

STATE CASH FLOW UPDATE



Legislative Advisory Commission – October 6, 2011



WHY IS CASH FLOW A CONTINUING ISSUE?

- Significant General Fund cash flow shortfalls have occurred in recent years
 - Disproportionate amount of spending in beginning of fiscal year, disproportionate amount of revenue collected late in fiscal year
 - Result of many different decisions over last two decades on taxation, spending
 - Inter-fund borrowing is used to smooth out GF cash shortfalls
- Recent budget solutions have worsened imbalances
 - Use of reserves and other one-time balances for budget balancing
 - Administrative actions, more active cash flow monitoring have become necessary

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TOOLS USED TO MANAGE CASH FLOW UNDER CURRENT MMB AUTHORITY

- Inter-fund borrowing
 - Borrowing from available balances in statutory general fund
 - Funds paid back by end of fiscal year, with interest
 - Borrowing from state trust funds (e.g., pensions) or constitutionally dedicated funds (e.g., Trunk Highway Fund) not permitted
- Administrative actions
 - Delaying certain payments, higher education systems, tax refunds, healthcare providers
- Short-term external borrowing
 - Issuing “certificates of indebtedness” in financial markets or securing a line of credit through a bank to meet cash flow needs within the biennium

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CASH FLOW SUMMARY

- Line of credit was extended in June for potential FY 2012 cash needs
- Cash balance at June 30, 2011 was \$792 million above prior year, \$233 million above forecast
- School aid shift, and local aid and human services cuts reduced cash FY 2012 outflows
- Positive monthly balances expected thru FY 2012, but will dip below \$400 million for short periods
- Likelihood of accessing line of credit has been reduced for FY 2012

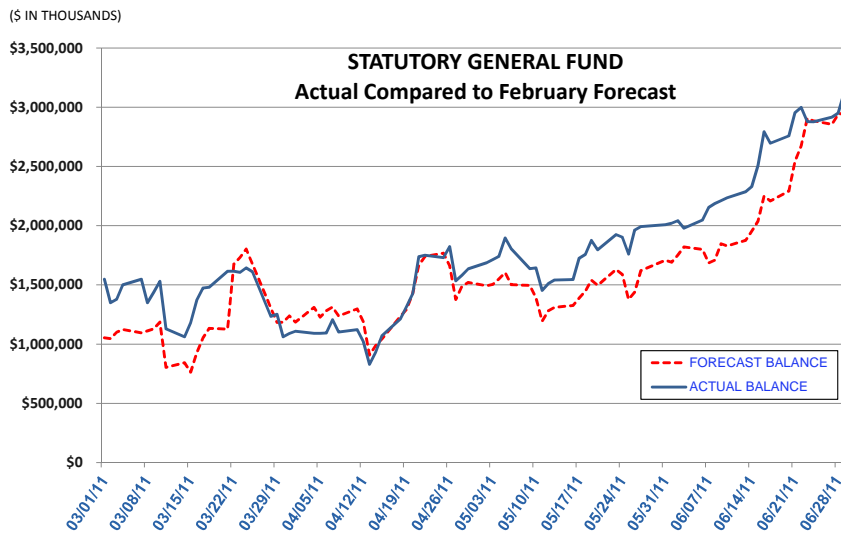
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FY 2011 YEAR-END CASH POSITION IMPROVED COMPARED TO FY 2010

ENDING CASH BALANCES			
At June 30 Year-end			
(dollars in millions)			
Fiscal Year Ending June 30	2010	\$ 2011	Change
Total Invested Treasurer's Cash	\$ 5,431	\$ 5,989	\$ 558
Statutory General Fund	\$ 2,428	\$ 3,220	\$ 792
General Fund	\$ 670	\$ 1,614	\$ 944
Health Impact Fund	2	-	(2)
Special Revenue Fund	364	349	(15)
Health Care Access Fund	288	29	(259)
MNSCU General Fund	525	612	87
All Other Funds	581	616	35

