MINNESOTA

BUDGET AND ECONOMIC FORECAST

FEBRUARY 2017

Produced by Minnesota Management and Budget

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Statutory Provisions

In accordance with Minnesota Statutes, section 16A.103, subdivision 1, the commissioner of Minnesota Management and Budget (MMB) must prepare a forecast of state revenue and expenditures in February and November of each year. This forecast must assume the continuation of current laws and reasonable estimates of projected growth in the national and state economies and affected populations.

Revenue must be estimated for all sources provided for in current law. Expenditures must be estimated for all obligations imposed by law and those projected to occur as a result of variables outside the control of the legislature. Expenditure estimates must not include an allowance for inflation.

A forecast prepared during the first fiscal year of a biennium must cover that biennium and the next biennium. A forecast prepared during the second fiscal year of a biennium must cover that biennium as well as the next two biennia.

Notes

Numbers in the text and tables may not add to the totals due to rounding.

Unless otherwise noted, years used to describe the budget outlook are state fiscal years (FY), from July 1 to June 30, and years used to describe the economic outlook are calendar years (CY).

Wage and price inflation is included in revenue estimates.

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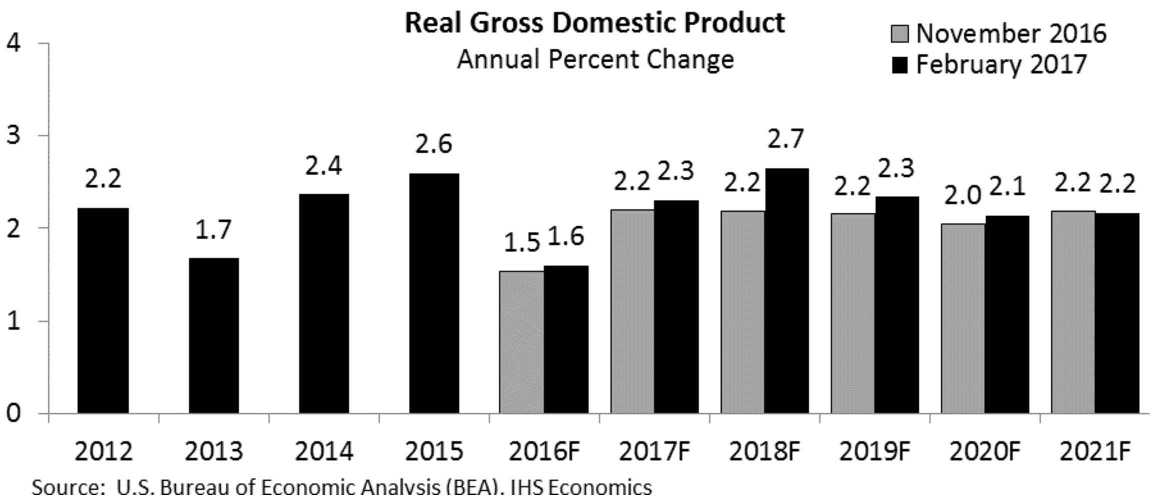
EXECUTIVE SUMMARY

Minnesota's budget and economic outlook is improved but has significant risk. Slight improvement in revenue projections for the remainder of the current biennium along with a minor reduction in spending estimates results in a projected ending balance in FY 2016-17 of $743 million, $87 million higher than prior estimates. Positive economic performance since the November forecast and expected U.S. fiscal policy changes raise the revenue forecast in the next biennium $321 million above the November estimates adjusted for recent law changes. Increased forecast spending of $156 million and a small increase in the stadium reserve account partially offset the revenue gain leaving a projected balance available for the upcoming biennium of $1.650 billion, $250 million higher than prior estimates. The positive budget outlook continues into the planning estimates for the 2020-21 biennium, however federal policy unknowns create significant risk for this forecast.

U.S. Economic Outlook. The outlook for U.S. economic growth has improved since the November forecast. The recent economic data has been mostly positive, showing improvements in personal income, business spending on equipment and structures, employment, and consumer spending. In addition, Minnesota's macroeconomic consultant, IHS Markit (IHS), has incorporated into their baseline outlook federal fiscal stimulus—in the form of lower individual income and corporate tax rates and increased infrastructure spending—which are expected to boost economic growth starting in 2018 and continuing through our forecast horizon.

Considerable uncertainty remains about which proposed U.S. economic policy changes will be enacted in the near term and their impact on the economy. At this time, IHS does not feel there is enough clarity regarding changes to trade policy, immigration policy, health care policy, and business investment incentives to incorporate those into the outlook. Until those changes become more clear, their impact on key economic sectors—including manufacturing, international trade, and health care—remain sources of forecast risk.

In IHS' February outlook, consumer spending, business investment, and government all contribute more to 2017-2021 GDP growth relative to November. IHS has increased their forecast for real GDP growth in 2017 from 2.2 percent in November's outlook to 2.3 percent in February. Higher forecasts for real consumer spending—buoyed by expected fiscal stimulus—and business capital purchases offset increased drag from net exports to raise the 2018 growth forecast from 2.2 percent in November to 2.7 percent in February. This is the largest change in expected annual real GDP growth of any year in our forecast horizon.



Higher forecasts for real consumer spending—buoyed by expected fiscal stimulus—and business capital purchases offset increased drag from net exports to raise the 2018 growth forecast from 2.2 percent in November to 2.7 percent in February.

Recent months have brought positive reports for both workers and businesses. As steady employment growth continues to absorb the remaining labor market slack, average hourly earnings of private sector employees grew 2.9 percent over the year, evidence of solid wage gains. Following a recovery in oil and natural gas drilling, business investment has picked up after struggling to contribute to GDP growth in recent years. Real business equipment investment rose 3.1 percent (at an annual rate) in the final quarter of 2016, after having fallen for four straight quarters. IHS expects positive growth to continue this year as factors that have weakened investment—slow global growth, a sell-off of accumulated inventories, and the strong U.S. dollar—start to fade.

Looking ahead, IHS expects consumer spending to remain the primary contributor to growth in the economy. In this outlook, real consumer spending is expected to grow 3.2 percent in 2018, compared to 2.5 percent in the November outlook. The improvement continues into 2019, with real consumer spending growing 2.9 percent in this forecast compared to 2.4 percent in November. These increases are due to both positive consumer fundamentals and expected federal fiscal stimulus. Regarding fundamentals, consumer spending is expected to be supported by improvements in employment, earnings, and household wealth, which has grown with rising home and stock market values. On top of that, IHS incorporates into their February outlook lower U.S. personal tax rates and $250 billion in additional infrastructure spending spread over ten years. This deficit-financed fiscal stimulus is expected to fuel real consumer spending growth starting in 2018.

The IHS February outlook is similar to that of other macroeconomic forecasters for 2017 and more optimistic than some other forecasters for 2018. The February Blue Chip Consensus, the average of about 50 business forecasts, calls for real GDP to grow 2.3 percent in 2017, matching the IHS projection. For 2018, IHS expects faster growth than the consensus: 2.7 percent for IHS compared to 2.4 percent for the consensus.

Minnesota Economic Outlook. Amid uncertainty about U.S. economic policy, Minnesota's economy continues on its moderate growth path. The state continues to add jobs at a steady rate, keeping the unemployment rate low. In December of last year, Minnesota's unemployment rate stood at 3.9 percent on a seasonally adjusted basis, 0.8 percentage points below the U.S. rate. The state added more than 37,000 jobs over the 12 months ending in December, a 1.3 percent rate of growth, slightly below the U.S. rate of 1.4 percent over the same period. In this forecast, we expect Minnesota employment to grow on average 1.1 percent per year through the forecast period.

A robust demand for workers together with low unemployment has created a tight labor market, which when combined with confidence in the economy that leads businesses to expand, puts upward pressure on wages. Statewide, there are about as many job vacancies as there are job seekers, and recent months have seen increases in both the average number of weekly hours worked by private sector employees and their average hourly earnings. In December, average wages by private sector employees in Minnesota were 5.7 percent higher than a year prior, while the comparable rate for U.S. workers was 2.9 percent.

In this forecast, we expect modestly higher wage and salary income growth over the forecast horizon than we had projected in November. Strong economic fundamentals nationally and in Minnesota will encourage firms to invest in new productivity-enhancing equipment and technology. Higher worker productivity enables firms to increase wages. We expect that a moderate acceleration in wages per worker, combined with employment growth, will lead total wage and salary income to grow on average 4.9 percent per year over the forecast period.

After several years of improvement, 2016 was another encouraging year for the state's housing market. Closed sales of homes in Minnesota reached an 11-year high, and low inventory has helped push up sale prices. In this forecast, we expect unmet demand in the existing home market to fuel new construction. The total number of residential building permits issued in 2017 and 2018 is expected be more than 25,000 per year, higher than in 2016, but still below the long-term trend of 30,000 per year. New housing construction projects increases demand for building tradespeople such as masons, carpenters, and roofers. Employment in the construction sector grew 6.9 percent in 2016, and we expect this sector to remain vital in 2017.

Budget Outlook: Current Biennium. The budget outlook for the remainder of the current biennium has changed minimally. With five collection months remaining in FY 2017, forecast revenues are up $75 million (0.2 percent) compared to November estimates adjusted for recent law changes. Total spending estimates have changed minimally, $12 million lower (0.0 percent), for the remainder of the biennium. There is no change in the cash flow account and budget reserve after adjusting the November forecast baseline for a $327 million reserve reduction that was included in the health insurance premium relief bill enacted in January 2017. After accounting for a $1 million increase in the stadium reserve, the projected ending budgetary balance for the current biennium is now $743 million, $87 million higher than prior estimates.

Current Biennium: FY 2016-17 General Fund Budget
Forecast Comparison

($ in millions)	November 2016 Forecast Adj.	February 2017 Forecast	$ Change	% Change
Beginning Balance	**$2,103**	**$2,103**	**$ -**	0.0%
Revenues	42,360	42,435	75	0.2
Expenditures	41,829	41,817	(12)	0.0
Cash Flow & Budget Reserves	1,953	1,953	-	0.0
Stadium Reserve	24	25	1	0.4
Budgetary Balance	**$656**	**$743**	**$87**	

Revenues. Total general fund revenues for FY 2016-17 are now forecast to be $42.435 billion, $75 million (0.6 percent) more than the November 2016 forecast adjusted for law changes. Total tax revenues for the biennium are forecast to be $40.427 billion, $60 million (0.1 percent) above the prior estimate. Higher expected individual and corporate income tax revenue more than offsets lower expected sales, state general property, and other tax revenue.

Current Biennium: FY 2016-17 General Fund Revenues
Change From Adjusted November 2016 Forecast

($ in millions)	February 2017 Forecast	$ Change	% Change
Individual Income Tax	$21,927	$133	0.6%
General Sales Tax	10,581	(31)	(0.3)
Corporate Franchise Tax	2,615	4	0.2
State General Property Tax	1,692	(2)	(0.1)
Other Tax Revenue	3,612	(43)	(1.2)
Subtotal	**40,427**	**60**	**0.1%**
Non-Tax Revenues	1,517	15	1.0
Other Resources	492	(0)	(0.0)
Total Revenue	**$42,435**	**$75**	**0.2%**

Individual income tax receipts in FY 2016-17 are now forecast to be $133 million (0.6 percent) more than the prior estimate. Higher forecast income growth offsets a decrease in tax liability for 2015, the base year for this forecast.

General sales tax revenue in FY 2016-17 is now forecast to be $31 million (0.3 percent) less than the prior estimate. Higher forecast sales tax refunds more than offset higher gross sales tax receipts. The change in forecast gross sales tax revenues net of the motor vehicle lease (MVL) transfer reflects higher than expected receipts so far in FY 2017 and a technical revision to a law change estimate. The change in sales tax refunds reflects information about the inventory of pending refund claims.

Net corporate franchise tax revenue receipts in FY 2016-17 are now forecast to be $4 million (0.2 percent) more than the prior estimate. Higher forecast corporate refunds partially offset higher gross corporate receipts.

Other tax revenue is now expected to exceed the prior estimate by $43 million (1.2 percent). Among other taxes, the estate tax shows the largest dollar mount change, $39 million (10.7 percent) less than in November. This change reflects lower than expected estate tax receipts so far in FY 2017.

***Expenditures*.** Total expenditures in the current biennium are now projected to be $41.817 billion, $12 million (0.0 percent) lower than adjusted November estimates. Lower expected Medical Assistance spending results in a forecast reduction of $42 million (0.4 percent) in Health and Human Services. Better and more accurate data allowed for updated student count projections which results in a $24 million increase (0.1 percent) in the E-12 education forecast for FY 2016-17. A minimal increase in estimated spending in all other areas of the budget partially offsets the overall expenditure forecast reduction for the current biennium.

Current Biennium: FY 2016-17 General Fund Expenditures
Change From Adjusted November 2016 Forecast

($ in millions)	**February 2017 Forecast**	**$ Change**	**% Change**
E-12 Education	$17,427	$24	0.1%
Property Tax Aids & Credits	3,338	(4)	(0.1)
Health & Human Services	11,766	(42)	(0.4)
Debt Service	1,139	-	0.0
All Other	8,148	11	0.1
Total Expenditures	**$41,817**	**$(12)**	**0.0%**

Budget Outlook: Next Biennium. The budget outlook for the 2018-19 biennium has improved. An increased revenue forecast of $321 million (0.7 percent) is partially offset by $156 million (0.4 percent) in higher spending estimates. The forecast gain from the current biennium adds $88 million to the bottom line in FY 2018-19. The budget reserve and cash flow accounts are unchanged from the adjusted November balances and the stadium reserve account is projected to be $3 million higher than prior estimates. Prior to the 2017 legislature enacting a budget, the projected budgetary balance for the next biennium is $1.650 billion, $250 million higher than the prior estimate.

Next Biennium: FY 2018-19 General Fund Budget
Forecast Comparison

($ in millions)	November 2016 Forecast Adj.	February 2017 Forecast	$ Change	% Change
Beginning Balance	**$2,634**	**$2,721**	**$88**	1.1%
Revenues	45,342	45,663	321	0.7
Expenditures	44,585	44,741	156	0.4
Cash Flow & Budget Reserves	1,953	1,953	-	0.0
Stadium Reserve	38	40	3	6.9
Budgetary Balance	**$1,400**	**$1,650**	**$250**	

***Revenues*.** The current forecast for FY 2018-19 revenues is $321 million (0.7 percent) more than the November forecast adjusted for law changes. Total tax revenues for the biennium are forecast to be $339 million (0.8 percent) above the prior estimate. Higher forecast individual income, general sales, and corporate tax revenues offset lower forecasts for state general property and other tax revenues.

Higher expected income growth in CY 2017 and CY 2018 contributes to an increased forecast for individual income tax revenue in FY 2018-19. Income tax receipts in the next biennium are now expected to exceed the prior estimate by $274 million (1.1 percent).

Net sales tax revenue in the next biennium is now expected to exceed the prior estimate by $48 million (0.4 percent), with higher projected gross receipts offsetting a higher refund forecast. Higher forecast taxable purchases in CY 2018 and CY 2019 contribute to a higher sales tax forecast in FY 2018-19.

Next Biennium: FY 2018-19 General Fund Revenues
Change From November 2016 Forecast Adj.

($ in millions)	February 2017 Forecast	$ Change	% Change
Individual Income Tax	$24,401	$274	1.1%
General Sales Tax	11,466	48	0.4
Corporate Franchise Tax	2,623	69	2.7
State General Property Tax	1,742	(2)	(0.1)
Other Tax Revenue	3,667	(50)	(1.3)
Subtotal	**43,899**	**339**	**0.8%**
Non-Tax Revenues	1,401	(18)	(1.2)
Other Resources	363	0	0.0
Total Revenue	**$45,663**	**$321**	**0.7%**

Higher forecast gross corporate receipts offset higher expected refunds to generate a $69 million (2.7 percent) increase in net forecast corporate tax receipts for FY 2018-19. A higher corporate profits forecast is primarily responsible for the change.

Other tax revenue in FY 2018-19 is expected to be $50 million (1.3 percent) lower than the November estimate. The largest dollar amount change is in the estate tax forecast, which is $16 million (4.8 percent) lower than in November.

***Expenditures*.** Expenditures, based on current law formulas and base level appropriations, are now projected to reach $44.751 billion in the next biennium, $156 million (0.4 percent) higher than prior estimates.

Next Biennium: FY 2018-19 General Fund Expenditures
Change From Adjusted November 2016 Forecast

($ in millions)	**February 2017 Forecast**	**$ Change**	**% Change**
E-12 Education	$18,272	$95	0.5%
Property Tax Aids & Credits	3,452	(15)	(0.4)
Health & Human Services	14,324	73	0.5
Debt Service	1,143	-	0.0
All Other	7,550	3	0.0
Total Expenditures	**$44,741**	**$156**	**0.4%**

The largest state budget category, E-12 Education, accounts for the most significant change from the November forecast. Better and more accurate data for projecting growth in the student population results in a $95 million increase (0.5 percent) and the forecast for E-12 education spending. The second largest budget area, health and human services (HHS), is responsible for most of the remainder of the expenditure growth in this forecast compared to prior estimates. Changes in insurer participation in public health insurance programs and an upward revision in the cost of managed care coverage drives a $73 million (0.4 percent) increase in the HHS forecast compared to the November forecast for the next biennium. The debt service forecast is unchanged from November estimates. A slight reduction of $15 million (0.4 percent) in the property tax aids and credit forecast partially offsets the overall expenditure forecast increase

Budget Outlook: Planning Estimates. Projected revenue growth continues to exceed expenditure growth through the forecast horizon, providing structural balance for FY 2020-21. An increased revenue forecast is expected to continue into the planning estimates. Projected revenues are expected to exceed current law spending by $2.125 billion, $646 million more than previous estimates in November. Projected inflation based on the Consumer Price Index (CPI) is now expected to be 2.1 percent each year in FY 2018 and FY 2019 followed by 2.6 percent in FY 2020 and 2.7 percent in FY 2021.

Planning Estimates: General Fund Budget
February 2017 Forecast

($ in millions)	FY 2018	FY 2019	FY 2020	FY 2021
Forecast Revenues	$22,279	$23,384	$24,162	$25,195
Projected Spending	22,103	22,638	23,296	23,937
Difference	**$177**	**$746**	**$866**	**$1,259**
Estimated Inflation (CPI)	*$362*	*$748*	*$1,263*	*$1,821*

Planning estimates carry a high degree of uncertainty and inherently larger potential range of error compared to the forecast for the current and next biennium. Planning estimates for FY 2020-21 are presented to assist longer term financial planning.

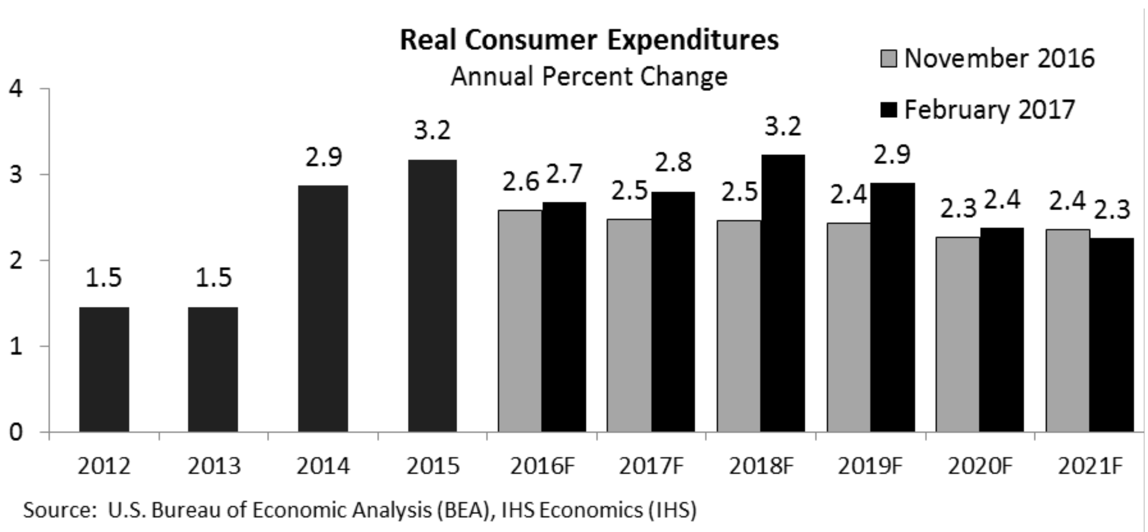
The planning estimates are not meant to predict balanced or unbalanced budgets in the future. Their purpose is to assist in determining how well projected state revenues will match ongoing spending over a longer term. The FY 2020-21 projections provide a current law framework to analyze the impacts of FY 2018-19 budget proposals and legislative actions.

