

2024-2025 Minnesota Budget

Minnesota Management and Budget – December 6, 2023

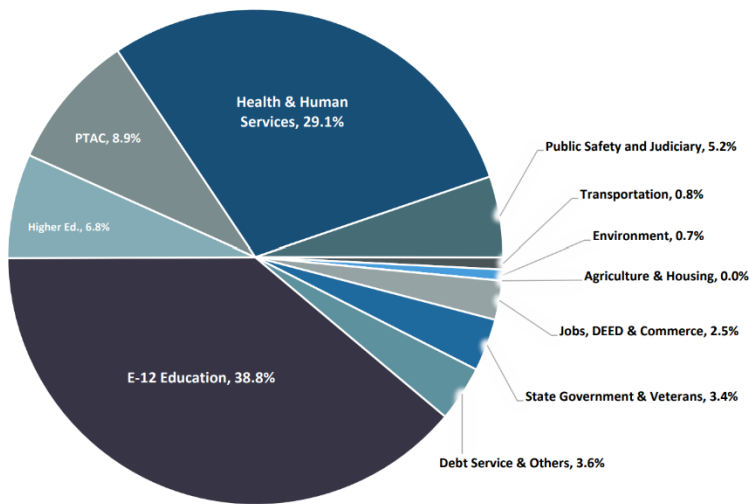
“The projected general fund surplus improved to \$2.4B,... driven by higher consumer spending and corporate profits. Health and human services and education spending estimates are up, raising spending forecast in all years and leading to a significant structural imbalance in FY 2026-27, with spending expected to exceed revenues through FY 2027.”

What is the November Forecast?

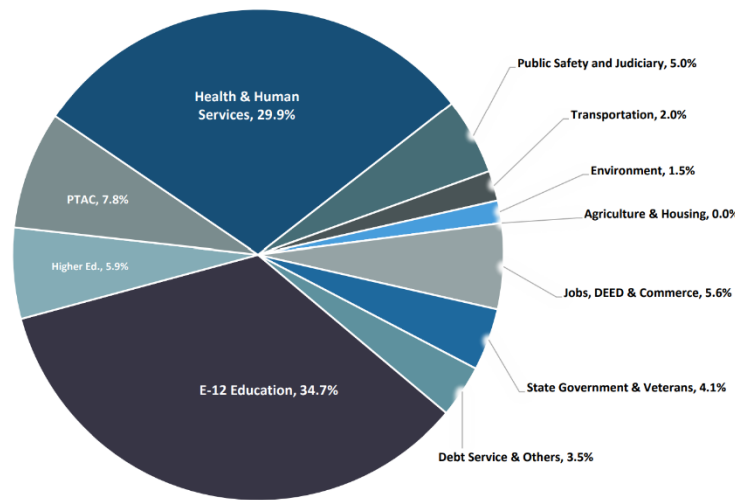
- Minnesota enacts budgets for a two-year cycle (a biennium), beginning on July 1 of each odd-numbered year. By law, the Governor must propose a biennial budget in January of odd numbered years.
- The Legislature then debates and revises the Governor’s recommendations and ultimately passes a two-year Minnesota.
- To assist the Governor and Legislature with their deliberations, Minnesota Management and Budget (MMB) is required by Minnesota law to prepare state budget forecasts of revenues and expenditures.



'23-'24 Actual General Fund Expenditures



'24-'25 Forecasted General Fund Expenditures



What is a “structural imbalance?”

- The increased spending is forecast to continue into the FY 2026-27 biennium, with estimated spending projected to reach \$66.217B, \$982M(1.5 %) more than estimated at end-of 2023 session. Revenues in the upcoming biennium are projected to total \$63.907 billion, \$30 million lower than prior forecast.
- Structural balance, the difference between revenue and spending in a given budget period, in the next biennium is negative \$1.429 billion before inflation is added to spending estimates and negative \$2.309 billion after including inflation.
- For all Representatives (who are up for re-election in 2024), this will become an election issue.
- Decision in 2024: Will they save for a “rainy day” and demonstrate fiscal responsibility, or do they spend on majority priorities and hope that energizes the base?



2024 Legislative Preview

What's left from the 2023 Session?

- Fixes to the drafting errors in the final tax omnibus bill
- Fixes to the comprehensive and sweeping adult-use cannabis bill
- Numerous technical fixes in various omnibus bills

New Policy Opportunities

- Sports betting legalization
- No-cost programmatic changes in agencies

Carryover

Any bill not enacted in 2023 is considered “alive” for the 2024 session. Members of the legislature introduced 3342 House Files and 3363 Senate Files before the end of the legislative session in 2023. All of these files are eligible to continue being worked on in 2024. This continues the trend of more bills being introduced each year.

Key 2024 Dates

Jan. 15 – Governor must present his capital budget request recommendations to the legislature

Feb. 12 – Legislature begins session

March 27 - Easter recess begins at 5:00 PM

April 2 – Legislature resumes at 12:00 noon

April 9 - Eid recess begins at 5:00 PM

April 11 - Legislature resumes at 12:00 noon

April 22 – 23 - Passover recess

April 24 – Legislature resumes at 12:00 noon

May 20 – Legislature adjourns sine die

What about bonding?

Typically, the first year of a biennium is a “budget year,” while the second year is the “bonding year,” meaning the legislature passes a bonding bill that sends millions of dollars around the state to fund projects like water treatment facilities, museums, or maintenance on existing infrastructure projects. This is usually the most bipartisan bill each year.* In 2023, the legislature passed a pair of infrastructure bills - \$850.7M in “cash” from the general fund, and \$1.3B in “general obligation bonds” paired with \$219.2M from the transportation fund and \$224.9M from the general fund. But the Chairs of the Capital Investment committees are hearing new requests, taking tours, and weighing how to spend at least some of the money on a 2024 bonding bill.

Local governments have requested \$3.04 million in various projects for 2024.

State agencies requests total \$4.4 billion for 2024 projects.

*Bonding bills require a supermajority to pass – 60% = 40 Senators and 80 Representatives.

Special Election:

A new DFL Representative will be taking the seat vacated by retiring DFL Rep. Ruth Richardson. Rep.-elect Bianca Virnig will begin her first session in 2024.