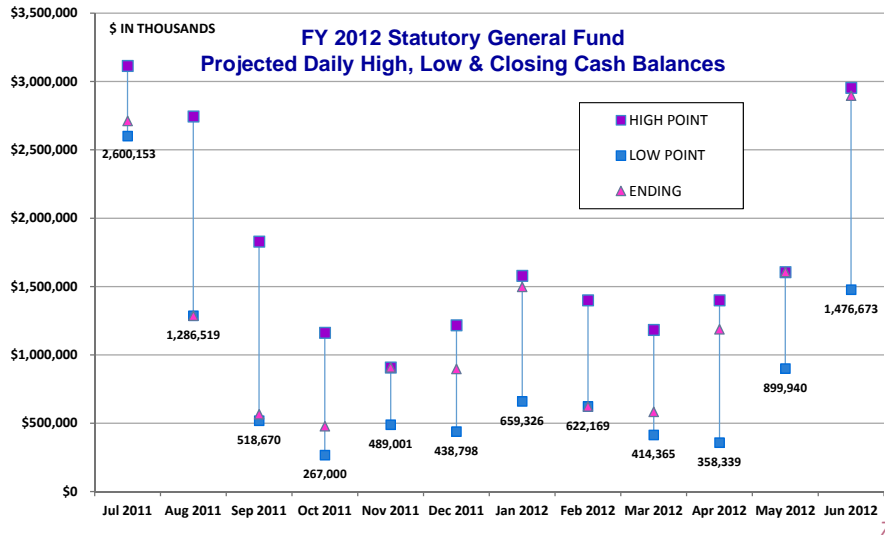
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FY 2011 ENDED WITH A CASH BALANCE SLIGHTLY HIGHER THAN PROJECTED

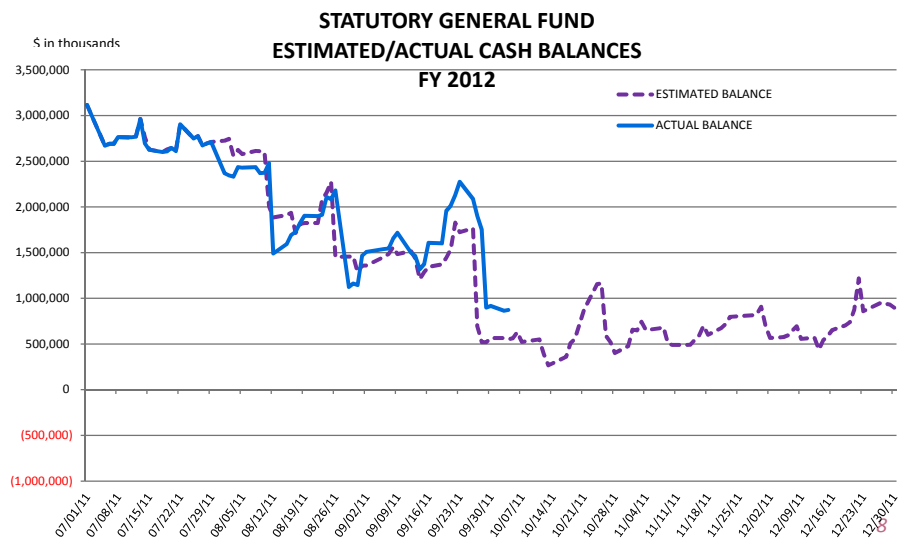


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FY 2012 MONTHLY CASH LOW POINTS EXPECTED TO REMAIN POSITIVE



YEAR-TO-DATE DAILY CASH BALANCES REMAIN CLOSE TO FORECAST



CASH BALANCES ON OCTOBER 4, 2011 (7 AM)

(DOLLARS IN MILLIONS)

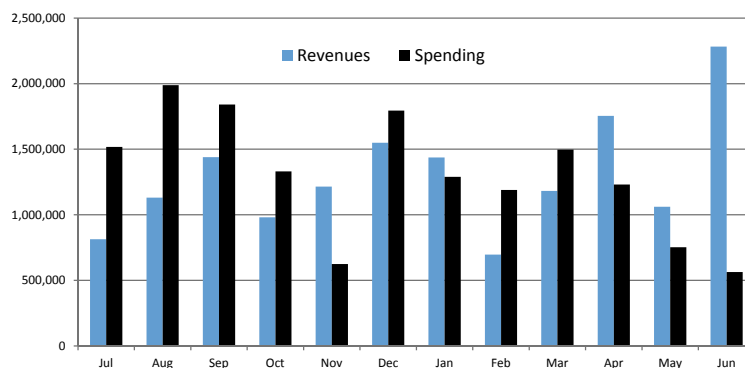
Total Invested Treasurers Cash	\$3,781	Inter-Fund Borrowing
Statutory General Fund	881	
General Fund	21	1,080
Health Impact Fund	1	--
Special Rev. Fund	84	(530)
Health Care Access	5	--
MNSCU	208	(550)
All Other Funds	562	-0-

