



\$2 Billion Budget Shortfall Critical Programs Affecting Children and Families on the Budget Chopping Line

From the CDF Minnesota December 2001 Newsletter

We reported in the last CDF-MN newsletter that the State of Minnesota might well be facing its first budget shortfall since 1991. Now it's official. The Department of Finance released its latest budget forecast on December 4 showing that the state expects a \$1.953 billion budget shortfall. This \$1.9 billion figure represents more than 7% of the overall two-year state budget of \$28 billion. The downturn in the economy that began this spring was exacerbated by the events of September 11. Now, an economy that was in a mild recession has been sent into a tailspin. The Department of Finance predicts that the current recession will likely be over by the spring of 2002. However, given the uncertain times the country is in, any economic forecasts will need to be carefully examined in light of the unpredictable nature of the current economy.

Governor Jesse Ventura has already indicated his preference to cut spending rather than increase taxes in order to correct this shortfall. He has stated that he would consider tax increases only as a last resort. In preparation for anticipated cuts, State Budget Director Peggy Ingison recently requested that state agencies begin to plan for cuts in their budgets in the range of 5 to 10 percent. In addition, Finance Commissioner Pam Wheelock ordered all state agencies to suspend execution of any new grant agreements with non-profit agencies. Agreements already drawn up and signed will be executed, but new grant agreements are suspended at this point.

Given the size of the budget shortfall and the administration's reluctance to increase taxes, sizeable program cuts are almost certain for this upcoming legislative session. We at CDF-MN strongly urge non-profit organizations serving children and working families to encourage their staff and clients to contact their local legislators to discuss the importance of providing services to low-income families. Legislators will be facing some very tough decisions this session, so it is very important that they hear from their constituents that critical social service programs should be strengthened in a time of need — not cut.

The staff at CDF-MN will be monitoring these developments closely and will work with advocates to fight cuts in key social service programs.

CDF Minnesota
University National Bank Bldg.
200 University Avenue W.
Suite 210
St. Paul, MN 55103

Telephone (651) 227-6121
Fax (651) 227-2553
cdf-mn@cdf-mn.org
www.cdf-mn.org

Children's Defense Fund
25 E Street NW
Washington, DC 20001

Telephone (202) 628-3510
Fax (202) 662-3510

