



## State Budget Shortfall Likely

From the CDF Minnesota November 2001 Newsletter

As we approach the 2002 Legislative Session, the State of Minnesota may be facing its first budget shortfall since 1991. Even before the tragedies on September 11, there were signs of a slowdown within the Minnesota economy. State tax collections have been down since July, coming in \$152 million below initial projections. Now, with the aftermath of the terrorist incidents producing significant layoffs in the travel and tourism industry, the state budgetary outlook is even more uncertain. The latest estimates indicate that the budget shortfall will be in the range of \$600 million to \$1 billion.

At a recent hearing, State Finance Commissioner Pam Wheelock warned legislative leaders of a possible budget shortfall and noted that the administration will prepare recommendations to cope with a fiscal deficit, using both budget cuts and tax increases. Commissioner Wheelock noted that the state does have a \$653 million "rainy day" reserve fund, but this fund may not be adequate depending on the severity of the budget shortfall.

Traditionally, the second year of a Legislative Session (2002 in this biennium) is considered the "short session" in which legislators focus on a developing a state bonding bill and a variety of policy issues. But because of the budget surpluses of past years, legislators have been able to make significant supplemental appropriations during these sessions.

We at CDF-MN are concerned about the possible impact this budget shortfall will have on vulnerable working families and children. In hard economic times, there are usually increases in the caseloads of key critical social service programs like unemployment insurance and public assistance programs. These programs provide a strong safety net for vulnerable working families and their children. But it is also common in rough economic times for these key programs to be the first in line to be cut. CDF-MN will continue to monitor the budget situation closely and will work with advocates if necessary to fight cuts in key social service programs.

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