



FISCAL ISSUE BRIEF

Minnesota's Budget Process Basics

January 2025

Budget Process

Budget Requirements. Minnesota uses a biennial budgeting process that is guided by a constitutional framework, statutory requirements, and legislative rules and customs.

[Article XI](#), section 1 of the Minnesota Constitution states that “no money shall be paid out of the treasury of this state except in pursuance of an appropriation by law.” It also provides for the power to contract public debt, issue bonds, and collect taxes, establishes certain funds, and dedicates certain revenue streams. The constitution requires a balanced biennial budget by prohibiting General Fund borrowing across biennia. However, the constitution provides little specific direction for the state budgeting process.

Minnesota's major budget processes are defined by statutory requirements that were enacted into law over many years. The statutes primarily apply to the governor and the Department of Management and Budget (MMB) but also place requirements upon other state executive agencies.

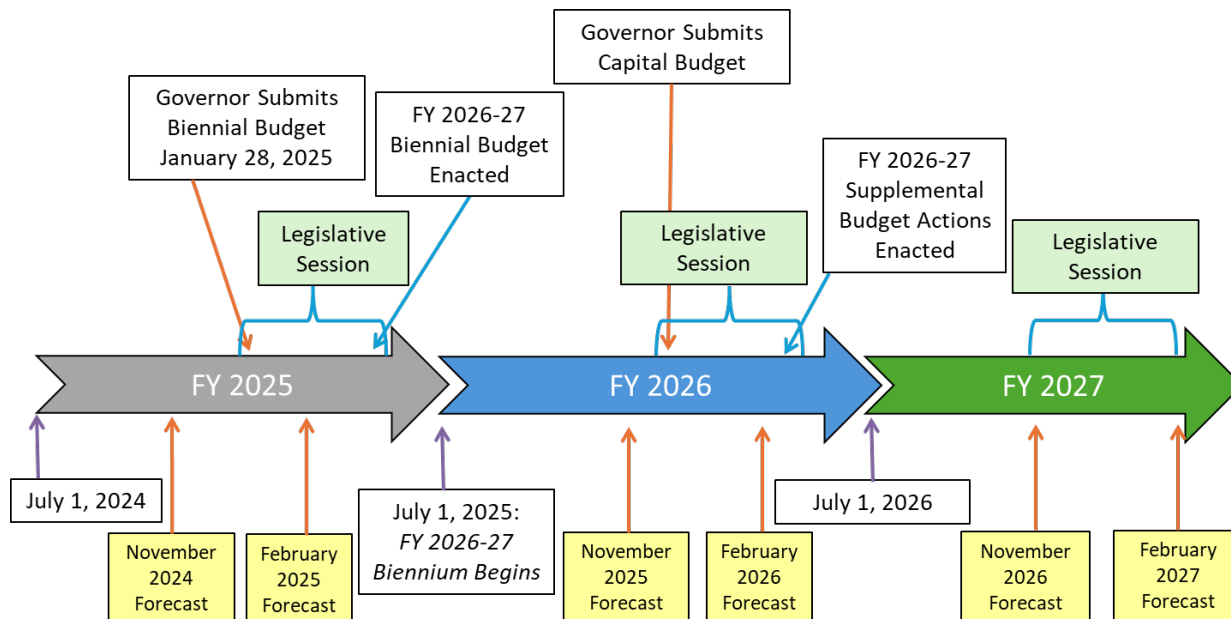
The Legislature further defines the budget process through the adoption of rules and deadlines. The Senate and House of Representatives have separate rules and joint rules that govern the Legislature's budget development process. These rules establish committee structures, bill deadlines, and budget target requirements. The Legislature and MMB are also informally guided by jointly developed and agreed upon budget rules that provide a uniform understanding of how to track the overall budget.

State Operating Funds. The state budget is managed through a variety of funds and accounts within those funds. The largest and most flexible fund in the state treasury is the General Fund, which is required by the constitution to be balanced. Most of the major tax revenues are deposited into the General Fund, including individual and corporate income, sales, statewide property, alcohol, and tobacco taxes. Most money in the General Fund is not earmarked and is available for spending on authorized state activities, subject to the appropriation set by the Legislature.

