



# Budget for a Better Minnesota

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Governor Mark Dayton's FY 2014-15 Budget Recommendations  
March 2013

# Our Priorities

- **A growing economy that creates jobs and expands the middle class**
- **Fair taxes and a responsible budget**
- **Reforming how state government works to deliver better services at a better price**

# What are we facing?

- **\$627 Million Deficit**
- **Historically low levels of investment in higher education, local government aid and other critical services**

**Where do we go from here?**

# Budget for a Better Minnesota

**Honest** – A balanced budget with no one-time fixes, borrowing or gimmicks

**Invest** – In early learning, education and job creation

**Fair** – Everyone pays their fair share

**Reform** – Public services that give Minnesotans the best value for their dollar

**Sustainable** – Positions Minnesota for long-term economic prosperity

# Can we keep making cuts to important programs?

**There are very few cuts left to make. Over the last four years, there have been over \$5.1 Billion in cost savings and reductions from the state budget, including over \$1 Billion in the Governor's proposal.**

## **Cost Savings and Reductions – FY 2012-13**

- \$2 billion of budget cuts in the 2011 session
- \$1 billion of additional budget savings in subsequent forecasts (all that and more used to pay back schools)
- \$1 billion in cost inflation absorbed by state agencies

## **Cost Savings and Reductions – FY 2014-15**

- \$225 million of reductions and reallocations in the proposed budget
- \$890 million in cost inflation absorbed by state agencies

**What important investments do we need to make?**

# A World-Class System of Education

## **\$344 million for E-12 education**

- An average funding increase per student of \$72 in FY2014 and \$339 in FY2015
- Highlights:
  - \$125 million special education
  - \$118 million increase school funding formula
  - \$44 million early childhood education scholarships
  - \$40 million all day kindergarten



## **\$240 million for Higher Education**

- \$80 million State Grant Program
- \$80 million University of Minnesota
- \$80 million MnSCU



# A Growing Economy That Creates Jobs

- **Minnesota Investment Fund (DEED)**— \$30 million to create up to 10,000 jobs and leverage \$800 million in private investment
- **Minnesota Job Creation Fund**— \$25 million in grants for businesses to relocate or expand in Minnesota, leverage up to \$450 million in private investment and create 5,000 new jobs
- **Transportation Economic Development (MNDOT and DEED)**— \$20 million of transportation infrastructure investments will leverage local and private funds and spur local and regional economic development

**How will we pay for the things we need?**

# A Fair and Balanced Tax System

- Top 2% pay their fair share
- Reduce property taxes
- Level the playing field for business

# Top 2% Pay Their Fair Share 2013

- New 2% rate increase only for taxable income above:
  - \$250,000 married filing joint
  - \$200,000 head of household
  - \$150,000 single

# Property Tax Relief for the Middle Class 2014

- Increase local government aid \$80 million a year (19%)
- Increase county program aid \$40 million a year (24%)
- Increase renter property tax refund (renter's credit)
- Fully fund homeowner property tax refund

# Closing Business Tax Loopholes 2013

- Eliminate tax breaks such as FOC deductions and foreign royalty subtraction for some businesses
- Level the playing field for all businesses
- e-fairness for main street businesses by requiring out-of-state retailers to pay sales tax for Minnesota sales

# Implement Federal Conformity 2013

- Increase funding and expand eligibility for the Minnesota Working Family Credit - families with annual income under \$30,000
- Simplify tax compliance by conforming to recent federal tax changes

# A Fair Package

## Tax Revenue FY 2014-15

	<u>January</u>	<u>March</u>
Individual Income Tax	\$ 1.129 billion	\$1.123 billion
Sales Tax	\$ <del>2.083</del>	-
Corporate Income Tax (Affiliate Nexus)	\$ <del>0.004</del>	\$0.340
Property Tax Relief (Local Government Aid and Renter's Credit increases)	\$ <del>(1.464)</del>	-
Cigarette & Tobacco Taxes	\$ 0.370	\$0.365
Other	\$ 0.017	\$0.013
Total	\$ 2.139 billion	\$1.841 billion



# Budget Addresses \$627 Million Forecast Shortfall – Matching Revenue Changes and Needed Investments

General Fund (\$ in millions)	February Forecast FY 2014-15	Governor's Proposed Actions	Governor's March Budget FY 2014-15
Beginning Balance	\$1,008	-0-	\$1,008
Revenues	36,116	1,830	37,946
Expenditures	36,744	1,196	37,939
Reserves	<u>1,006</u>	<u>-0-</u>	<u>1,006</u>
Budget Balance	<b>\$(627)</b>	<b>\$635</b>	<b>\$8</b>



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