

## Budget Glossary

### Account

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An Account is a detailed record of money received into and paid out of the state treasury. Accounts are created by the Commissioner of Minnesota Management and Budget (MMB) as required by law or under the general authority of Minnesota Statutes 16A.055.

When the law specifically requires the creation of an account, it is usually done to dedicate money to certain purposes. This is sometimes called a “sub-fund” because it is intended to have the self-balancing features of a fund even though it is not a fund. This is done either because the money is from a separate revenue source, or is to be spent for a separate purpose, or both.

When an account is created by the Commissioner of MMB, it is usually an “appropriation account,” which is an accounting system record to track appropriations authorized by law. An appropriation may be tracked by more than one appropriation account if it is useful to have the accounting system identify separate purposes within an appropriation that authorizes money to be spent for a variety of purposes. In some cases, more than one appropriation may be combined into one common appropriation account.

In addition to appropriation accounts, other types of accounts are revenue accounts and expenditure accounts. Revenue account categories include taxes, departmental earnings, investment income, fees, grants, and miscellaneous other revenues. Expenditure accounts fall into two main categories: payroll (primarily compensation) and non-payroll (operating expenses, grants, aids and subsidies, capital outlay-real property and other financial transactions).

See M.S. 16A.055, M.S. 16A.53 and M.S. 16A.69, Subdivision 1

### Account Hierarchy

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Data is entered and stored in BPAS by appropriation and account. Each account aggregates to successively higher levels in the BPAS account hierarchy; the levels, from lowest to highest are: Account, Account Class, Account Category, Account Group and Account Type.

ACCOUNT TYPE	ACCOUNT GROUP	ACCOUNT CATEGORY
Available Resources (SOURCES)	Balance Forward In (BFIN)	Balance Forward In (BFIN)
	Appropriation (APPTOT) -	Appropriation (Source) (APPLOAD)
		Base Adjustment (BADJ)
	Revenues (REV)	Taxes (TAX)
		Federal Grants (FED)
		Departmental Earnings (DE)
		Investment Income (INVINC)
		All Other Revenue (OTHREV)

ACCOUNT TYPE	ACCOUNT GROUP	ACCOUNT CATEGORY
	Net Transfers (NETTRAN)	Transfers In (TRANIN)
		Transfers Out (TRANOUT)
	Net Loan Activity (NETLOAN)	Loans In (Receipts) (LOANIN)-
		Loans Out (Loan Issuances) (LOANOUT)
	Cancellations (CANCEL)	Cancellations (CANCEL)
	Balance Forward Out (BFOUT)	Balance Forward Out (BFOUT)
Use of Funds (USES)	Expenditures (EXP)	Compensation (COMP)
		Operating Expenses (OPER)
		Grants, Aids and Subsidies (GRANTS)
		Capital Outlay-Real Property (CAP)
		Other Financial Transaction (OTHFIN)

## Account Net

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Account Net is the term and calculation used in the Budget Planning and Analysis System (BPAS), which identifies the difference between Available Resources and Uses in an appropriation account. An operating appropriation's account net must be zero to be reconciled in BPAS unless it is a non-dedicated, continuing (capital) or federal admin reimbursement appropriation type. See the table above for the account net calculation.

## AMA (Appropriation Maintenance Application)

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AMA is the budget system that supports the collection and approval of appropriations for upload to the state accounting system, SWIFT, and the budget system, BPAS. AMA is accessed through the State Administrative Portal; SWIFT Budget Journal Entry or Approval roles are required to access AMA.

## Annual Comprehensive Financial Report (ACFR)

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The Annual Comprehensive Financial Report (ACFR) is a report, issued by MMB that includes all the state's financial statements and disclosures consistent with government generally accepted accounting principles. It is composed of three sections: Introductory, Financial and Statistical. The ACFR is required by Minnesota Statutes, Section 16A.50. The ACFR and budgetary fund statements are not identical but reconcile with each other.

## Annualization

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The practice of adjusting spending totals to determine the annual costs of programs that were funded for only a portion of the previous year. For example, the annualized cost of a program that cost \$500,000 for six months of operation is \$1,000,000.

## Appropriation

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An Appropriation is the authorization by the legislature to spend money from the state treasury for purposes established in law. The Minnesota Constitution prohibits payment of money out of the treasury unless authorized by an appropriation. Appropriations typically limit expenditures to a specific

amount and purpose within a fiscal year or biennial period. Appropriation language typically states: "\$XXX is appropriated in fiscal year 2024 from the general fund to a state agency for a certain purpose." In the Budget Planning and Analysis System (BPAS), budgeting is done at the appropriation level.

See Minnesota Constitution, Article XI, Section 1 and M.S. 16A.011, Subdivision 4

### **Appropriation Reduction**

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An Appropriation Reduction is an act of law that directly amends (changes the wording of) or indirectly affects an appropriation in a way that lessens the amount of money authorized to be spent by that appropriation.

### **Appropriation Tails**

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Appropriation Tails are the portions of appropriated amounts that will continue as base amounts in the next biennium. These amounts are also recognized in spending forecasts and are used in the determination of whether a fund has structural balance, meaning it will not have expenditures that exceed revenues in the next biennium.

### **Appropriation Transfer**

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An Appropriation Transfer is authorized movement of monies between programs within an agency, between agencies for a designated purpose, between appropriations accounts within a fund or between state funds where authorized. Transfers are two-sided, a source appropriation (out) and a destination appropriation (in).

### **Appropriation Type**

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Appropriation Type determines how an appropriation balance in the state accounting system (SWIFT) is handled at fiscal year-end. This is required for all appropriations in SWIFT. Below is a listing of appropriation type codes with their description.

