

# How to Read the Governor's Budget

In each odd-numbered year, the governor releases a comprehensive state budget proposal. This comes out in a series of narratives with accompanying spreadsheets. It can be a little daunting to take in, so here are a few things to look for in the budget documents:

**For the big picture, look at the "General Fund Balance Analysis - Summary" document.**

The general fund is the state's largest and most flexible fund, and for most budget areas, the general fund will give you a fairly good picture of how it would be impacted by the governor's budget.

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**General Fund - Fund Balance Analysis**

(\$ in Thousands)

	2-19 Gov Rec FY 2020	2-19 Gov Rec FY 2021	2-19 Gov Rec FY 2020-21	Gov vs Nov FY 2020-21
<b>Actual &amp; Estimated Resources</b>				
Balance Forward From Prior Year	3,189,089	3,183,560	3,189,089	-5,011
<b>Current Resources:</b>				
Tax Revenues	22,787,666	23,699,566	46,487,232	0
Non-Tax Revenues	738,940	731,864	1,470,804	0
Subtotal Non-Dedicated Revenues	23,526,606	24,431,430	47,958,036	0
Dedicated Revenue	0	0	0	0
Transfers From Other Funds	152,614	152,611	305,225	0
Prior Year Adjustments	26,405	37,045	63,450	0
Subtotal Other Revenue	179,019	189,656	368,675	0
New Legislation Revenues	660,134	607,113	1,267,247	1,267,247
Subtotal Current Resources	24,365,759	25,228,199	49,593,958	1,267,247
<b>Total Resources Available</b>	<b>27,554,848</b>	<b>28,411,759</b>	<b>52,783,047</b>	<b>1,262,236</b>

The "Gov vs Nov" columns will show you the changes the governor is proposing. These are the columns to understand broadly what the governor is prioritizing in the budget.

Pay special attention to the biennium that policymakers are building a budget for that session. (So in 2019, that's the FY 2020-21 budget.)

**Resources:** The top half of the statement shows the funding that the state is projected to have under current law. Here you can see that the governor is proposing **\$1.3 billion** in net new resources for the general fund.

**Actual & Estimated Expenditures**

E-12 Education	9,987,600	10,345,739	20,333,339	732,680
Higher Education	1,692,827	1,720,536	3,413,363	157,535
Property Tax Aids & Credits	1,809,379	1,977,547	3,786,926	77,239
Health & Human Services	7,547,703	7,640,832	15,188,535	283,939
Public Safety & Judiciary	1,267,880	1,315,322	2,583,202	232,500
Transportation	156,078	167,958	324,036	76,581
Environment	185,120	177,524	362,644	38,422
Agriculture	65,598	65,517	131,115	8,863
Jobs, Economic Development, Housing & Commerce	314,988	284,299	599,287	212,923
State Government & Veterans	615,549	595,869	1,211,418	112,043
Debt Service	601,087	673,520	1,274,607	75,397
Capital Projects & Grants	132,479	142,952	275,431	1,920
Other	0	0	0	0
Cancellation Estimates	-5,000	-7,500	-12,500	7,500
Subtotal by Appropriation Bill	24,371,288	25,100,115	49,471,403	2,017,542
<b>Total Expenditures &amp; Transfers</b>	<b>24,371,288</b>	<b>25,100,115</b>	<b>49,471,403</b>	<b>2,017,542</b>

**Uses:** The bottom half of the statement shows where the money would go. Here you can see that the largest of the governor's proposed general fund budget changes are in E-12 Education. The governor is proposing **\$733 million** in net new E-12 Education spending in the budget.

<b>Balance Before Reserves</b>	<b>3,183,560</b>	<b>3,311,644</b>	<b>3,311,644</b>	<b>-755,306</b>
Cash Flow Account	350,000	350,000	350,000	0
Budget Reserve	2,074,733	2,074,733	2,074,733	0
Stadium Reserve	62,270	98,362	98,362	0
Appropriations Carried Forward	0	0	0	0
<b>Budgetary Balance</b>	<b>696,557</b>	<b>788,549</b>	<b>788,549</b>	<b>-755,306</b>

**Budgetary Balance:** The very bottom of the statement shows the budget reserve and how much money is left unspent or "on the bottom line." Here you can see that the governor's budget leaves **\$789 million** on the bottom line, which is **\$755 million less** than what was projected in the November forecast.

