MINNESOTA Management & Budget

Office Memorandum

DATE: October 28, 2009

TO: Cabinet Commissioners
Deputy Commissioners
Budget Directors

FROM: Tom J. Hanson, Commissioner *TJH*

RE: Supplemental Budget

This memo contains instructions for the supplemental budget. While the governor's actions balanced the budget for the current biennium, the overall financial outlook has not changed. Consequently, it is expected that you will only be submitting emergency/deficiency items or new savings opportunities for consideration in this year's supplemental budget. This guidance is intended to help you manage your legislative and budget priorities over the next few months.

State revenues and the economic outlook have been consistent with our expectations. We are seeing the initial signs of a recovery, but important elements like job creation have been slow to materialize. This recession has been the most severe that Minnesota has experienced in many decades and it will take several years for the economy to completely recover.

State tax collections are slightly below forecast. We ended fiscal year 2009 with revenues $142 million below forecast. Our monthly revenues for the current year are also somewhat below expectations. Through September, state revenues were another $52 million lower than forecast. A revised forecast of revenue and spending will be delivered on December 2, 2009.

Within this context of weaker revenue collections and a slow recovery, I expect that you will be realistic in developing budget proposals for the next legislative session. Any proposed budget changes should be limited to emergency items and specific initiatives proposed by the governor. We do not expect action on items beyond those necessary to maintain a balanced budget.

Detailed targets for any required budget reductions will be prepared in conjunction with the forecast once we have a better assessment of the budget outlook. It is important however, that you begin consideration of reduction and reform strategies now so that you may be ready to respond quickly.