<b>CODE</b>	<b>DESCRIPTION</b>
01	Regular - Direct Appropriation. Balance cancels at the end of each budget period.
02	Continuing – Direct Appropriation. Balance doesn't close and remains in the original budget period. This appropriation type is used for capital fund appropriations.
03	Special - Direct Appropriation. Balance rolls forward at the end of the budget period. If the appropriation has an end date, the agency must change the appropriation type code from 03 to 01 in the final year so the balance cancels at the end of the budget period.

CODE	DESCRIPTION
04	Special - Dedicated Appropriation. Balance rolls forward at the end of the budget period.
05	Biennial – Direct Appropriation. Balance rolls forward even years (1st year of biennium), cancels odd years (2nd year of biennium).
06	Open Appropriation. The appropriation is adjusted to match actual expenditures so there is a \$0 balance at the end of the budget period.
07	MNSCU Alternate Close. Balance rolls forward at alternate date to accommodate "Work 9, Pay 12" for Minnesota State.
08	Education Aids Alternate Budget Close. Allows Department of Education to keep the appropriation open after fiscal year close: an additional 15 months after June 30 budget period year end.
99	Non Dedicated Receipt. Type 99 identifies appropriations established for revenue deposits at the fund level. Agencies create revenue budgets which reference the appropriation.
77	This is an appropriation type used in BPAS only to exclude the appropriation from fiscal reports.
88	Federal Admin Reimbursement. This is an appropriation type used in BPAS only for reporting of Federal Financial Participation (FFP).

## Appropriation Type Group

The same type codes used in SWIFT are also included for appropriation data in BPAS. BPAS organizes type codes into five groups for budgetary reporting. Type Groups describe the nature of the legislative appropriation. For example, the Direct type group (type codes 01, 03, 05, 08) includes appropriations which amounts are set in law. Other Groups are: Open, Dedicated, Continuing and Non-Dedicated.

APPROPRIATION TYPE CODE	APPROPRIATION TYPE NAME	APPROPRIATION TYPE GROUP (BPAS ONLY)
01	Regular Direct	Direct
02	Continuing Direct	Continuing (Capital)
03	Special Direct	Direct
04	Special Dedicated	Dedicated (statutory)
05	Biennial Direct	Direct
06	Open	Open
07	MnSCU Alternate Close	Dedicated (statutory)
08	Education Alternate Close	Direct

APPROPRIATION TYPE CODE	APPROPRIATION TYPE NAME	APPROPRIATION TYPE GROUP (BPAS ONLY)
99	Non Dedicated	Non Dedicated (NDR)
77 (BPAS only)	Excluded	Exclude (not included on reports)
88 (BPAS only)	Federal Admin Reimbursement	FFP Offset

## Assistance Listing Number (ALN)

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The Assistance Listing Number formerly known as CFDA (Catalog of Federal Domestic Assistance) is a unique number used to identify every federal financial assistance program. This enables data and funding transparency. The Assistance Listing Number is a five-digit number, XX.XXX. The first two digits represent the funding federal agency and the last three digits represent the assistance program.

## Balanced Budget

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The constitution authorizes borrowing for cash flow purposes within a biennium only (Article XI, Section 6). The effect of this limit is that in any given biennium, the state’s general fund biennial budget must be balanced – that is revenues and any balance carried forward from a previous biennium must be greater than or equal to expenditures and transfers out.

## Base

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The base level of an appropriation for a budget period is defined in law (M.S. 16A.11, Subd. 3, paragraph (b)) as the amount appropriated for the program in the second year of the previous biennium or in the case of a forecast appropriation the amount required to satisfy formula or other requirements in law.

## Base Adjustment

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A Base Adjustment is a change to the starting point “base” in the construction of the next biennial budget for an appropriation and may be positive or negative. Base adjustments may remove one-time appropriations, implement changes directed in law, or adjust for other technical items such as the transfer of a program from one agency to another. (See also Forecast Changes and Base Adjustment Accounts). The starting point for “base” is the second-year direct appropriation with adjustments allowed by current law. Appropriation base is defined in M.S. 16A.11, Subd. 3 (b).

The agency executive budget officer reviews and approves base adjustments.

## Base Adjustment Account

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A Base Adjustment Account is used to make a change to an appropriation base in the Budget Planning and Analysis System (BPAS). A list of the different base adjustment accounts available for the current biennial budget process in BPAS are provided in the *Base Budget Instructions* on the [MMB Biennial Budget Instructions webpage](#).

## Biennial Appropriation

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A Biennial Appropriation is an appropriation the legislature has authorized an agency to spend in either year of a biennium.

## Biennial Budget (Operating Budget)

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A Biennial Budget is a two-year operating budget plan, in which expenditures cannot exceed resources. The focus of the biennial budget for the State of Minnesota is to determine desired levels of appropriations to state agencies. On the fourth Tuesday in January in odd-numbered years, the Governor proposes a state operating budget for the following biennium. If a new Governor is elected, the proposed budget may be delayed until the third Tuesday in February.

Since the Minnesota Constitution prohibits borrowing beyond the end of a biennium to pay operating expenses, biennial budgets must be balanced. If a deficit is forecast for any fund for the next biennium, the Governor must reduce spending and/or increase revenues by a) reducing direct appropriations from their base levels, b) amending statutes to reduce statutory appropriations, c) amending statutes to reduce amounts forecast to be spent under statutory spending formulas, d) amend statutes that cause revenues to go into the fund (taxes, fees and other payments) to increase revenues, or e) generate resources or reduce obligations from other methods such as reserve balances or shifting obligations to other funds or budget periods.

During the odd-numbered year's legislative session (usually January through May) the House and Senate may separately propose a budget and pass budget bills to conference committees. After conference committees work through differences between the two bills and/or the Governor's position, the House and Senate repass the agreed upon version and send the bills to the Governor. The Governor may veto the whole bill or individual appropriations within the bill. When the Governor signs the bills, they become law.

