Understanding the State Budget

The state budget process can seem confusing, so this guide is meant to provide a basic understanding of the dynamics involved in putting together Minnesota’s financing plan. It is important to know how the budget is created and approved in order to be effective in the legislative process.

All the money spent by the state is appropriated through the state budget. During the two-year budget cycle, both the operating budget and the bonding bill (also known as the capital investment bill) are ratified for different purposes. This year, the Legislature will pass its two-year operating budget.

Basics

The state operating budget, also called the biennial budget, covers the state’s spending for a two-year period. The budget includes funding for things like state agencies, education, public safety, health care, agriculture, transportation, housing, natural resources and economic development.

The capital investment bill, or the bonding bill, is typically passed during even-numbered years. It funds projects such as repair and construction of state facilities, roads and bridges or land acquisition.

Timeline

The budget process for the biennium begins in July of even-numbered years. First, the Office of Minnesota Management and Budget (MMB) issues its instructions to the various state agencies. These agencies are told to prepare their biennial budgets as well as show their funding priorities.

- September through December: agencies send their budgets to the governor, who develops budget recommendations through January.
- November/Early December: the MMB releases its financial forecast for the state; this economic and budget forecast is used to help develop the budget.
- January through May: The budget bill, or a series of budget bills, then goes through the legislative process, is passed by both bodies, differences are addressed, and then it is sent to governor for signing or vetoing. The Legislature must vote to approve a budget identically in both bodies. The governor also has the option of using a line item veto, allowing him to remove specific appropriation items.
- February: the MMB releases another economic forecast, which is the last official update legislators receive before finalizing the budget in May.

Set by the State Constitution, the Legislature must conclude its business and pass the budget by the third Monday in May. If the budget is not completed, the governor may call the Legislature back for special session. If a budget is not passed by July 1, the beginning of the fiscal year, a government shutdown will occur.

In September of odd-numbered years, the supplemental budget process begins with the release of the instructions to the state agencies from MMB, much like the year before. However, it is not a full biennial budget, but rather adjustments to the budget already enacted the year before. Again in November and February, economic forecasts are released and are used in developing the supplemental budget, which is released to the Legislature in mid-March. The Legislature then passes a budget bill, or a number of budget bills, usually in early May, just before the Legislature adjourns. However, unlike the year of the biennial budget, it is not necessary for a supplemental budget to be passed to prevent a government shutdown.

The year the supplemental budget is passed is also the year that the bonding bill is approved. This bill is submitted to the Legislature by the governor in mid-January on even-numbered years, and is changed and passed by the Legislature during that legislative session.
**Legislative Process**

The governor’s budget recommendations must follow the legislative process — like any other bill. The governor’s bill needs a chief author from the House and Senate and must pass through all the relevant committees and be passed by both chambers. Differences between the House and Senate versions need to be reconciled in conference committee and finally passed identically by each body and signed by the governor. When the governor’s recommendations reach the Legislature, they are used by each body to begin the process of developing their own budget bills.