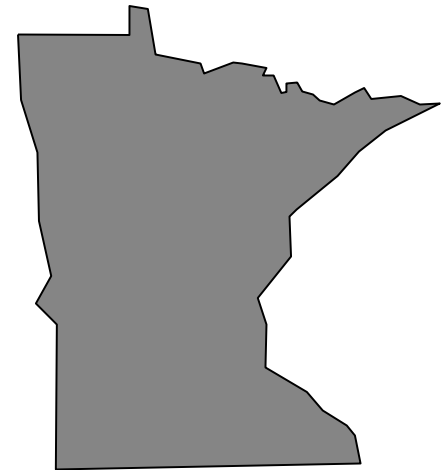


# Minnesota Budget Forecast

**November 2010**



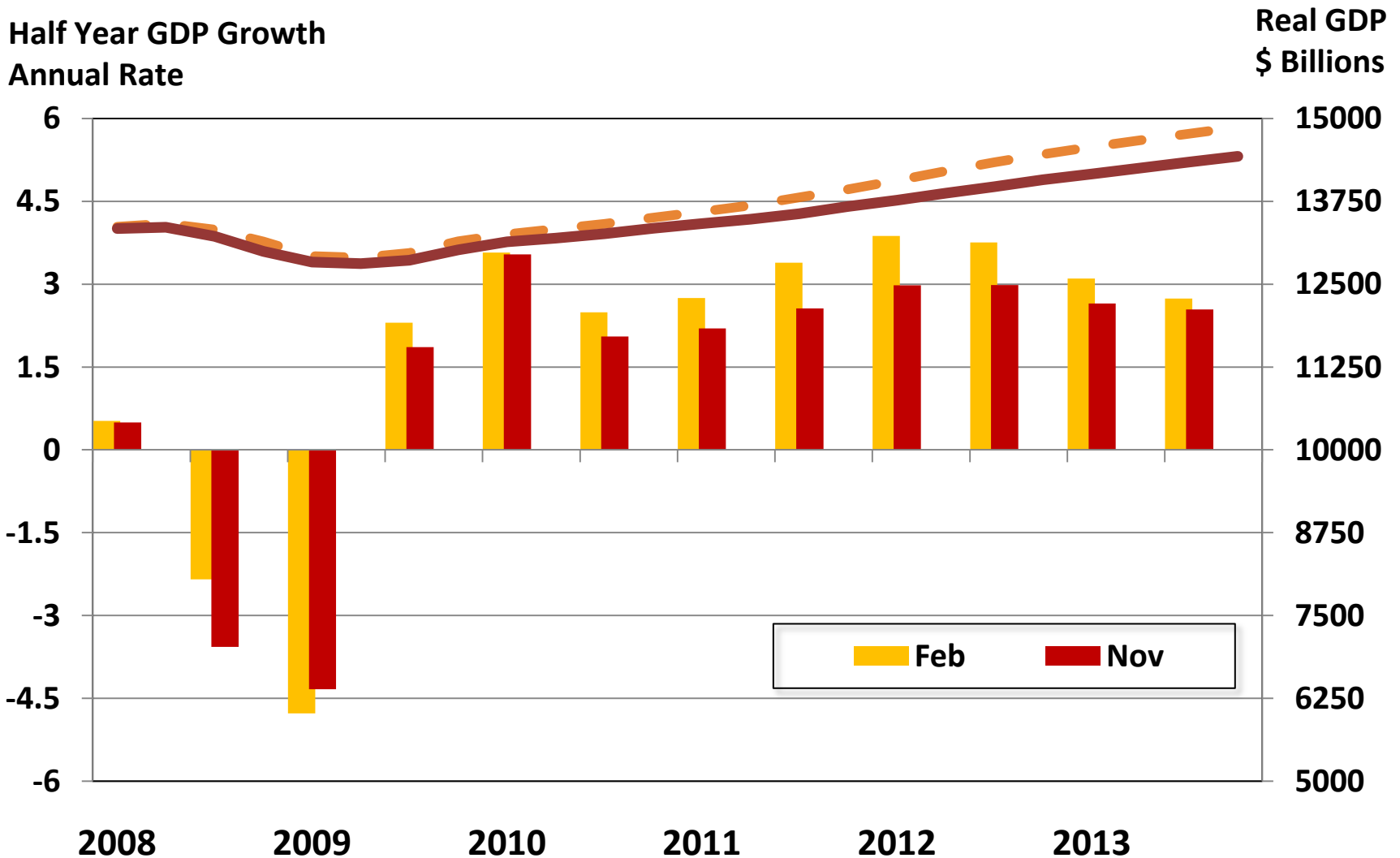
# Budget Balance \$399 Million in FY11 – \$6.188 Billion Shortfall in FY 12-13