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REVENUES AND SPENDING BY MONTH DRIVE DAILY CASH POSITIONS

- Significant disparities in timing of revenues and expenditures result in cash shortfalls during the year

FY2011 General Fund Revenues/Spending By Month

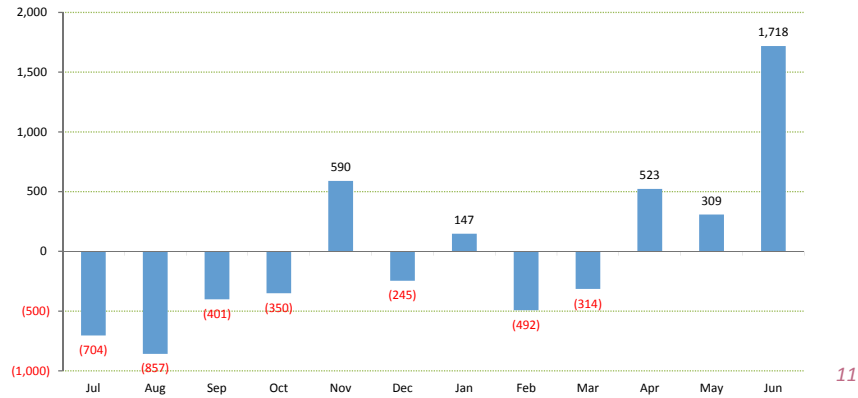


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MONTHLY NET CASH IN/OUT HIGHLIGHTS DISPARITY DURING THE YEAR

- During July-October and March-April periods monthly spending significantly exceeds receipts

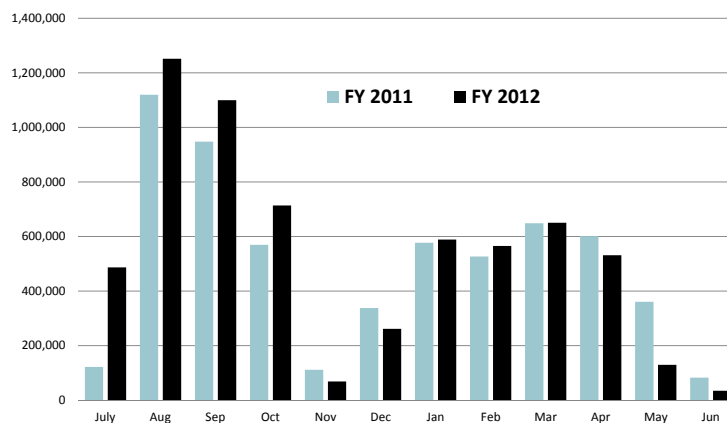
FY 2011 - General Fund Monthly Net Cash In/Out



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K-12 PAYMENTS ARE A SIGNIFICANT DRIVER OF NEGATIVE CASH BALANCES EARLY IN THE YEAR

K-12 Payments to School Districts by Month



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CURRENT CASH FLOW OUTLOOK

- Year-to-date balances remain close to end-of-session estimates
- Use of past cash management administrative options not currently anticipated
 - Delaying sales & corporate tax refunds
 - Delaying payments to University of Minnesota
 - Human Services provider payment delays
- Monitoring daily balances for significant variances
- Revised cash flow projections will be prepared based on November forecast
- Line of credit access likely not necessary for October low-points; March-April next significant decision point

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LINE OF CREDIT

- An arrangement between a financial institution (U.S. Bank) and a customer (the State) that establishes a maximum loan balance that the bank will permit the borrower to maintain. The State can, with notice, draw on the line of credit at any time as long as we do not exceed the maximum set in the agreement
- Line of credit can also be paid off at any time with notice to US Bank.

