

Minnesota Governor Dayton Releases 2012-2013 Budget

Posted by [Thomas J. Hanson](#) on February 16, 2011

Governor Mark Dayton released his proposed 2012-2013 budget yesterday. He balances the \$6.2 billion deficit with \$4.129 billion in tax increases and \$1.94 billion in spending reductions. To round out his solution, the Governor plucked \$136 million from the State's cash flow account.

The cornerstone of the Governor's proposal is the addition of a new 4th tier income tax bracket with a 10.95% rate and a temporary 3% surtax on incomes over 500,000. These two proposals raise a total of \$2.8 billion in new state revenue. The 4th tier for the personal income tax at 10.95 % begins at incomes of \$150,000 for married joint filers and \$85,000 for single filers.

In addition to income taxes, a variety of other tax increases were proposed. These proposals, and the income taxes, are shown in the chart below.

General Fund	Proposed FY 2012-2013 (in millions)
4th tier income tax at 10.95%	\$1,890
3% surtax on incomes over \$500,000	918
State property tax on home values over \$1 million	84
Increase in corporate tax	430
Health care surcharges	877
Other tax revenues	34
Adjustment to HCAF transfer and other revenues	(104)
Total revenue	\$ 4,129

On the spending side, the vast majority of the Governor's spending reductions come in the form of the K-12 shift. The shift moves \$1.455 billion in spending out of the 2012-2013 biennium. This shift is paid back at 10% a year beginning in 2014. The Governor's proposal actually reduces spending by \$950 million but \$465 million of these reductions are spent in other areas. This spending is outlined in the chart below:

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General Fund in millions	Expenditure Reductions for FY 2012-2013	New Expenditures for FY 2012-2013
K-12 education	\$ (15)	\$ 52
K-12 shift	(1,455)	0
Higher education	(171)	0
Local aids and credits	0	0
Health and human services	(680)	331
Public safety	(6)	45
Debt service, capital	0	9
All other areas	(78)	28
Subtotal	\$ (2,405)	\$ 465
Total spending reductions minus new spending		