The term “All Funds” refers to all budgetary funds from which money for the ongoing operations of state agencies and programs is appropriated. The All Funds budget is categorized into five types of funds: the General Fund, special revenue funds, permanent trust funds, federal funds, and select debt service funds. The state manages many other funds not used for annual operations, such as pension trust funds, revolving loan funds, and internal service funds.

Budget Timeline. Minnesota operates on a two-year biennial budget enacted in odd-year legislative sessions. A biennium begins on July 1 of an odd-numbered calendar year and ends on June 30 of the next odd-numbered calendar year. A biennium is referred to by its fiscal year (FY) names. Typically, the

Legislature appropriates money for agencies and programs for each year of the biennium through the passage of omnibus budget bills. Budget revisions and major capital investments tend to be the budgetary focus of even-year legislative sessions. The image below illustrates the timeline of statutory and constitutional budget requirements using the FY 2026-2027 biennium as an example.



Forecast of Revenue and Expenditures. In February and November of each year, the Commissioner of MMB is required to complete a state budget forecast, including consultation with relevant legislators and legislative staff. The February forecast must be released by the last day of February and the November forecast must be delivered by December 6. The budget forecast assumes the continuation of current law revenues and spending, with the resulting forecast projections often referred to as the base budget. See Minnesota Statutes, section [16A.103](#).

Forecast documents are available on MMB's website: <https://mn.gov/mmb/forecast/forecast/>. Two of the forecast documents that MMB prepares are:

- **Consolidated Fund Statement** – a document produced by MMB that summarizes the resources, expenditures, reserves, and balances for all of the state's operating funds (All Funds), including the General Fund.
- **General Fund Balance Analysis** – a set of documents produced by MMB that summarizes the General Fund budget including resources, expenditures, reserves, and balances, including comparisons to the most recent forecast and the previous biennium.

Forecasted Inflation. Statute requires MMB to include inflation in expenditure estimates for future fiscal years. Currently, MMB calculates spending inflation by beginning with the projected General Fund spending, removing the programs for which inflationary growth is separately calculated, and then applying the rate of inflation. MMB uses the Consumer Price Index (CPI) as the measure of inflation. Inflationary growth is built into funding formulas for general education aid, special education aid, and the state's share of managed care and some long-term care. Debt service and property tax refunds are excluded from the inflation calculation because they are not operating expenses. The Commissioner of MMB is required to

consult with relevant legislators and legislative staff when determining the rate of inflation and how it will be applied in the forecast. See Minnesota Statutes, section [16A.103](#).

Budget Background Information. As required by statute, MMB develops budget forms and instructions, including requirements for performance measures, to be used by state agencies when developing biennial budget information and budget recommendations. This information is compiled into agency budget books that are used both by the Governor and the Legislature to develop an overall budget. See Minnesota Statutes, section [16A.10](#). Agency budget books are available on MMB's website: <https://mn.gov/mmb/budget/current-budget/governors-budget-recommendations/base-budget-books.jsp>.

Governor's Budget Recommendations. The Governor is required to present a three-part budget to the Legislature, including a budget message, a detailed operating budget, and a detailed capital budget. The Governor's budget recommendations must be submitted by the fourth Tuesday in January of odd years or the third Tuesday in February for a newly elected governor. See Minnesota Statutes, section [16A.11](#). Governor's budget recommendations are available on MMB's website: <https://mn.gov/mmb/budget/current-budget/governors-budget-recommendations/>.

Legislative Budget Formation. During the odd-year legislative session, the Senate and the House separately consider the Governor's proposed budget. Legislative finance committees that oversee each budget jurisdiction typically schedule hearings to publicly review the Governor's recommendations.