ECONOMIC OUTLOOK

U.S. Economic Outlook

The outlook for U.S. economic growth has improved since Minnesota's *Budget and Economic Forecast* was last prepared in November 2016. The economic data coming in since November has been mostly positive, showing improvements in personal income, business spending on equipment and structures, employment, and consumer spending. In addition, Minnesota's macroeconomic consultant, IHS Markit (IHS), has incorporated into their baseline outlook federal fiscal stimulus—in the form of lower individual income and corporate tax rates and increased infrastructure spending—which are expected to boost economic growth starting in 2018.

Considerable uncertainty remains about which proposed U.S. economic policy changes will be enacted in the near term and their impact on the economy. At this time, IHS does not feel there is enough clarity regarding changes to trade policy, immigration policy, health care policy, and business investment incentives to incorporate those into the outlook. Until those changes become more clear, their impact on key economic sectors—manufacturing, international trade, and health care—remain sources of forecast risk.



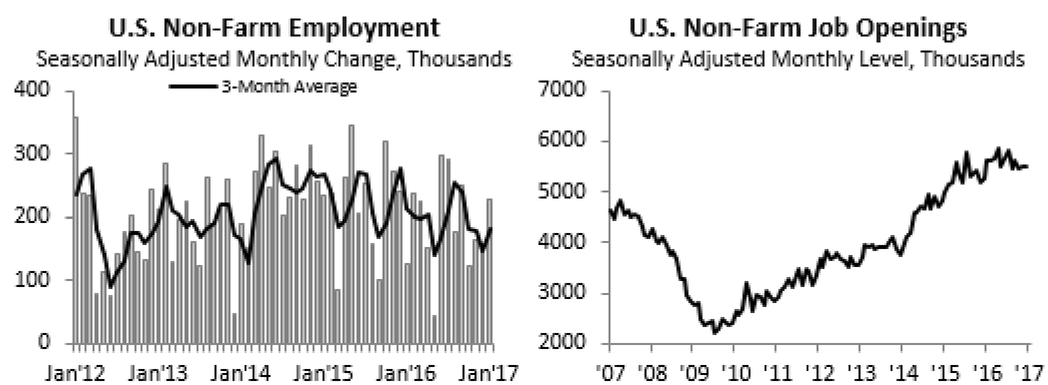
The higher forecast for real consumer spending is due to positive consumer fundamentals—including improvements in employment, income, and household wealth—and expected federal fiscal stimulus in the form of individual income tax rate cuts and increased infrastructure spending.

In IHS' February outlook, consumer spending, business investment, and government all contribute more to 2017-2021 GDP growth relative to November. IHS has increased their forecast for real

GDP growth in 2017 from 2.2 percent in November's outlook to 2.3 percent in February. Higher forecasts for real consumer spending—buoyed by expected fiscal stimulus—and business capital purchases offset increased drag from net exports to raise the 2018 growth forecast from 2.2 percent in November to 2.7 percent February. This is the largest change in expected annual real GDP growth of any year in our forecast horizon.

Looking ahead, IHS expects consumer spending to remain the primary contributor to growth in the economy. In this outlook, real consumer spending is expected to grow 3.2 percent in 2018, compared to 2.5 percent in the November outlook. The improvement continues into 2019, with real consumer spending growing 2.9 percent in this forecast compared to 2.4 percent in November. These increases are due to both positive consumer fundamentals and expected federal fiscal stimulus in the form of individual income tax rate cuts and increased infrastructure spending. Regarding fundamentals, consumer spending is expected to be supported by improvements in employment, income, and household wealth, which has grown with rising home and stock market values. On top of that, IHS incorporates into their February outlook lower U.S. personal tax rates and $250 billion in additional infrastructure spending spread over ten years. This deficit-financed fiscal stimulus is expected to fuel real consumer spending growth starting in 2018.

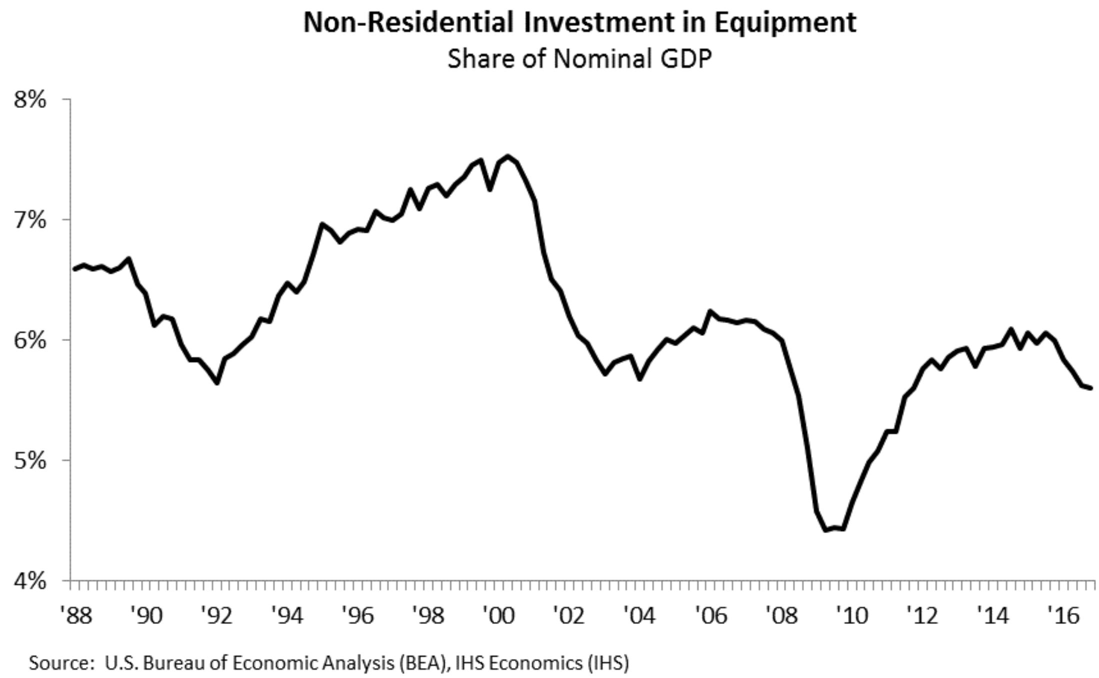
As steady employment growth continues to absorb the remaining labor market slack, earnings are showing signs of improvement. According to the Bureau of Labor Statistics (BLS) the establishment payroll survey showed that U.S. employers added a seasonally adjusted 156,000 jobs in December, following average additions of about 180,000 per month during the previous 12 months. In addition, the December report showed that average hourly earnings of private sector employees grew 2.9 percent over the year, evidence of solid wage gains.



Source: U.S. Bureau of Labor Statistics (BLS)

As steady employment growth continues to absorb the remaining labor market slack, earnings are showing signs of improvement. The December payroll report showed that average hourly earnings of private sector employees grew 2.9 percent over the year, evidence of solid wage gains.

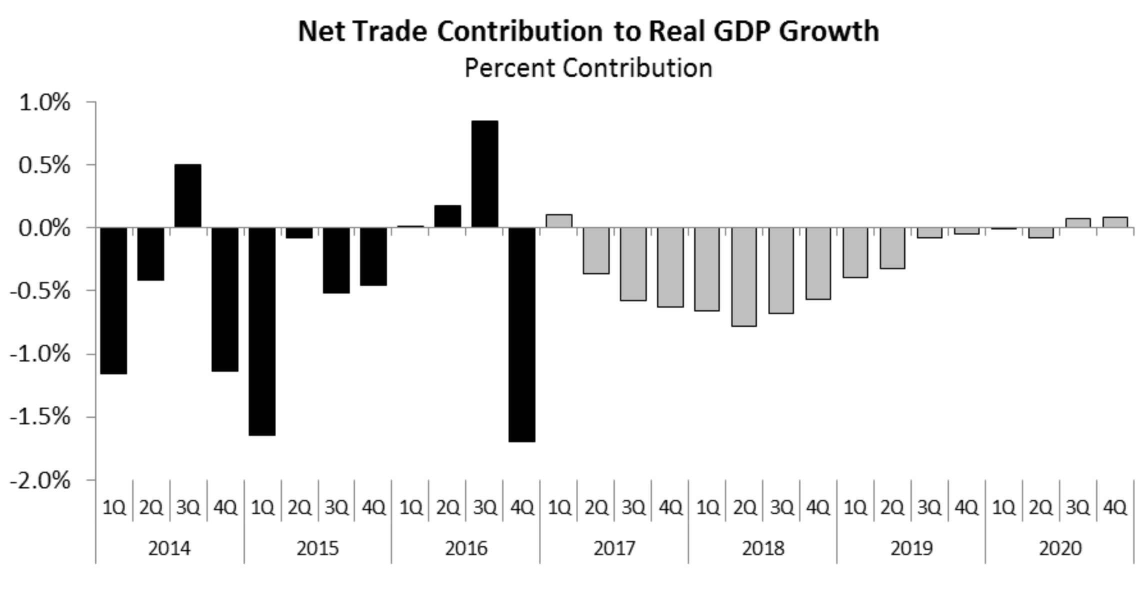
Fueled by a recovery in oil and natural gas drilling, business investment has picked up after struggling to contribute to GDP growth in recent years. Real business equipment investment rose 3.1 percent (at an annual rate) in the final quarter of 2016, after having fallen for four straight quarters. IHS expects positive growth to continue this year as four factors that have weakened investment fade. Those factors are slow global growth, slow U.S. growth, a sell-off of accumulated inventories, and the strong U.S. dollar.



Fueled by a recovery in oil and natural gas drilling, business investment has picked up after struggling to contribute to GDP growth in recent years. Real business equipment investment rose in the final quarter of 2016, after having fallen for four straight quarters.

The promise of rising U.S. interest rates, while rates remain low or negative in many other countries, together with stronger economic growth in the U.S. than abroad, increases demand for and the value of U.S. currency. A stronger dollar increases the cost of U.S.-made goods and commodities, making them more expensive for overseas customers. This impact has slowed export growth in recent years, but IHS expects that drag to fade. IHS now expects the trade-weighted dollar to continue to gain value against major currencies until it peaks in early 2018. It will then begin to fall as global economies recover strength and foreign interest rates start to rise. Consequently, the IHS forecast calls for real exports to grow 2.4 percent in 2018 and 3.0 percent in 2019. However, because imports are expected to recover to more normal levels, net exports will not contribute to real GDP growth for the next several years.

Uncertainty about U.S. trade policy remains significant. IHS has not yet seen enough clarity about policy changes that could impact international trade, such as immigration reforms, tariffs, and border-adjustment taxes, to incorporate them into their forecast. Moreover, their February outlook assumes that the U.S. does not engage in a trade war with major trading partners.



Source: U.S. Bureau of Economic Analyais (BEA), IHS Economics (IHS)

The value of the dollar is forecast to peak in 2018, and then begin to fall as global economies recover strength and foreign interest rates start to rise. Real exports are forecast to grow, but because imports are expected to recover to more normal levels, net exports will not contribute to real GDP growth for the next several years.

The Federal Reserve is expected to continue with gradual monetary policy tightening as the labor market improves and inflation moves toward the Fed's target of 2 percent. However, since November IHS has increased their expectation for both the pace of interest rate increases and the equilibrium level of rates. The November 2016 baseline outlook expected the Federal Open Market Committee (FOMC) to raise the upper bound of the federal funds rate target a total of 0.50 percentage points in 2017 and 0.75 percentage points in each of 2018 and 2019, with the federal funds rate leveling off at 2.75 percent in late 2019. IHS now expects three interest rate increases of 0.25 percentage points per year over the next three years, with the federal funds rate settling at a long-term equilibrium rate of 3.00 percent near the end of 2019.

The IHS February outlook is similar to that of other macroeconomic forecasters for 2017 and more optimistic than some other forecasters for 2018. The February Blue Chip Consensus, the average of about 50 business forecasts, calls for real GDP to grow 2.3 percent in 2017, matching the IHS projection. For 2018, IHS expects faster growth than the consensus: 2.7 percent for IHS compared to 2.4 percent for the consensus.

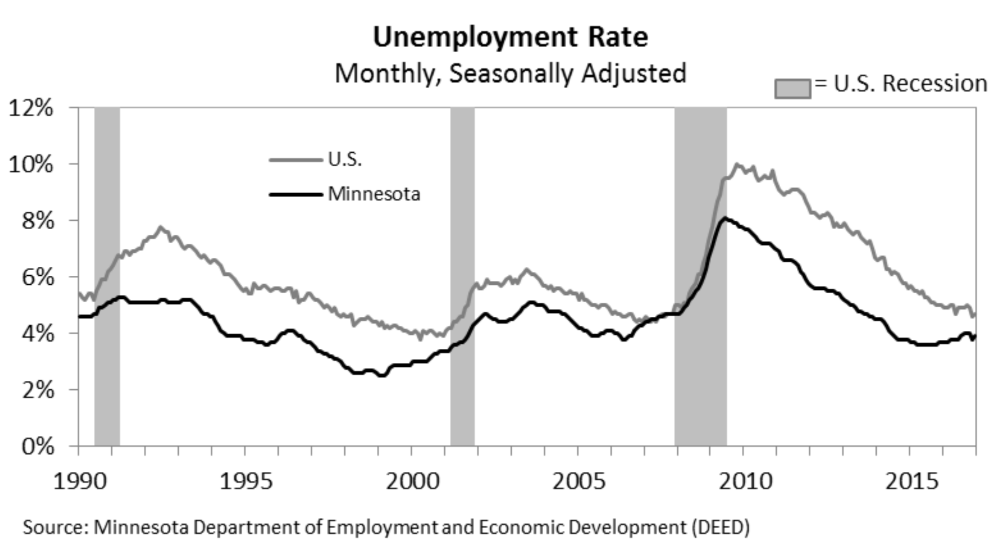
Forecast risks: Even aside from U.S. policy uncertainty, there are risks inherent in this forecast. First, annual real GDP growth of 2.1-2.7 percent as is expected in this forecast is below the 3.1 percent average annual growth that we saw during the 20 years prior to the Great Recession. Slow growth makes the economy more vulnerable to shocks, reducing its capacity to weather an unexpected event. Second, the current economic recovery and expansion period is now into its eighth year, well beyond the average length of post-World War II U.S. expansions. While simple old age is not thought to end an expansion, some would argue that the longer the cycle gets, the lower the probability of continuing to avoid a downturn.

Finally, the IHS February economic outlook depends on several key forecast assumptions. If these assumptions do not materialize, the economic outcome will differ from IHS's baseline forecast. (1) Regarding U.S. fiscal policy, IHS incorporates some of the new administration's tax and spending proposals, as well as a hiring freeze for most non-military government employees. They assume lower personal and corporate tax rates and $250 billion in additional infrastructure spending spread over ten years. (2) IHS expects the Federal Reserve to increase the upper bound of the federal funds rate target to 1.50 percent by the end of 2017, with the target reaching 3.00 percent by the end of 2019. (3) The February outlook assumes continued slow global growth, with annual real GDP growth for major U.S. trading partners averaging 1.7 percent over the next ten years. (4) IHS assumes that the promise of higher U.S. interest rates and stronger economic growth in the U.S. than abroad will continue to attract investment into the U.S., increasing the value of the dollar until it peaks in early 2018. (5) IHS expects energy prices to stay fairly flat through 2018 and then slowly pick up, with the average price of a barrel of Brent crude oil to be $58 in 2017, $57 in 2018, and $64 in 2019.

IHS assigns a probability of 60 percent to the February baseline outlook. They assign a 25 percent probability to a more pessimistic scenario, in which strained trade relations reduce net exports, and businesses postpone investment, triggering a two-quarter recession in 2018. In IHS's more optimistic scenario, federal business de-regulation and fiscal stimulus encourage productivity-enhancing business investment, raising real GDP growth starting in 2017. This scenario gets a 15 percent probability.

Minnesota Economic Outlook

Amid uncertainty about U.S. economic policy, Minnesota's economy continues on its moderate growth path. The Bureau of Economic Analysis (BEA) reports the state's real GDP rose 1.9 percent in 2015, 0.6 percentage points slower than the nation. Minnesota continues to add jobs at a steady rate, helping keep the unemployment rate low. In December of last year, Minnesota's unemployment rate stood at 3.9 percent on a seasonally adjusted basis, 0.8 percentage points below the U.S. rate. The state added more than 37,000 jobs over the 12 months ending in December, a 1.3 percent rate of growth, slightly below the U.S. rate of 1.4 percent over the same period. In this forecast, we expect Minnesota employment to grow on average 1.1 percent per year through the forecast period.



Minnesota continues to add jobs at a steady rate, which is instrumental in maintaining a low unemployment rate. In December of last year, Minnesota's unemployment rate stood at 3.9 percent on a seasonally adjusted basis, 0.8 percentage points below the U.S. rate.

A robust demand for workers together with low unemployment has created a tight labor market, which when combined with confidence in the economy that leads businesses to expand, puts upward pressure on wages. Statewide, there are about as many job vacancies as there are job seekers, and recent months have seen increases in both the average number of weekly hours worked by private sector employees and their average hourly earnings. Employers will have to be competitive if they want to keep hiring workers and expanding output. In this context, we expect Minnesota firms to increase productivity by investing in new equipment and technology.

In this forecast, we expect modestly higher employment growth over the next three years than we had forecast in November. We expect that a moderate acceleration in average annual wages combined with this employment growth will lead total wage and salary income to grow on average 4.9 percent per year over the forecast period.

Forecast Comparison: Minnesota & U.S.

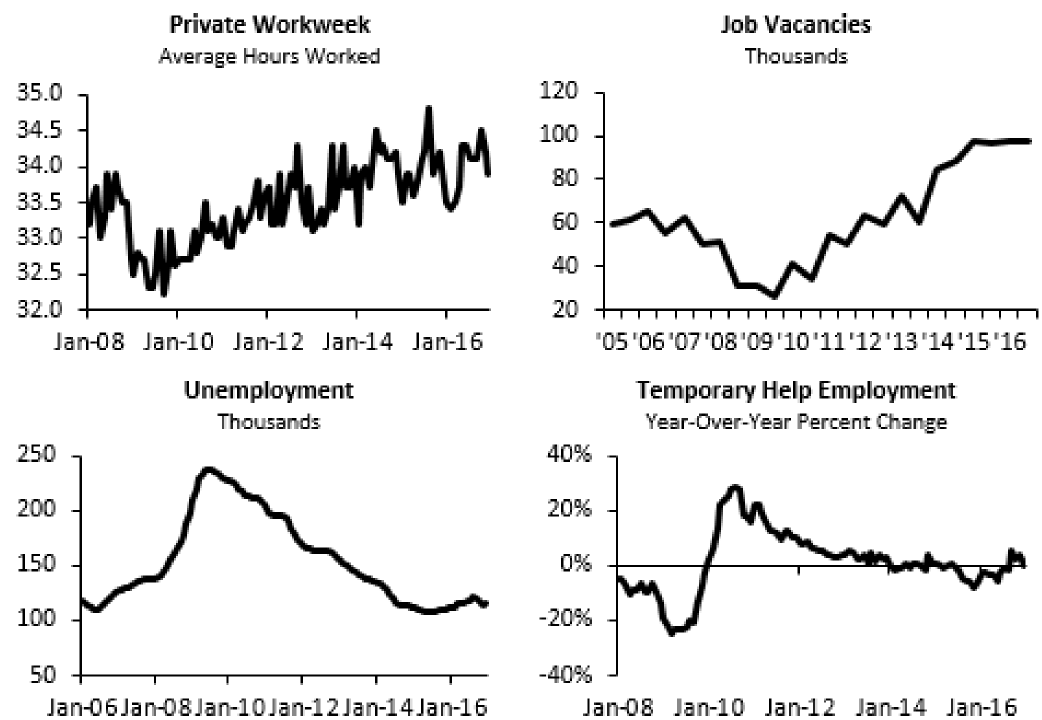
Forecast 2016 to 2021, Calendar Years

	2014	2015	2016	2017	2018	2019	2020	2021
Total Non-Farm Payroll Employment (Thousands)								
Minnesota								
February 2017	2,814	2,856	2,893	2,923	2,965	3,002	3,030	3,053
%Chg	1.4	1.5	1.3	1.0	1.4	1.2	0.9	0.8
November 2016	2,814	2,856	2,895	2,923	2,949	2,979	3,005	3,031
%Chg	1.4	1.5	1.3	1.0	0.9	1.0	0.9	0.9
U.S.								
February 2017	138,937	141,813	144,306	146,446	148,454	150,150	151,471	152,456
%Chg	1.9	2.1	1.8	1.5	1.4	1.1	0.9	0.7
November 2016	138,939	141,833	144,314	146,196	147,960	149,708	151,042	152,076
%Chg	1.9	2.1	1.7	1.3	1.2	1.2	0.9	0.7
Wage and Salary Disbursements (Billions of Current Dollars)								
Minnesota								
February 2017	145.9	153.8	159.7	167.2	175.9	184.8	193.5	202.6
%Chg	4.5	5.4	3.8	4.7	5.2	5.1	4.7	4.7
November 2016	145.9	153.8	159.4	166.9	174.8	182.9	191.0	199.7
%Chg	4.5	5.4	3.6	4.7	4.7	4.6	4.4	4.5
U.S.								
February 2017	7,476	7,855	8,184	8,573	9,035	9,517	9,991	10,489
%Chg	5.1	5.1	4.2	4.8	5.4	5.3	5.0	5.0
November 2016	7,476	7,855	8,184	8,589	9,062	9,552	10,030	10,534
%Chg	5.1	5.1	4.2	5.0	5.5	5.4	5.0	5.0
Non-Wage Personal Income (Billions of Current Dollars)								
Minnesota								
February 2017	122.2	125.4	127.4	132.4	138.5	145.4	152.1	158.5
%Chg	5.0	2.7	1.6	3.9	4.6	5.0	4.6	4.2
November 2016	122.2	125.4	126.4	130.8	136.8	143.2	149.7	156.2
%Chg	5.0	2.7	0.8	3.5	4.5	4.7	4.6	4.4
U.S.								
February 2017	7,333	7,604	7,822	8,133	8,523	8,961	9,397	9,816
%Chg	5.4	3.7	2.9	4.0	4.8	5.1	4.9	4.5
November 2016	7,333	7,604	7,823	8,147	8,544	8,982	9,415	9,833
%Chg	5.4	3.7	2.9	4.1	4.9	5.1	4.8	4.4
Total Personal Income (Billions of Current Dollars)								
Minnesota								
February 2017	268.1	279.3	287.1	299.6	314.3	330.1	345.6	361.1
%Chg	4.7	4.2	2.8	4.3	4.9	5.0	4.7	4.5
November 2016	268.1	279.3	285.8	297.8	311.6	326.1	340.7	355.9
%Chg	4.7	4.2	2.4	4.2	4.6	4.6	4.5	4.4
U.S.								
February 2017	14,810	15,459	16,006	16,707	17,559	18,478	19,388	20,305
%Chg	5.2	4.4	3.5	4.4	5.1	5.2	4.9	4.7
November 2016	14,810	15,459	16,007	16,736	17,606	18,534	19,444	20,367
%Chg	5.2	4.4	3.5	4.6	5.2	5.3	4.9	4.7

Source: IHS Economics and Minnesota Management and Budget (MMB)

Labor Market. The latest news on Minnesota's labor market remains encouraging, as steady job creation continues to keep the unemployment rate low. In December, Minnesota's unemployment rate stood at 3.9 percent on a seasonally adjusted basis, 0.8 percentage points below the U.S. rate. Other leading indicators, such job vacancies, average hours worked, and temporary help employment are also at levels consistent with a firming labor market.

