## **Additional Submission for MOE Waiver**

1. **A description of the extent to which the State experienced fiscal burdens in preventing, preparing for, and responding to the coronavirus and an explanation of how those fiscal burdens affected the State’s ability to maintain fiscal effort (e.g., the status of and any changes to the State’s rainy day fund, whether the State experienced a decline in revenues, or an increase in other emergency expenses resulting from the pandemic, such as expenses related to health care, unemployment insurance, or support for small businesses).**

The State of Minnesota experienced a precipitous decline in revenues in calendar year 2020 due to the pandemic and resulting economic changes. According to the parameters delineated in the interim final rule for use of ARPA state fiscal stabilization funds (SFRF) for revenue replacement and the provision of government services, the state of Minnesota collected approximately $2.0 billion less revenue than it would have absent the pandemic during calendar year 2020. In addition to revenue losses experienced during calendar year 2020, the state also committed $744 million in state funds (not including federal sources) to pandemic response. State funded response activities included testing, emergency food shelf response, housing, shelter, PPE, long term care staffing, business payments, grants to health care providers, and staffing for local public health. Given the revenue decline in calendar year 2020 and the commitment to pandemic response activities Minnesota’s enacted FY 2022-23 budget relies on $591 million in rainy days funds and $633 million in ARPA SFRF funds to offset expenditures exceeding expected revenue collections. Finally, like many states Minnesota experienced increased demands on its unemployment insurance program during the pandemic. As of November 2021, Minnesota’s unemployment insurance trust fund carried a $1.17 billion deficit. As noted in the response to Question 3 below, Minnesota has increased support for E-12 and Higher Education despite these fiscal burdens. In the absence of these fiscal burdens, Minnesota would have had an even greater ability support education as a percentage of overall state spending.

1. **Documentation and data supporting the description of the State’s fiscal burdens (e.g., revenue data, appropriation tables, unemployment statistics, etc.) including any State action that impacted State revenue (e.g., tax increases or decreases).**

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| --- | --- | --- |
| **State of Minnesota Revenue Loss** |  | |
| *As Defined by US Department of Treasury Interim Final Rule\** | | |
| **Calendar Year 2020** |  | |
|  |  | |
| Fiscal Year 2019 Base Year Revenue | $30,178,105,518 | |
| Growth rate over 3 prior year, or 4.1 percent | 4.1% | |
| Months between end of FY 2019 and CY 2020 | 18 | |
|  |  | |
| Counterfactual Revenue\*\* | $32,052,954,495 | |
|  |  | |
| Actual CY 2020 Revenue | $30,013,700,392 | |
|  |  | |
| **Revenue Loss in CY 2020** | **$2,039,254,103** | |
|  |  | |
|  |  | |
| \*https://home.treasury.gov/system/files/136/FRF-Interim-Final-Rule.pdf | | |
| \*\* base year revenue \* [(1 + 4.1%) ^( 18/12)]  *Minnesota Management and Budget*  *December 2021* |  | |
| **State of Minnesota COVID Response** | |  | |
| *General Fund Commitment* | |  | |
|  | |  | |
| *$ in thousands* | |  | |
|  | |  | |
| COVID-19 MN Fund | | 200,000 | |
| Peacetime Emergency Child Care Grants | | 29,964 | |
| Military Veterans COVID-19 Response Assistance | | 6,200 | |
| Emergency Food Shelf Response | | 9,000 | |
| Housing Support | | 5,530 | |
| Emergency Services Grants - Shelter, PPE, Supplies, & Staffing | | 26,537 | |
| Tribal Nations Staffing | | 11,000 | |
| Business Relief Payments | | 87,750 | |
| Unemployment Trust Fund | | 25,000 | |
| Movie Theater and Convention Center Grants | | 13,900 | |
| County Relief Grants | | 114,728 | |
| Health Care Response Fund - Provider Grants | | 150,000 | |
| Public Health Contingency Account (SR)- Provider Grants | | 50,000 | |
| Public Health Contingency Account (SR)- Staffing and Local Public Health | | 25,511 | |
|  | |  | |
| **Total General Fund Investment** | | **755,120** | |
|  | |  | |
|  | |  | |
| *Minnesota Management and Budget* | |  | |
| *End of 2021 Special Legislative Session* | |  | |

**Reporting on UI Trust Fund Deficit**

https://www.minnpost.com/state-government/2021/12/minnesota-has-1-billion-in-unemployment-insurance-debt-lawmakers-will-have-to-decide-how-they-want-to-pay-for-it/

**Documentation of Economic Impact of Pandemic on Minnesota**

Minnesota Management and Budget (MMB) issues two Budget and Economic Forecast each year, in November and February. In addition, MMB issued a special interim projection in May 2020 when it was clear that the pandemic would have a significant budget and economic impact. Below are links to published forecasts since the beginning of the pandemic. In each document, the executive summary, economic outlook and appendix contain charts and tables showing economic indicators such as GDP, consumer spending, employment, wage and salary, personal income and business impact. Each of these indicators show the impact of the pandemic on Minnesota’s economy in 2020.