(\$ in millions)	<u>FY10-11</u>	<u>FY12-13</u>
<b>Beginning Balance</b>	\$447	\$674
<b>Revenues</b>	30,493	32,044
<b>Spending</b>	30,266	38,591
<b>Reserves</b>	<u>275</u>	<u>275</u>
<b><i>Forecast Balance</i></b>	<b>\$399</b>	<b><i>\$(6,188)</i></b>

# **Forecast FY 2010-11 Balance Now \$399 Million**

- **May budget session left \$6 million balance**
- **October special session added \$191 million**
  - \$231M of extended federal medical assistance funding, \$38M for disaster assistance
- **November forecast added \$202 million**
  - \$183M savings in human services programs, \$123M debt service savings
  - \$44M reduction to forecast revenues
  - \$9M to budget reserve from 'excess surplus' in the workers' compensation assigned risk plan

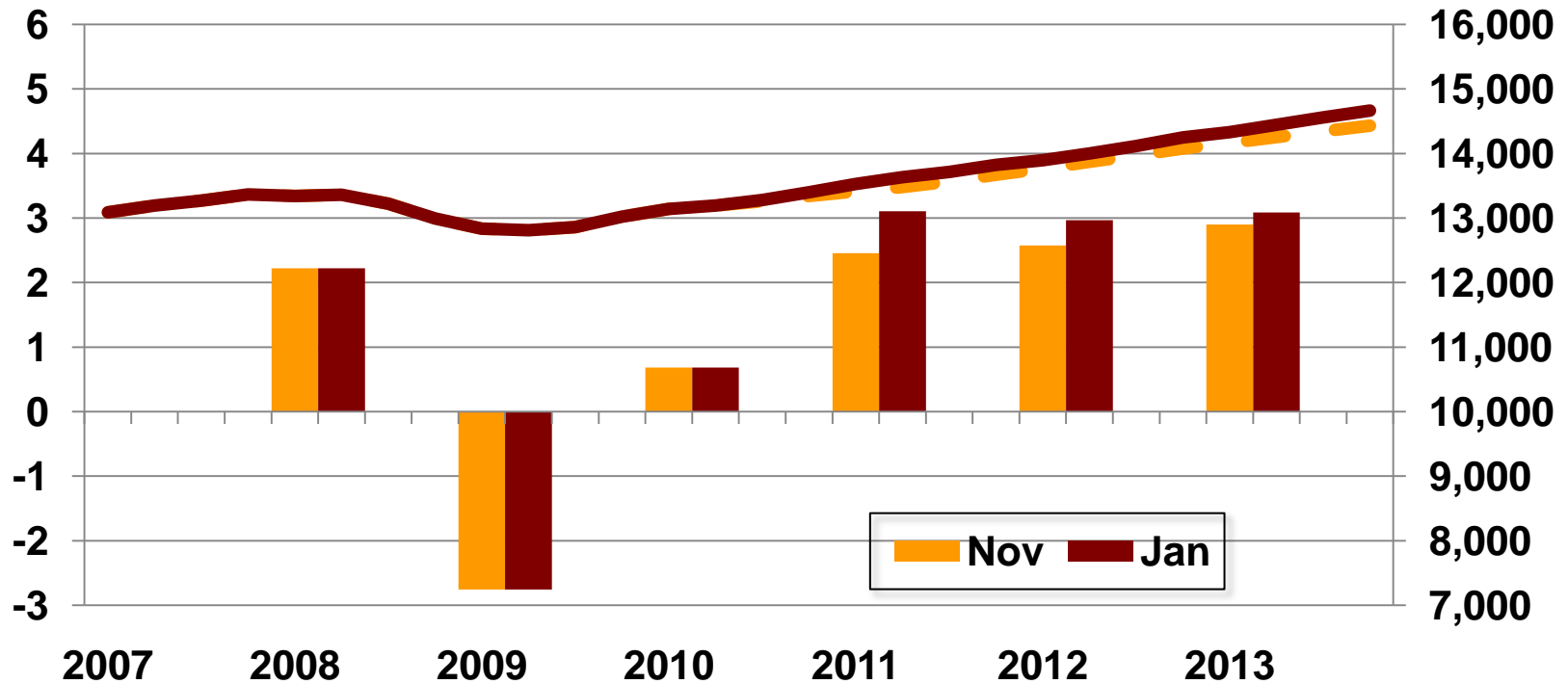
# Outlook for Real GDP Growth Modestly Weaker Through 2013