Minnesota Leading Indicators



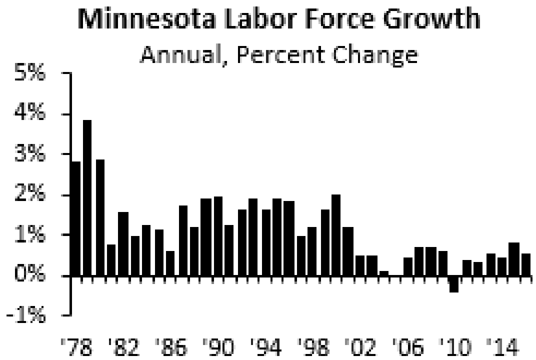
Source: Minnesota Department of Employment and Economic Development (DEED)

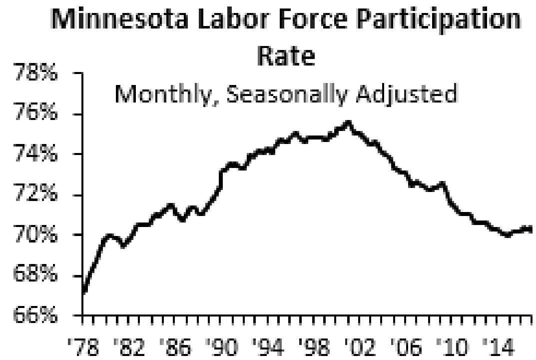
With strong demand for workers and low unemployment, Minnesota's labor market remains tight.

According to DEED, job vacancies statewide have persisted at a very high level, with 97,580 in the second quarter of 2016. This is about 400 vacancies shy of the level in the second quarter of previous year, which was the highest number of vacancies in 16 years. Industries such Health Care and Social Assistance, Accommodation and Food Service, Retail Trade, and Manufacturing have the largest numbers of vacancies. DEED also reports that about 55.3 percent of job vacancies were located in the Twin Cities seven-county area, and the remaining 44.7 percent were in Greater Minnesota.

The December employment report showed that the average workweek in the private sector was slightly higher than 12 months prior, and had increased 4.0 percent since 2009. Temporary help jobs showed year-over-year decreases during the first eight month of 2016, but stabilized in the final quarter of 2016. In the second quarter of 2016, Minnesota had one job vacancy for every 1.2 unemployed job seekers statewide, similar to what we observed one year ago.

According to DEED, Minnesotans filing new claims for unemployment benefits have gradually increased over the last nine months, and rose in December to 19,055. However, claims remain 5 percent lower than last December.

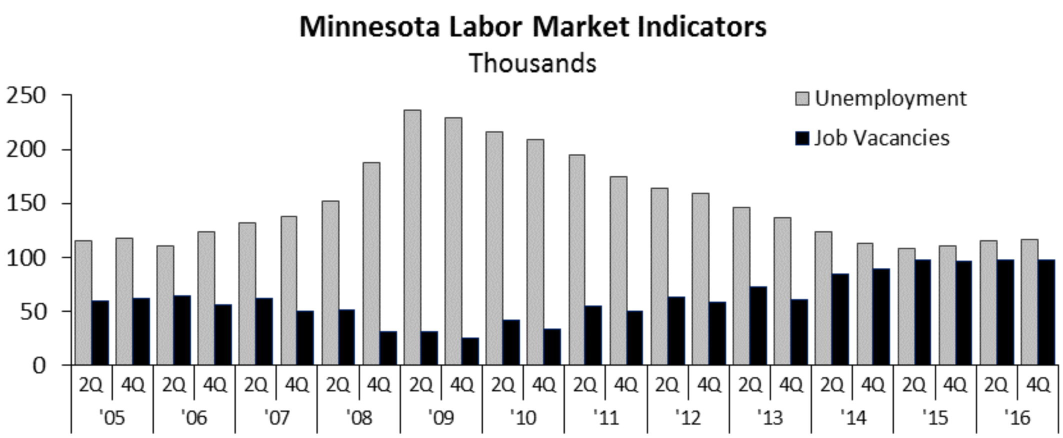




Source: Minnesota Department of Employment and Economic Development (DEED), Minnesota Management & Budget (MMB)

Minnesota has one of the highest total labor force participation rates among states, surpassing the national rate by more than 6 percentage points.

The improvement in job prospects and wages has allowed the state to maintain a relatively high labor force participation rate, even while the workforce ages. In December 2016, Minnesota's labor force participation rate was 68.9 percent, nearly 6.2 percentage points higher than the national rate. However, labor force participation over the last eight months has gradually decreased. The proportion of the population age 16 and older that is employed or actively looking for work in December 2016 has dropped nearly 2 percentage points in relation to the same month in 2015. This is consistent with the large Baby Boom population group gradually reaching retirement age.

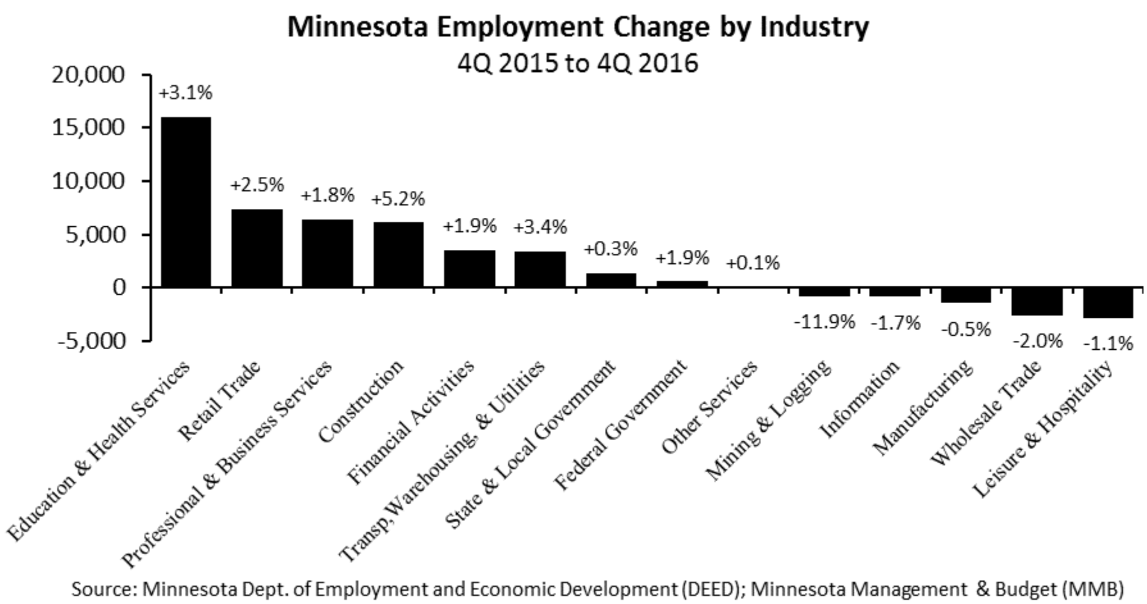


Source: Minnesota Department of Employment and Economic Development (DEED)

In the second quarter of 2016, Minnesota had one job vacancy for every 1.2 unemployed job seekers statewide, similar to what we observed one year ago. A robust demand for workers together with low unemployment puts upward pressure on wages.

We expect Minnesota's labor market will continue tighten, and the state's unemployment rate to remain fairly steady in the coming months. Employers will have to be competitive if they want to keep hiring workers and expanding output. Strong economic fundamentals nationally and in Minnesota will encourage firms to invest in new productivity-enhancing equipment and technology. Higher worker productivity enables firms to increase wages, consistent with our forecast of moderately accelerating wages per worker.

Employment. According to the December 2016 employer survey released by the Minnesota Department of Employment and Economic Development (DEED), state job gains over the 12 months ending in December come to 37,102, which implies a 1.3 percent annual growth rate, slightly below U.S. employment growth of 1.4 percent. In relation to the previous month, in December Minnesota gained 11,900 jobs on a seasonally adjusted basis. Minnesota's employment gains continue to be broad-based. Comparing the fourth quarter of 2016 with the same quarter in 2015, the sectors that showed solid gains are: education and health services (up 15,984 jobs), retail trade (up 7,407) professional and business services (up 6,407) and construction (up 6,095). Additional industries that showed a moderate growth are: financial activities (up 3,498), transportation, warehousing and utilities (up 3,428) and government (up 1,980).

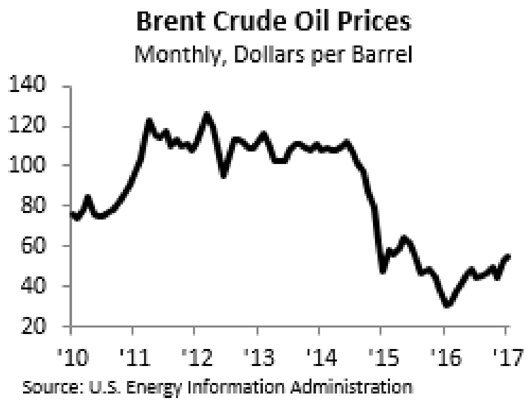


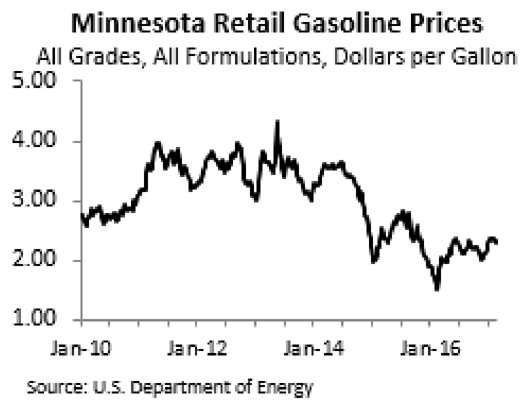
Minnesota's job gains continue to be broad-based, although some sectors are seeing the negative impact of low commodity prices and the strong U.S. dollar.

Our February 2017 economic forecast expects revised employment growth of 36,404 in 2016—measured fourth quarter to fourth quarter—up slightly from 34,130 in 2015 and 35,396 in 2014. The prospects for 2016 and 2017 are somewhat stronger, with forecast job gains for 2017 of 29,513. This means that Minnesota employers are forecast to add an average of 2,459 jobs per month to their payrolls in 2017. Low commodity prices and challenges to exports, such as trade protectionism and a strong U.S. dollar, combined with a tightening labor market, could constrain job growth in some sectors.

Oil Prices. Crude oil prices have recently drifted higher and are stuck in a holding pattern due to bouncing global demand and restrictions in supply. The oil market is still processing the effects of OPEC output restraint. The price of a barrel of Brent crude oil has risen 81 percent from its low price at the beginning of 2016 to more than $55/barrel in January 2017. Gasoline, diesel, and other energy products that are refined from crude have followed suit. According to IHS, Brent crude oil price is expected to average $58/ barrel in 2017, $57/barrel in 2018, and $64/barrel in

2019. The increase in prices could lead to renewed growth in U.S. oil production and growth in mining structures in 2017, including drilling rigs in the neighboring state of North Dakota. This could attract Minnesota job seekers. However, for Minnesotans, the main impact of higher oil prices is higher expenditures on gasoline and other petroleum products, which tightens household budget constraints, reducing disposable income for spending on other goods and services.

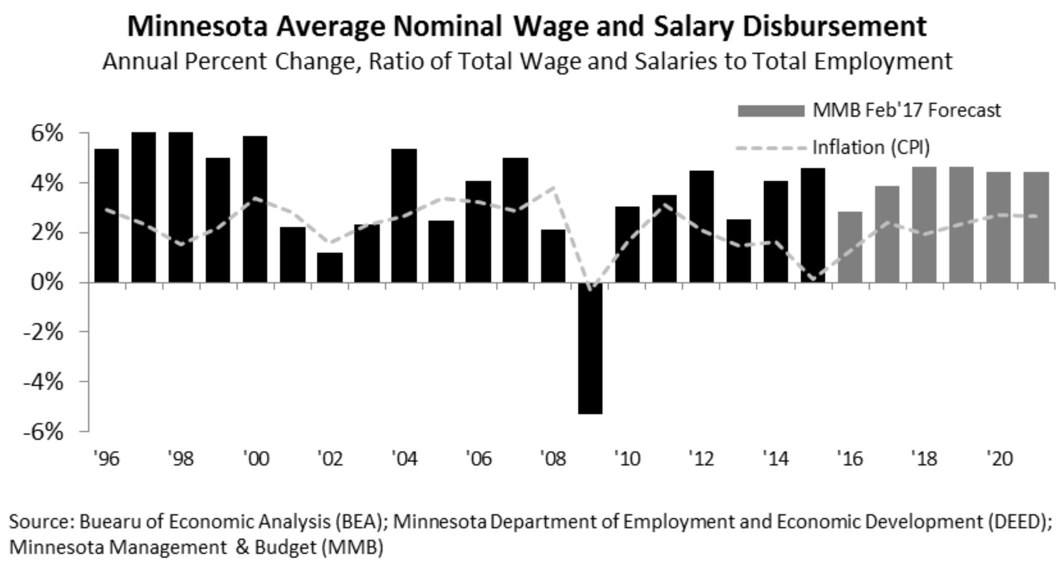




For Minnesotans, the main impact of higher oil prices is higher expenditures on gasoline and other petroleum products, which tightens household budget constraints, reducing disposable income for spending on other goods and services.

Wage and Salary Income. A crucial variable influencing Minnesota's individual income tax liability is total wage and salary income, accounting for more than 70 percent of federal adjusted gross income for Minnesota residents in 2015. In our model of Minnesota's economy, total wage income is a function of the hourly cost of labor (or average hourly wages), hours worked, and employment. Therefore, tracking the direction of these three important indicators provides a useful account of the underlying path of total wage income.

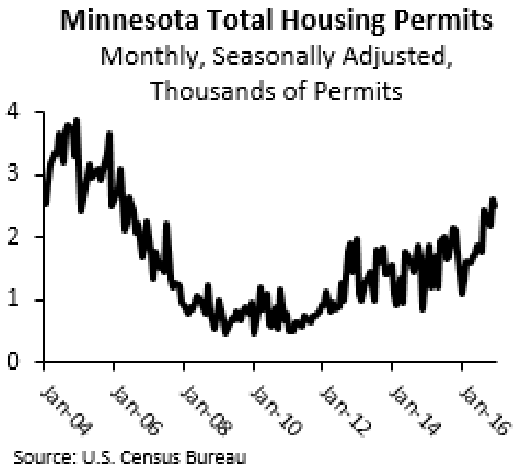
Our proxy measure for the change in workers' average hourly wages in Minnesota is the Employment Cost Index (ECI), defined as nominal wage compensation per employee hour worked. The ECI has averaged only about 2 percent annual growth since the recession ended more than six years ago. Likewise, the length of the average workweek, our proxy measure for hours worked, declined during the '08-'09 recession, then rebounded to near pre-recession levels by early 2012, and has fluctuated only a little in recent years. Therefore, nominal gains in total wage and salary income throughout much of the recovery have been largely driven by solid job growth. Employment rebounded in the early years following the recession, but unlike hours worked, has since continued to grow at a steady 1.4 to 1.7 percent pace. In this forecast, we expect modestly higher employment growth over the next three years than we had forecast in November. We expect that moderate acceleration in average annual wages combined with this employment growth will lead total wage and salary income to grow on average 4.9 percent per year over the forecast period.

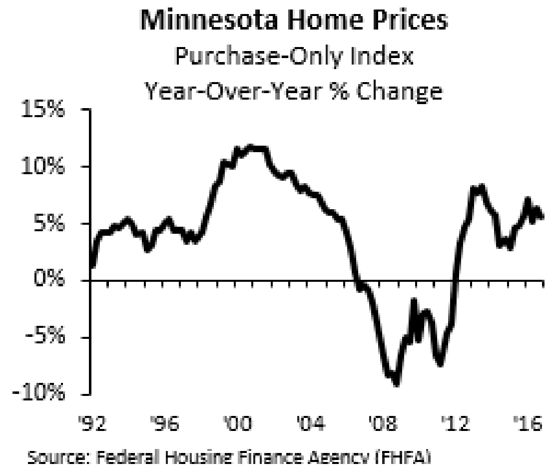


We expect that moderate acceleration in annual wages per worker combined with steady employment growth will lead total wage and salary income to grow on average 4.9 percent per year over the next several years.

Homebuilding Activity. After several years of improvement, the state's housing market just finished another encouraging year in 2016. Closed sales of homes in Minnesota ended 2016 with an increase of 5.5 percent to 86,694 units compared to last year, reaching an 11-year high. As the labor market continues to tighten and wages continue to grow, more people will be looking for long-term stable housing, increasing household formations. Annual household formation is forecast to have picked up to 26,000 in 2016, consistent with continued employment growth and improving headship rates among young adults. In 2017 and 2018, annual net new formations are forecast to be 22,000 and 21,000, respectively.