Depending on legislative preferences and priorities, the Senate and House develop and adopt legislation providing for a state budget. Typically, this is done by passing a tax bill and a collection of omnibus budget bills organized around legislative committee structure to provide for the funding of state agencies and programs. The omnibus budget bills may also contain other policy and program changes. Conference committees are created to work out any differences between the Senate and House versions of omnibus bills. The agreed upon versions of budget bills are considered by both bodies and, if passed, sent to the Governor for signature.

Budget Enactment. The Governor may veto whole omnibus bills or line-item veto individual appropriations within the bills. When the Governor signs budget bills, or when two-thirds of the Legislature repasses budget bills after being vetoed by the Governor, they are enacted and become law.

Budget Close Report. By October 15 of each odd year, the Commissioner of MMB must produce a General Fund Balance Analysis for the previous biennium. The budget close report provides final revenue and spending amounts, including accounting adjustments, and the actual closing balance for the previous biennium. The report must include a comparison to the most recent publicly available General Fund Balance Analysis. See Minnesota Statutes, section [16A.103, subdivision 1i](#).

Capital Budget. A capital investment budget for buildings and other physical improvements is typically the focus of each even-year legislative session. The capital budget provides for the issuance of state bonds (borrowing) and appropriation of the bond proceeds for acquisition of property, the construction of buildings and other physical improvements for the state, the state's public higher education institutions, and sometimes for local units of government. The property, or improvements to it, must be owned by the state or a political subdivision of the state (usually a county or city) and have an estimated useful lifetime of at least ten years. Most appropriations for capital improvements must be spent within four years of enactment. A bill that authorizes debt must pass each legislative body with a three-fifths majority vote. See Minnesota Constitution, [Article XI](#), sections 2-7 and

Minnesota Statutes, sections [16A.641](#) and [16A.642](#). Capital budget information is available on MMB's website: <https://mn.gov/mmb/budget/capital-budget/current/>.

Legislative Advisory Commission. The Legislative Advisory Commission (LAC) has statutory authority to review and grant requests by state agencies to spend federal funds or certain contingent appropriations, such as information and telecommunications account transfers, Metropolitan Council procurements, and attorney general private attorney contracts. The LAC is comprised of four permanent members and two rotating members who are determined based on the budget jurisdiction of the funding request: the Senate majority leader, the Senate Finance chair, the Senate chair of the relevant budget committee, the speaker of the House, the House Ways and Means chair, and the House chair of the relevant budget committee. The Commissioner of MMB serves as secretary of the LAC and keeps a permanent record of LAC proceedings on MMB's website. The LAC meets at the call of the governor or at the request of two or more LAC members. See Minnesota Statutes, sections [3.30](#) and [3.3005](#) or the LAC's website: <https://www.lcc.mn.gov/lac/>.

Role of Senate Fiscal Analysts

Nonpartisan legislative fiscal staff in the Senate and House assist the Legislature during the budget development process. Senate fiscal staff assist all 67 members of the Senate and are assigned to budget committees. Senate fiscal staff are available to:

- analyze spending and revenue proposals, including modeling many education and tax proposals;
- assist senators with developing and analyzing budget options and the state budget;
- draft budget-related legislation;
- request and analyze fiscal notes and revenue analyses;
- develop spreadsheets to track legislative and executive branch budget proposals, budget decisions, and the enacted budget;
- monitor the enacted budget for compliance with statute and legislative intent;
- communicate with and advise senators on relevant fiscal issues; and
- prepare fiscal issue briefs, charts, presentations, reports, and other documents as requested that analyze the implications of fiscal decisions and current law.

Senate Budget Tracking Documents. Nonpartisan Senate fiscal staff develop and maintain budget tracking spreadsheets throughout the budget process for Senate leaders, committee chairs, and committee caucuses to compare budget alternatives, budget targets, and available resources. Throughout the process, spreadsheets are key documents that senators and the public use for identifying and communicating the budget impacts of legislation. Spreadsheets are typically revised and published at various points throughout the budget process, including: the February and November forecasts, the Governor's budget recommendations, the committee chair's budget recommendations, the adoption of a budget bill by a committee, the passage of a budget bill by the body, during the conference committee process, and upon final enactment.