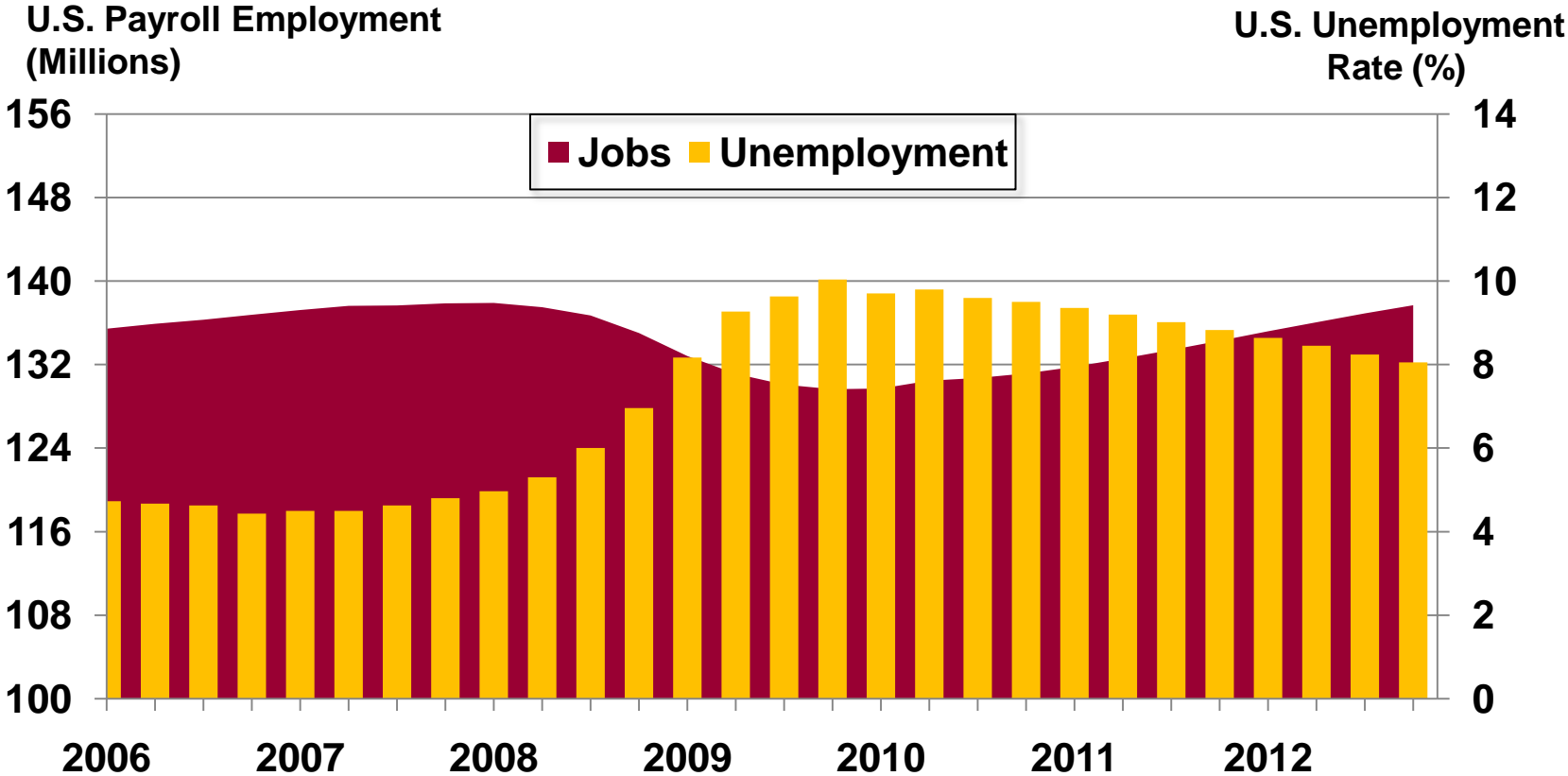
# Slightly Stronger Real GDP Growth Expected Through End of 2013

