

# FY2022-2023 Biennium Budget Close Report

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## FY 2022-23 Biennium Close Adds \$820 Million to Current Biennium

The FY 2022-23 biennium ended with a general fund balance \$820 million higher than estimated at the end of the 2023 legislative session. Final revenue, including taxes, other revenue, and accounting adjustments from prior fiscal years, for the biennium closed \$739 million (1.2 percent) higher than estimates. General fund spending for the closed biennium, after accounting adjustments, was \$81 million (0.2 percent) lower than prior estimates.

The difference between the estimated and actual ending balance, \$820 million, will be added to the projected surplus for the FY 2024-25 biennium, which was estimated to be \$1.583 billion when enacted in May. At the close of a biennium, any unrestricted balance carries into the next biennium and is available for appropriation. When the budget was enacted in May 2023, it was estimated that \$12.283 billion would carryforward from the FY 2022-23 biennium into the FY 2024-25 biennium; with this report that amount is now known to be \$13.103 billion. The full November *Budget and Economic Forecast* will be released in early December, and the estimated balance for the current biennium, including the addition of \$820 million from the previous biennium, will be revised at that time.

### FY 2022-23 Biennium: Actual Close vs. End of 2023 Session Estimates

(\$ in millions)	End of 2023 Session	Actual Close	\$ Difference	% Difference
<b>Beginning Balance</b>	<b>\$7,026</b>	<b>\$7,026</b>	<b>\$0</b>	<b>0.0%</b>
Revenue	60,681	61,420	739	1.2
<i>Total Spending</i>	<i>52,222</i>	<i>51,930</i>	<i>(292)</i>	<i>(0.6)</i>
<i>Appropriations Carried Forward</i>	<i>0</i>	<i>211</i>	<i>211</i>	<i>-</i>
Net Spending	52,222	52,141	(81)	(0.2)
Budget Reserve	2,852	2,852	0	-
Cash Flow Account	350	350	0	-
<b>Budgetary Balance</b>	<b>\$12,283</b>	<b>\$13,103<sup>1</sup></b>	<b>\$820</b>	<b>6.7%</b>

<sup>1</sup> The actual closing balance of \$13.103 billion carries into the FY 2024-25 biennium and is a portion of the available resources for that biennium. The vast majority of these resources have already been appropriated to be spent in the FY 2024-25 biennium. When the FY 2024-25 biennial budget was appropriated in May 2023, it was assumed that \$12.283 billion would be available from the FY 2022-23 biennium, but that only \$1.583 billion would remain at the end of the FY 2024-25 biennium. The improvement in this report is added to the projected ending balance for the current biennium.

## Total Revenues Close \$789 Million Above Estimates

Final FY 2022-23 general fund revenues totaled \$61.420 billion, \$739 million (1.2 percent) higher than prior estimates for the biennium. On October 10, 2023 the quarterly [Revenue and Economic Update](#) was released and included final reporting on final FY 2023 tax and non-tax revenue, including a \$630 million variance from prior estimates. That \$630 million variance is included in the final close variance in this report. The additional \$109 million variance is largely attributable to accounting adjustments related to prior fiscal years. These adjustments include reduced expenditures and encumbrances that were adjusted after the close of a previous fiscal year and revenue deposited during FY 2023 but is attributable to an earlier year. The forecast included an estimate of \$170 million in prior year adjustments for FY 2022-23, but actual experience resulted in \$276 million in resources due to these adjustments, \$106 million more than estimated.

### FY 2022-23 Revenue: Actual Close vs. End of 2023 Session Estimates

(\$ in millions)	End of 2023 Session	Actual Close	\$ Difference	% Difference
Tax Revenue	\$58,023	\$58,529	\$506	0.9%
Non-Tax Revenue	2,149	2,273	124	5.8
Prior Year Adjustments	170	276	106	62.4
All Other Resources	339	342	3	1.3
<b>Total Revenues</b>	<b>\$60,681</b>	<b>\$61,420</b>	<b>\$739</b>	<b>1.2%</b>

## Final Spending \$81 Million Below Estimates

Final FY 2022-23 spending totaled \$51.930 billion, \$292 million (0.6 percent) lower than estimates. However, \$211 million of the spending variance is due to unspent appropriations allowed to carry forward for spending in the next biennium. These appropriations are legally allowed to be spent in the current biennium and thus do not fall to the bottom line because they are not available to be appropriated for other purposes. After adjusting for appropriation carryforward, total spending was \$81 million (0.2 percent) lower than projected at the end of the 2023 session.