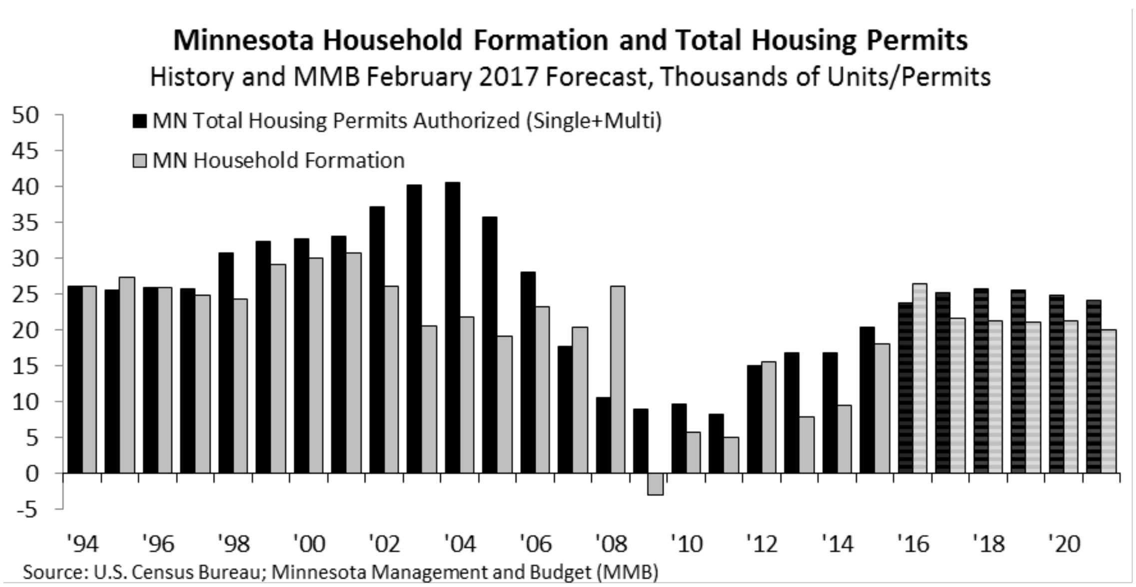
Rising median and mean sales prices are similarly encouraging. According to the Minnesota Association of Realtors, the median sales price rose 7.0 percent at the end of 2016, while the average sales price increased 4.7 percent. Statewide, there were only about 20,200 homes available for sale at the end of the year, according the Minnesota Association of Realtors, down 22.0 percent from an already low level (22,100) a year earlier. Scarcity of available homes and increasing demand should continue to put upward pressure on prices. Moreover, the 30-year fixed mortgage rate—at 4.15 percent in mid-February—is still low relative to historic norms. According to the Minnesota Association of Realtors mortgage rates are not expected to increase by more than 0.75 percent throughout 2017, which should keep them below 5.0 percent. However, if rates keep moving up and surpass the threshold of 5.0 percent, they could affect demand for homes. Even though the market is healthier and prices and sales have recuperated, there are some anomalies, such as low inventory, that can threaten the proper functioning of this market. Low home supply is expected to continue throughout 2017.





After several years of improvement, the state's housing market finished another encouraging year in 2016. Closed sales of homes in Minnesota ended 2016 with an increase of 5.5 percent to 86,694 units compared to last year, reaching an 11-year high.

Time on the market until a property is sold is about 62 days in 2016, which is an 11.4 percent decrease in relation to last year. In many communities across Minnesota, buyers are experiencing a shortage of housing which induces them to make quick decisions to secure a purchase. Increasing home sales, restrained housing demand from young adults, and an inventory shortage suggest that residential construction activity should be rising. According to the U.S. Census Bureau, the total number of authorized residential building permits in Minnesota rose to 24,263 in 2016, up from 19,545 and 17,010 in the previous two years, although still well below the long-term annual trend of 30,000 permits per year.

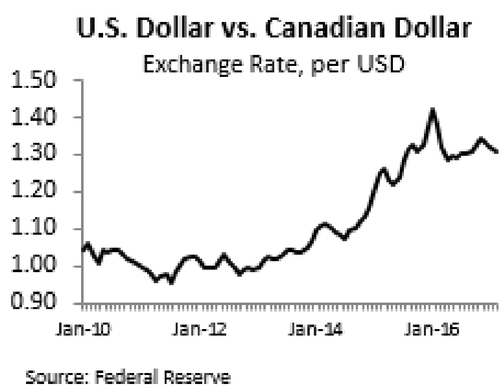


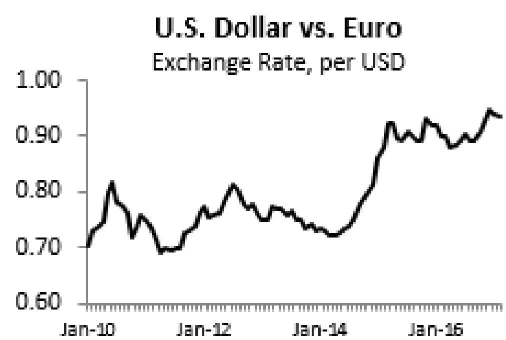
The construction sector had a very good year in 2016, adding 7,414 jobs and growing 6.9 percent. We expect this sector to remain vital and capable of absorbing potential job losses in other sectors.

In our February 2017 outlook, total housing permits are forecast to be about 25,250 in 2017 and 25,750 in 2018. The generation of new housing construction projects implies a higher need for building tradespeople such as masons, carpenters and roofers. The construction sector had a very good year in 2016, adding 7,414 jobs and growing 6.9 percent. We expect this sector to remain vital and capable of absorbing potential job losses in other sectors.

Young adults (Millennials) have been slower to enter the housing market than previous generations. The market is still expecting this cohort as a new wave of buyers, but changes in preferences about housing, marriage, and parenthood may be influencing their willingness to invest in housing. On the other hand, Baby Boomers may soon be an important share of buyers, as they rebalance their wealth portfolios by reinvesting stock market gains into housing. If household formation rates remain sluggish, due to weaker-than-expected labor market conditions or headship rates among young adults, Minnesota's housing recovery is unlikely to perform as forecast. The low inventory situation is not expected to change immediately. However, more homes will eventually enter the market because of the changing in housing preferences combined with demographic shifts. Finally, if mortgage interest rates rapidly exceed the post-financial-crisis average level, this could dampen the eagerness of households to buy.

Exports. Minnesota's exporting sectors support thousands of businesses and jobs. The pressure of a stronger dollar relative to major trading partners has impacted the demand for the state's products abroad, as Minnesota produced goods and commodities become more expensive for oversees customers. According to data from the Minnesota Department of Employment and Economic Development (DEED), Minnesota's exports fell 5 percent during the first nine months of 2016 compared to 2015. In 2016, Minnesota exports declined 5 percent in the first quarter, 8 percent in the second quarter, and 2 percent in the third quarter. This drift is concordant with national trends, with U.S. exports also falling 7 percent, 6 percent and 2 percent in the first three quarters of 2016. Minnesota's manufacturing activity has also cooled, as the state's producers adjust to weaker foreign growth and the strong dollar. Minnesota manufactured exports fell about 5 percent, 9 percent and 4 percent, in the first three quarters of 2016. This raises concerns of weak, or even negative manufacturing output growth.

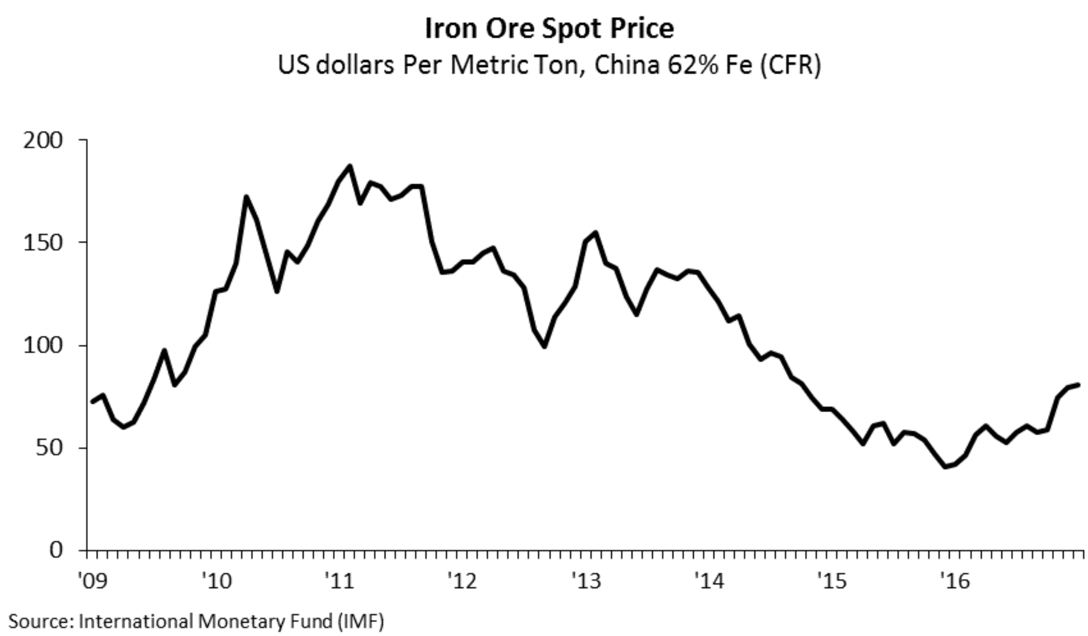




The dollar's strength relative to trading partner currencies has affected Minnesota exports to North America and the European Union.

Sizable currency depreciation of commodity exporting countries, such as Mexico and Canada, and a global economic slowdown have driven up the value of the dollar and has hindered exports for the state's products abroad. In the first nine months of 2016, exports declined to Canada and Europe. Canada, the state's largest trading partner, is estimated to have reduced Minnesota product orders by 9 percent, 8 percent and 13 percent in the first three quarters of 2016, and exports to Europe have dropped by 2 percent (to $1 billion) , 8 percent (to $1.1 billion) and 8 percent (to $1 billion) in the first three quarters of 2016. Sluggish sales to Canada and Europe, were partially offset by the strong demand in Mexico in first two quarters, in which exports increased by 4 percent (to $555 million) and 5 percent (to $603 million) compared to 2015. However, in the third quarter there is a decline of 3 percent (to $617 million) in exports to Mexico, compared to the same quarter of the previous year. Despite the overall decline, some bright spots for Minnesota exports last year include the exporting of cereals, aircraft, meat, chemicals, metal products, and mineral fuel and oil products.

Iron Ore Mining. After the last few tough years for many workers and firms on Minnesota's Iron Range, there are now some brighter signs for this region. Iron ore prices have recently risen to a level that we have not seen in more than two years. Increasing demand from China—the source of nearly 70 percent of global iron ore demand—has affected the commodity's global price. The strength in China's steel sector accelerated demand, increasing that country's imports of iron ore about 12 percent compared to the previous year.



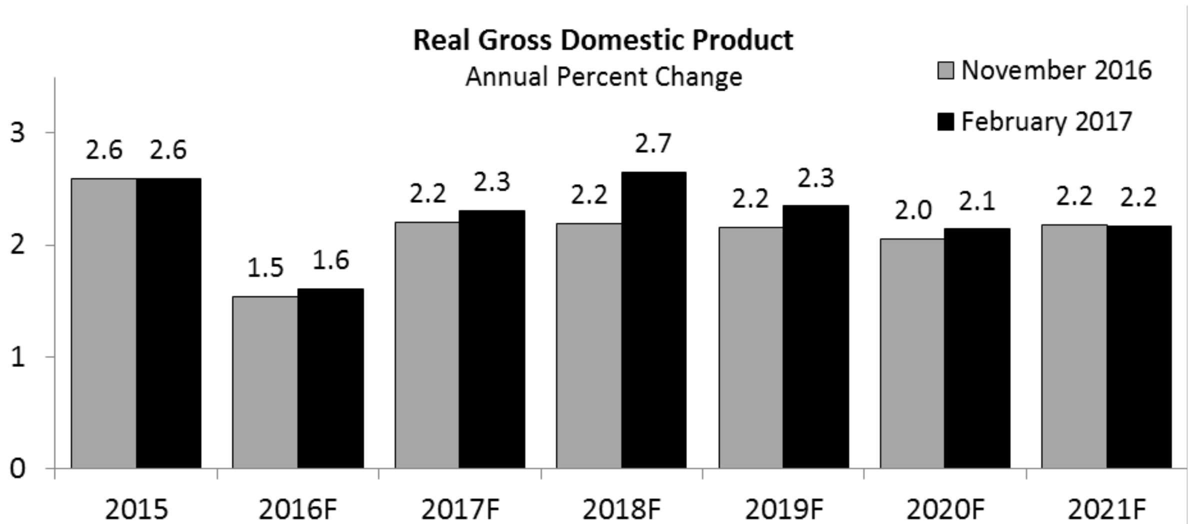
Iron ore prices have climbed by nearly 92 percent in the past year, from around $42/ton in January 2016 to above $80/ton in January of 2017.

A gradual recovery from the collapse of global commodity prices combined with the strength in China's steel sector are supporting prices. Iron ore prices have climbed by nearly 92 percent in the past year, from around $42/ton in January 2016 to above $80/ton in January of 2017. If the rebalancing of the global iron ore market maintains its positive path, mining operations on Minnesota's Iron Range could benefit, possibly adding jobs and income in associated industries such as: utilities, transportation, manufacturing, and local services.

Council of Economic Advisors' Statement

Minnesota's Council of Economic Advisors (CEA) met on February 10, 2017, to review the IHS Markit (IHS) outlook for U.S. economic growth, which includes the assumptions underlying Minnesota's February 2017 Budget and Economic Forecast. Since November, IHS has increased their growth expectations for 2016 to 2021. The largest change occurs in 2018, with projected real GDP growth in that year increasing from 2.2 percent in November's outlook to 2.7 percent in February. IHS also increased their forecast for 2019 real GDP growth from 2.2 percent in the November outlook to 2.3 percent in February. In the February outlook, consumer spending, business investment, and government all contribute more to 2017-2021 GDP growth—and net exports subtract less—relative to November. IHS now expects real GDP to grow at a compound annual rate of 2.5 percent from 2017 to 2019, 0.3 percentage points faster than they had expected in November. They expect compound annual real GDP growth of 2.2 percent from 2019 to 2021, less than 0.1 percentage points faster than in their November forecast.

Regarding economic fundamentals, IHS expects rising stock and home prices and continued employment growth to support improvements in consumer spending. Business investment is expected to be by fueled by a recovery in drilling for oil and natural gas, and a drag on growth from a net reduction in inventories is expected to dissipate during the first half of this year.



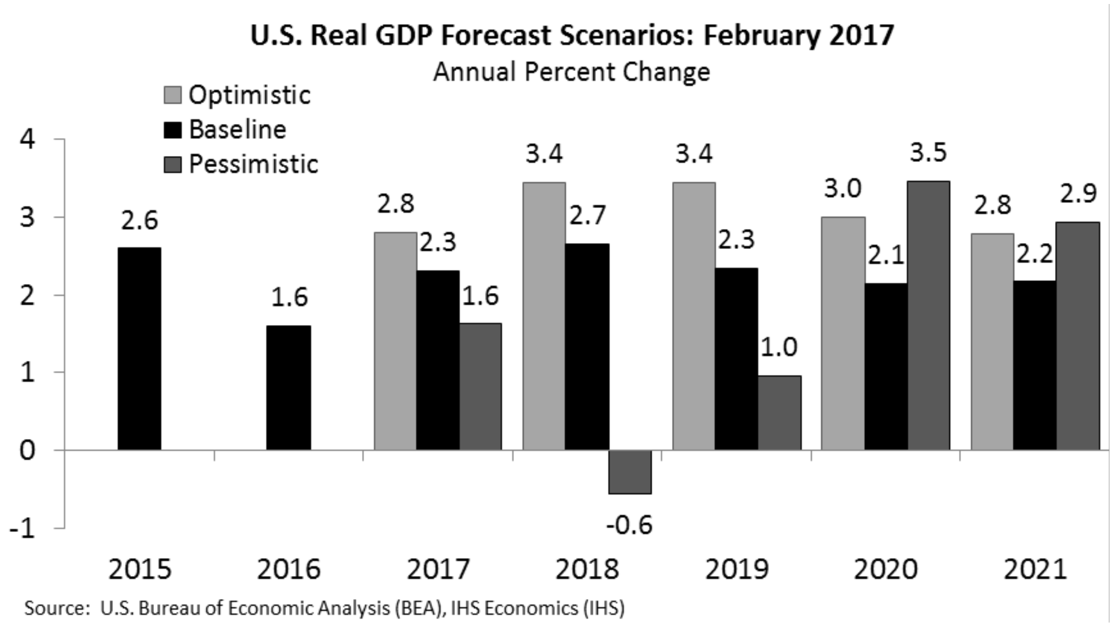
Source: U.S. Bureau of Economic Analysis (BEA), IHS Economics (IHS)

Since November, IHS has increased their growth expectations for 2016 to 2021. IHS has incorporated into their February outlook federal fiscal stimulus that is expected to buoy growth starting in 2018. Subject to considerable uncertainties about U.S. economic policy, council members agreed that IHS's expectations for U.S. growth are a reasonable starting point for MMB's forecast.

There is considerable uncertainty about which federal policy changes may be enacted in the coming years and the economic impact of those changes. IHS has said that as policy proposals and their likelihood of enactment become clearer, they will incorporate them into their baseline forecast. At this time, IHS does not feel there is enough clarity regarding changes to trade policy, immigration policy, health care policy, and business investment incentives to incorporate those into the outlook. Moreover, their February outlook depends on the absence of trade wars and serious policy mistakes this year. However, IHS *has* incorporated into their February outlook the impacts of federal personal and corporate income tax rate cuts, increased infrastructure spending, and a hiring freeze for federal nonmilitary employees. In particular, federal fiscal stimulus is expected to buoy economic growth starting in 2018.

The IHS February outlook is similar to that of other macroeconomic forecasters for 2017 and more optimistic than some other forecasters for 2018. The February Blue Chip Consensus, the average of about 50 business forecasts, calls for real GDP to grow 2.3 percent in 2017, matching the IHS projection. For 2018, IHS expects faster growth than the consensus: 2.7 percent for IHS compared to 2.4 percent for the consensus.

Subject to considerable uncertainties about U.S. economic policy, council members agreed that IHS's expectations for U.S. growth are a reasonable starting point for MMB's February 2017 economic forecast. Regarding risks to the forecast, most members agree that for 2017 the potential for the economy to grow more quickly than IHS expects is about the same as the risk of slower growth. For 2018, however, Council members believe the risks are primarily on the downside. By that time, federal policy changes may be in effect that inhibit international trade and slow economic growth. In addition, if the fiscal stimulus that IHS assumes fails to materialize, the economy may fall short of IHS' expectations. Council members also agree that the difficulty of projecting long range economic conditions, particularly in the current environment of policy uncertainty, warrants extreme caution when using forecasts for 2020 and 2021.



IHS assigns a probability of 60 percent to the February baseline outlook. They assign a 25 percent probability to a more pessimistic scenario, in which strained trade relations reduce net exports, and businesses postpone investment, triggering a two-quarter recession in 2018. They assign a 15 percent probability to a more optimistic scenario, in which federal de-regulation and fiscal stimulus encourage productivity-enhancing capital investment, raising real GDP growth starting in 2017.

As it has done every year since 2003, the CEA recommends that budget planning estimates for the next biennium include expected inflation in both spending and revenue projections. The CEA noted that Minnesota's current practice of excluding projected changes in the prices of goods and services from a majority of the spending estimate is fundamentally misleading. It is inconsistent with both sound business practices and CBO methods and potentially encourages legislators and the public to regard the state's financial position more optimistically than the facts warrant. The omission of inflation in the spending estimates in the November 2016 Budget and Economic Forecast understated the cost of current services as provided by law in FY 2018-19 by roughly $1.3 billion, and thus made the amount of projected revenues above the cost of providing services to appear to be larger than it actually is. This distortion will increase if and when inflation accelerates from current historically low levels.

Council members believe that Minnesota's budget reserve policy affords policymakers crucial financial flexibility during economic downturns and can promote long-term fiscal stability. The statutory policy assigns an adequate target reserve level based on MMB's annual evaluation of volatility in Minnesota's general fund tax system. Based on MMB's most recent analysis, the target level is 4.9 percent of biennial (two-year) general fund revenues. The target is a percentage of forecast revenues, allowing reserves to adjust with revenue changes over time. Finally, the policy automatically transfers 33 percent of a positive forecast balance each November into the reserves until the target is reached.

Minnesota has made progress with its reserve policy, and the state's general obligation bonds are now rated Aaa by Fitch Ratings. Nevertheless, the state's currently funded budget reserve remains below the level two other agencies expect from Aaa-rated credits. State credit ratings depend on a number of factors, but both Standard and Poor's and Moody's specifically include a measure of the adequacy of statutory budget reserves in their credit analyses. In Standard and Poor's analytical framework, states with statutory reserve levels of 4 percent or more of biennial revenue or spending receive top marks for reserve levels. Under Moody's state ratings methodology, statutory reserves of at least 5 percent of biennial revenue is consistent with an Aaa rating. Minnesota's current $1.603 billion budget reserve is only about 3.8 percent of forecast FY 2016-17 revenues. [1]

[1] This reflects the levels of reserves and projected revenues at the time of the February 10, 2017, Council meeting. With the release of the February 2017 *Budget and Economic Forecast*, the budget reserve is $1.603 billion, or 3.8 percent of FY 2016-17 general fund non-dedicated revenues.

BUDGET OUTLOOK

Since the release of the last *Budget and Economic Forecast* in November 2016, legislation with budgetary impact in FY 2017-21 was enacted. Two bills passed the legislature and were signed into law by the Governor:

Chapter 1, Federal Conformity Act: this bill conformed Minnesota tax law to certain federal tax law changes and impacts individual and corporate income tax revenue.