% Chg Real GDP  
SAAR (fiscal year)

Real GDP  
\$ Billions

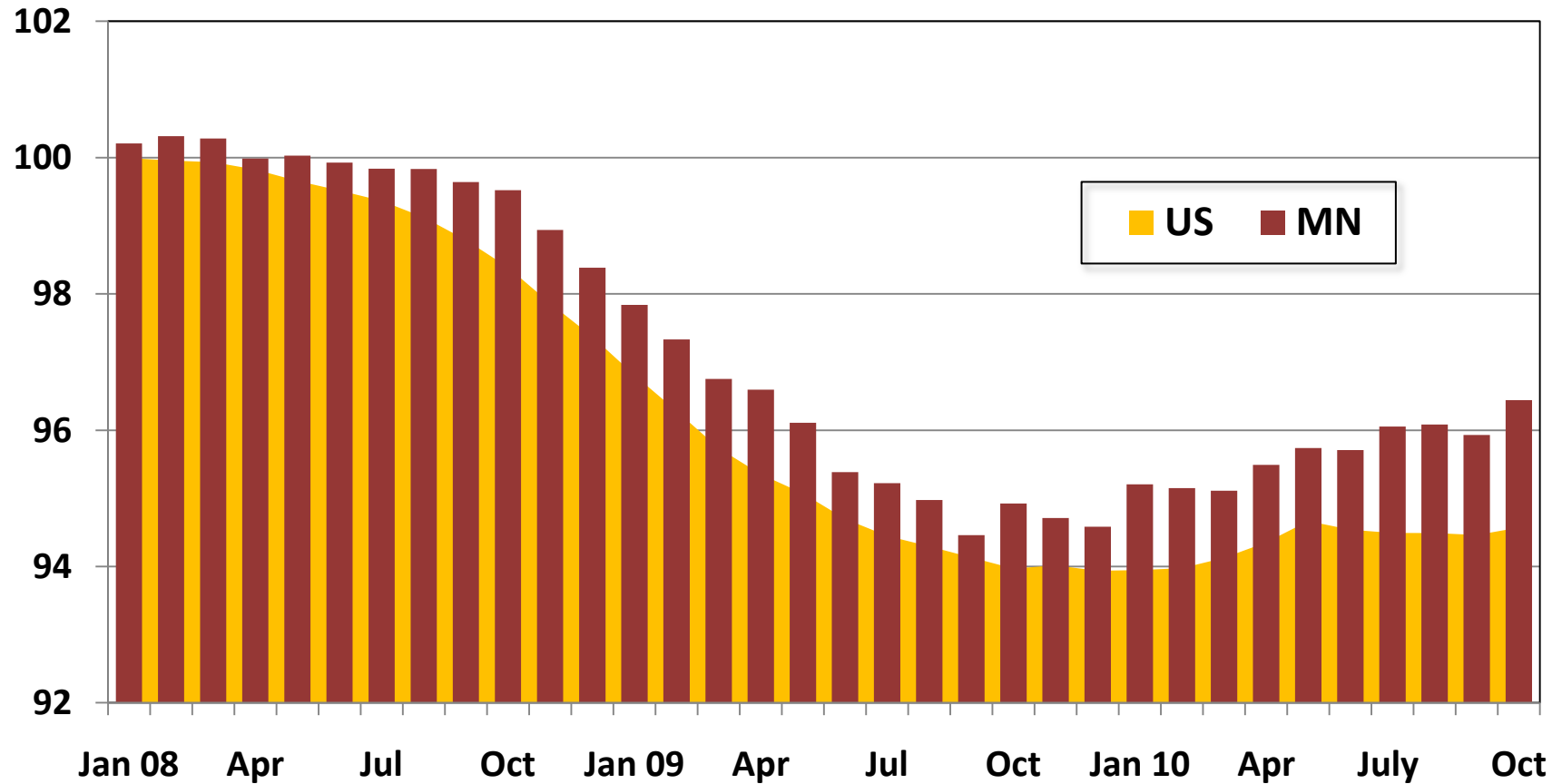


# U.S. Employment Not Expected to Reach Pre-Recession Levels Until 2013



# Minnesota Employment Is Recovering Faster than the U.S. Average

Index  
Dec 2007 = 100



# **FY 2012-13 Revenues \$904 Million Below Earlier Planning Estimates**

<b>(\$ millions)</b>	<b><u>2010-11</u></b>	<b><u>2012-13</u></b>
<b>Income Tax</b>	<b>\$(314)</b>	<b>\$(471)</b>
<b>Sales Tax</b>	<b>55</b>	<b>(119)</b>
<b>Corporate Tax</b>	<b>199</b>	<b>(185)</b>
<b>Statewide Levy</b>	<b>5</b>	<b>(3)</b>
<b>All Other Revenues</b>	<b><u>11</u></b>	<b><u>(126)</u></b>
<b>Total Revenues</b>	<b>\$(44)</b>	<b>\$(904)</b>



# Expenditure Forecast Reduced for Current and FY 2012-13 Biennium

(\$ millions)	<u>2010-11</u>	<u>2012-13</u>
<b>K-12 Education</b>	<b>\$48</b>	<b>\$26</b>
<b>Health &amp; Human Svcs.</b>	<b>(183)</b>	<b>(111)</b>