May 2020 Interim Budget Projection: <https://mn.gov/mmb-stat/budget/may-interim-budget-projection-document.pdf>

November 2020 Budget and Economic Forecast: <https://mn.gov/mmb-stat/000/az/forecast/2020/budget-and-economic-forecast/november-2020-forecast.pdf>

February 2021 Budget and Economic Forecast: <https://mn.gov/mmb-stat/000/az/forecast/2021/budget-and-economic-forecast/february-2021-forecast.pdf>

November 2021 Budget and Economic Forecast: <https://mn.gov/mmb-stat/000/az/forecast/2021/budget-and-economic-forecast/november-2021-forecast.pdf>

**Expenditure and appropriation tables are available at the following links:**

* Actual FY17: <https://mn.gov/mmb/assets/fba-nov17fcst-summary_tcm1059-319763.pdf>
* Actual FY18 and Actual FY19: <https://mn.gov/mmb-stat/documents/budget/operating-budget/nov19fcst/nov19fcst-fba-summary.pdf>
* Actual FY20, Actual FY21, Appropriated FY22, and Appropriated FY23: <https://mn.gov/mmb-stat/documents/budget/operating-budget/forecast/nov-2021/nov21fcst-fba-summary.pdf>
* Please note that these linked documents show all Higher Education spending, including research. However, per the legislation and guidance, research expenditures have been removed in the data that is submitted on included tables. Research expenditures that have been removed total approximately $83 million per year.

1. **In addition, in its waiver request, a State should submit information on the relevant factors listed below to support its request. The Secretary may ask States for additional information after States submit the MOE waiver request form.**

*Has the State increased support for education?*

As indicated on the data submission table, Minnesota has increased – or is projected to increase -- support for E-12 and Higher Education every year from FY17 to FY23 with one exception, which is a very small Higher Education spending decrease in FY23.\*

E-12 Background: Year-over-year expenditures on E-12 Education have increased each year since FY16. They are projected to continue to increase, by 2.6% in FY22, and 2.9% in FY23. The primary per pupil formula -- which is set via legislation -- has increased every year since 2011, most frequently at 2.0% per year. The June 2021 budget bill enacted a 2.45% increase for FY22, with an additional 2% on top of that for FY23.

|  |  |  |  |
| --- | --- | --- | --- |
| **Year** | **E-12 Total Expenditures ($)** | **Primary Formula Allowance  ($ per pupil unit)** | **Formula Growth** |
| FY 2008 | 6,819,314,000 | 5,074 | 2.0% |
| FY 2009 | 6,937,955,000 | 5,124 | 1.0% |
| FY 2010 | 5,337,878,000 | 5,124 | 0.0% |
| FY 2011 | 6,083,863,000 | 5,124 | 0.0% |
| FY 2012 | 6,624,867,000 | 5,174 | 1.0% |
| FY 2013 | 8,873,712,000 | 5,224 | 1.0% |
| FY 2014 | 8,429,970,000 | 5,302 | 1.5% |
| FY 2015 | 8,188,287,000 | 5,831 | 2.0%\* |
| FY 2016 | 8,507,385,000 | 5,948 | 2.0% |
| FY 2017 | 8,901,333,000 | 6,067 | 2.0% |
| FY 2018 | 9,233,048,000 | 6,188 | 2.0% |
| FY 2019 | 9,587,811,000 | 6,312 | 2.0% |
| FY 2020 | 9,835,739,000 | 6,438 | 2.0% |
| FY 2021 | 9,919,135,000 | 6,567 | 2.0% |
| FY 2022 (appropriated) | 10,180,844,000 | 6,728 | 2.45% |
| FY 2023 (appropriated) | 10,479,704,000 | 6,863 | 2.0% |

\*Statutory formula allowance increased 10% due to a previously separate program being rolled into the primary formula. Aside from that roll-in, the increase was 2.0%.

Higher Ed Background: Higher Ed expenditures have increased each year but one (FY19) since FY13. They are projected to increase by 2.5% in FY22, and decrease by -0.02% in FY23.\*

\*Note that the small FY23 Higher Ed decrease (-0.02%, or $334,000, reduction from FY22) shown on Minnesota’s fund statements is a result of certain onetime appropriations that were made for FY22. These funds are shown on statements as expended in FY22, but are in fact available for use through FY25. It is entirely possible -- if not likely -- that final expenditure of these funds will be spread over FY22-25. As a result, there would be a year over year increase from FY22 to FY23. It is also possible that other funds shown as expended in FY22 will actually be expended in FY23 or later. Finally, it is possible that additional funds will be appropriated for Higher Education for FY23 in the 2022 legislative session.

*Are there exceptional circumstances that caused the State to be unable to maintain support for education?*

As noted above, Minnesota has a long record -- with few exceptions -- of not just maintaining but regularly increasing support for education.

Minnesota has been able to maintain state support for education on a year-over-year basis, but it has also chosen to direct certain resources from the State Fiscal Recovery Fund (SFRF) to education as a supplement to state funds. SFRF allocations to date include [$75 million for summer learning](https://mn.gov/mmb-stat/documents/budget/operating-budget/gov-rec/mar21/american-rescue-plan-act-sfrf-1-5-18-2021.pdf), $35 million for higher education [workforce stabilization grants](https://mn.gov/mmb-stat/documents/budget/operating-budget/gov-rec/mar21/LCRC3-6_OHE-WorkforceStabilization.pdf), $29 million for [school districts that have experienced declining enrollment](https://mn.gov/mmb-stat/documents/budget/operating-budget/gov-rec/mar21/LCRC3-9_MDE-EnrollmentLoss.pdf), and smaller amounts for education-related nonprofits and grants.

*Has the state used or will the state use ESSER, GEER, or Higher Education Emergency Relief (HEER) funding to replace State funding for education?*

No. With the one exception noted above, Minnesota has enacted increases to General Fund spending on E-12 and Higher Education. ESSER, GEER, and HEER funds are supplementing these increases.