



May 19, 2006

Dear Member of the Supplemental Budget Conference Committee:

The Minnesota Budget Project, an initiative of the Minnesota Council of Nonprofits, strongly encourages you to reinstate the calculation of the impact of inflation on spending in the state's fiscal forecasts as you complete your work on HF4162.

It appears that the worst of the state's fiscal crisis is behind us. Now is the time to improve the integrity of the state's budget process by including the impact of inflation on spending in the forecast. The credibility and utility of the state's forecasts are damaged by the requirement passed by the 2002 Legislature that the impact of inflation on spending not be included.

Including inflation in the forecast simply means that decision-makers will have a general sense of how much it would cost the state to keep up with inflation. No program would actually get an inflationary increase in funding unless the Legislature chose to appropriate funds at that level. The argument that including inflation in the forecast puts state spending "on auto-pilot," with all programs automatically getting an inflationary funding increase in each new budget cycle, simply does not hold true.

While at times it may be a prudent choice not to fund an inflationary increase for some or all of the state's programs and services, the policy decision not to do so should not be confused with the technical process of measuring and describing the state's fiscal situation. We believe that a good budget process is one that is informed by good information. Please take this step to ensure that Minnesotans have access to accurate fiscal information.

Sincerely,

Nan Madden
Minnesota Budget Project Director
Minnesota Council of Nonprofits