<b>Debt Service</b>	<b>(123)</b>	<b>(12)</b>
<b>All Other</b>	<b><u>3</u></b>	<b><u>(11)</u></b>
<b>Total Spending</b>	<b>\$(255)</b>	<b>\$(108)</b>

# Disparity in Revenue Growth and Projected Spending Created Budget Gap

(\$ in millions)	<u>FY10-11</u>	<u>FY12-13</u>	<u>\$ Chg.</u>	<u>% Chg.</u>
<b>Beginning Balance</b>	\$447	\$674		
<b>Revenues</b>	30,493	32,003	1,510	5.0%
<b>Spending</b>	30,266	38,591	8,324	27.5%
<b>Reserves</b>	<u>275</u>	<u>275</u>	---	---
<b><i>Forecast Balance</i></b>	<b>\$399</b>	<b><i>\$(6,188)</i></b>		

# Major Factors Driving \$8.3 Billion Spending Growth for FY 2012-13

- ▶ **Replacing Federal Stimulus**  
-- **\$2.3 billion**
- ▶ **School shifts that reduced FY 2010-11**  
-- **\$1.9 billion**
- ▶ **School shift buyback in current law (FY 2012)**  
-- **\$1.4 billion**
- ▶ **One-time reductions made in FY 2010-11**  
-- **\$660 million**
- ▶ **K-12, HHS, and other forecast growth**  
-- **\$ 2 billion**