In even-numbered years, the Governor may propose supplemental changes to the budget adopted in the previous odd-numbered year.

See M.S. 16A.11, Minnesota Constitution, Article XI, Section 6

## Biennial Budget Documents

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Biennial Budget Documents contain narrative and fiscal information at the agency, program and activity level for each state agency. Minnesota Statutes, Section 16A.11 requires the Governor to submit a budget message and detailed operating budget recommendations by the fourth Tuesday in January in odd-numbered years. (However, in the year following the election of a new Governor, the budget recommendations must be submitted by the third Tuesday in February.) MMB is required to submit agency plans and budget estimates to the Legislature by November 30 of the year prior to release of the Governor's budget. MMB is also required to seek the involvement of the Legislature in developing budget forms and instructions, and in designing the budget document format (Minnesota Statutes, Section 16A.10).

See M.S. 16A.10 and M.S. 16A.11

## Biennium

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A Biennium is a two-year period. The Minnesota state biennium runs from July 1 of an odd numbered year to June 30 of the next odd-numbered year. The Legislature appropriates the major portion of the biennial budget in the odd-numbered year session and may make adjustments during the even-numbered years.

The biennial budget planning horizon covers three biennia - adjustments to the current biennium, the proposed budget for the next biennium, and estimates for the following biennium. A fiscal biennium is referred to by its fiscal year name. For example, July 1, 2021, is the beginning of the 2022-2023 biennium.

See M.S. 16A.011, Subdivision 6

## BPAS (Budget Planning and Analysis System)

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BPAS is a budget information system managed by MMB to prepare budget documents and provide budget information. BPAS collects and presents historical, current, and projected budget data. It produces the Governor's proposed biennial budget and proposed supplemental budget changes in the second year.

## Budget

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Budget is the plan or authorization for revenues and expenditures in a fixed period of time. State law (M.S. 16A.11, Subd. 2) requires the Governor to present a balanced budget to the Legislature for consideration in January of each odd numbered year. The budget is submitted in three parts: (1) the Governor's budget message, including a summary and the Governor's recommendation on state financial policy, (2) the detailed operating budget and (3) the detailed capital budget.

## Budget Activity

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Budget Activity is a category within each appropriation and fund account that identifies the purposes, projects, or types of activities financed by the appropriation or fund.

In the MMB state systems, the budget activity code is 7 characters long. The first 3 characters are the agency code plus 2 characters for budget program plus 2 characters for the activity code from your agency's current budget programmatic structure. This is required for all appropriations.

## Budget Authority

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Budget Authority Option is used to limit authority on budgeting, pre-encumbrance and encumbrance in the state accounting system, SWIFT. In addition, it limits the spending authority on expenditures and transfers. This attribute is not applicable to non-dedicated appropriations. For a list of the budget authority options, see the [AMA Glossary](#) on the MMB website.

## Budget Base

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The Budget Base is the starting point for the construction of the next biennial budget. M.S. 16A.11, Subd. 3, defines base as the amount that was appropriated for the second year of the current biennium, this amount is carried forward into each year of the following biennium as a starting point for developing the next budget. When expenditures are set by statutory formula or other requirements, the base is the amount needed to satisfy those requirements.

M.S. 16A.11 requires that the budget prepared by the Governor must show base amounts and separately show any adjustments to the base required by current law or policies of the commissioner of management and budget.

Common base adjustments are one-time appropriations which specify that appropriations are not to continue in the base and forecast programs where the statute requires adjustments to be listed to bring the associated appropriations in line with the most recently forecast amounts. The first and most obvious application of the forecast adjustment requirement is with appropriations where no amount is specified. Since standing law contains the ongoing authorization for these amounts to change because of fluctuating activity, M.S. 16A.11 requires that good faith (forecast) estimates of these spending commitments must be adjusted into the budget. The second application of this requirement is with appropriations that were made in specific amounts but that were generated by formulas that are prescribed in statute. Though not legally appropriated, the assumption is made for the purpose of setting a budget base that these formulas will be followed in the next biennium.

After these adjustments are made, the resulting budget is referred to as the “forecast base”. Any other changes, including adding inflation to keep directly appropriated programs at current activity levels, must be made as specific budget requests or change items.

See M.S. 16A.11, Subdivision 3(b)

## Budget Narratives

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Background Narratives collectively comprise the catalog of state government—how and how well agencies fulfill their mission. It specifically includes an Agency Profile, Program and Activity narratives as needed.

The purpose of an agency’s budget narrative is:

- To provide a description of what your agency does and the public good or outcome that is a result of that investment in a way that decision-makers and the public can easily understand.
- To demonstrate how well you are doing with performance measures that show how much is provided (the quantity), how well it is done (the quality) and whether or not anyone is better off (the result).

## Budget Period

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Budget Period represents the Budget Fiscal Year or biennium.

## Budget Program

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A Budget Program expresses the operating plan in terms of the costs of actions (programs) to be undertaken to achieve specific goals and objectives.

The Governor's Budget is a program budget but also includes detailed categorization of proposed expenditures for goods and services (Expenditures by Category) for state operations for each department.

In statewide systems, the Budget Program code is 5 characters long. The first 3 characters are the agency code plus 2 characters for the program code from your agency's current budget programmatic structure. This is required for all appropriations.

## Budget Reserve

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State law establishes a Budget Reserve separate from a Cash Flow Account (M.S. 16A.152). The Reserve is like a savings account and serves as a hedge against an economic downturn. Amounts in the budget reserve must be spent prior to any unallotment, but only after consultation with the Legislative Advisory Commission. MMB is required to make a recommendation on Sept. 30 of each year on an adequate budget reserve balance based on the volatility of state revenue sources. In 2017, MMB recommended a reserve equal to 4.9 percent of general fund revenue in the current biennium, or approximately \$2.2 billion.