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LINE OF CREDIT

- Extended for FY2012 (as allowed in the prior LOC agreement) in the same dollar amount (\$600 million) and similar terms
- In order to access the line of credit
 - Present to LAC
 - Show a cash flow deficit
 - Within 24 hours
- Cost
 - FY2011 - \$1,807,192 (line was only in place for 9.25 months)
 - FY2012 - \$2,068,500
 - More if the line of credit is accessed

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FY 2012 Forecast

**STATUTORY GENERAL FUND
MONTHLY CASH FLOW ANALYSIS
2011 End of Session
Fiscal Year Ending June 30, 2012**
(Dollars in Thousands)

	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	TOTAL
BEGINNING CASH BALANCE	\$ 3,219,844	\$ 2,710,951	\$ 1,286,518	\$ 564,793	\$ 476,760	\$ 908,180	\$ 896,460	\$ 1,496,556	\$ 622,168	\$ 582,789	\$ 1,186,714	\$ 1,605,518	
REVENUE													
Individual Income Tax	\$ 513,060	\$ 542,767	\$ 767,563	\$ 535,674	\$ 507,039	\$ 710,594	\$ 1,018,761	\$ 229,665	\$ 465,563	\$ 1,095,833	\$ 574,696	\$ 829,499	\$ 7,790,714
Corporate & Bank Excise	46,403	29,344	169,935	55,347	16,001	162,150	6,578	20,747	206,331	31,524	25,766	97,128	867,256
Sales and Use Tax	287,914	418,328	401,591	423,779	384,921	375,995	463,800	351,377	317,921	390,320	371,733	536,383	4,724,061
Property Tax	18,739	0	0	169,813	169,813	7,719	7,857	0	0	0	208,201	208,201	790,342
Tobacco Tax and Settlement	2,376	29,319	12,841	23,451	16,789	14,269	18,533	15,328	41,869	21,594	15,250	13,421	225,041
Insurance Tax	1,067	5,622	72,289	5,119	1,846	79,209	1,936	12,669	91,592	873	1,670	75,060	348,952
Other Excise Taxes	163,582	108,418	69,985	137,488	77,911	70,752	146,982	86,827	74,816	129,558	103,613	104,287	1,274,219
Investment Earnings	949	1,155	1,032	1,457	988	982	1,034	1,146	202	502	592	593	10,633
Inter-Governmental Grants	7,103	12,162	14,282	11,549	12,686	11,592	10,266	10,969	7,977	10,899	11,685	10,870	132,041
Other Sources	596,113	393,740	438,561	264,477	282,731	452,982	543,646	307,771	390,944	270,553	341,198	489,408	4,772,124
TOTAL REVENUE	\$ 1,637,306	\$ 1,540,855	\$ 1,948,079	\$ 1,628,154	\$ 1,470,726	\$ 1,886,245	\$ 2,219,393	\$ 1,036,498	\$ 1,597,216	\$ 1,951,657	\$ 1,654,404	\$ 2,364,852	\$ 20,935,384
TOTAL SOURCES	\$ 4,857,150	\$ 4,251,806	\$ 3,234,596	\$ 2,192,947	\$ 1,947,486	\$ 2,794,424	\$ 3,115,853	\$ 2,533,054	\$ 2,219,384	\$ 2,534,445	\$ 2,841,118	\$ 3,970,369	
EXPENDITURES													
State Compensation	\$ 318,140	\$ 241,980	\$ 253,300	\$ 251,791	\$ 249,752	\$ 359,054	\$ 244,003	\$ 255,125	\$ 245,939	\$ 254,331	\$ 255,526	\$ 359,099	\$ 3,288,040
Agency Operations	110,575	143,894	104,496	100,166	94,328	106,945	96,150	90,793	87,535	93,677	104,048	103,420	1,236,026
Aid to School Districts	486,749	1,252,019	1,099,457	713,561	68,994	262,110	589,042	566,231	650,625	531,589	130,379	35,065	6,385,823
Aid to Cities	219,001	7,788	7,779	86,227	7,129	246,982	8,511	2,996	5,410	4,682	4,292	4,803	605,599
Aid to Counties	176,962	27,020	24,092	62,440	29,298	142,185	16,244	22,071	27,398	21,789	21,163	6,439	577,102
Aid to Higher Education Institutions:	3,017	71,024	270,992	54,111	50,673	64,513	84,570	212,554	6,040	47,374	71,124	87,107	1,023,098
Aid to Non-Gov't Organizations	4,245	19,355	23,071	13,041	15,591	11,464	18,832	17,453	8,058	14,831	13,106	10,979	170,025
Aid to Other Governments	4,587	<3,947>	11,048	16,071	12,828	13,408	7,659	16,711	3,491	10,496	8,017	12,430	112,797
Payments to Individuals	587,222	1,081,924	683,640	356,024	443,983	428,904	487,156	668,953	422,058	297,464	451,704	274,019	6,183,051
Other	235,701	124,232	191,930	62,755	66,730	62,193	67,131	58,000	180,040	71,498	176,242	180,977	1,477,429
Debt Service	0	0	0	0	0	200,206	0	0	0	0	0	0	200,206
TOTAL USES	\$ 2,146,199	\$ 2,965,289	\$ 2,669,803	\$ 1,716,187	\$ 1,039,307	\$ 1,897,964	\$ 1,619,297	\$ 1,910,886	\$ 1,636,595	\$ 1,347,732	\$ 1,235,600	\$ 1,074,339	\$ 21,259,197
ENDING CASH BALANCE	\$ 2,710,951	\$ 1,286,518	\$ 564,793	\$ 476,760	\$ 908,180	\$ 896,460	\$ 1,496,556	\$ 622,168	\$ 582,789	\$ 1,186,714	\$ 1,605,518	\$ 2,896,030	
MINIMUM STATUTORY CASH BALANCE FOR THE MONTH	\$ 2,600,153	\$ 1,286,519	\$ 518,670	\$ 267,000	\$ 489,001	\$ 438,798	\$ 659,326	\$ 622,169	\$ 414,365	\$ 358,339	\$ 899,940	\$ 1,476,673	