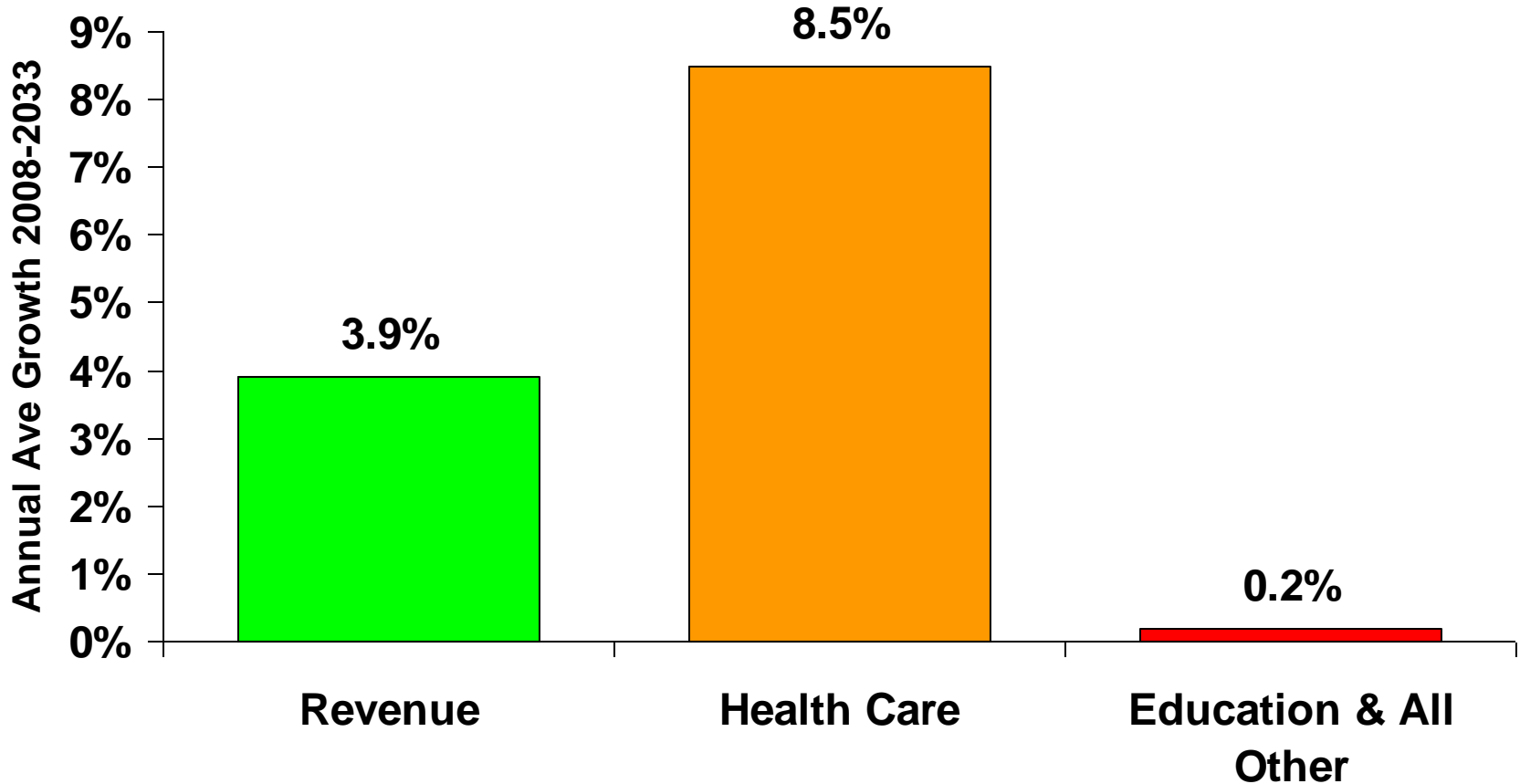
# Without Significant Changes, Revenue-Expenditure Gaps Will Continue

## Structural Balance

(\$ in millions)

	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
Forecast Revenues	\$15,459	\$16,545	\$16,910	\$17,685
Projected Spending	<u>19,774</u>	<u>18,817</u>	<u>19,648</u>	<u>20,030</u>
<b>Difference</b>	<b>(\$4,315)</b>	<b>(\$2,272)</b>	<b>(\$2,738)</b>	<b>(\$2,345)</b>
<i>Estimated Inflation (CPI)</i>	\$336	\$703	\$1,162	\$1,651

# If State Health Care Costs Continue at Trend, Spending On Other Services Can't Grow



General Fund Spending Outlook, presentation to the Budget Trends Commission,  
August 2008, Dybdal, Reitan and Broat

# \$6.2 Billion Shortfall is 16% of FY 2012-13 Projected General Fund Spending

**Total Spending \$38.6 Billion**