Chapter 2, Health Insurance Premium Relief: this bill established a program to provide a health insurance subsidy for qualifying individuals. The bill also reduced the balance of the budget reserve account to fund the costs of the program.

The budgetary impact of these law changes is outlined in the table below and is incorporated into tables labeled "November Forecast Adj." throughout this document.

General Fund Budget: 2017 Legislative Session
Fiscal Impact of Enacted Legislation

($ in millions)	**FY 2016-17 Biennium**	**FY 2018-19 Biennium**	**FY 2020-21 Biennium**
Revenue:			
Ch. 1 – Federal Conformity	$(22)	$22	$(91)
Expenditures			
Ch. 2 – Premium Relief	$327	-	-
Budget Reserve Account			
Ch. 2 – Reserve Reduction	$(327)	-	-

Current Biennium

The November 2016 *Budget and Economic Forecast*, adjusted for the law changes described above, projected a budgetary balance of $656 million for the current biennium. With this forecast, an improvement of $87 million is projected for FY 2016-17. The ending balance in the current biennium is now expected to be $743 million.

FY 2017. The $87 million increased expected budgetary balance in the current biennium is attributable to both higher projected revenue and lower estimated spending in FY 2017. Total revenue in the current budget period is now expected to be $42.435 billion, $75 million (0.2 percent) higher than November estimates. Increased revenue projections are due to a higher individual income tax forecast offset by slightly lower sales tax and estate tax projections in the current biennium.

Spending for FY 2016-17 is now projected to be $41.817 billion, $12 million (0.0 percent) lower than prior estimates. A slight increase in the forecast for the largest budget area, E-12 Education, is offset by a reduced forecast Health and Human services (HHS) due to lower estimates for Medical Assistance (MA).

Current Biennium: FY 2016-17 General Fund Budget
Forecast Comparison

($ in millions)	November 2016 Forecast Adj.	February 2017 Forecast	$ Change	% Change
Beginning Balance	**$2,103**	**$2,103**	**$ -**	**0.0%**
Revenues				
Taxes	40,366	40,427	60	0.1
Non-Tax Revenues	1,502	1,517	15	1.0
Transfers, Other Resources	492	492	(0)	(0.0)
Total Revenues	**$42,360**	**$42,435**	**$75**	**0.2%**
Expenditures				
E-12 Education	17,403	17,427	24	0.1
Property Tax Aids	3,342	3,338	(4)	(0.1)
Health & Human Services	11,808	11,766	(42)	(0.4)
Debt Service	1,139	1,139	-	0.0
All Other	8,137	8,148	11	0.1
Total Expenditures	**$41,829**	**$41,817**	**$(12)**	**0.0%**
Reserves	1,953	1,953	-	
Stadium Reserve	24	25	1	
Budgetary Balance	**$656**	**$743**	**$87**	

Next Biennium

A balance of $1.650 billion is now projected for the FY 2018-19 biennium, an increase of $250 million over adjusted November estimates. Revenues in the next biennium are now projected to be $45.663 billion, $321 million (0.7 percent) higher than adjusted November estimates. Tax revenues gains of $339 million (0.8 percent) are partially offset by lower non-tax revenue estimates.

Increased spending estimates for the next biennium partially offset the expected revenue gain. The current law expenditure forecast is now set at $44.751 billion, an increase $156 million (0.4 percent) over November projections. Better and more accurate data used to estimate the number of students attending E-12 schools results in higher projected E-12 Education spending by $95 million (0.5 percent) compared to prior estimates. Higher projections in MA expenditures, due to changes in costs related to managed care contracts, drive an increase in HHS spending of $73 million (0.5 percent). Slightly lower property tax aid and credit projections partially offset the overall spending increase.

Next Biennium: FY 2018-19 General Fund Budget
Forecast Comparison

($ in millions)	November 2016 Forecast Adj.	February 2017 Forecast	$ Change	% Change
Beginning Balance	**$2,634**	**$2,721**	**$88**	**3.3%**
Revenues				
Taxes	43,560	43,899	339	0.8
Non-Tax Revenues	1,419	1,401	(18)	(1.2)
Transfers, Other Resources	363	363	-	0.0
Total Revenues	**$45,342**	**$45,663**	**$321**	**0.7%**
Expenditures				
E-12 Education	18,177	18,272	95	0.5
Property Tax Aids	3,467	3,452	(15)	(0.4)
Health & Human Services	14,251	14,324	73	0.5
Debt Service	1,143	1,143	-	0.0
All Other	7,547	7,550	3	0.0
Total Expenditures	**$44,585**	**$44,741**	**$156**	**0.4%**
Reserves	1,953	1,953	-	
Stadium Reserve	38	40	3	
Budgetary Balance	**$1,400**	**$1,650**	**$250**	

Biennial Comparisons. When compared to forecast estimates for the current biennium, revenues are expected to grow $3.228 billion (7.6 percent) into the FY 2018-19 biennium. Tax revenues are estimated to be $3.472 billion (8.6 percent) higher than the current biennium. More than 95 percent of the growth in tax revenue into the next biennium is due to individual income tax receipts and sales tax receipts. Partially offsetting the growth in tax receipts are non-tax and all other revenue which are expected to fall $245 million in the next biennium.

Expenditures are expected to grow $2.924 billion (7.0 percent) in the next biennium. Growth in HHS, the second largest spending area, is responsible for 87 percent of total spending growth in FY 2018-19. Total HHS spending is expected to reach $14.324 billion, $2.558 billion (21.7 percent) higher than the current biennium. Underlying growth in MA expenditures continues to drive HHS spending growth, however approximately $530 million of the growth is due to budget decisions that moved costs between budget periods and between the general fund and health care access fund. After adjusting for these moves, underlying HHS growth into the next biennium is approximately 15.4 percent. Growth of $845 million (4.8 percent) in E-12 education, due to an increasing student population, and $114 million (3.4 percent) in property tax aids and credits accounts for the remainder of the expenditure growth. Partially offsetting the overall expenditure growth into the next biennium is $597 lower spending in all other areas of the budget due to the expiration of one-time projects or grants in the current biennium and $327 million in one-time spending for health insurance premium relief by MMB as enacted in Ch. 2 in the 2017 legislative session.

Debt Service and Capital Budget Assumptions. In the *Budget and Economic Forecast* MMB makes assumptions about the size of the capital budget that will be authorized in each legislative session over the budget forecast horizon. The assumption has historically been based on the average size of the capital budget bill over the past ten years, differentiating between the larger even year capital budget and smaller odd year capital budget. As with the November 2016 *Budget and Economic Forecast* MMB has adjusted this standard assumption due to the lack of an enacted capital budget in the 2016 legislative session. This forecast makes the same capital budget assumption as the November *Budget and Economic Forecast*: $800 million bonding bills in both the 2017 and 2018 legislative sessions and then $230 million in odd year sessions and $800 million in even year session thereafter.

Next Biennium: FY 2018-19 General Fund Budget
Biennial Comparison; February 2017 Forecast

($ in millions)	FY 2016-17	FY 2018-19	$ Change	% Change
Beginning Balance	**$2,103**	**$2,721**	**$618**	
Tax Revenues	40,427	43,899	3,472	8.6
Non-Tax Revenues	1,517	1,401	(116)	(7.6)
Other Resources	492	363	(129)	(26.2)
Current Resources	**42,435**	**45,663**	**3,228**	**7.6**
E-12 Education	17,427	18,272	845	4.8
Property Tax Aids and Credits	3,388	3,452	114	3.4
Health and Human Services	11,766	14,324	2,558	21.7
Debt Service	1,139	1,143	4	0.4
All Other	8,148	7,550	(597)	(7.3)
Total Expenditures	**41,817**	**44,741**	**2,924**	**7.0%**
Cash and Budget Reserves	1,953	1,953	-	
Stadium Reserve	25	40	15	
Budgetary Balance	**$743**	**$1,650**		

Reserves. The budget reserve account balance in the next biennium is unchanged from the current biennium at $1.603 billion. This is the balance after accounting for the $327 million budget reserve reduction enacted in the 2017 legislative session. The budget reserve account balance is 3.5 percent of projected revenues in the next biennium. An analysis setting a budget reserve target for the next biennium based on the volatility of general fund revenue sources will be released in September 2017, after the budget for the next biennium is enacted. The cash flow account balance of $350 million is unchanged from the current biennium. The stadium reserve is expected to grow by $15 million in FY 2018-19 (to $40 million) due to growing gambling tax and other receipts relative to expected stadium related expenses.

Planning Estimates

This forecast provides planning estimates for the FY 2020-21 biennium. These estimates carry a high degree of uncertainty and inherently larger potential range of error compared to the forecast for the current and next biennium. Planning estimates for FY 2020-21 are presented to assist longer term financial planning.

Revenue projections are based on IHS' February baseline forecast for the planning years. Expenditure projections assume that current funding levels and policies continue unchanged, adjusted only for caseload and enrollment changes authorized in law, as well as formula driven changes. The expenditure forecast does not assume cost growth outside of a few specific budget areas like health care, debt service, property tax refunds and special education where assumptions for price increases or market conditions are specified by statute.

Planning Horizon: General Fund Budget
By Biennium, February 2017 Forecast

($ in millions)	FY 2016-17	FY 2018-19	FY 2020-21
Forecast Revenues	$42,435	$45,663	$49,357
Projected Spending	41,817	44,741	47,233
Difference	**$618**	**$922**	**$2,125**
Estimated Inflation (CPI)		*$1,110*	*$3,084*

To highlight structural balance or unbalance, the table above shows forecast revenues and projected spending and excludes the impact of balances from prior years and reserves. Before setting a budget, base level spending in FY 2018-19 is expected to be $922 million less than forecast revenues and in FY 2020-21 projected revenues exceed the spending base by $2.125 billion.

Projected inflationary growth based on the Consumer Price Index (CPI) is now expected to be 2.1 percent each year in FY 2018 and FY 2019 followed by 2.6 percent in FY 2020 and 2.7 percent in FY 2021. After adjusting for programs with price increases included in the current law formula, applying the annual inflation rate, compounded over the 4 year period, would add approximately $1.11 billion of cost to the 2018-19 biennium, and $3.084 billion to the 2020-21 biennium.

The planning estimates are not intended to predict surpluses or deficits three or more years into the future. Rather their purpose is to assist in determining how well ongoing expenditures are likely to match future revenues based on trends in Minnesota's economy and the level of spending needed to maintain current programs. The FY 2020-21 planning estimates provide an important baseline against which longer-term impacts and affordability of proposed FY 2018-19 budgets decisions can be measured.

REVENUE OUTLOOK

Current Biennium

Total general fund revenues for FY 2016-17 are now forecast to be $42.435 billion, $75 million (0.6 percent) more than the November 2016 forecast adjusted for law changes. Total tax revenues for the biennium are forecast to be $40.427 billion, $60 million (0.1 percent) above the prior estimate. Higher expected individual and corporate income tax revenue more than offsets lower expected sales, state general property, and other tax revenue.

Current Biennium: FY 2016-17 General Fund Revenues
Forecast Comparison

($ in millions)	November 2016 Forecast Adj.	February 2017 Forecast	$ Change	% Change
Individual Income Tax	$21,794	$21,927	$133	0.6%
General Sales Tax	10,612	10,581	(31)	(0.3)
Corporate Franchise Tax	2,611	2,615	4	0.2
State General Property Tax	1,694	1,692	(2)	(0.1)
Other Tax Revenue	3,655	3,612	(43)	(1.2)
Total Tax Revenues	**40,366**	**40,427**	**60**	**0.1%**
Non-Tax Revenues	1,502	1,517	15	1.0
Other Resources	492	492	(0)	(0.0)
Total Revenues	**$42,360**	**$42,435**	**$75**	**0.2%**

The $75 million forecast change for FY 2016-17 revenues is the result of a higher forecast for FY 2017 revenue, as there was no change to the closing value for FY 2016.

Individual Income Tax. Individual income tax receipts in FY 2016-17 are now forecast to be $133 million (0.6 percent) more than the prior estimate. Higher forecast income growth offsets a decrease in tax liability for 2015, the base year for this forecast.

This forecast builds from final 2015 income tax liability. Using information from processed tax returns, we estimate that final 2015 tax liability is $9.924 billion, $38 million less than estimated in November.

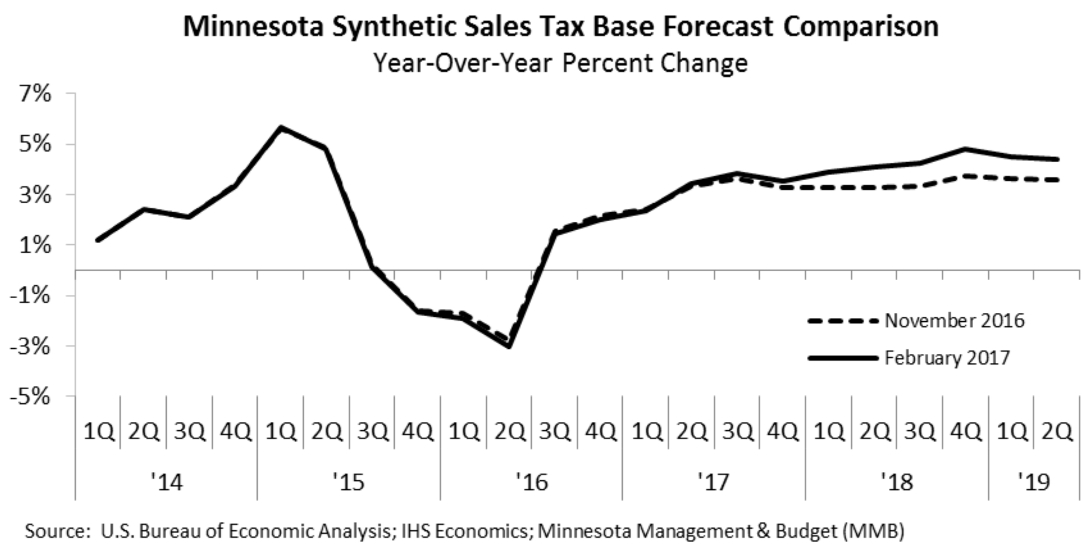
Calibrating the income tax model to produce our estimated base year liability generally requires making assumptions about base year growth rates for particular income types. Preliminary information from a sample of 2015 Minnesota income tax returns suggests that capital gains realizations reported by Minnesota residents—exclusive of gains associated with one-time Minnesota corporate activity—declined 0.5 percent in 2015, less than the 4.9 percent decline we assumed in November. Offsetting the stronger wage and capital gains growth is weaker estimated growth in other forms of nonwage income. Taxable interest income is now assumed to have declined 4.0 percent in 2015, compared to an assumed decline of 1.9 percent in November. Assumed 2015 growth in dividend income was lowered to 0.5 percent from 1.1 percent in November. Preliminary information from a sample of Minnesota tax returns suggests that the percentage decline in reported 2015 net farm income was about four times as large as what we had assumed in November. Finally, taxable Social Security income is now assumed to have grown 0.2 percentage points slower in 2015 than we assumed in November.

Higher forecasts of both wage and non-wage income growth in CY 2016 offset the lower estimated tax year 2015 liability to raise the forecast for tax year 2016 income tax liability to roughly the same level as in the November forecast. We now expect Minnesota wage and salary income to grow 3.8 percent in CY 2016, compared to assumed growth of 3.6 percent in November. Following an increased interest rate forecast in IHS' U.S. outlook, taxable interest income reported on 2016 Minnesota tax returns grows about 11 percentage points faster in this forecast than in November. Dividend income is now expected to grow 4.8 percent in CY 2016, compared to assumed growth on 4.1 percent in November. Partly offsetting these faster growing income types is lower growth in proprietors' income, which is now expected to grow about 0.2 percentage points lower in CY 2016 than we had assumed in November.

Higher expected growth in capital gains and interest income adds to the forecast of taxes paid by fiduciaries and non-resident partnerships. In FY 2016-17, revenue from these entities is expected to be $7 million more than forecast in November.

A lower income tax refund forecast in FY 2017 raised expected net revenue for that year relative to the prior estimate. This reflects two observations. First, information about refunds processed so far for tax year 2016 lowered our estimate of final refund levels. Second, in recent years a larger dollar amount of refunds are being paid later in the calendar year, having the effect that less of a given tax year's refunds are paid in the fiscal year in which the tax year's April 15 filing deadline falls, and more are paid in the following fiscal year. In this case, it means a larger share of tax year 2016's refunds will be paid out in FY 2018 compared to FY 2017. The later refund payouts may be due to the fact that higher income taxpayers filing their returns in October following an extension request face a higher tax bracket now than they did prior to the establishment of the fourth income tax tier, and refunds tend to rise with taxable income.

General Sales Tax. General sales tax revenue in FY 2016-17 is now forecast to be $31 million (0.3 percent) less than the prior estimate. Higher forecast sales tax refunds more than offset higher gross sales tax receipts. The change in forecast gross sales tax revenues net of the motor vehicle lease (MVL) transfer reflects higher than expected receipts so far in FY 2017 and a technical revision to a law change estimate. The change in sales tax refunds reflects information about the inventory of pending refund claims.



Higher forecast taxable purchases in CY 2018 and CY 2019 contribute to a higher sales tax forecast in FY 2018-19. Compared to November, Minnesota's synthetic sales tax base is now expected to grow 0.4 percentage points faster in CY 2018 and 0.9 percentage points faster in CY 2019.

Corporate Franchise Tax. Net corporate franchise tax revenue receipts in FY 2016-17 are now forecast to be $4 million (0.2 percent) more than the prior estimate. Higher forecast corporate refunds partially offset higher gross corporate receipts.

This forecast builds on our estimate of implied CY 2016 corporate franchise tax liability. We estimate total corporate tax liability attributable to CY 2016 to be $1.290 billion, about $1 million more than the November estimate.

Slightly higher estimated CY 2016 corporate liability offsets lower than expected advance payments so far in CY 2017 to raise our estimate of implied CY 2017 corporate tax liability. We estimate total corporate tax liability attributable to CY 2017 to be $1.307 billion, $73 million more than the November estimate.

A higher corporate profits forecast is primarily responsible for higher expected net corporate tax receipts in in both FY 2016-17 and FY 2018-19.

Higher implied liability for CY 2017 combines with higher corporate profits growth during the first half of CY 2017 to raise the corporate tax revenue forecast for the remainder of FY 2017. Annual profits are now expected to grow 3.4 percent from the fourth quarter of 2016 to the second quarter on 2017, compared to 1.1 percent in November.

The corporate income tax forecast includes an off-model adjustment for the impact of the Historic Structure Rehabilitation Credit (HSRC). Our practice is to forecast the full revenue impact of the HSRC within corporate refunds, even though some credits accrue to non-corporate taxpayers, and some credits reduce tax payments rather than increase refunds. Total HRSCs are now forecast to be about $1 million higher in FY 2016-17 than the November estimate.

Other Tax Revenue, Non-Tax Revenue, Other Resources. Other tax revenue is now expected to be $43 million (1.2 percent) less than the prior estimate. Among other taxes, the estate tax shows the largest dollar mount change, $38.7 million (10.7 percent) less than in November. This change reflects lower than expected estate tax receipts so far in FY 2017. Lower expected receipts from the deed transfer tax so far in FY 2017 bring down the forecast for this tax by $4 million (1.5 percent) compared to November. Receipts from the insurance gross premiums tax are now forecast to be $3 million (0.4 percent) lower than the prior estimate. This change is primarily due to a higher interest rate forecast, which negatively affects expected gross written premiums.

Next Biennium

Total general fund revenues for FY 2018-19 are now forecast to be $45.663 billion, $3.228 billion (7.6 percent) more than the current forecast for FY 2016-17 revenue forecast adjusted for law changes. Total tax revenues for the next biennium are forecast to be $43.899 billion, a $3.472 billion (8.6 percent) increase over FY 2016-17 forecast tax revenues. Growth in individual income and sales taxes account for 97 percent of the biennial tax revenue change. All of the major tax types grow from FY 2016-17 to FY 2018-19.

Next Biennium: FY 2018-19 General Fund Revenues
Biennial Comparison; February 2017 Forecast

($ in millions)	FY 2016-17	FY 2018-19	$ Change	% Change
Individual Income Tax	$21,927	$24,401	$2,475	11.3%
General Sales Tax	10,581	11,466	886	8.4
Corporate Franchise Tax	2,615	2,623	7	0.3
State General Property Tax	1,692	1,742	50	3.0
Other Tax Revenue	3,612	3,667	54	1.5
Total Tax Revenues	**40,427**	**43,899**	**$3,472**	**8.6%**
Non-Tax Revenues	1,517	1,401	(116)	(7.6)
Other Resources	492	363	(129)	(26.2)
Total Revenues	**$42,435**	**$45,663**	**$3,228**	**7.6%**

The current forecast for FY 2018-19 revenues is $321 million (0.7 percent) more than the November forecast adjusted for law changes. Total tax revenues for the biennium are forecast to be $339 million (0.8 percent) above the prior estimate. Higher forecast individual income, general sales, and corporate tax revenues offset lower forecasts for state general property and other tax revenues.