FY 2012 - General Fund Only
(without Inter-fund Borrowing)

GENERAL FUND

2011 End of Session

Fiscal Year Ending June 30, 2012

	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	TOTAL
	ACTUAL	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated	
BEGINNING CASH BALANCE	\$ 1,613,870	\$ 1,074,841	\$ 459,640	\$ (1,015,279)	\$ (1,166,359)	\$ (719,490)	\$ (703,858)	\$ (451,575)	\$ (1,186,388)	\$ (1,182,280)	\$ (598,995)	\$ (94,921)	
REVENUE													
Individual Income Tax	\$ 513,060	\$ 542,767	\$ 767,563	\$ 535,674	\$ 507,039	\$ 710,594	\$ 1,018,761	\$ 229,665	\$ 465,563	\$ 1,095,833	\$ 574,696	\$ 829,499	\$ 7,790,714
Corporate & Bank Excise	46,403	29,344	169,935	55,347	16,001	162,150	6,578	20,747	206,331	31,524	25,766	97,128	867,256
Sales and Use Tax	284,622	411,492	395,752	415,608	378,254	369,353	456,964	344,948	315,089	388,243	369,769	531,414	4,661,509
Property Tax	18,739	0	0	169,813	169,813	7,719	7,857	0	0	0	208,201	208,201	790,342
Tobacco Products Tax	2,376	29,319	12,841	23,451	16,789	14,269	18,533	15,328	11,069	21,594	15,250	13,421	194,241
Insurance Tax	1,067	5,622	59,606	1,406	1,846	62,881	798	12,290	73,568	867	1,670	65,013	286,635
Other Excise Taxes	75,815	56,347	54,288	52,739	53,275	52,134	56,697	50,480	48,386	50,187	68,028	80,016	698,392
Investment Earnings	617	167	167	167	167	167	167	167	167	167	167	167	2,455
Inter-Governmental Grants	9	0	0	0	0	0	0	0	0	0	0	0	9
Other Sources	284,099	18,795	19,679	32,455	37,599	180,024	35,761	31,187	32,145	24,674	15,186	27,330	738,934
TOTAL REVENUE	\$ 1,226,808	\$ 1,093,853	\$ 1,479,832	\$ 1,286,660	\$ 1,180,784	\$ 1,559,291	\$ 1,602,117	\$ 704,810	\$ 1,152,320	\$ 1,613,089	\$ 1,278,732	\$ 1,852,190	\$ 16,030,487
Transfers In	31,961	10,609	8,563	1,158	1,669	6,372	3,722	5,939	103,122	22,384	30,714	230,982	457,195
TOTAL SOURCES	\$ 1,258,769	\$ 1,104,462	\$ 1,488,395	\$ 1,287,818	\$ 1,182,453	\$ 1,565,663	\$ 1,605,839	\$ 710,749	\$ 1,255,442	\$ 1,635,473	\$ 1,309,446	\$ 2,083,171	\$ 16,487,681
EXPENDITURES													
State Compensation	\$ 121,271	\$ 95,295	\$ 94,320	\$ 92,550	\$ 91,371	\$ 127,562	\$ 93,288	\$ 90,727	\$ 90,801	\$ 91,978	\$ 92,255	\$ 136,335	\$ 1,217,752