Budget tracking spreadsheets for individual committees facilitate the overall tracking of the budget to ensure the adoption of a balanced budget. Budget tracking documents are available on the Senate website: <https://www.senate.mn/tracking/>.

Unique Fiscal Issues for Budget Jurisdictions

While budget process requirements and most budget terms are applicable to all budget areas, each budget jurisdiction has unique characteristics, budget mechanisms, and budget issues. Below is a list of unique fiscal issues identified by Senate fiscal staff:

E-12 Education

- Education appropriations are influenced by a variety of variables including weighted pupil counts, differing property tax bases, district population density, open enrollments, school building age, anticipated voter behavior in referendum elections, student enrollments, poverty, and English language proficiency.
- Data analysis models are used to estimate most variables in the school finance system. The models produce school district data runs, which are used to help senators understand policy options.
- Education funding formulas often modify local property tax levies. As a result, education funding bills are typically also subject to the Taxes Committee jurisdiction.
- Education entitlement levels are distinct from appropriations. Appropriation levels often differ from entitlement levels to allow time to finalize data such as pupil counts, but also because of the use of education shifts. There are two types of education shifts: an aid payment shift and a property tax recognition shift.

Health and Human Services

- The state appropriations for agency operations and programs typically involve significant interaction with federal funding. For example, many administrative functions are jointly funded by the state and federal governments, so reducing state appropriations for program or administrative functions may also result in a reduction of federal funds.
- Federal maintenance-of-effort requirements apply to various programs funded jointly by the state and federal governments, such as health care programs and the Minnesota Family Investment Program (MFIP).

Environment & Natural Resources

- The operating budgets for state agencies and programs in this budget area receive funding from various dedicated funds in addition to the General Fund. Some of the non-general funds are constitutionally established funds with a specific purpose, such as the Outdoor Heritage Fund and Permanent School Fund, while others are statutorily dedicated.
- This budget area considers recommendations from designated commissions, made up of citizens and legislators, that make appropriation recommendations for certain constitutional funds. One example is the Legislative-Citizen Commission on Minnesota Resources (LCCMR) that makes recommendations for appropriations from the Environment and Natural Resources Trust Fund, which is supported by state lottery proceeds.

Energy & Utilities

- While the budgets for these state agencies and programs are subject to appropriation by the Legislature, the cost of operating the agencies and programs is assessed upon the regulated utilities

and the assessments are deposited into the General Fund.

State Government

- Funding in the state government budget area is primarily for state agencies with the responsibility to provide services to other state agencies in support of the overall operation of the state. In addition to direct appropriations to these agencies, this includes overseeing the rate-setting process used to determine charges assessed to other state agencies for certain centralized functions including facilities management, budgeting and accounting support, enterprise human resources, and information technology. For example, the Department of Administration (Admin) is responsible for managing state-owned property, and most state agencies pay rent to Admin, including for janitorial services and building maintenance. Similarly, the Department of Information Technology Services (MNIT) provides other agencies with IT services supported by charges to those agencies, and MMB manages the state accounting system and central accounting functions that are partially supported by charges to other agencies. Internal service funds are typically used to account for these interagency arrangements, with over 60 percent of Admin and 90 percent of MNIT funded through such arrangements.
- This budget area also includes funding for the Legislature, constitutional officers, public employee pension plan aids, gambling-related agencies, and several other licensing boards and commissions.

Jobs & Labor

- This budget area includes non-General Fund appropriations to state agencies from the Workforce Development Fund and the Workers' Compensation Fund. The Workforce Development Fund accumulates revenue from an employer special assessment levy (such as unemployment insurance taxes) and statewide investment income. The Legislature may appropriate funds from the Workforce Development Fund to provide for employment and training programs. Any remaining money in the fund is appropriated for the purposes of the Job Skills Partnership Board.
- The Commissioner of MMB oversees the Workers' Compensation Fund that supports Minnesota's workers' compensation programs. The commissioner annually estimates the necessary revenue to collect from the insurers and self-insurers for the following fiscal year, based on the preceding year's workers' compensation indemnity losses. Most of this revenue funds the supplementary and second-injury benefit programs. However, the Legislature may also appropriate funds from the Workers' Compensation Fund to support the operating expenses of the workers' compensation and workplace safety divisions of the Department of Labor and Industry, the Office of Administrative Hearings, and the Workers' Compensation Court of Appeals.