Next Biennium: FY 2018-19 General Fund Revenues
Forecast Comparison

($ in millions)	November 2016 Forecast Adj.	February 2017 Forecast	$ Change	% Change
Individual Income Tax	$24,127	$24,401	$274	1.1%
General Sales Tax	11,419	11,466	48	0.4
Corporate Franchise Tax	2,554	2,623	69	2.7
State General Property Tax	1,745	1,742	(2)	(0.1)
Other Tax Revenue	3,716	3,667	(50)	(1.3)
Total Tax Revenues	**43,560**	**43,899**	**339**	**0.8%**
Non-Tax Revenues	1,419	1,401	(18)	(1.2)
Other Resources	363	363	0	0.0
Total Revenues	**$45,342**	**$45,663**	**$321**	**0.7%**

Individual Income Tax. The individual income tax shows the largest biennial growth, accounting for 71 percent of the total tax revenue biennial change. Income tax revenues for FY 2018-19 are forecast to be $24.401 billion, $2.475 billion (11.3 percent) more than the current estimate for FY 2016-17.

Growth in income tax revenues for FY 2018-19 over FY 2016-17 is primarily the result of income growth in tax years 2017 and 2018. Minnesota wage and salary income is now forecast to grow

4.7 percent in CY 2017 and 5.2 percent in CY 2018. Non-wage personal income is forecast to grow 3.9 percent in CY 2017 and 4.6 percent in CY 2018.

Regarding forecast change, higher expected income growth in CY 2017 and CY 2018 contributes to an increased forecast for individual income tax revenue in FY 2018-19. Income tax receipts in the next biennium are now expected to exceed the prior estimate by $274 million (1.1 percent). Relative to the February forecast, we have increased expected wage and salary growth by 0.2 percentage points (cumulatively from the base year of 2015) in CY 2017 and 0.7 percentage points in CY 2018. The non-wage income growth is a cumulative 2.1 percentage points higher in CY 2017 and 2.7 percentage points higher in CY 2018. Over 2017-2018, interest, dividends, capital gains, taxable IRA distributions, and Social Security income all grow faster in this forecast than in November. Forecast growth for proprietors' and net farm income have been reduced in this forecast. Finally, a technical adjustment to account for the phase-out and elimination of bonus depreciation added to the income tax forecast for tax years 2018 and 2019, raising expected revenue in FY 2018-19.

General Sales Tax. General sales tax receipts for FY 2018-19 are expected to exceed FY 2016-17 forecast levels by $886 million (8.4 percent), accounting for 26 percent of the growth in tax revenues. Both higher forecast gross sales tax receipts and lower expected refunds contribute to the growth.

Gross sales tax receipts in FY 2018-19 are forecast to exceed FY 2016-17 levels by $714 million (6.3 percent). The Minnesota sales tax base, a proxy for the actual sales tax base is expected to accelerate from 2.3 percent in FY 2017 to 3.8 percent 4.5 percent per year, respectively, in FY 2018 and FY 2019. As in the past, the percentage changes in the synthetic base have been corrected for a tendency of the base to grow faster than observed revenue growth.

Sales tax refunds in FY 2018-19 are forecast to be $192 million (33.3 percent) lower than the current forecast for FY 2016-17. The biennial decline in refunds is due to the conversion of Minnesota's capital equipment refund to an up-front exemption. Purchasers were allowed up to three-and-one-half years to apply for their refunds. As capital equipment refunds remaining in the pipeline are paid out, total sales tax refunds are expected to fall, even as qualified data centers are becoming the largest source of claims.

Regarding forecast change, net sales tax revenue in the next biennium is now expected to exceed the prior estimate by $48 million (0.4 percent), with higher projected gross receipts offsetting a higher refund forecast. Higher forecast taxable purchases in CY 2018 and CY 2019 contribute to a higher sales tax forecast in FY 2018-19. Compared to November, Minnesota's synthetic sales tax base is now expected to grow 0.4 percentage points faster in CY 2018 and 0.9 percentage points faster in CY 2019.

Corporate Franchise Tax. The corporate franchise tax is forecast to generate $2.623 billion in FY 2018-19, $7 million (0.3) percent more than the current FY 2016-17 forecast. Growth in gross corporate tax receipts offsets slight growth in refunds.

Regarding forecast change, higher forecast gross receipts offset higher expected refunds to generate a $69 million (2.7 percent) increase in net forecast receipts for FY 2018-19. A higher corporate profits forecast is primarily responsible for the change.

Other Tax Revenue, Non-Tax Revenue, Other Resources. Other tax revenue is now forecast to grow by $54 million (1.5 percent) in FY 2018-19 over FY 2016-17. Regarding forecast change, other tax revenue in FY 2018-19 is expected to be $50 million (1.3 percent) lower than the November estimate. The largest dollar amount change is in the estate tax forecast, which is $16 million (4.8 percent) lower than in November. This change a lower base due to lower than expected collections so far in FY 2017. Revenue from the insurance gross premiums tax is now expected to be $11 million (1.4 percent) lower than in the November forecast. This change reflects higher forecast growth for interest rates in the February 2017 U.S. outlook compared to November.

Planning Estimates

Total revenues for FY 2020-21 are now estimated to be $49.357 billion, an increase of $3.694 billion (8.1 percent) over the current forecast for FY 2018-19 revenues. Total tax revenues for FY 2020-21 are estimated to be $47.593 billion, an 8.4 percent increase over FY 2018-19 forecast revenues.

Together, the individual income and general sales taxes account for about 94 percent of the projected biennial tax revenue growth. The individual income tax shows the largest increase, growing by $2.456 billion (10.1 percent), and contributing 66 percent of the total tax revenue biennial change. The general sales tax is expected to exceed FY 2018-19 forecast levels by $999 million (8.7 percent), accounting for 27 percent of the growth in tax revenues. The corporate franchise tax, statewide property tax, and other taxes together contribute $240 to the biennial tax revenue change.

The revenue planning estimates are informed by the IHS baseline forecast, which assumes that U.S. real GDP will grow 2.3 percent in CY 2019, followed by somewhat slower growth of 2.1 percent in 2020 and 2.2 percent in 2021.

Planning Estimates: FY 2020-21 General Fund Revenues
Biennial Comparison; February 2017 Forecast

($ in millions)	FY 2018-19	FY 2020-21	$ Change	% Change
Individual Income Tax	$24,401	$26,857	$2,456	10.1%
General Sales Tax	11,466	12,465	999	8.7
Corporate Franchise Tax	2,623	2,661	38	1.4
State General Property Tax	1,742	1,823	81	4.7
Other Tax Revenue	3,667	3,787	121	3.3
Total Tax Revenues	**$43,899**	**$47,593**	**3,694**	**8.4%**
Non-Tax Revenues	1,401	1,391	(10)	(0.7)
Other Resources	363	373	10	2.7
Total Revenues	**$45,663**	**$49,357**	**$3,693**	**8.1%**

The planning estimates for 2020-2021 should be used with caution. First, the projections will be affected by any revenue changes in the enacted budget for the 2018-19 biennium. Second, in subsequent forecasts changes to our estimates of individual and corporate income tax liability for 2019 and 2020, as well as changes to the base levels of other revenue types for FY 2017 through

2019 will change the FY 2020-2021 planning estimates. Third, even small deviations from assumed growth rates for factors affecting revenues will compound and produce sizable changes in revenues. Should the economy grow more slowly than forecast, or should some volatile income item such as capital gains or corporate profits fall well below forecast, the revenue outlook for FY 2020-2021 will deteriorate. Finally, Minnesota's Council of Economic Advisers warn that the difficulty of projecting long range economic conditions, particularly in the current environment of policy uncertainty, warrants extreme caution when using economic forecasts of 2020 and 2021.

EXPENDITURE OUTLOOK

Current Biennium

Spending estimates overall for FY 2016-17 are relatively unchanged from prior estimates for the biennium. Expenditures in the current biennium are now expected to be $41.494 billion, a reduction of $12 million (0.0 percent) from November forecast estimates adjusted for law changes.

Current Biennium: FY 2016-17 General Fund Expenditures
Forecast Comparison

($ in millions)	**November 2016 Forecast Adj.**	**February 2017 Forecast**	**$ Change**	**% Change**
E-12 Education	$17,403	$17,427	$24	0.1%
Property Tax Aids & Credits	3,342	3,338	(4)	(0.1)
Health & Human Services	11,808	11,766	(42)	(0.4)
Debt Service	1,139	1,139	0	0.0
All Other	8,137	8,148	11	0.1
Total Expenditures	**$41,829**	**$41,817**	**$(12)**	**0.0%**

Expenditure estimates are reduced slightly across property tax aids and credits and health and human services. This is due primarily to lower Medical Assistance enrollment and lower payments in the renter property tax refunds. These decreases are offset by slightly higher expenditures in E-12 education, due primarily to higher pupil counts. All other areas of the state budget are expected be slightly higher than November estimates.

E-12 Education. Education finance is the largest category of state general fund spending. It consists of aid programs for general education, special education, early childhood, charter schools, nonpublic pupil programs, and integration programs, among others. E-12 aids can be divided into two major funding streams: 1) general education, the primary source of basic operating funds for schools, and 2) categorical aid, tied to specific activities or categories of funding.

E-12 spending is forecasted to be $17.427 billion in FY 2016-17, a $24 million (0.1 percent) increase from previous estimates. This increase is attributable largely to actual FY 2016 student counts coming in higher than projected causing pupil growth to be adjusted up over the entire forecast period. This growth in student counts increases general education spending in the February forecast by $30 million and special education spending by $4 million compared to November. These increases are slightly offset by reductions in categorical aid spending.

Health & Human Services. Health and Human Services (HHS) is approximately one quarter of total state general fund spending. The majority of these expenditures (85 percent) are in forecasted programs, which provide payments to individuals for health care, housing, cash assistance, food support, adoption assistance, and support for individuals to help them stay in their own homes. These programs include Medical Assistance (MA), Chemical Dependency (CD), Minnesota Family Investment Program (MFIP), MFIP Child Care, Alternative Care (AC), General Assistance, Group Residential Housing, Minnesota Supplemental Aid and Northstar Care for Children.

General fund forecast changes are generally driven by changes to the MA forecast, since it accounts for the largest portion of forecasted program expenditures. MA is a state-federal, means-tested entitlement program that provides health care and related support for low-income individuals and families, persons with disabilities, and elderly individuals. MA costs are split between the state and federal government, though only the state share of expenditures is reflected as part of the general fund forecast.

Health and Human Services (HHS) general fund expenditures are forecast to be $11.766 billion in FY 2016-17, down $42 million (0.4 percent) relative to November estimates. Changes in Medical Assistance (MA) account for $41 million of the reduction (0.5 percent change from November). The largest driver was lower spending in Home and Community Based Services and certain waiver programs that allow individuals to remain within their homes and community instead of institutions. This change is due to recent increases in enrollment in the Community Access Disability Inclusion (CADI) and Developmental Disability (DD) waivers and likely results in fewer people accessing Personal Care Assistance. The average waiver cost of these recent enrollees has also been lower than expected, and together, this reduces forecast payments by $19 million in FY 2016-17. In addition, enrollment in basic care programs is lower than November estimates, which reduces state spending by $14 million. Other small and technical changes drive the remaining $10 million reduction in forecast spending for MA in FY 2016-17.

Property Tax, Aids, and Credits. FY 2016-17 spending for property tax aids and credits is forecast to be $3.338 billion, $4 million (0.1 percent) lower than November estimates. This reduction is driven by a $4 million (0.6 percent) reduction in renter property tax refunds due to stronger personal income growth than previously forecast.

Debt Service and All Other Spending. Debt service expenditures for the current biennium are forecast to be $1.139 billion in the next biennium, which is the same as prior estimates. Expenditures for all other bill areas are forecast to be $8.148 billion in FY 2018-19. This in an increase of $11 million (0.1 percent) from November estimates.

Next Biennium

Forecast expenditures in the next biennium are now expected to be $44.741 billion, an increase of $156 million from November estimates. Expenditure estimates are slightly higher in both E-12 Education and Health and Human Services. These increases are primarily the result of higher pupil counts and higher managed care costs.

Next Biennium: FY 2018-19 General Fund Expenditures
Forecast Comparison

($ in millions)	November 2016 Forecast Adj.	February 2017 Forecast	$ Change	% Change
E-12 Education	$18,177	$18,272	$95	0.5%
Property Tax Aids & Credits	3,467	3,452	(15)	(0.4)
Health & Human Services	14,251	14,324	73	0.5
Debt Service	1,143	1,143	0	0.0
All Other	7,547	7,550	3	0.0
Total Expenditures	**$44,585**	**$44,741**	**$156**	**0.4%**

E-12 Education. E-12 expenditures are expected to reach $18.272 billion in FY 2018-19. This is an increase of $95 million (0.5 percent) over the November forecast. Overall, general education spending is responsible for $57 million of the change. As reflected in the forecast for the current biennium, pupil counts are growing faster than earlier projections, resulting in an increase of basic formula expenditures of $73 million in FY 2018-19. In addition, more accurate property tax data increases projected spending by $20 million.

These increases are partially offset by a reduction in compensatory aid spending of $31 million. Compensatory aid represents payments made to schools based on the number and concentration of students who qualify for free or reduced school lunch. The forecast for these payments relies on estimates of changes in the state's poverty concentration. The poverty concentration decreased slightly from 2015 to 2016, which drove a reduction in the projected growth of the poverty concentration over the entire forecast period.

General Fund E-12 Education Expenditures
Change From November Estimates

($ in millions)	**FY 2018-19**		**FY 2020-21**	
	$ Change	**% Change**	**$ Change**	**% Change**
Updated pupil projections	$73	0.5%	$118	0.9%
Updated property tax data	20	0.1	0	0.0
Lower poverty concentration growth	(31)	(0.2)	(59)	(0.4)
Other general education changes	(5)	0.0	(4)	0.0
Total General Education Change	**57**	**0.4**	**55**	**0.4**
Special education aid	42	1.5	84	2.7
Other categoricals	(4)	(0.1)	(7)	(0.1)
Total Categoricals Change	**38**	**0.9**	**77**	**1.6**
Total E-12 General Fund Forecast Change	**$95**	**0.5%**	**$132**	**0.3%**

Special education spending is forecast to be $42 million (1.5 percent) higher in FY 2018-19 than previous estimates. The cost of providing special education services in FY 2016 was higher than assumed in previous estimates, which increases the base for forecast expenditures.

Health & Human Services. In FY 2018-19, general fund HHS expenditures are forecast to be $14.324 billon, $73 million (0.5 percent) above November estimates. Changes to MA drive $76 million (0.7 percent) of this increase. The largest reason for this increase is the departure of Medica, a nonprofit health plan, from contracts to provide health insurance to approximately 300,000 families with children and adults without children. Individuals previously covered by Medica will move to other plans in May 2017. Shifting enrollment to other plans results in higher average payments than were expected in the November forecast, which increases projected spending by $49 million in FY 2018-19. In addition, the cost of managed care coverage for all eligibility groups is expected to be higher than previously forecast. Experience at the end of calendar year 2016 demonstrated that enrollees were slightly more expensive than expected, which increases anticipated future costs by $32 million in FY 2018-19.

General Fund Health and Human Services Expenditures
Change From November Estimates

($ in millions)	**FY 2018-19**		**FY 2020-21**	
	$ Change	**% Change**	**$ Change**	**% Change**
Medica departure from managed care contracts	$49	1.5%	$55	1.4%
Managed care cost experience	32	0.5	42	0.6%
Period data matching implementation delay	46	1.4	4	0.1%
Basic care enrollment patterns	(57)	(0.9)	(69)	(0.9)
All other MA	6	0.1	15	0.1
Total MA Change	**76**	**0.7**	**47**	**0.4**
Non-MA Change	**(3)**	**(0.1)**	**(1)**	**(0.0)**
Total HHS General Fund Forecast Change	**$73**	**0.5%**	**$46**	**0.3%**

Another driver of increased MA spending is the delayed implementation of periodic data matching. Periodic data matching was established by the 2015 legislature to more frequently evaluate eligibility of families with children and adults without children. The program was originally scheduled to begin in March 2016. It was delayed in previous forecasts to July 2017. Because of challenges in systems development and negotiations around the use of federal tax data, the program is now anticipated to begin in July 2018. This delay increases forecast spending by $46 million in FY 2018-19.

Offsetting these higher costs is lower enrollment in basic health care than previous estimates. Actual enrollment in January 2017 was significantly lower than expected, as fewer individuals renewed their coverage. This forecast reflects lower enrollment of families and children (1.7 percent) and disabled adults (0.4 percent). One eligibility group, adults without children, increased by 1.6 percent.

Property Tax, Aids, and Credits. Property tax aids and credits spending is expected to be $3.452 billion in the 2018-19 biennium, a decrease of $15 million (0.4 percent) compared to November estimates. A reduction in the value of natural resource lands enrolled in the Payment in Lieu of Property Taxes (PILT) program reduces forecast spending by $8 million (10.6 percent). Renter property tax refunds decreased from previous estimates by $9 million (1.8 percent) due to a decrease in the number of returns combined with higher projected income growth compared to November. These lower expenditures are slightly offset by higher homestead property tax refunds, which are $4 million (0.5 percent) higher than previous estimates. Stronger growth in homestead property taxes combined with an increase in the number of returns outweigh the downward impact that rising incomes have on the value of these refunds.

Debt Service and All Other Spending. Debt service expenditures are forecast to be $1.143 billion in the next biennium, which is unchanged from previous estimates. As in November, the forecast assumes $800 million of bond authorization in the 2017 legislative session and future capital budgets of $800 million in each even-numbered legislative session and $230 million in each odd-numbered session.

Expenditures for all other bill areas are forecast to be $7.550 billion in FY 2018-19. This in an increase of $3 million (0.0 percent) from November estimates. One contributor to this change is state aid for the Destination Medical Center, which is forecast to be $6 million (75 percent) higher in FY 2018-19 than previous estimates. This forecast incorporates updated information about development and readiness of qualifying projects in the Destination Medical Center development district.

Planning Estimates

Spending estimates for FY 2020-21 are higher than prior estimates for the planning biennium. Expenditures in FY 2020-21 are now expected to be $47.233 billion, an increase of $173 million (0.4 percent) from November forecast estimates. The majority of the upward adjustment in spending estimates occurs in E-12 Education, which is driven by increased pupil growth.

Planning Estimates: FY 2020-21 General Fund Expenditures

Forecast Comparison

($ in millions)	November 2016 Forecast Adj.	February 2017 Forecast	$ Change	% Change
E-12 Education	$18,786	$18,918	$132	0.7%
Property Tax Aids & Credits	3,556	3,527	(29)	(0.8)
Health & Human Services	15,962	16,008	46	0.3
Debt Service	1,193	1,187	(6)	(0.5)
All Other	7,563	7,593	30	0.4
Total Expenditures	**$47,059**	**$47,233**	**$173**	**0.4%**

E-12 Education. E-12 education spending is forecast to be $18.918 billion in FY 2020-21, an increase of $132 million (0.7 percent) from the November forecast. The increases in general education and special education spending in the FY 2018-19 biennium continue into the planning years. Total general education spending is $55 million higher in FY 2020-21 than November estimates. Increased pupil growth results in $118 million of higher spending. This is partially offset by $59 million in lower forecast spending for in compensatory aid spending. This is driven by a reduction in the projected growth of the poverty concentration. Special education is up by $84 million in FY 2020-21 compared to November forecast. This is driven by an increase in actual special education costs in FY 2016 over what was projected in November.

Health & Human Services. General fund HHS expenditures for FY 2020-21 are $46 million (0.3 percent) higher than November estimates. Many of the trends impacting FY 2018-19 spending in HHS continue to impact spending estimates in FY 2020-21. Medica's exit from managed care contracts results in a $55 million increase from the November forecast. Higher underlying cost for managed care services increases forecast spending by $42 million. These increases are offset by changes in basic care enrollment patterns, which result in a $69 million reduction from the

November forecast. The impact of the periodic data matching delay is much smaller than in the previous biennium since the program will be implemented at that time.

Property Tax, Aids, and Credits. Property tax aids and credits spending is expected to be $3.527 billion in the 2020-21 biennium, a decrease of $29 million (0.8 percent) compared to November estimates. In the planning biennium, the PILT and market value agricultural land credit programs are projected to be lower than the November forecast as the trends seen in FY 2018-19 continue into the planning biennium. Homeowner and renter property tax refunds projections are reduced by $18 million (1.2 percent) compared to the November forecast as personal income growth continues and outpaces the projected increases in property taxes levied and the number of returns filed.