## Budget Year

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The budget year defines the biennial budget that is being prepared. It designates the first year of the biennial budget to be produced, e.g., 2026, is the budget year value for the 2026-2027 biennial budget. Budget year governs screen display and data collections. It is displayed on screens and as a report parameter, but users do not have the option to select a different value.

## Budgetary Balance

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The amount of money left on the bottom line of the General Fund balance for a biennium considering balances from the prior year, projected resources and expenditures and money set aside for reserves.

## Budgetary-Basis Accounting

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Budgetary-Basis Accounting is often used in governmental accounting and is not subject to the same provisions of Generally Accepted Accounting Principles (GAAP). There are four important distinctions between GAAP and Budgetary Basis:

- **Basis:** Minnesota budgets on a modified-cash basis. That is, revenues are counted when received, expenditures when paid or encumbered.
- **Timing:** With budgetary basis accounting, there can be a lapse between the budgetary period and the accounting period. In other words, the actual recording of the financial transactions and the reconciliation can take place at a later date.

- **Reporting:** In budgetary basis accounting, certain items can be reported as part of the general fund, whereas in GAAP accounting these same items must be reported separately. One example of this is in the reporting of debt service. The budgetary accounting basis allows for debt service in the general fund, whereas GAAP accounting does not.

## Capital Budget

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A Capital Budget is a spending plan for durable physical improvements including repair, renovation and construction of state facilities, acquisition, construction and repair of state parks, trails, interpretive centers, campground facilities, forests, wildlife management areas, dams and flood control structures. The Governor submits a proposed capital budget to the Legislature in January of even-numbered years, and the Legislature and Governor usually adopt budgets for capital improvement projects (buildings and other physical improvements) in even-numbered years. The focus of the capital budget for the State of Minnesota is the issuance of state bonds (borrowing) and appropriation of the bond proceeds for the construction of buildings and other physical improvements for the state, the state's public higher education institutions and sometimes for local units of government. To qualify for bond funds, projects must meet certain requirements set out in the state Constitution and in state statute. The main requirements are that improvements must be owned by the state or a political subdivision of the state (usually a county or city) and that the improvements have an estimated useful lifetime of at least ten years. Most appropriations for capital improvements must be spent within four years of enactment.

MMB issues instructions for capital budget requests in the spring of the year preceding its submission to the Legislature. Preliminary submissions of capital budget requests from state agencies and local units of government are due in June, with final submissions due in October.

In odd-numbered years, emergency or supplemental capital budgets may be approved.

See Minnesota Constitution, Article XI, Sections 2-7, M.S. 16A.641, and M.S. 16A.642

## Capital Fund Appropriations

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Appropriations for capital construction projects are established in specific funds in the state accounting system, SWIFT, and typically have an appropriation type code of "02 – Continuing" Continuing type appropriation balances don't close at the end of a budget period and remain in the original budget period. Capital fund appropriations need to be approved by the MMB's Capital Budget Coordinator (in the case of new appropriations) or MMB's Capital Bonding Coordinator (in the case of modifying prior year capital appropriations) before being added or modified in SWIFT. A list of capital funds is included in the [AMA Glossary](#) on the MMB website.

## Cancellations

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Money appropriated but unspent and unencumbered at the end of a biennium or end of the period of time for which the appropriation was made. Such amounts are generally cancelled back to the state fund from which they were appropriated.

## **Carryforward**

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Carryforward is unspent appropriation authority from one year available for use in the following year. Upon the approval from MMB, agencies may carry forward unspent and unencumbered non-grant operating balances from the first year of the biennium to the second (M.S. 16A.28), or across biennia when authorized in law or statute.

## **Cash Flow**

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Cash Flow is a measure of the timing of incoming revenue and outgoing spending. A budget may be balanced but cash flow may be negative if spending occurs before revenue comes in.

## **Cash Flow Account**

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State spending is not constant across the fiscal year, but rather has peaks and valleys based on patterns of receipts and expenditures. A Cash Flow Account (separate from the Budget Reserve) is established in the general fund, as an amount specified by law, to help to avoid short-term borrowing during cash low points. The current Cash Flow Account balance is \$350 million.

M.S. 16A.152, Subd. 1

## **Change Item Request**

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Change Item Request is the term used for budget changes from base levels.

## **Conditional Appropriations**

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Conditional appropriations are used when certain conditions must be met prior to spending certain funds. Conditions may exist for any number of factors such as matching funding required and subsequent receipt of matching funds, or compliance with MMB use or other legal requirements. Agencies are responsible for ensuring accounts are properly established as part of the agency head spending plan certification process and that no funds are obligated or expended until the conditions of the appropriations are satisfied.

## **Consolidated Fund Statement (CFS)**

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A Consolidated Fund Statement is a summary of revenues, expenditures, reserves and year-end balances for all the state's operating funds including the general fund. Consolidated fund statements are issued by MMB at the time of a budget forecast, following a legislative session, and with the Governor's proposed budget.

## **Contingency Funds**

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Appropriation(s) that may be spent by the Governor to meet emergencies when the Legislature is not in session but with the advice of the Legislative Advisory Committee. In a typical biennium, about \$1-2 million in total is available for the contingency accounts from the General Fund, the State Government Special Revenue Fund, and the Workers Compensation Fund.

## **Debt Capacity Forecast**

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Each year in February and November, the Commissioner of Management and Budget must prepare a forecast on the state's indebtedness. The forecast must include information on long-term general obligation debt including the actual debt service paid from the general fund for the past two fiscal years and estimated debt service for the current fiscal year and the next six fiscal years. In addition, the report must note the amount of debt authorized and unissued and the borrowing capacity for the next six fiscal years. The borrowing capacity is based on the state's debt management guidelines, which are typically discussed briefly in the forecast.

