

## Whew! Minnesota's Budget Deficit Shrinks

Posted by [Thomas J. Hanson](#) on February 28, 2011

Who would have ever thought that we would be happy to see Minnesota's budget deficit at \$5.028 billion? But that certainly is the case today. Minnesota Management and Budget (MMB) reported this morning that the previous deficit of \$6.188 billion had shrunk by \$1.160 billion.

The improved forecast was due to projected general fund revenues increasing by \$984 million through the end of the FY 2012-2013 biennium. This improved outlook in state revenues was in large part due to changes in the capital gains forecast. This forecast improved because December's federal tax compromise delayed a scheduled 5 percentage point increase in the capital gains tax rate until 2013.

Expenditures through the end of the FY 2012-2013 biennium fell \$176 million compared to the November forecast. These savings come, primarily, from reductions in estimated spending for health and human services programs. Much of the savings came from an increase in the federal matching rate for medical assistance (MA) and lower estimates for the cost of early MA expansion.

Governor Dayton responded immediately by taking some of his proposed budget solution off of the table. A statement from the Governor's Office said the following:

Dayton's revised budget will eliminate his proposed surcharge, thus fulfilling his promise to keep Minnesota's top tax rate below the nation's highest, while improving progressivity. In addition, Dayton's revised budget, to be presented formally in the coming weeks, will: significantly reduce approximately \$200 million in proposed cuts to the Department of Human Services for seniors' long-term care including nursing homes and home health care, Minnesota Care, and community action grants; restore the funding for metro and rural transit to eliminate any state-imposed need for fare increases; restore cuts to fire safety training; increase the research and development credit to promote Minnesota job growth; and provide \$5 million to the Department of Employment and Economic Development (DEED) for the Minnesota Investment Fund (MIF) and the DEED Redevelopment Fund.