Debt Service and All Other Spending. Debt service expenditures are forecast to be $1.187 billion in FY 2020-21, a $6 million (0.5 percent) reduction from previous estimates. This decrease is the result of higher investment earnings in the bond proceeds and debt service funds, which reduces the amount required from the general fund to support debt service payments.

Expenditures for all other bill areas are forecast to be $7.593 billion, $30 million higher than previous estimates (0.4 percent). The primary driver of this change is a continued trend of higher payments for the Destination Medical Center, which are estimated to be $29 million (97 percent) higher than November estimates in FY 2020-21.

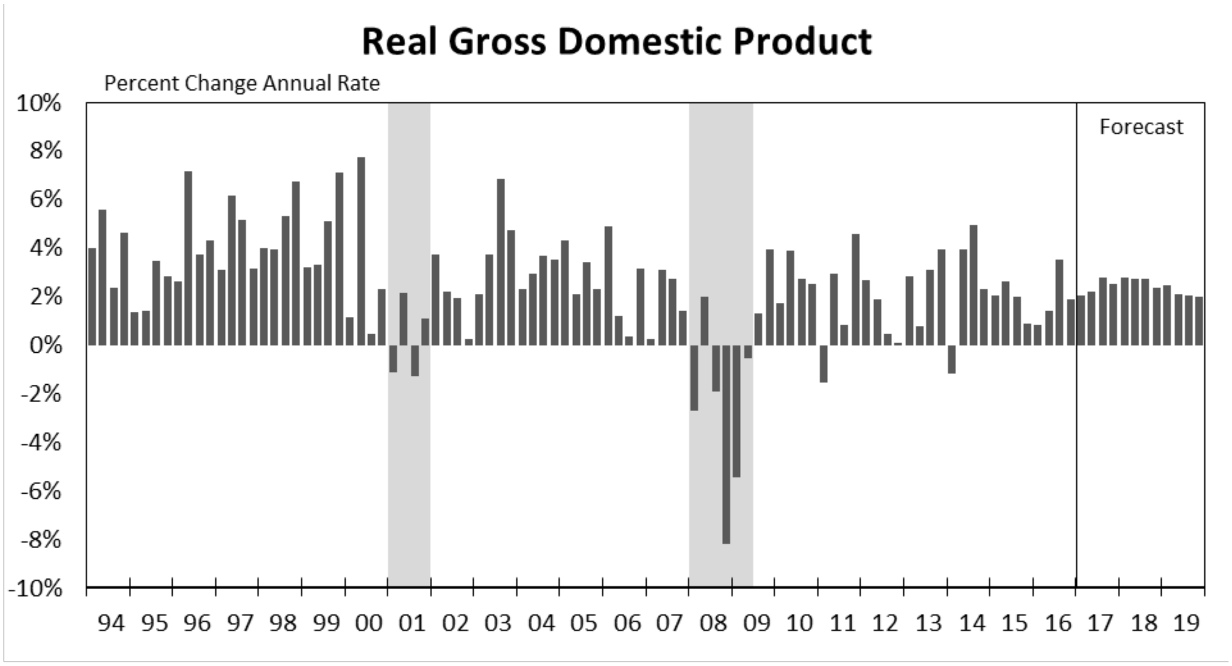
APPENDIX

ECONOMIC DATA

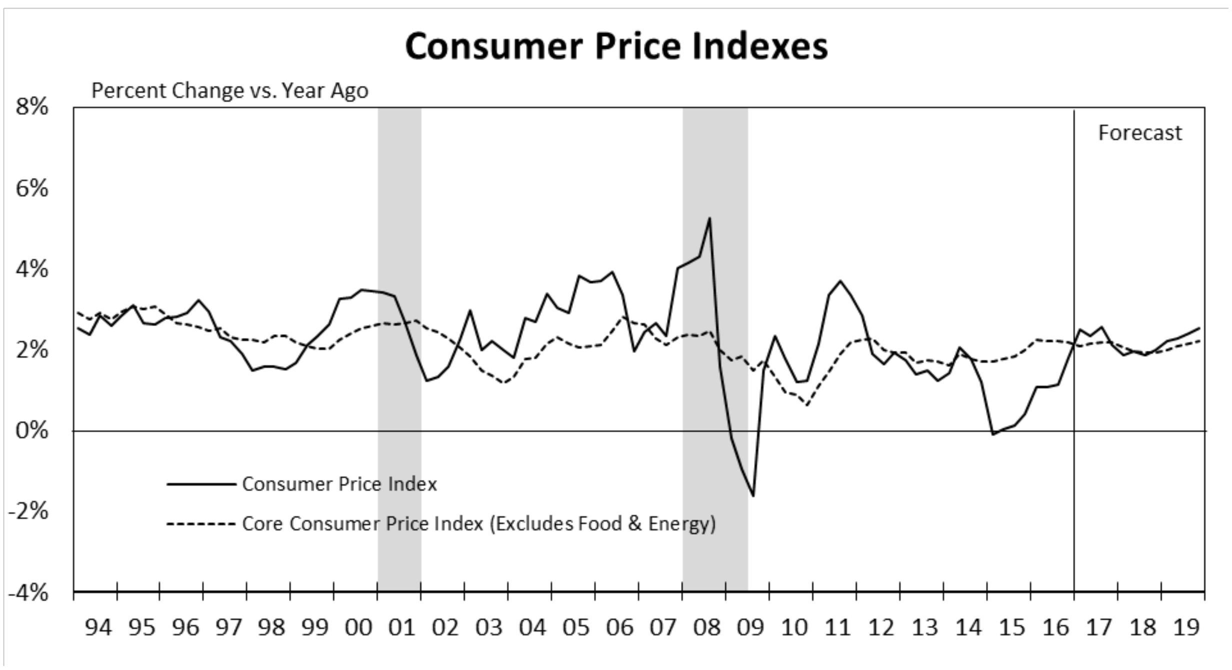
REVENUE EXPERIENCE

GENERAL FUND BALANCE SHEETS

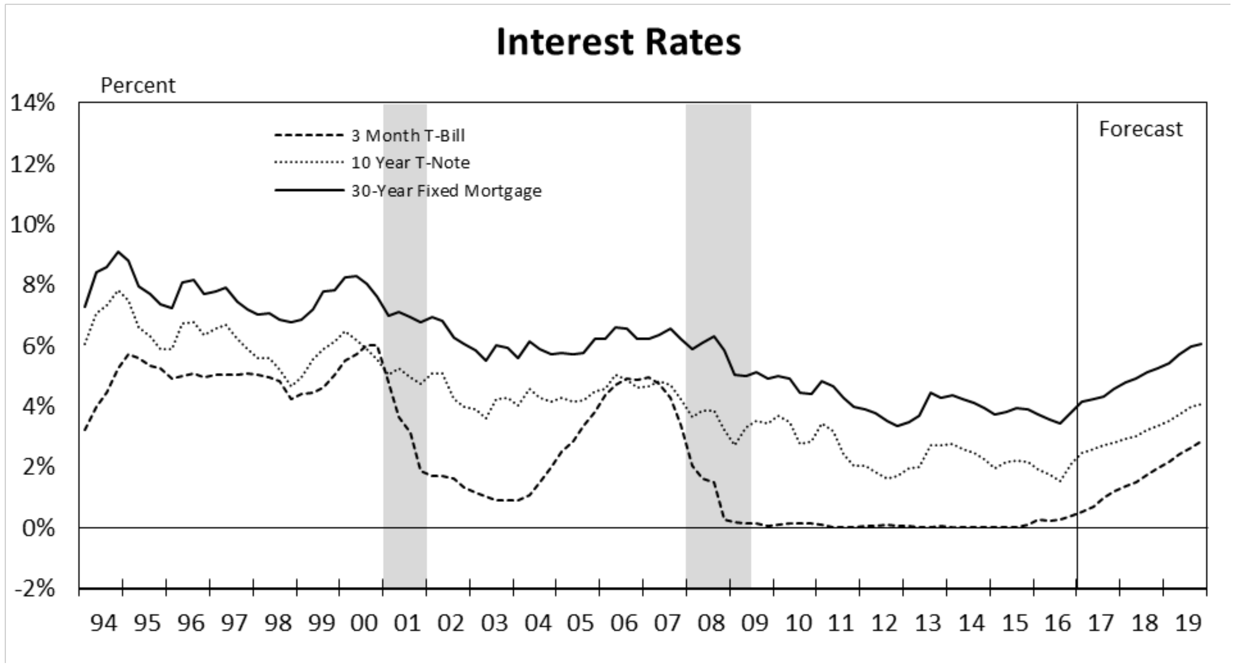
OTHER DATA



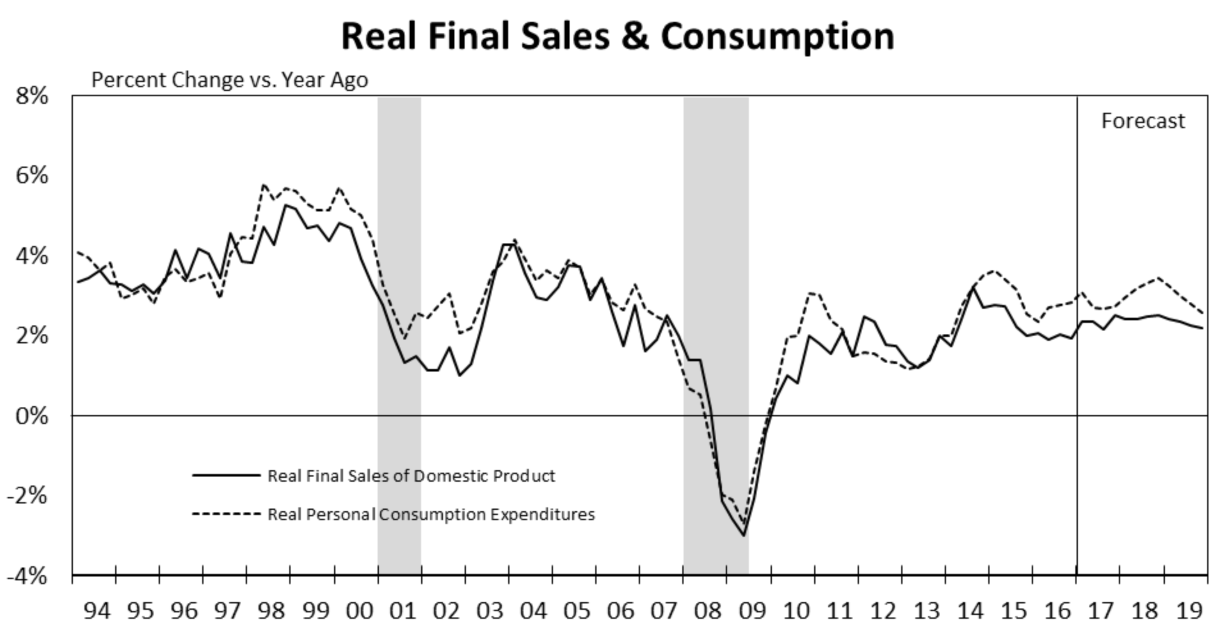
From 2017 through 2021, real GDP grows at annual rates within a narrow band of 2.0 to 2.8 percent, consistent with modest productivity growth. This is slower than the 3.1 percent average annual growth during the 20 years preceding the '08-'09 recession.



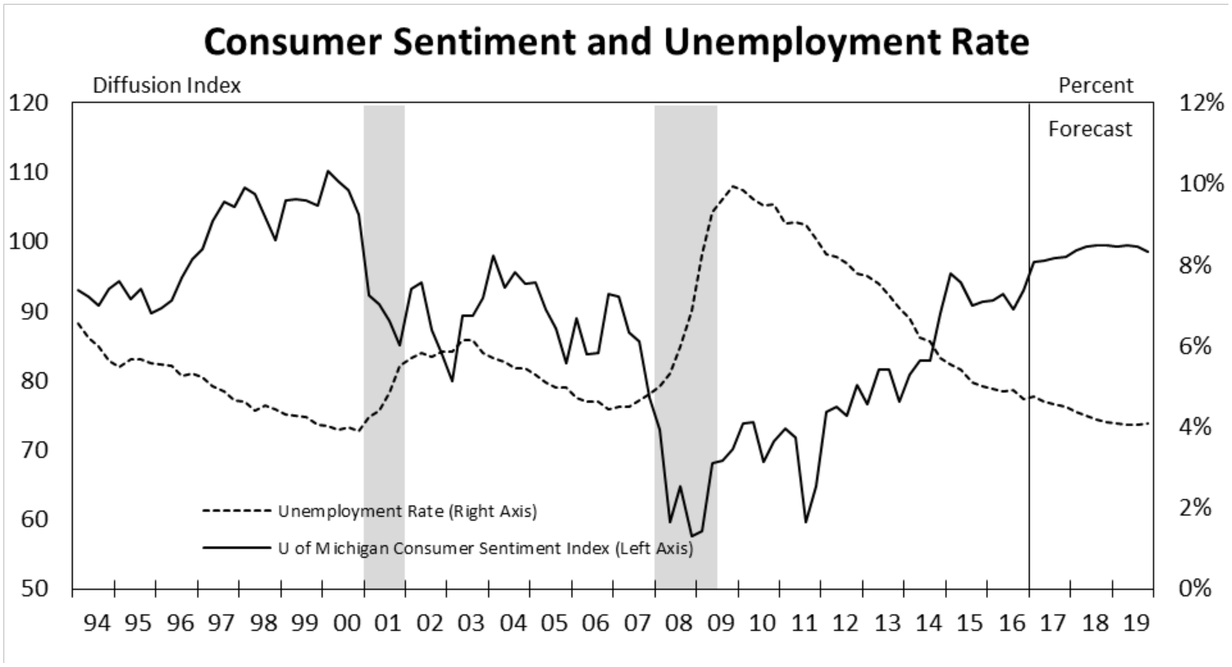
The Core Consumer Price Index (Core CPI) remains fairly tame through 2019. By the end of 2019, its year-over-year growth is 2.2 percent, consistent with growth in the core personal consumption expenditure index (PCE) (not shown) of just under 2.0 percent. The Fed's target for inflation measured by the core PCE is 2.0 percent.



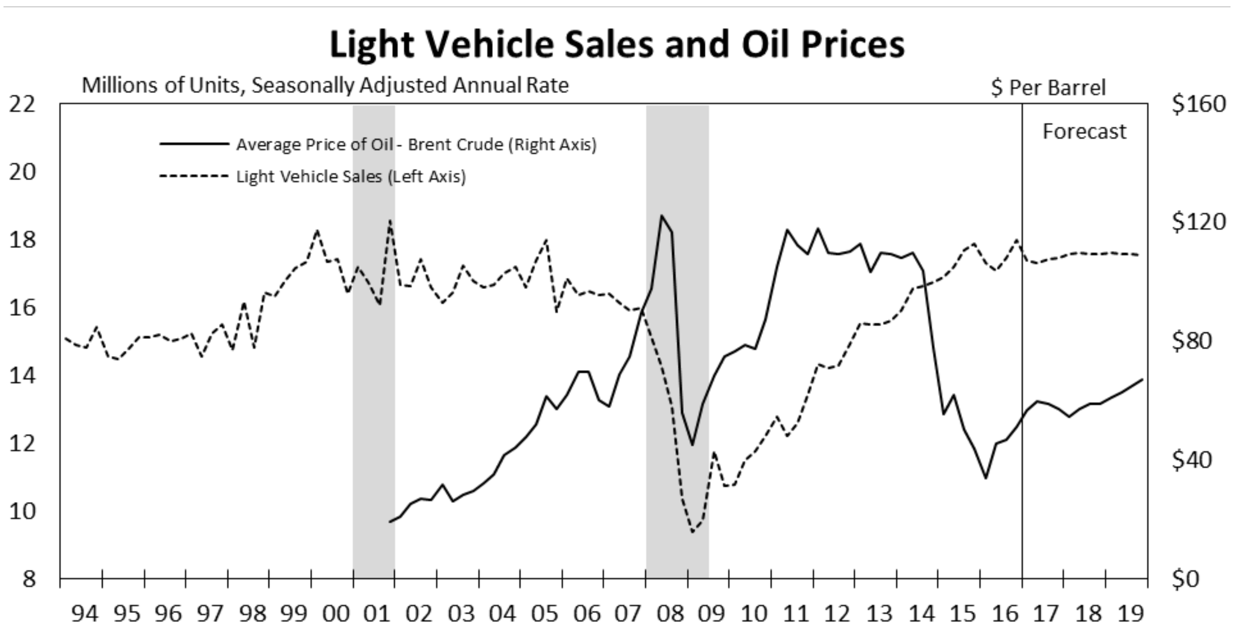
In the IHS forecast, the Fed steadily tightens monetary policy, pushing up interest rates across the board. The Federal Funds rate tops out at 3.0 percent in 2020, when the 10 year T-note reaches a bit above 4.0 percent.



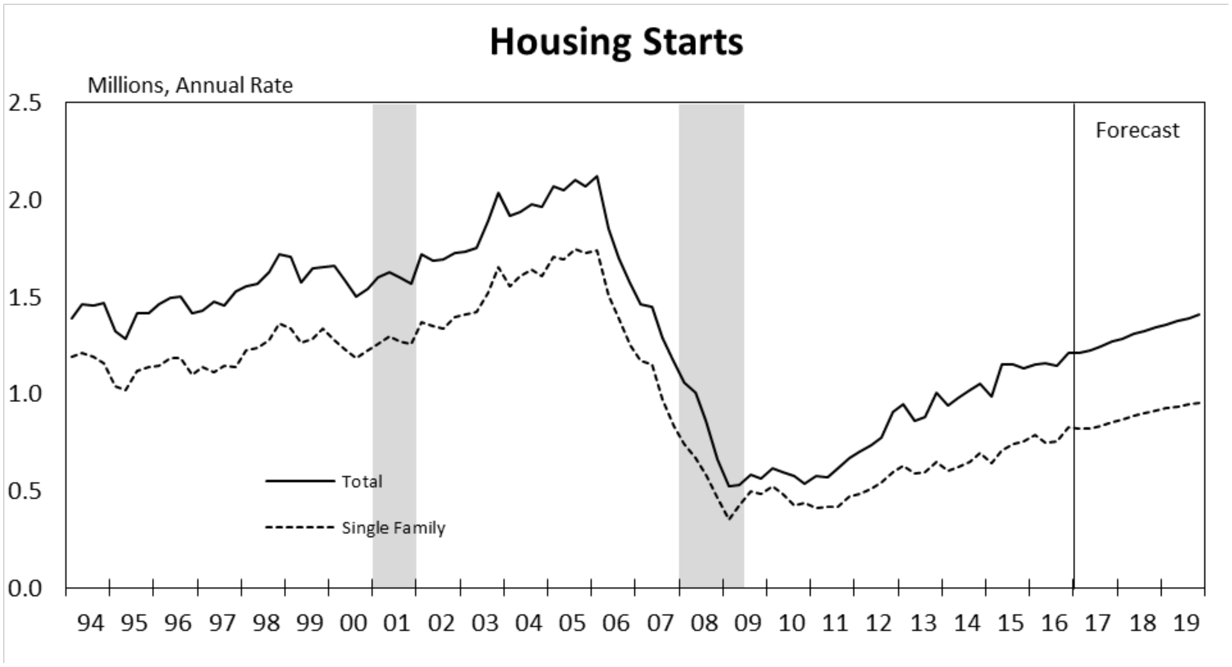
Growth in real personal consumption expenditure averages about 3.0 percent per year through 2019, consistent with modest real GDP growth.