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**MINNESOTA  
BUDGET  
PROJECT**

An initiative of  
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of Nonprofits

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**For more detail, look at the "Governor's Recommendations by Agency" document.**

These documents will give you information on specific policy proposals in the governor's budget.

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All of the recommendations by agency have a table of contents. The "agency change summary" and the "change items" give you a lot of good information about what the governor is proposing.

	FY19	FY20	FY21	Biennium 2020-21
<b>Direct</b>				
<b>Fund: 1000 - General</b>				
<b>FY2019 Appropriations</b>	<b>256,501</b>	<b>256,501</b>	<b>256,501</b>	<b>513,002</b>
<b>Base Adjustments</b>				
Pension Allocation		7	7	14
<b>Forecast Base</b>	<b>256,501</b>	<b>256,508</b>	<b>256,508</b>	<b>513,016</b>
<b>Change Items</b>				
Minnesota State Grants		27,209	26,958	54,167
MN Reconnect		4,000	4,000	8,000
SLEDS/ECLDS		1,000	1,000	2,000
Summer Academic Enrichment Program		125	125	250
Intervention for College Attendance Program (ICAP)		168	168	336
Dual Training Grant Program		1,000	1,000	2,000
<b>Total Governor's Recommendations</b>	<b>256,501</b>	<b>290,010</b>	<b>289,759</b>	<b>579,769</b>

The "agency change summary" gives you a list of all the changes the governor is proposing, as well as a quick overview of their cost over the biennium. From this you can see that state grants are the largest higher education change item at **\$54 million.**

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**For the most detail, look at the individual change items included in the "Governor's Recommendations by Agency" documents.**

These documents will give you in-depth information on specific policy proposals in the governor's budget.

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## Minnesota Office of Higher Education

### FY 2020-21 Biennial Budget Change Item

#### Change Item Title: Minnesota State Grants

Fiscal Impact (\$000s)	FY 2020	FY 2021	FY 2022	FY 2023
<b>General Fund</b>				
Expenditures	27,209	26,958	26,958	26,958
Revenues	0	0	0	0
<b>Other Funds</b>				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	27,209	26,958	26,958	26,958
<b>FTEs</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>

At the top of each change item page, you'll find a summary of the yearly costs of the proposal for both the upcoming biennium for which the budget is being made, as well as the next biennium (often called the out-years or tails.) This summary also includes which state funds are involved. Here you can see that this policy change involves an increase of **\$27 million** in FY 2020 coming from the **general fund**.

#### Recommendation:

Beginning in FY2020, the Governor recommends investing an additional \$54.167M in the State Grant program to provide all Minnesotans with the promise of upward economic mobility through postsecondary attainment. This recommendation improves the affordability of Minnesota's postsecondary education system, particularly for low-wage working adults and middle-income families, which helps ensure a strong foundation of skilled workers supporting the infrastructure of Minnesota's economy. Five key strategies for reaching the state's attainment goal by ensuring affordability and enhancing access include:

Below the table are a series of sections describing the proposed policy change. This starts with **Recommendation**, which gives a short overview of the policy change. Following this section is a **Background/Rationale** section that lays out the problem statement of what the governor is trying to address. The **Proposal** section follows, which includes a much more detailed description of the policy change than the **Recommendation** section. Often there is an **Equity and Inclusion** section, which notes how the policy would improve equity by any number of measures, including: race, gender, sexual orientation, and/or ability. Each policy change in the governor's budget proposal follows this general format.

Revenue or tax proposals are different. Below you'll see a revenue proposal that raises **\$480 million** in revenues, but its net impact looks like a **negative \$476 million**. Since this is primarily a revenue proposal, you can read it as *positive revenue*, and a *negative expenditure*.

#### Change Item Title: Minnesota's Response to the 2017 Federal Tax Changes

Fiscal Impact (\$000s)	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
<b>General Fund</b>					
Expenditures	0	4,217	2,853	1,450	1,450
Revenues	30,630	480,415	375,295	421,620	446,730
<b>Other Funds</b>					
Expenditures	0	0	0	0	0
Revenues	0	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	(30,630)	(476,198)	(372,442)	(420,170)	(445,280)
<b>FTEs</b>		<b>46.90</b>	<b>31.70</b>	<b>16.10</b>	<b>16.10</b>