Transportation

- This budget area funds operations of the Department of Transportation (MNDOT) and transportation-related divisions of the Department of Public Safety and the Metropolitan Council. Most of this funding is appropriated from various constitutionally and statutorily dedicated funds, with typically less than five percent of the biennial budget appropriated from the General Fund.
- While most federal funds received by the state are appropriated by statute to agencies and available for spending after a review process by the Legislative Advisory Commission, federal highway aid for state highways is instead deposited into the Trunk Highway Fund and must be directly appropriated by the Legislature.

Budget Terms

Account — A detailed record of money received into and paid out of the state treasury. When a law specifically requires the creation of an account, it is usually done to dedicate money to certain purposes. See Minnesota Statutes, sections [16A.53](#) and [16A.69, subdivision 1](#).

Allotment — An amount of an appropriation that is made available in the state accounting system for a defined use during a given period. This is a budgetary control set by the executive branch. State agencies develop spending plans for the amounts appropriated to them. See Minnesota Statutes, section [16A.011, subdivision 3](#), and section [16A.14](#).

Appropriation — An authorization in law to spend money from the state treasury. This is a budgetary control set by the legislature. While the Governor can veto appropriations, appropriations cannot be created unless approved through the legislative process. The constitution expressly bans any spending from the state treasury without an appropriation. See Minnesota Constitution, [Article XI](#), section 1, and Minnesota Statutes, section [16A.011, subdivision 4](#).

Direct Appropriation — An authorization to spend a specified amount of money from a specific state fund, for a limited amount of time, usually one biennium. Omnibus budget bills are made up of mostly direct appropriations.

Statutory Appropriation — An authorization to spend money that is codified in statute, is ongoing, and usually fluctuates in amount from year to year. There are two main types of statutory appropriations: open appropriations and dedicated appropriations. A statutory appropriation is sometimes called a standing appropriation. See Minnesota Statutes, section [16A.011, subdivision 14a](#).

Open Appropriations — An authorization, usually in statute, that makes available for spending an amount sufficient to fulfill a specified need with an “open-ended” amount. These are usually found within the General Fund. Debt service and emergency firefighting for wildfires are examples of open appropriations.

Dedicated Appropriations — An authorization, usually in statute, that makes a dedicated stream of revenue available for spending for a particular activity usually tied to that revenue.

Biennium — A period of two consecutive fiscal years. A biennium begins on July 1 of each odd-numbered year and ends on June 30 of the next odd-numbered year. Biennia are referenced by their fiscal year names. For example, July 1, 2025, is the beginning of the FY 2026-2027 biennium. See Minnesota Statutes, section [16A.011, subdivision 6](#).

Budgetary Balance — The amount left on the bottom line of the General Fund (or another fund) after expenditures and reserve funds are subtracted from the beginning balance plus revenues. The balance may be positive or negative. The Minnesota Constitution requires a balanced General Fund budget by prohibiting borrowing beyond the end of a biennium to pay operating expenses for the biennium. Borrowing for cash flow purposes within the biennium is allowed. Revenues plus any balances carried forward from the previous biennium must be greater than or equal to expenditures. See Minnesota Statutes, section [16A.11](#) and Minnesota Constitution, [Article XI](#), section 6.

Budget Base — The common starting point in the construction of the next biennial budget. The base level for an appropriation in each year of the next biennium is set at the amount that was appropriated for the second year of the current biennium unless the appropriation was designated as one-time. For a forecasted appropriation, the base amount is set at the amount estimated to satisfy the formula or other requirements in law. See Minnesota Statutes, section [16A.11, subdivision 3](#).

