Services, Extended Employment, and Bridges programs. These programs further the employment goals outlined in the state's Olmstead Plan. (\$5 million)
- *Workforce Housing*: Invested in workforce housing programs in both the Minnesota Housing Finance Agency and the Department of Employment and Economic Development. (\$6 million)
- *Heating Assistance*: Created a propane pre-purchase program to purchase heating fuels in the off season, when costs may be lower for consumers. The pre-purchase program is contingent upon federal approval of repurposing grant dollars for this purpose.

State Government, Veterans & Pensions. \$24 million general fund spending increase in FY 2016-17; \$56 million general fund spending increase in FY 2018-19.

- *Pensions*: Reduced state aid payments to the Public Employees Retirement Association (PERA) due to a downward revision of the estimated aid needed by the plan following the merger with the Minneapolis Employees Retirement Fund (MERF). (\$36 million in FY 2016-17; \$16 million in future biennia)
- *Veterans Affairs*: Increased operating funds for the Department of Veterans Affairs to cover the rising costs of providing care to elderly and disabled Minnesota veterans. (\$17 million)
- *Senate Operating Budget*: Increased the Senate's operating budget, including funding for rental payments to cover the cost of debt service and maintenance for the legislative office building and parking garage. (\$15 million)

Taxes and Local Aids & Credits. \$30 million general fund revenue increase and \$9 million general fund spending reduction in FY 2016-17; \$10 million general fund revenue increase in FY 2018-19.

- *Tax Revenues*: Delayed the implementation of a sales tax exemption for local special taxing districts, joint powers, and instrumentalities (\$20 million tax revenue increase, FY 2016-17 only), and disallowed non-residents from claiming the working family income tax credit ongoing (\$10 million tax revenue increase).
- *Political Contributions*: Enacted a two year suspension of the political contributions refund program. (\$9m spending reduction, FY 2016-17 only)

Capital Budget. \$12 million general fund spending increase in FY 2016-17; \$2 million general fund spending reduction in FY 2018-19.

- *Capital Projects*: Funding provided for \$373 million in capital investment projects, including: \$172 million for transportation investments, \$59 million for higher education, \$32 million for the capitol restoration project, and \$26 million for disaster relief needed due to storms and flooding that occurred in the summer of 2014.
- *For more detail*: Additional information on the capital budget can be found on MMB's [capital budget page](#).