Agency Operations	54,753	63,007	37,767	38,115	31,683	33,856	35,482	33,208	33,463	37,525	35,676	32,934	467,470
Aid to School Districts	486,647	1,251,557	1,099,331	713,519	68,759	261,414	588,772	565,538	650,413	531,155	129,679	34,837	6,381,620
Aid to Cities	218,083	1,644	5,701	80,955	4,445	243,729	6,948	664	2,218	1,524	588	1,004	567,502
Aid to Counties	172,477	20,649	16,823	56,907	18,759	136,987	11,642	17,930	21,751	12,639	16,921	2,660	506,146
Aid to Higher Education Institutions	2,738	68,209	68,853	50,746	42,515	60,680	80,167	48,088	5,609	42,159	49,413	79,604	598,781
Aid to Non-Gov't Organizations	2,553	14,686	10,935	9,246	10,586	8,090	11,398	9,483	5,186	9,280	7,653	7,023	106,119
Aid to Other Governments	3,862	9,169	7,941	12,985	9,310	10,718	5,873	13,735	1,040	5,616	6,185	7,614	94,049
Payments to Individuals (DHS)	515,262	801,220	443,944	297,234	398,465	401,781	451,636	606,267	370,320	260,196	405,412	245,943	5,197,679
Aid to Individuals	356	241,031	211,274	29,081	12,083	8,723	6,284	10,173	13,257	13,297	13,479	6,680	565,719
Other	810	2,466	1,699	2,113	2,160	839	16,618	4,302	3,025	1,371	2,664	1,401	39,469
TOTAL EXPENDITURES	\$ 1,578,813	\$ 2,568,933	\$ 1,998,587	\$ 1,383,451	\$ 690,136	\$ 1,294,378	\$ 1,308,109	\$ 1,400,116	\$ 1,197,083	\$ 1,006,742	\$ 759,925	\$ 556,034	\$ 15,742,306
Transfers Out	218,984	70,011	45,447	55,447	45,447	55,447	45,447	45,447	54,250	45,447	45,447	55,504	782,327
Debt-Service Transfer	0	0	0	0	0	200,206	0	0	0	0	0	0	200,206
TOTAL USES	\$ 1,797,797	\$ 2,638,944	\$ 2,044,034	\$ 1,438,898	\$ 735,584	\$ 1,550,031	\$ 1,353,556	\$ 1,445,563	\$ 1,251,333	\$ 1,052,189	\$ 805,372	\$ 611,538	\$ 16,724,839
Sources less Uses	<-539,029>	<-1,534,482>	<-555,639>	<-151,080>	446,870	15,632	252,283	<-734,814>	4,109	583,284	504,075	1,471,633	Cash Balance
High point	1,572,181	1,115,223	106,528	<-433,538>	<-719,490>	<-380,431>	<-327,864>	<-562,118>	<-612,788>	<-382,173>	<-94,921>	1,376,712	1,376,712
Low Point	997,218	<-459,640>	<-1,065,143>	<-1,305,672>	<-1,154,427>	<-1,173,986>	<-998,899>	<-1,186,388>	<-1,369,681>	<-1,356,500>	<-775,440>	<-150,251>	Fund Balance
Ending Cash Balance	1,074,841	<-459,640>	<-1,015,279>	<-1,166,359>	<-719,490>	<-703,858>	<-451,575>	<-1,186,388>	<-1,182,280>	<-598,995>	<-94,921>	1,376,712	472,643