



Date: March 31, 2021

To: Representative Melissa Hortman, Speaker of the House
Senator Paul Gazelka, Senate Majority Leader
Representative Kurt Daudt, House Minority Leader
Senator Susan Kent, Senate Minority Leader

From: Commissioner Jim Schowalter 

RE: Revision to Governor's FY 2022-23 Biennial Budget General Fund Financial Statement

The purpose of this memo is to officially transmit an update to the general fund financial statement for the Governor's 2021 biennial budget recommendations, originally released on January 26, 2021, and revised on March 18, 2021. The changes are described below.

The Governor's March 18, 2021 revised biennial budget includes an investment for the Minnesota Department of Health (MDH) to address increases in youth and young adult tobacco nicotine and other substance use through vaping in Minnesota. Funding for this investment was contingent upon settlement of litigation between the state and certain tobacco product manufacturers styled as *In Re Petition of the State of Minnesota for an Order Compelling Payment of Settlement Proceeds Related to ITG Brands, LLC*, No. 62-CV-18-1912 (Minnesota District Court, Second Judicial District). In a [memo](#) dated March 19, 2021, we informed the Legislature a settlement was reached and the terms of the agreement would be incorporated into the baseline February 2021 forecast. Given this recognition, we have updated our general fund financial statement to reflect the additional revenue and proposed prevention and cessation spending related to this tobacco settlement.

The Governor's March 18, 2021 revised biennial budget recommends an investment to support a new Small Business COVID Support Program. It would create a small business support loan program capitalized with a \$50 million general fund investment. Loans from this new program would be 50 percent forgivable and offered at 0 percent interest rate. Today's change corrects an error in our general fund financial statement to reflect anticipated revenues the state expects to receive from loan repayments, which was correctly accounted for in the narrative published in the Department of Employment and Economic Development (DEED)'s budget book.

The Governor's March 18, 2021 revised biennial budget recommends business income tax changes including taxing foreign income when it's repatriated to the United States. Today's change corrects a small error in the fiscal estimate related to the previously taxed foreign income that led to an overstatement in the general fund balance.

After today's updates, the Governor's revised budgetary balance is \$153.490 million in FY 2022-23, an increase of \$92.302 million from the March 18, 2021 release.

FY 2022-23 Governor's Revised General Fund Biennial Budget Recommendations
(\$ in thousands)

	FY 2020-21	FY 2022-23	FY 2024-25
Previous Governor's Budgetary Balance	733,499	61,188	21,043
Tobacco Settlement Recognized	81,570	20,000	20,000
MDH Contingent Spending Recognized	0	16,010	16,010
DEED Revenue Correction	0	6,972	6,972
DOR Business Income Tax Correction	0	(230)	(320)
Revised Governor's Budgetary Balance	815,069	153,490	123,987

These changes also impact the Governor's budgetary balance in the FY 2024-25 planning estimates. These revisions result in a projected balance of \$123.987 million at the end of FY 2025.

An updated general fund financial statement, as well as the budget books for tax aids, credits, MMB Non-Operating, the Minnesota Department of Employment and Economic Development, and the Minnesota Department of Health will be posted on the MMB Website.

Please let us know if you have any questions or need additional information.

cc: Julie Rosen, Senate Finance Chair
Rena Moran, House Ways and Means Chair
Bill Marx, House Chief Fiscal Analyst
Eric Nauman, Senate Lead Fiscal Analyst
Chris McCall, House Ways and Means Committee Administrator
Dallas Fischer, Senate Finance Committee Administrator