Budget Reserve — The budget reserve is a special account established in the General Fund that serves as a savings account to be used to offset budget shortfalls during economic downturns. The budget reserve is separate from the cash flow account. Reserve funds may be reduced by the Commissioner of MMB, after consultation with the Legislative Advisory Commission, to the extent needed to balance expenditures with revenues. Like the cash flow account reserve, the amount in the budget reserve account is set in law. See Minnesota Statutes, section [16A.152](#).

Budget Rules — Uniform guidance for the Legislature and MMB that specifies how to count money in the context of the budget. The budget rules were originally established in 2002 and are annually reviewed and updated by legislative fiscal staff and MMB. The Legislative Commission on Planning and Fiscal Policy most recently reviewed and adopted the rules in 2013.

Cancellation — Money appropriated but unspent and unencumbered at the end of a biennium or end of the period for which the appropriation was made. When the legal authority to expend money has expired, any amounts remaining unspent cancel to the fund from which they were appropriated. The term may also refer to legislative action taken to terminate an appropriation earlier than previously enacted.

Carryforward — Unspent money from one fiscal year that is available for use in the next fiscal year. An agency may carry forward unspent and unencumbered non-grant money from the first year of the biennium to the second year with MMB approval, or across biennia when authorized by law or statute. Additionally, when discussing budgetary or structural balance, the term carryforward may reference unallocated balances from one fiscal year to another. See Minnesota Statutes, section [16A.28](#).

Cash Flow Account — A special account established in the General Fund that is intended to avoid short-term borrowing by bridging cash flow gaps that result from differences in the timing of when revenues come in relative to when expenditures are made. Like the budget reserve account, the amount in the cash flow account is set in statute. See Minnesota Statutes, section [16A.152, subdivision 1](#).

Deep Tails — An estimate of future revenue or spending beyond the tails (planning estimate) that is not recognized in spending forecasts or on budgeting tracking spreadsheets. For example, if the current biennium is FY 2026-2027 and the tails are FY 2028-2029, then the deep tails are FY 2030-2031. Generally, the budget rules assume that funding for the deep tails continues at the same level as the tails. A provision that changes the revenue or spending beyond the tails must be identified and described in a footnote on a budget tracking spreadsheet.

Education Shift — A change in the law that allows the state to recognize E-12 Education revenues or spending in a different fiscal year without a change in the actual amount that will be collected or paid over time. Education shifts have often been used to help balance a budget and later restored or unshifted during stronger economic times.

Aid Payment Shift — An adjustment in the percentage of the education aid entitlements (see E-12 Education) that are paid over a two-year period. In any given fiscal year, most education appropriations include 90 percent of the education aid entitlement for the current fiscal year and a lagging final 10 percent payment for education aid entitlements for the prior fiscal year. An aid payment shift is a reduction to the percentage of the entitlements that are paid in the current fiscal year and an increase in the final payment. This reduction creates one-time General Fund savings by pushing the cost of a portion of the education aid entitlements from one fiscal year into the next.

Property Tax Recognition Shift (PTRS) — A change in the law that requires a school district to adjust when it recognizes property tax revenue, resulting in a corresponding reduction in state aid. Property taxes in Minnesota are paid twice per calendar year (May and October). These payments are in two separate fiscal years. Typically, school districts recognize all the May property tax revenue in the subsequent fiscal year. However, a PTRS occurs when the law is changed to require a district to recognize the May property tax revenue in the year in which it is paid. In that situation, schools count their property tax revenue earlier, which allows the state to reduce its aid payments to schools by an identical amount. This creates one-time savings for the General Fund.

Other budget jurisdictions such as Health and Human Services and Taxes occasionally modify spending and revenue collection timelines for certain programs through similar mechanisms called payment delays or accelerated payments.

Enactment — The date that legislation has passed both legislative bodies and either been signed by the governor or had a gubernatorial veto overridden. The provisions in the law may have different effective dates.