See M.S. 16A.105

## **Debt Service Fund**

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Debt Service Fund is the fund used to make principal and interest payments on the state's general obligation bonds.

## **Dedicated Appropriation**

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A dedicated appropriation is an authorization, usually in statute, that makes a stream of revenue available for spending for a particular activity or group of activities. A stream of revenue is "dedicated" to spend for a specified purpose. A dedicated appropriation might, for example, make specific fee-for-service revenues available to cover the costs of providing the service. Another example might be license fees that are collected in a special account and made available for spending for certain ongoing work or when related unforeseen needs arise.

## **Dedicated Revenues or Expenditures**

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Money raised and earmarked to be spent for specific purposes.

## **Departmental Earnings**

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Department Earnings is money collected by state agencies through service user fees, occupational license charges, regulatory charges, and other charges. In general, these fees are to be set at a level that "neither significantly over recovers nor under recovers costs, including overhead costs, involved in providing the services" (M.S. 16A.1285, Subd. 2).

The departmental earnings report is a required element of the biennial budget document. In the report, agency fees are matched with the cost of the activity for which they are collected to determine if departmental earnings are under/over recovering the cost of the related activities. This biennial report also serves as a comprehensive inventory of fees and charges collected by each agency.

Much like building base budgets, the departmental earnings analysis provided by agencies serves as the starting point for consideration of any requested changes to departmental earnings or fees. Proposed fee changes must be submitted as change items in the Governor's biennial budget.

See M.S. 16A.1285 and M.S. 16A.1283

## **Direct Appropriation**

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A Direct Appropriation is an appropriation for a specific amount of money, for use only during a specific time period. Most appropriations in omnibus bills are direct appropriations. Appropriations are usually for each year of the biennium; however, legislation occasionally makes single year appropriations available either year of the biennium.

## **Direct Appropriated Dedicated Revenue**

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Agencies with dedicated revenues that are direct appropriated must create two appropriations: a control appropriation, which collects the revenue and an expenditure appropriation. The control appropriation will transfer the direct appropriated amount into the expenditure appropriation. This one-character code identifies the appropriation as an expense or control appropriation. Options for this attribute are “E” – Expense Appropriation or “C” – Control Appropriation. This classification replaces the use of the Dedicated Receipt Cap which was used previously. This field should only be used for direct appropriated dedicated revenue appropriations. These appropriations are typically in the 2000 fund (Restrict Misc Special Revenue).

## **Earmark**

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Earmark is to dedicate in law a revenue stream for a specific purpose or expenditure, a dedicated revenue.

## **EBO (Executive Budget Officer)**

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Executive Budget Officers (EBOs) are MMB staff who are assigned to specific agencies and budget areas and are responsible for analyzing budget proposals, tracking legislative actions, and implementing budget policy in compliance with the law.

## **Effective Date**

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The effective date is the day when a provision of law takes effect and must be followed. Unless a law specifies differently, all laws containing appropriations become effective at 12:01 a.m. on the next July 1 after enactment. Unless a law specifies differently, all laws not containing appropriations become effective at 12:01 a.m. on the next August 1 after enactment.

See M.S. 645.02

## **Enactment**

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Enactment is the completion of the legislative process, after a bill has been passed by both the House and Senate and signed by the Governor, or repassed after his veto, when the bill becomes law. Provisions in law may become effective later.

## **Encumbrance**

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Encumbrance is the commitment of money to meet an obligation that is expected to be incurred to pay for goods or services received by the state, or to pay a grant. Encumbrance is the accounting control device that agencies use to reserve portions of their allotments for expenditures that will soon be incurred. Agencies must encumber money before they can spend it.

## **Enterprise Funds**

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Enterprise Funds provide money for services to the public through programs that are expected to recover their full costs, primarily through user charges. Examples include the MN Bookstore fund, Correctional Industries fund, Cooperative Purchasing fund, and MN Health Insurance Exchange fund.

## **Entitlement**

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A service or grant that, under state or federal law, must be provided to all eligible applicants.

## **Expenditure**

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The spending or disbursement of money from an appropriation.

## **Federal Funds**

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Federal Funds are revenues received by the state from federal government appropriations. Federal funds are deposited in the state treasury and for most state agencies must be reviewed and approved by the legislature or Legislative Advisory Commission (LAC) prior to being spent. A process for legislative review of federal funds is established in Minnesota Statutes, Section 3.3005.

## **Federal Matching Requirements**

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Federal Matching Requirements is a requirement that the state commit a specific amount of state funds for a particular purpose to obtain federal funds for the same purpose. In general, percentages vary from 0 to 50 percent. For example, a federal grant that requires a ten percent match would involve \$1 million (state funds) and \$10 million (federal funds) for a total of \$11 million. The amount of funding the state must commit is often referred to as the “state match”. Federal Funds are revenues received by the state from federal government appropriations. Federal funds are deposited in the state treasury and must be appropriated to be spent. A process for legislative review of federal funds is established in Minnesota Statutes, Section 3.3005.

## **Fiduciary Funds**

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Fiduciary Funds are accounts for assets held by the state in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or funds. These include pension trusts funds, nonexpendable trust funds (where the principal may not be expended, e.g., the Permanent School Fund, Environmental and Natural Resources Nonexpendable Trust Fund), expendable trust funds (e.g., the Municipal State-aid Street Fund, County State-aid Highway Fund Environment and

Natural Resources Expendable Trust Fund, Reemployment Compensation Fund), and agency funds, such as the Deferred Compensation Fund.