E-12 education spending for the FY 2022-23 biennium closed \$19 million (0.1 percent) below end-of-session estimates. The largest contributor to the decrease is the most recent 2022-23 school year student count estimate, which is approximately 2,000 students (0.3 percent) below the prior estimate. As a result, spending on the general education basic formula is \$16 million (0.3 percent) lower than the end-of-session estimate. Extended time revenue within general education – which funds extended day, extended week, summer school, and other programming – is \$8 million (14.0 percent) below prior estimates; fewer students participated in these programs than previously estimated by the Department of Education, which relies largely on estimates from school districts. All other E-12 education changes, which net to a \$5 million increase relative to prior estimates, are a result of small changes in a variety of programs.

## FY 2022-23 Spending: Actual Close vs. End of 2023 Session Estimates

(\$ in millions)	End of 2023 Session	Actual	\$ Difference	% Difference
E-12 Education	\$20,183	\$20,164	\$(19)	(0.1)%
Health and Human Services	15,203	15,137	(66)	(0.4)
All Other	16,836	16,629	(207)	(1.2)
Appropriation Carryforward	0	211	211	-
<b>Total Net Spending</b>	<b>\$52,222</b>	<b>\$52,141</b>	<b>\$(81)</b>	<b>(0.2)%</b>

Health and human services (HHS) spending closed \$66 million (0.4 percent) below end-of-session estimates for the FY 2022-23 biennium. However, only \$47 million of this contributes to the improvement in the ending balance, due to appropriations being carried forward into the next biennium. The largest contributor to the decrease was actual spending for grant programs at the Department of Human Services (DHS), which closed \$38 million (3.8 percent) lower than projected for the biennium. However, \$18 million (47.4 percent) is funding that has legal authority to carry forward and will be reflected as spending in FY 2024-25. This results in a net spending reduction of \$20 million.

Another driver of the change in HHS spending was lower spending for COVID-19 management costs, primarily at the Minnesota Department of Health. Laws 2022, Chapter 50, Article 1, Section 1 appropriated funds to pay for COVID-19 management costs incurred between May 23, 2022 and February 15, 2023. HHS spending from this source was \$37 million (29.0 percent) lower for the FY 2022-23 biennium than end-of-session estimates. Of this amount, \$14 million was for public education and \$17 million was for testing operations.

These decreases in grant and administrative spending were partially offset by an increase in actual spending for forecast programs at DHS, which closed \$30 million (0.2 percent) higher for the FY 2022-23 biennium than projected. Net Medical Assistance spending was \$42 million (0.4 percent) above estimates for the FY 2022-23 biennium. About three-quarters of this increase was due to higher-than-expected spending for disability waiver programs.

### Reserve Balances Unchanged at Close

The general fund budget reserve closed the biennium with a balance of \$2.852 billion, unchanged from prior estimates. The cash flow account balance of \$350 million was also unchanged.

The 2023 enacted budget included an appropriation from the general fund, in combination with the balance of the stadium reserve account, to allow for the full payoff of bonds issued by the state to finance the public share of the construction of US Bank Stadium in Minneapolis.<sup>2</sup> At the time of passage it was estimated that full payoff

<sup>2</sup> Laws 2023, Ch. 64, Art. 13, Sec. 17

would cost \$377 million. The bond payoff was completed in June 2023 with a full actual expenditure of \$378.3 million. The full stadium reserve balance of \$366.2 million at the time of payoff was used with the remaining \$12.2 million covered by general fund appropriation.

## US Bank Stadium Financing: Actual Close vs. End of 2023 Session Estimates

(\$ in millions)	<b>End of 2023 Session</b>	<b>Actual</b>	<b>\$ Change</b>
FY 2023 Stadium Reserve Balance	\$366.2	\$366.1	\$(0.1)
Additional General Fund Appropriation	10.8	12.2	1.4
<b>Total Payoff Amount</b>	<b>\$377.0</b>	<b>\$378.3</b>	<b>\$1.3</b>