Encumbrance — The commitment of money to meet an obligation that is expected to be incurred for goods or services received by the state or to pay a grant. Encumbrance is the accounting control that agencies use to reserve portions of their allotments for expenditures that will soon be incurred. Agencies must encumber money before it can be spent. See Minnesota Statutes, section [16A.011, subdivision 11](#).

Entitlement — A funding program that provides payments to all applicants who are eligible under the authorizing law. Typically, the state's required spending for an entitlement is determined by a formula that may include variables such as participants, actual costs, or rates. For example, total state and federal expenditures for the Medical Assistance program are dependent on the use of eligible medical and long-term care services by eligible enrollees.

Expenditure — The spending or disbursement of money from an appropriation.

Fiscal Note — A formal estimate of the fiscal effects that would be caused by the enactment of a bill. Fiscal note requests are initiated by legislative fiscal analysts on behalf of committee chairs or individual senators. The Legislative Budget Office (LBO) is responsible for overseeing the preparation of fiscal notes. Agencies that would be affected by a bill prepare estimates of cost changes, including costs that could be absorbed within existing budgets, and revenue changes the bill would cause. See Minnesota Statutes, section [3.98](#). Fiscal notes are available on the Legislative Budget Office's website at: <https://www.mn.gov/mmbapps/fnsearchlbo/>.

Fiscal Year — A 12-month period beginning on July 1 and ending on the following June 30. A fiscal year is numbered by the calendar year in which it ends. The federal fiscal year begins on October 1 and runs through the following September 30. See Minnesota Statutes, section [16A.011, subdivision 14](#).

Forecasted Programs — Programs with funding levels that are adjusted in the forecast based on changed caseloads, enrollments, or average costs. Funding formulas for these programs are like entitlements and appropriations may either be open or for a fixed amount based on the forecast estimates available at the time appropriations were made. Statute requires adjustments to the base budget to bring the associated appropriations in line with the most recently forecast amounts. See Minnesota Statutes, section [16A.11, subdivision 3](#).

Fund — A separate accounting entity in the state treasury. A fund may contain a set of accounts. Funds may be created in the constitution, in statute, or by the Commissioner of MMB to segregate different types of financial activity. A fund usually has language in law establishing it and identifying what money should be deposited into the fund and for what purposes money may be expended from the fund. Statute requires that no fund may carry a negative balance at the end of a fiscal biennium. See Minnesota Statutes, sections [16A.53](#), [16A.575](#), and [16A.152, subdivision 4](#).

General Fund — The state's main depository for taxes and other revenues. Statute directs that this fund is used "for the usual, ordinary, running, and incidental expenses of the state government and does not include moneys deposited in the treasury for a special or dedicated purpose." The General Fund is the state's largest and most important fund because it is the most flexible. See Minnesota Statutes, sections [16A.54](#) and [16A.72](#).

Impact of Taxation — The initial burden of the tax, experienced by the person or entity legally obligated to pay the tax.

Incidence of Taxation — The ultimate burden of the tax. In some cases, such as taxes imposed directly on households, the tax impact and tax incidence are the same. In other cases, such as taxes on businesses, the incidence is shifted from the business to others. Tax incidence will differ from tax impact if the person paying the tax can shift the burden to others, either through higher prices or lower wages.

Local Impact Note — An estimate of the fiscal effect of proposed legislation on local units of government, such as cities, counties, or school districts. A local impact note may only be requested by the Tax, Finance, or Ways and Means committee chairs or ranking minority members. The Legislative Budget Office coordinates the collection of data and preparation of the local impact note. Local impact notes may take thirty days or more to complete. See Minnesota Statutes, section [3.987](#). Local impact notes are available on the LBO's website at: <https://www.lbo.mn.gov/fn/localimpact.html>.

Omnibus Bill or Act — A large bill that is generally made up of numerous smaller bills or appropriations on the same broad topic. Often there is a separate omnibus budget bill for each budget area and for taxes.

Revenue — Money received by the state from taxes and non-tax sources. Examples of non-tax source revenue include fees and interest earnings.

