

# The Minnesota Budget

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## The Budget Situation

- FY 2004-05
  - November Forecast: \$495 million surplus
  - February Forecast: \$175 million surplus
  - Surplus automatically goes to refilling cash flow account and budget reserve, buying back shifts in education funding
- \$466 million deficit in FY 2006-07  
\$1.17 billion with inflation
- \$704 million surplus in FY 2008-09  
\$1.3 billion deficit with inflation

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## How Did We Get Here?

- Surpluses in the 1997 to 2001 Legislative Sessions have been followed by projected deficits from FY 2002 to FY 2007; deficits in FY 2008 and FY 2009 if the impact of inflation is included
- Why?
  - Economic slowdown
  - Unsustainable budget choices in surplus years
  - Repeated short-term deficit solutions

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## Minnesotans Are Hurting From Past Budget Solutions

### Programs & Services Survey

- State government funding cuts:
  - 59% in 2003, 54% in 2004
- Local government funding cuts:
  - 48% in 2003, 52% in 2004
- Increased demand for services:
  - 58% in 2003, 63% in 2004
- Maintaining same level of service:
  - 60% in 2003 and 2004

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## Impact of Past Budget Solutions

- Damage to nonprofit infrastructure
- Loss of referral partners
- More costly alternatives
- Basic needs unmet
- Less ability for self-sufficiency and independence

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## Governor's FY 2006-07 Budget Proposal

- Hold Government Accountable, Set Priorities, and Spend Smarter
- Major Initiatives:
  - Public Safety – meth, sex offenders
  - Education funding formula changes
  - Health Care cuts
  - Investments in biotechnology sector
  - Keeping “no new taxes” pledge

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## What's Missing from the Governor's Budget

- Minnesota is stuck in a holding pattern
  - Few reforms, just cuts
- Balances the budget, but only on paper
  - Ignores the impact of inflation
  - Counts on \$200 million payment from tribes for casino
- Little progress made on the state's priorities, and moves backwards on others

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## Revenue Increases: \$196 million net in 2006-07

- \$200 million gaming licensing fee
- \$178 million in tax changes
- \$68 million from increased tax compliance
- \$33 million in other changes
- -\$283 million in lost Health Care revenues

Based on 2004 November Forecast

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## Spending Cuts: \$504 million net in 2006-07

### Areas with Increases

- Education +2.2%
- Higher Ed +0.8%
- Public Safety +6.3%
- Debt Service +7.8%

### Areas with Reductions

- Taxes -2.6%
- Health -8.7%
- Jobs & Economic Opportunity -11.5%
- Ag & Environment -11.3%
- Transportation -2.2%
- State Gov't -1.5%

House Fiscal Analysis – General Fund Only (2004 November Forecast)

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## Education

- Governor's Highlights
  - Increase in per pupil formula
  - Temporary compensatory revenue for Hmong refugees and ESL for adult refugees
  - "QComp" Alternative Compensation program for teachers
  - "Get Ready, Get Credit" programs allowing high school students to earn college credit

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## Education

- Areas of Concern
  - Costs shifted on property tax levies
- Missing Pages
  - Restoration of cuts to early childhood programs

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## Higher Education

- Governor's Highlights
  - "Redeployed" higher education funding to targeted programs
  - Establish independent post-secondary institution in Rochester

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## Higher Education

- Areas of Concern
  - Funding for enrollment increases is used for new initiatives
  - Small increases in student aid insufficient to cover increased costs
- Missing Pages
  - Relief for students facing double-digit tuition increases

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## Agriculture, Environment & Natural Resources

- Governor's Highlights
  - Creates new Department of Environmental Protection (combining Pollution Control Agency and Office of Environmental Assistance)
- Areas of Concern
  - Shifts from general fund support to numerous fees and taxes

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## Economic Development

- Governor's Highlights
  - Level funding for Arts Board
- Areas of Concern
  - Significant reductions in housing programs
  - Eliminates several programs for at-risk youth
  - Eliminates Displaced Homemaker program

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## Health & Human Services

- Governor's Highlights
  - "Contains growth" in health care costs
  - Increased funding for supportive services to help end long-term homelessness
  - Improved mental health benefits
  - 2% nursing facility rate increase and reform
  - Increases for methamphetamine and sex offender programs

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## Health & Human Services

- Areas of Concern
  - “Containing health care costs” means cutting people off of health care
  - Major refinancing of health care programs
  - “Managing growth” in waiver programs
  - 5% reduction in hospital rates
  - Delay of regional projects under Children and Community Services grants
  - Continued freeze in child care provider rates

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## Health & Human Services

- Missing pages
  - Reversing reductions in cash assistance for MFIP recipients
  - Eliminating copayments in health care programs
  - Eliminating the cap on dental care
  - Reducing fees for parents of children with disabilities
  - Reversing eligibility changes in health care programs

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## Health & Human Services

- Missing pages
  - Reversing continuing care and chemical health grant reductions
  - Restoring funding to smoking prevention programs lost with the elimination of the Tobacco Endowment
  - COLA for providers

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## Public Safety

- Governor's Highlights
  - Funding increases to meet constitutionally mandated obligations
  - Some increases for methamphetamine and sex offender enforcement and programs
- Areas of Concern:
  - Increased fees
  - Partial restoration of crime victim assistance grants

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## Public Safety

- Missing pages
  - Address growing need for Legal Aid services
  - Erosion of funding for Battered Women's Shelters
  - Restoration of juvenile justice and other Dept. of Corrections grants that were eliminated

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## Transportation

- Governor's Highlights
  - Proposed constitutional amendment to dedicate Motor Vehicle Sales Tax to highways and transit
- Areas of Concern
  - Transportation projects delayed
  - Reduces general fund spending by increasing fees

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## State Government

- Governor's Highlights
  - Initiatives supporting our troops
- Missing pages
  - Across the board reductions in past have decreased staffing and agencies' ability to serve the public
  - Consideration of impact on state employee contract negotiations

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## State & Local Finance

- Governor's Highlights
  - No reductions to Local Government Aid
- Areas of Concern
  - Renters' Credit cut
  - Eliminate Political Contribution Refund
  - Single Sales Factor

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## State & Local Finance

- Missing Pages
  - Federal conformity – marriage penalty relief for non-itemizers
  - Acknowledgment of local governments' need for revenues
  - Genuine revenue increases as part of a long-term solution to the state's budget problems

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## Resources

- Minnesota Budget Project – [www.mncn.org/bp/](http://www.mncn.org/bp/)
- Minnesota Council of Nonprofits – [www.mncn.org/policy.htm](http://www.mncn.org/policy.htm)

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