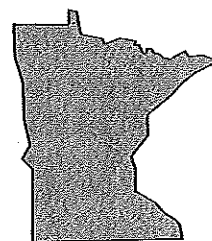


Minnesota Budget Forecast

November 2010



Minnesota Management & Budget

December 2, 2010

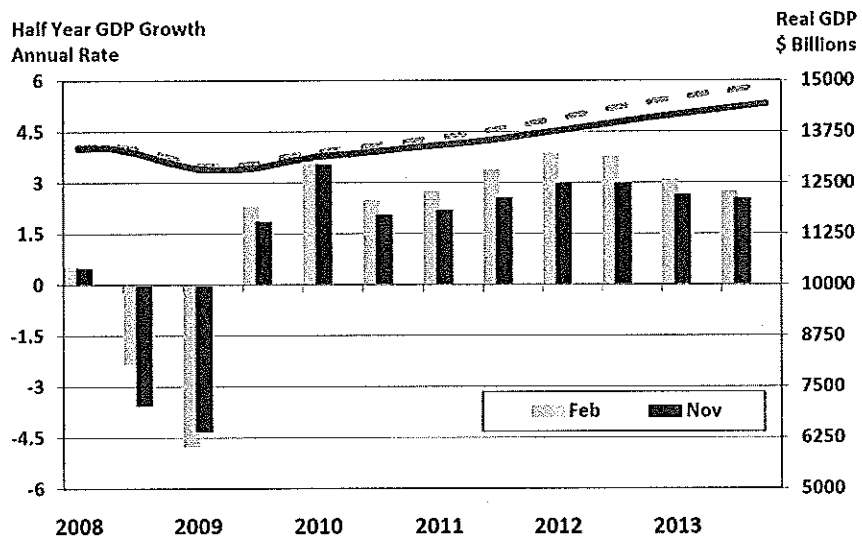
Budget Balance \$399 Million in FY11 – \$6.188 Billion Shortfall in FY 12-13

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

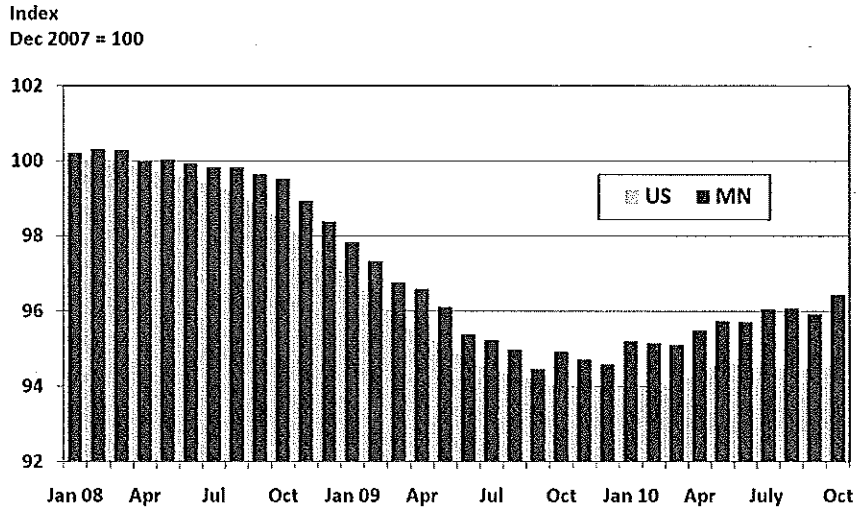
Forecast FY 2010-11 Balance Now \$399 Million

- **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



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



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

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

Expenditure Forecast Reduced for Current and FY 2012-13 Biennium

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

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> |
|--------------------------|----------------|----------------|----------------|---------------|
| Beginning Balance | \$447 | \$674 | | |
| Revenues | 30,493 | 32,003 | 1,510 | 5.0% |
| Spending | 30,266 | 38,591 | 8,324 | 27.5% |
| Reserves | <u>275</u> | <u>275</u> | --- | --- |
| Forecast Balance | \$399 | \$(6,188) | | |

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> |
| Difference | (\$4,315) | (\$2,272) | (\$2,738) | (\$2,345) |
| <i>Estimated Inflation (CPI)</i> | \$336 | \$703 | \$1,162 | \$1,651 |

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

Total Spending \$38.6 Billion