Dedicated Revenue – Revenue that is collected for a specific spending purpose. Dedicated revenues are typically deposited into special revenue funds to ensure the money is restricted to spending on the legal purpose.

Non-dedicated Revenue – Revenue that is collected without a specific spending purpose. Most General Fund revenue is non-dedicated revenue.

Revenue Analysis — An official fiscal estimate prepared by the Department of Revenue, forecasting the revenue gain or loss from enactment of proposed legislation, or estimating the spending impact of changes to property tax aid and credit programs. Revenue analyses do not identify the costs a state agency or local government may incur or save by implementing the proposed change. Revenue analyses are requested by legislative fiscal staff on behalf of the Taxes Committee chair. Revenue analyses are available on the Department of Revenue website at: <https://www.revenue.state.mn.us/revenue-analyses>.

Rider – A condition placed on an appropriation that provides specific detail about the allocation, use, budget base, or other conditions for spending. This is a budgetary control set by the legislature.

Secondary Impact – A cost, savings, or revenue change that does not result directly from the implementation of a bill.

Structural Balance — A measure of whether revenues are greater than or equal to expenditures in a fiscal year or biennium. This measure differs from budgetary balance because it does not consider the beginning balance or reserves.

Tails — An estimate of future revenue or spending that will serve as base amounts in the next biennium. These amounts are recognized in spending forecasts and are used to determine whether a fund has structural balance. Also referred to as planning estimates.

Target — A limit on spending or revenues set during the legislative process to guide budget decision-making by committees and to ensure that collective budget decisions meet expectations for budget balance, revenues, spending, and reserves. A target may increase or reduce total spending or revenue compared to the base budget. A target that is agreed to by both legislative bodies is called a joint target.

Tax Expenditure — A tax preference that reduces the amount of revenue that would otherwise be generated, including exemptions, deductions, credits, and lower tax rates. Tax expenditures are different than a direct spending program. Once enacted, they usually continue indefinitely and do not need to be reenacted as part of the biennial budget. Tax expenditures are reflected on the revenue side of the budget and are not itemized.

A provision is considered a tax expenditure if the Department of Revenue determines that it meets all seven of the following criteria:

- 1) it has an impact on a tax that is applied statewide;
- 2) it confers preferential treatment;
- 3) it results in reduced tax revenue in the applicable fiscal years;
- 4) it is not included as an expenditure item in the state budget;

- 5) it is included in the defined tax base for that tax;
- 6) it is not subject to an alternative tax; and
- 7) it can be amended or repealed by a change in law.

The Department of Revenue publishes the Minnesota Tax Expenditure Budget, which estimates the fiscal impact of Minnesota's tax expenditures. The latest report is available at: <https://www.revenue.state.mn.us/tax-expenditure-reports>

Transfer – The authorization to move money from one fund, account, or agency to another fund, account, or agency within the state treasury. When authorized by law, a transfer must reduce money in one fund, account, or agency and increase the same amount to a separate fund, account, or agency. See Minnesota Statutes, section [16A.011, subdivision 15a](#).

Unallotment — An executive branch-initiated reduction to a previous allotment of an appropriation. In the General Fund, unallotments are made only after the budget reserve account has been fully exhausted. An unallotment has the practical effect of an appropriation reduction but does not change the legal authorization to spend money and does not change the budget base used for estimates of future spending. See Minnesota Statutes, section [16A.152, subdivision 4](#).

Additional Information

For the most current information on any of the provisions discussed in this Fiscal Issue Brief, please contact Eric Nauman, Principal Fiscal Analyst, at Eric.Nauman@mnsenate.gov or 651-296-5539 or Jenna Hofer, Fiscal Analyst, at Jenna.Hofer@mnsenate.gov.

For questions about a specific budget area, please contact the assigned fiscal analyst. Fiscal analyst assignments are on the SCRFA website: https://www.senate.mn/departments/scrfa/scrfa_staff_cmte_assignments.pdf