## **Fiscal Note**

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A fiscal note is an official estimate of the fiscal effects that would be caused by the enactment of a bill. Fiscal note requests are initiated by legislative fiscal analysts on behalf of committee chairs. Agencies that would be affected by a bill prepare estimates of cost changes (including costs that could be absorbed within existing budgets) and revenue changes the bill would cause. Fiscal notes must not assume any changes in law that are not included in the bill but may provide commentary on potential defects in the bill. No opinions on the merits of a bill may be expressed in a fiscal note. Agency estimates are reviewed by the [Legislative Budget Office \(LBO\)](#) before fiscal notes are completed and released. Completed fiscal notes are available on the [LBO website](#). The fiscal note process is managed by the LBO.

See M.S. 3.98

## **Fiscal Reports**

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Fiscal Reports refers to the three reports produced by the Budget Planning and Analysis System (BPAS) and are included in the biennial budget documents. The three reports are Expenditures Overview, Financing by Fund and the Change Summary.

## **Fiscal Year**

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Fiscal Year is the 12-month period on which the budget is based. The state of Minnesota's fiscal year runs from July 1 to June 30. The federal fiscal year runs October 1 through September 30.

## **Financial Department ID (Fin Dept ID)**

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Fin Dept ID (financial department identifier) represents the organizational function to which expenditures and other activities are applied. The department structure should represent the organizational structure of an agency or department. Combined with other budgeting data attributes, Fin Dept ID's form the basis for department budgets that track revenues and expenditures. Fin Dept ID functionality exists in SWIFT for agency budget management, BPAS does not include budget information at the Fin Dept ID level.

## **FNTS (Fiscal Note Tracking System)**

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The system used by state agencies, legislative fiscal staff, and the Legislative Budget Office (LBO) to request, prepare and deliver fiscal notes. The fiscal note process is managed by the [LBO](#).

## **Forecast**

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A forecast is an official estimate of future state revenues and expenditures. Forecasts are prepared by the MMB in conjunction with other state agencies each November and February. Forecasts are used by the Governor and the Legislature to help determine what changes to propose when preparing biennial

budgets. Forecasts must assume that no changes will be made in existing law except that base level appropriations will be enacted. MMB is also required to submit a debt capacity forecast at the same times as the revenue and expenditure forecast.

If a direct appropriation has traditionally been calculated by a statutorily set formula (as with several programs in human services and K12 education), the amount necessary to fulfill that formula is included in the forecast based on reasonable estimates of projected growth in affected populations. Inflation is not included in spending estimates. In revenue estimates, reasonable economic growth is considered.

See M.S. 16A.103

## **Forecast Changes**

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Forecast Changes are adjustments made to the base or planning estimates in a forecasted program as a result of a new budget forecast that predicts expenditure changes.

## **Forecast Program**

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Expenditure estimates in most areas are shown at the level of the appropriations made in the second year of the biennium, plus any authorized spending carried forward from prior years. Entitlement programs--including E-12 education, intergovernmental aids, health care, and family support--are forecast based on expected changes in eligibility, enrollment, and average costs. Wage and price inflation is included in the revenue estimates, which are based on current law tax rates. It is not included in most projected current law expenditures.

## **Full-Time Equivalent (FTE)**

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A unit of measure of state employees that refers to the equivalent of one person working full time for one year (between 2,080 and 2096 hours of paid staff time depending on the fiscal year). Two persons working half time also count as one FTE.

## **Fund**

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Fund is an independent fiscal and accounting entity with a self-balancing group of accounts, recording cash and/or other resources together with all related liabilities, obligations, reserves and equities. Funds are created for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. An appropriation can belong to only one fund.

Funds are created in the state Constitution, in state Statute and by the Commissioner of MMB to segregate different types of financial activity. A fund usually has language in law establishing it and identifying what money should be deposited into the fund and for what purposes money may be expended from the fund. State statute requires that no fund may carry a negative balance at the end of a state fiscal biennium.

## **Fund Balance or Fund Statement**

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Summary of revenues, expenditures, reserves and year-end balances for a fund or grouping of funds. Updated fund balances are prepared at the release of each state forecast, the release of the Governor's budget, and at the end of each legislative session.

## **Fund Balance Classification**

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GASB (Government Accounting Standards Board) Statement 54 Fund Balance Reporting and Governmental Fund Type Definitions requires the reporting of fund balance for governmental funds in classifications based primarily on the extent to which the government is bound to honor specific purposes with the balances.

Fund Balance Classification is required for funds 1000-2999; this attribute should not be entered for funds 3000 or above. A fund balance is classified as "R" for restricted, "C" for committed or "A" for assigned. Definitions of the fund balance classifications and a table listing state government funds and their classifications are found in the [AMA Glossary](#) on the MMB website.

## **GAAP, Generally Accepted Accounting Principles**

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Uniform standards for government accounts. Most state funds are accounted for using the modified accrual basis of accounting which recognizes the unique revenue and expenditure issues for some state payments. If a state law requires different accounting than a GAAP standard, the difference will be noted as an audit exception. GAAP is administered by the Governmental Accounting Standards Board (GASB).

## **General Fund**

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The General Fund is the source of the state's main operating funding and is used to support activities outlined in statute. State statute directs that this fund is used "for the usual, ordinary, running, and incidental expenses of the state government and does not include moneys deposited in the treasury for a special or dedicated purpose." The General Fund is the state's largest and most important fund because it has the most flexibility in its use.

Major revenue streams into the General Fund include state individual, corporate, and sales taxes among others. These are non-dedicated revenues and are available to be appropriated by the legislature.

See M.S. 16A.54 and M.S. 16A.72

## **General Obligation Bonds**

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Bonds whose repayment is guaranteed by the full faith and credit of the state. The sale of general obligation bonds (GO bonds) is authorized by the legislature, typically in an omnibus capital investment bill.

