

What's Next for the State Budget?

Posted by [Thomas J. Hanson](#) on April 26, 2011

Much like a big prize fight, football game, or some other sporting event, Governor Dayton and the Republican-controlled Legislature are now staring eyeball to eyeball in the high stakes game of setting the 2012-2013 biennial budget. Both sides have established a position they are comfortable with and are sure the other side will blink first.

So what's going to happen next? Well, the best way to figure out what is going to happen next is to break down and analyze the numbers that face the Governor and legislative leadership.

The Problem

The problem that has to be solved is the State's \$5 billion budget deficit. Minnesota has a deficit because expenditures are projected to be over \$39 billion while revenue collections are expected to be in the \$33 billion range. This \$33 billion number increases to over \$34 billion when you factor in surplus money left over from the 2010-2011 biennium and budget reserves.

The Solution

The State is required to have a balanced budget by the end of the 2012-2013 biennium. This occurs when revenues collected match the expenditures that go out the door. To accomplish this goal for 2012-2103, the State can raise revenues to equal the \$39 billion figure, decrease expenditures to equal the \$34 billion figure, or pick some number in between which would require revenues to be raised and expenditures to be cut.

Governor Dayton's number is \$37.3. He spends less than the \$39 billion in the forecast but more than the \$34 billion revenue figure outlined in the forecast. He makes up this gap by increasing taxes by \$3.3 billion.

The House's number is \$34.3 and the Senate's \$34.5, which is less than the \$39 billion number projected in the forecast. Both of these numbers, however, represent a significant increase in spending for the State over the amount spent in 2010-2011. The House and the Senate are able to do this because State revenues increased from 2010-2011 to 2012-2013 and, thus, no tax increases are needed in their budget solutions.

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Conclusion

The Governor, House, and Senate will have to agree on a spending number and, subsequently, a revenue number. The higher the spending number is above the House and the Senate's \$34 billion range, the greater the likelihood that taxes or other revenues will have to be increased. If the final spending number ends up close to the \$37.3 figure supported by the Governor, taxes or other revenues will have to be raised significantly. Conversely, if the final spending number is in the \$34 billion range supported by the House and Senate, then it is very likely that taxes will not be raised.

In my next posting, I will breakdown and analyze the Governor, House, and Senate positions by spending categories and how each position will affect the related programs.