## **Internal Service Funds**

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Internal Service Funds are funds internal to the operation of state government that provide a variety of services to state agencies, such as telecommunications and computer services, plant management, office supplies and surplus services. The full costs of services provided must be covered by billing state agencies.

## **IT Expenditures**

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Expenditures related to information technology. MN.IT is the state agency given the authority and oversight over all executive branch IT spending in the state.

## **Legacy Funds**

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Four funds established by a 2008 amendment to the Minnesota Constitution and funded with an increase of 0.375 percentage points in the state sales tax. The four funds are: (1) the Outdoor Heritage Fund, (2) the Arts & Cultural Heritage Fund, (3) the Clean Water Fund, and (4) the Parks & Trails Fund. Spending from these funds must be appropriated by the legislature each biennium or year.

## **Legal Citation**

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Legal Citation is the session law or state statute which gives the authority for the agency to spend money and create an appropriation to do so. This is required for all appropriations. In statewide systems, this field has a maximum length of 18 characters. The format of the legal citation varies depending on the type of appropriation: session law appropriations, capital appropriations, statutory appropriations, and debt service appropriations.

## **Legislative Advisory Commission (LAC)**

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Joint House-Senate legislative commission assigned responsibility for reviewing the acceptance of federal grants when the Legislature is not in session and the allocation of emergency contingent funds. The LAC also advises the Governor on issues such as spending from the budget reserve when receipts are less than projected expenditures and on spending of certain contingent appropriations.

See M.S. 3.30 and M.S. 3.3005

## **Legislative Commission on Planning and Fiscal Policy (LCPFP)**

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Joint House-Senate legislative commission that examines and reviews state budget and fiscal issues.

## **Legislative Tracking**

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Legislative fiscal staff spreadsheets that detail the budget passed by the legislative committees. Tracking provides a level of detail but does not have the same legal implications as appropriation bill language.

## Line-Item Appropriations

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Line-item appropriations provide the legal basis for the expenditure of funds in order for a department to perform functions of state government. Line-item appropriations generally reflect anticipated expenditures for a given program or service.

## LLBC (Legal Level of Budgetary Control)

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Legal level of Budgetary Control is the highest level at which an agency's management may not reallocate resources without special approval. In statewide systems, LLBC is reflected as a two-digit code, and drives the workflow for transfers and is the basis for compiling the Comprehensive Annual Financial Report (CAFR) Legal Level of Budgetary Control (LLBC) report. For LLBC code list and definitions, see the [AMA glossary](#) on the MMB website.

## Local Impact Notes

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An estimate of the local government cost of certain legislation or administrative rules proposing state-mandates that have fiscal impacts on political subdivisions including school districts. Local impact notes are prepared by the [Legislative Budget Office \(LBO\)](#) at the request of the chair or ranking minority member of the House or Senate Tax, Finance or Ways and Means Committees.

See M.S. 3.986 – 3.988

## Non-Dedicated Appropriation

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A Non-Dedicated appropriation is strictly used for revenue budgets at the fund level; the money goes directly into the fund. There are no expenditures or transfers for this type of appropriation.

## Omnibus Bill

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An omnibus bill is a proposed law that covers a number of diverse or related topics. Omnibus is derived from Latin and means "for everything". An omnibus bill is a single document that is accepted in a single vote by a legislature but packages together several measures into one or combines diverse subjects.

The state budget is enacted through omnibus appropriation bills that are determined by legislative committee structures. The State budget is commonly presented to the legislature in a format and order that parallels the last or proposed omnibus bill structure.

## Open Appropriation

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The authority to spend an unspecified amount of resources to meet a program's objective or a constitutional requirement. Approval of the funding is made using agency estimates and documentation that establishes the funds in the accounting system. Rather than cancelling at year-end, any excess dollars are processed as a decrease in the appropriation amount, rather than a cancellation in the accounting system, SWIFT.

## Operating Budget

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An operating budget is a combination of known expenses, expected future costs, and forecasted revenue. Operating budgets are completed in advance of the accounting period, which is why they require estimated expenses and revenues.

Each odd-numbered year the Governor proposes, and the Legislature enacts, a two-year operating budget, often called the biennial budget. The budget process for the next biennium begins in July of even-numbered years when MMB issues budget instructions to state agencies. The Governor's budget recommendations are released in January of odd-numbered years and the legislature adopts a final budget during the legislative session.

The cost of the state budget is re-estimated twice each year. Economic and budget forecasts are issued in November and February - setting the basis for budget development and legislative actions.

After the budget is adopted, there are normally five updates per year to state budget data. These releases provide updated information based on:

- November Budget and Economic Forecast
- Governor's Budget Recommendations (January or February)
- February Budget and Economic Forecast
- Revised Governor's Budget Recommendations (usually in March)
- End-of-Session (usually in May or June)

Even though the budget is enacted for a two-year period, numbers associated with the budget change with each of these updated budget forecasts, and legislative actions during regular and special legislative sessions.

## Performance Based Budgeting

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Setting appropriations based on expected agency performance levels or with the intent of encouraging certain performance. Performance based budgeting focuses on agency or program outcomes rather than inputs. Also called Results Budgeting.

## Planning Estimates

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Expenditure estimates for the biennium after the one for which appropriations are being made.

## Price of Government, "POG"

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A comparison of revenue raised by state and local government in Minnesota to personal income in Minnesota. The measure is expressed as a percentage, comparing state and local government tax and non-tax revenues to aggregate Minnesota personal income. The price of government percentage is reported when budget forecasts are released and after a legislative session is completed.

See M.S. 16A.102

## Program/Activity

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Minnesota utilizes program budgeting - that is, agency budget presentation is broken down into programs and sometimes to the lower level of activities. Legislative appropriations are generally made at the program level.

## Revenue

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Revenue is money received by the State primarily from taxes, and non-tax revenues such as fees and interest earnings.

## Revenue Budget

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Estimate of expected receipts for the fiscal year. In the case of dedicated revenues, revenue budgets define spending limits. On a statewide basis, individual agency revenue budgets are aggregated to prepare the official state forecasts of all non-tax revenues for the general fund and other operating funds.

## Revenue Estimate

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Official fiscal analysis prepared by the Department of Revenue, forecasting the revenue loss or gain from the enactment of proposed tax legislation. The revenue estimate does not identify the costs a state agency or local government may incur to implement the proposed change; a fiscal note is required to obtain any state agency cost. Revenue estimates are available on the Department of Revenue website at: <https://www.revenue.state.mn.us/revenue-analyses>.

See M.S. 270C.11, Subdivision 4-5

## Rider

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Rider language reflects a legal level of budgetary control around a specific legislative spending mandate.

## Scenario

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The Budget Planning and Analysis System (BPAS) uses scenario to identify phases within each budget cycle. There are separate sets of scenarios for Base and Change data. Scenarios that combine Change and Forecast Base data are found exclusively in Scenario drop-downs on Reports Module screens and used only for reporting.

BASE SCENARIO	CHANGE SCENARIO	COMBINED BASE + CHANGE SCENARIO
	Agency Change (summary only)	
	Gov Decision Change (summary only for MMB use)	

BASE SCENARIO	CHANGE SCENARIO	COMBINED BASE + CHANGE SCENARIO
November Forecast	Gov Rec Change	November Forecast plus Gov Rec Change = Governor's Recommendations
February Forecast	Gov Rec Revised	February Forecast plus Gov Rec Revised Change = Governor's Revised Recommendations
May Base	Enacted Change	May Base plus Enacted Change = Enacted Budget

## Special Revenue Fund

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A special revenue fund is any fund established by law or by the Commissioner of MMB to account for the proceeds of specific revenue sources that are legally restricted to expenditure for specific purposes. Special revenue funds may be created by the State Constitution, an act of law, or the Commissioner of MMB.

## Spending Plan

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A spending plan is developed by state agencies after the legislative appropriation process is completed. The plans must specify the purpose and amount required for each activity and must be "within the amount and purpose of the appropriation."

See M.S. 16A.14, Subdivision 3

## Standing Appropriation

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An appropriation made in statute (instead of session law) at a specific amount authorizing the ongoing spending for a particular program or activity. In contrast to direct appropriations, standing appropriations need not be renewed by the legislature every biennium for funding to continue. They are, however, presented and considered as part of the total operating budget.

## State Aids

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Programs by which the government provides financial assistance to political subdivisions to assist them in delivering public services, financing public facilities, or reducing property taxes in connection with state mandates, programs and procedures.

## Statutory Appropriation

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An appropriation made in statute (instead of session law) authorizing the ongoing spending for a program. The two main types of statutory appropriations are open appropriations and dedicated appropriations, both of which authorize spending of non-specified amounts. An appropriation is

usually codified in statute when the dollar amounts involved fluctuate based on activity levels, but the authorization is intended to remain in effect on an on-going basis.

Typically, statutory appropriations are made in dedicated receipt activities, but are also applicable to situations where state resources are perpetually made available for spending. Statutory appropriations are displayed in the Governor's biennial budget as "Statutory Appropriations" and are generally based on anticipated receipts within an agency's budget. These codified appropriations are processed in the accounting system annually based on agency estimates -- without legislative action.

In contrast to direct appropriations, statutory appropriations need not be renewed by the legislature every biennium for funding to continue. They are, however, presented and considered as part of the total operating budget.

### **Structural Balance**

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The measure of whether projected revenues are greater than or equal to projected expenditures in a future year or biennium.

### **Supplemental (Deficiency) Appropriations**

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Adjustments made on off-year legislative sessions to a previously enacted biennial budget. Commonly these represent budget changes designed to deal with projected budget shortfalls in the current year, any necessary reductions because of state revenue forecast shortfalls, or increased allocations or initiatives allocating unexpected forecast balances.

### **Supplemental Budget**

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Refers to proposed adjustments to the operating budget considered in even-numbered years typically submitted by the Governor (usually based on revised estimates of forecasted revenues and expenditures).

### **Tail**

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Additional costs (or savings) that occurs in the future because a budget item in the current biennium is not fully implemented. For example, a program that starts in the last six months of this biennium might cost \$100,000. If that program operates for a full 24 months next biennium, costing \$400,000, then the current biennium budget decision is said to have a tail of \$400,000.

### **Transfers**

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Authorized movement of monies between programs within an agency, between agencies for a designated purpose, between appropriations accounts within a fund or between state funds where authorized. Transfers are two-sided, which means there is a source account (money going out) and a destination account (money coming in). (See Appropriation Transfers)

## Unallotment

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An unallotment is a reduction of a previous allotment. As such, it is an amount of an appropriation that is made unavailable for expenditure in the state accounting system. This is a budgetary control at the executive level. An unallotment has the practical effect of an appropriation reduction but does not change the legal authorization to expend money and does not change any implication for base within the budgetary process. If the Commissioner of MMB determines that receipts deposited into any fund will not provide enough money in the fund to make the expenditures appropriated from the fund during a biennium, Minnesota statute directs the Commissioner to unallot a total amount that will eliminate the deficit. If the anticipated deficit is in the General Fund, Minnesota statute requires the Commissioner to consult with the Legislative Advisory Commission and have the approval of the Governor before taking action on the deficit and requires the Commissioner to reduce the amount in the budget reserve account before making unallotments to cover any remaining deficit.

See M.S. 16A.152, Subdivision 4