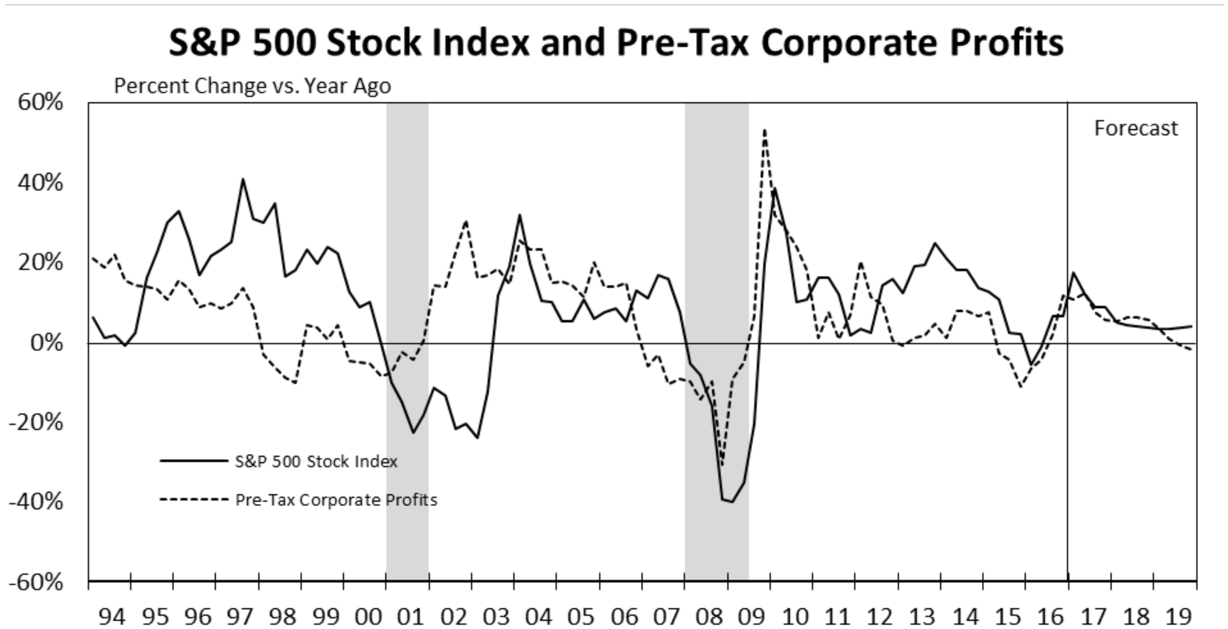
The IHS forecast calls for the unemployment to gradually drift down to 4.1 percent. Consumer sentiment stabilizes just shy of 1 00, a healthy reading for this indicator.



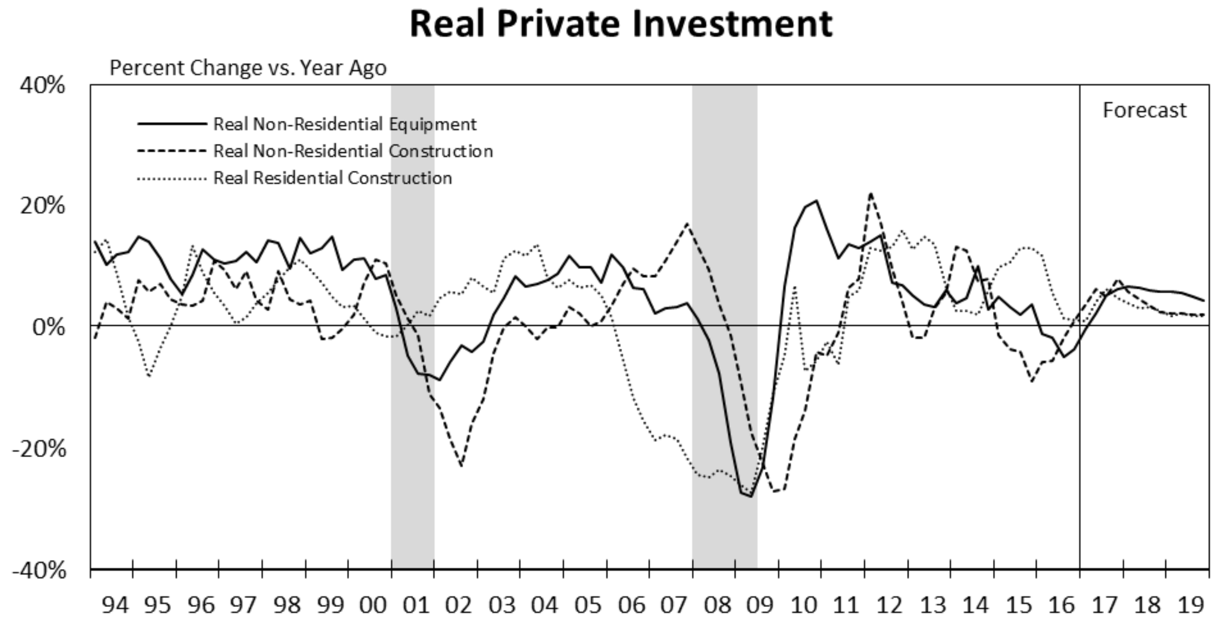
In the IHS forecast, oil prices gradually rise to $67.00 per barrel by the end of 2019 from the current level of about $55.00. The gradual increase does not deter purchases of light vehicles.



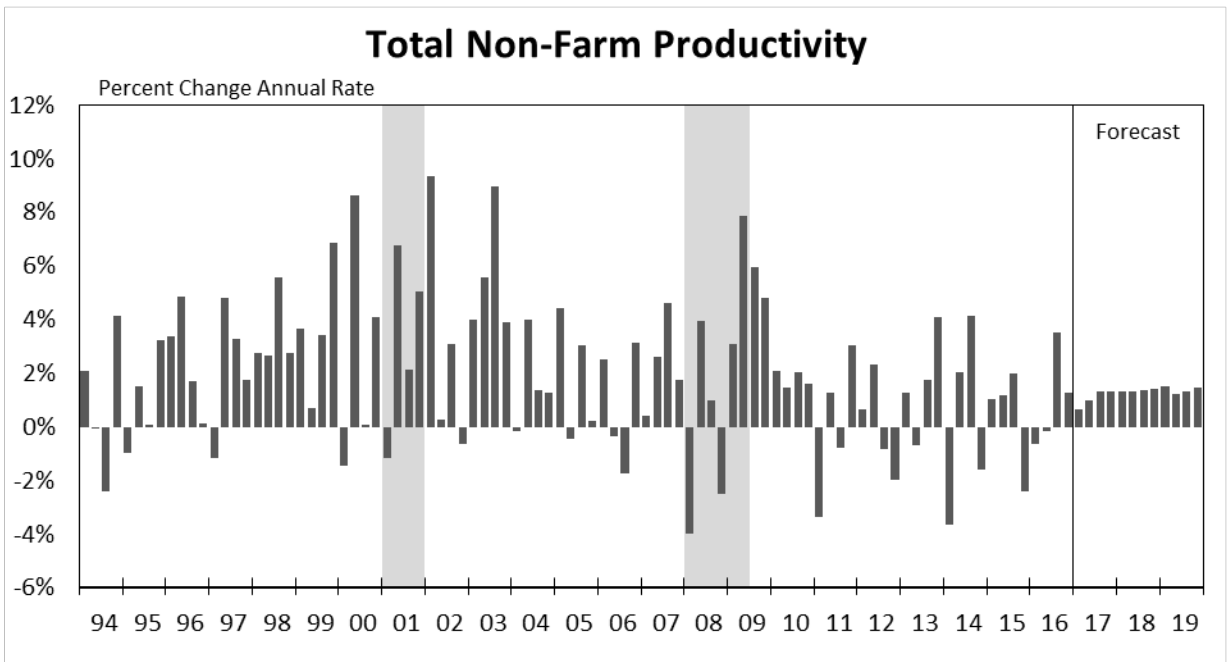
In this forecast housing starts rise steadily, reaching 1.4 million units at the end of 2019. That level was last seen prior to the '08-'09 recession.



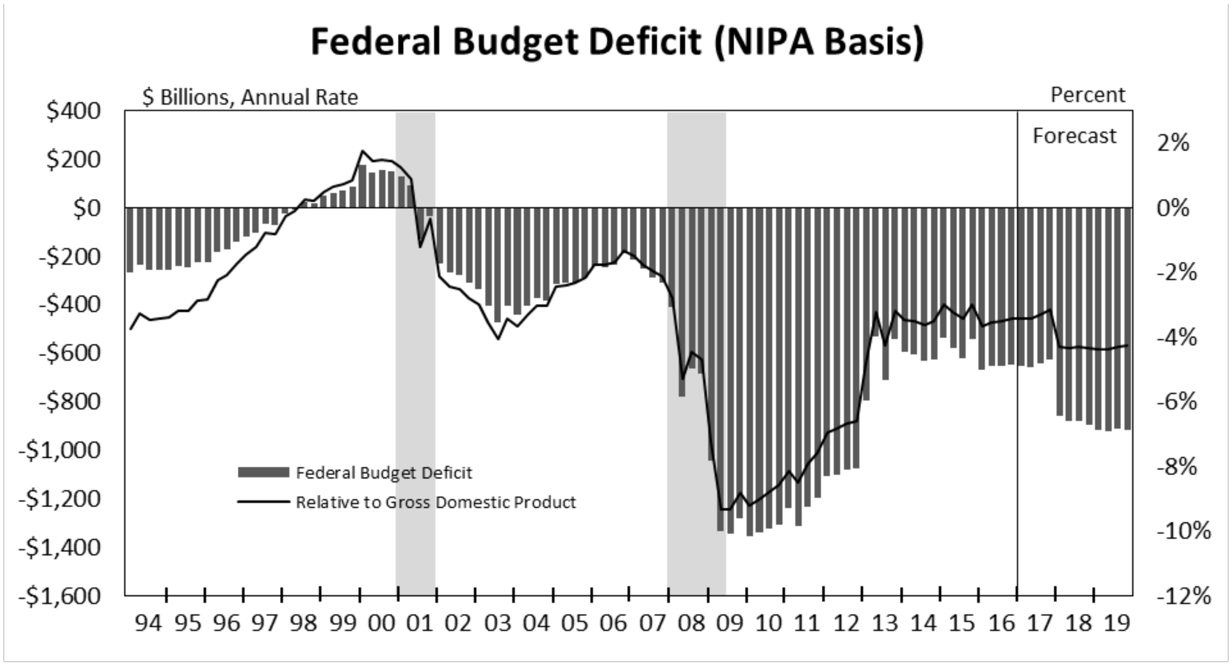
The forecast calls for growth rates of the S&P500 and pre-tax corporate profits to move from relatively high to more modest levels. As of this writing the ever volatile S&P500 exceeds the average value forecast for the second quarter of 2017.



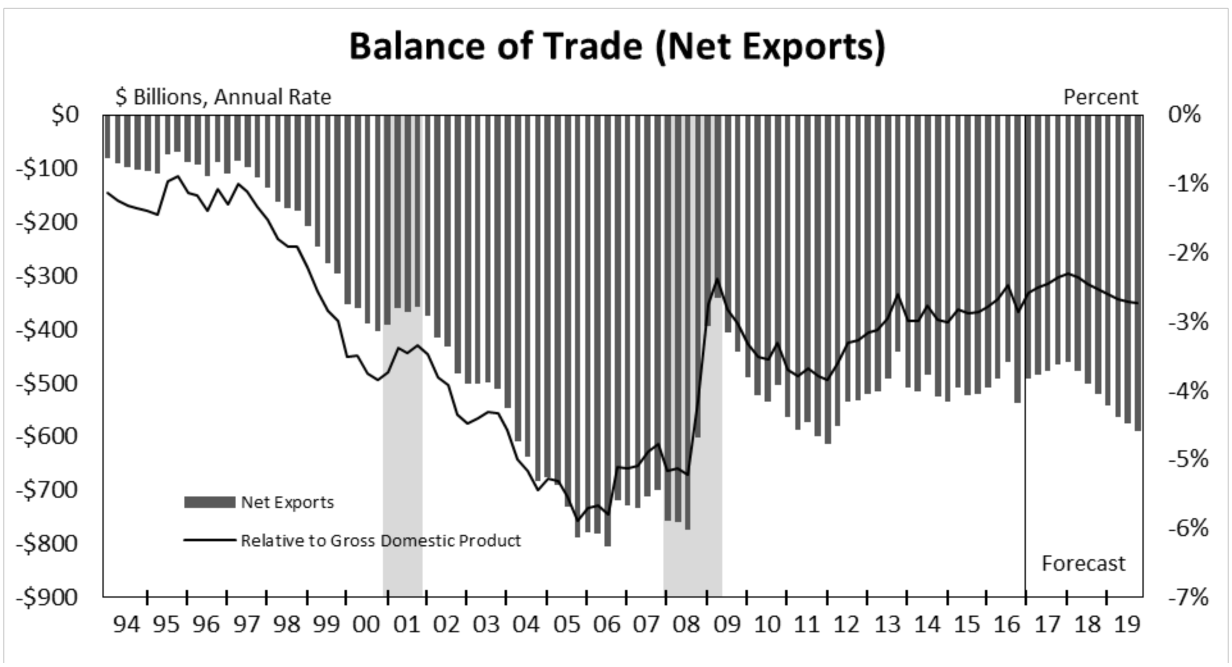
After several quarters of year-over-year decline, the change in real private nonresidential investment turned positive at the end of 2016. In this forecast, it grows through the fourth quarter of 2019 at rates that generally exceed the forecast growth rate for real GDP. Much of the recent decline appears to have been due to lower oil drilling and exploration activity.



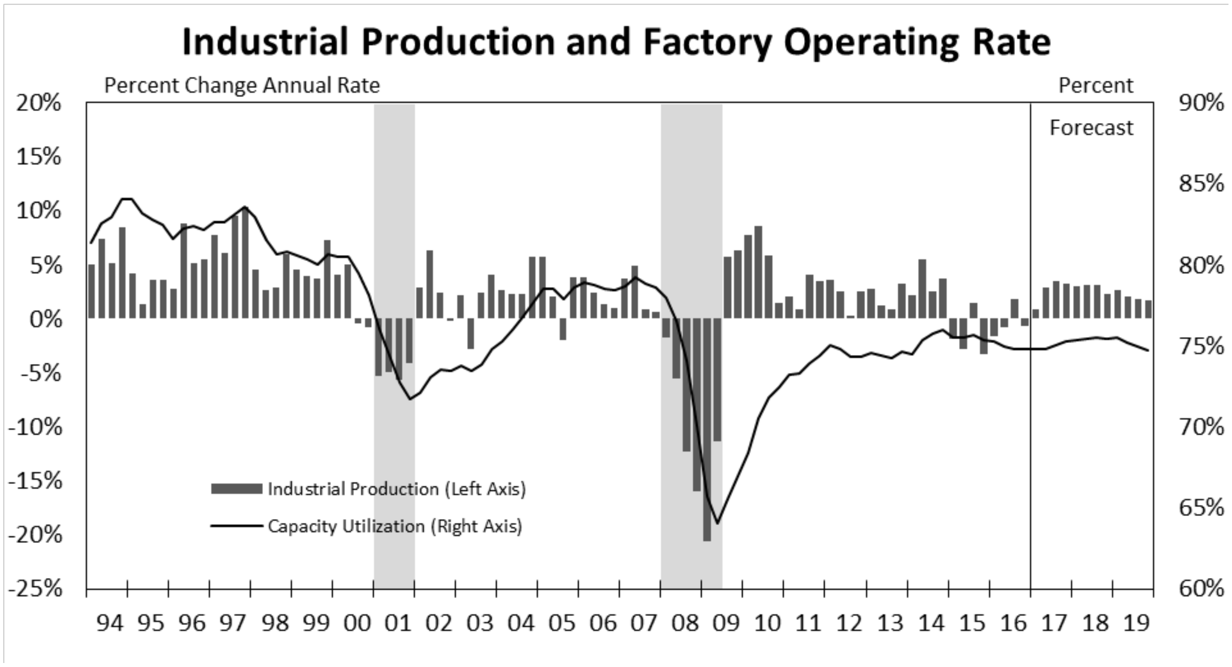
After erratic and disappointing growth of the last several years, productivity growth settles in at 1.3 to 1.5 percent per year. This rate is well below its historic average.



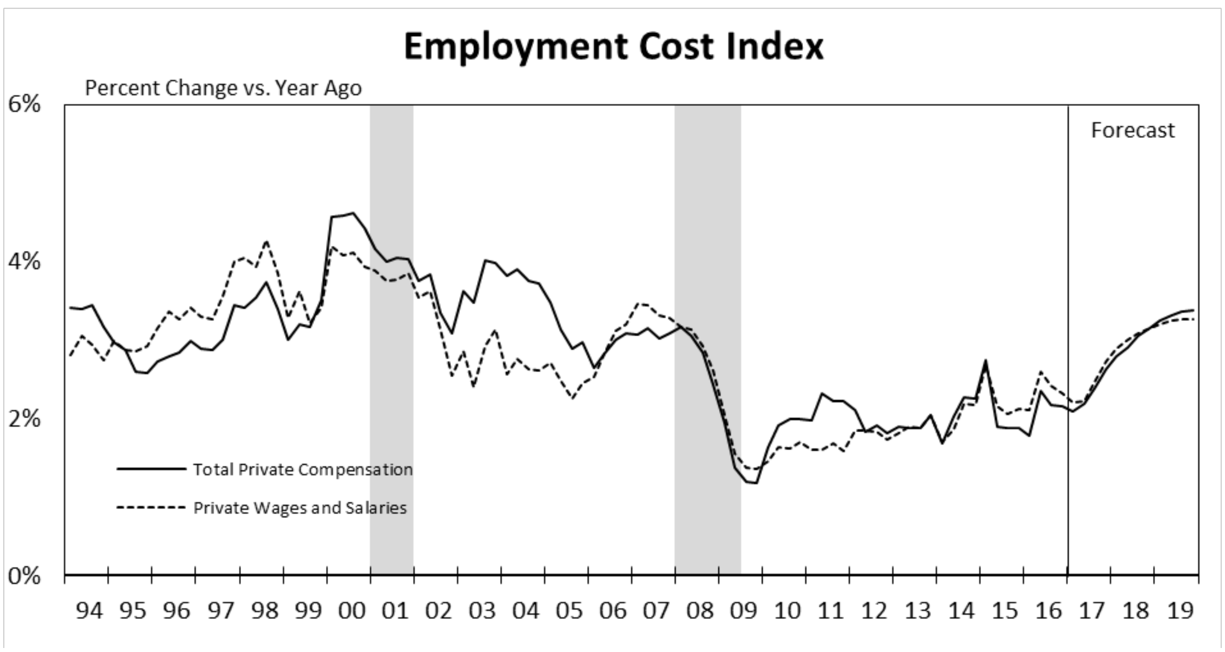
The federal budget deficit as a percent of GDP increases about a full percentage point to the 4.3 to 4.4 percent range under the assumption that a cut in personal and corporate tax rates occurs by 2018. The forecast also calls for increased infrastructure spending over the next 10 years.



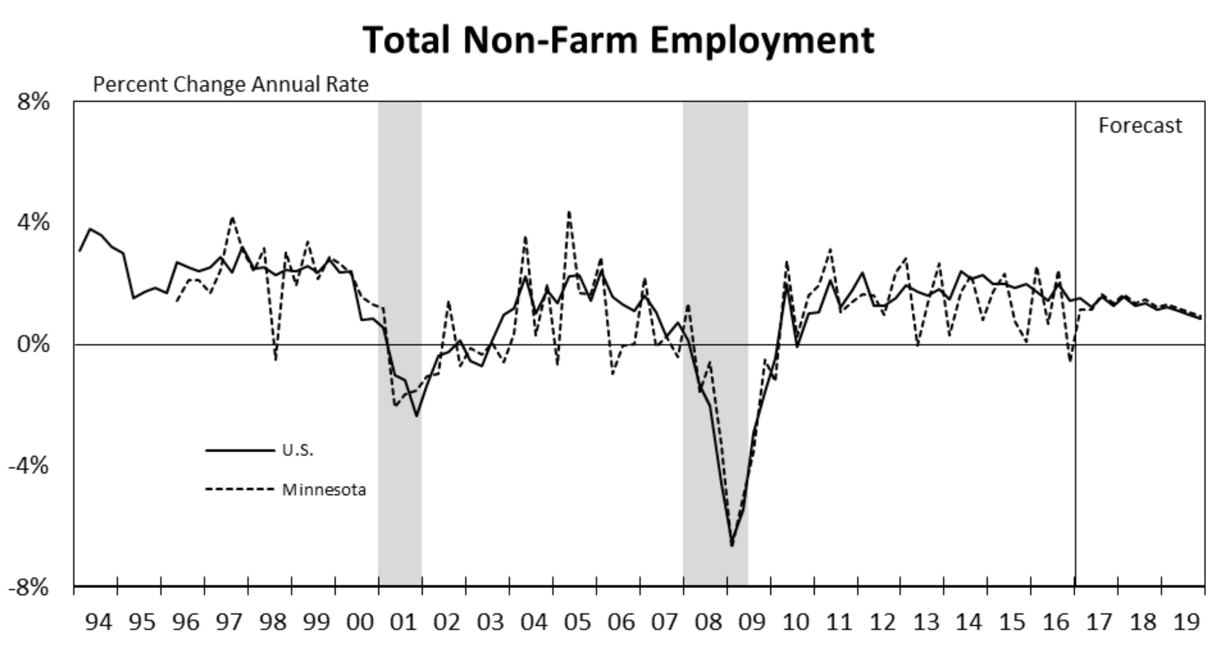
The trade deficit increases over time in dollar terms, but as a share of GDP it remains in the 2.3 to 2.7 percent range to the end of 2019.



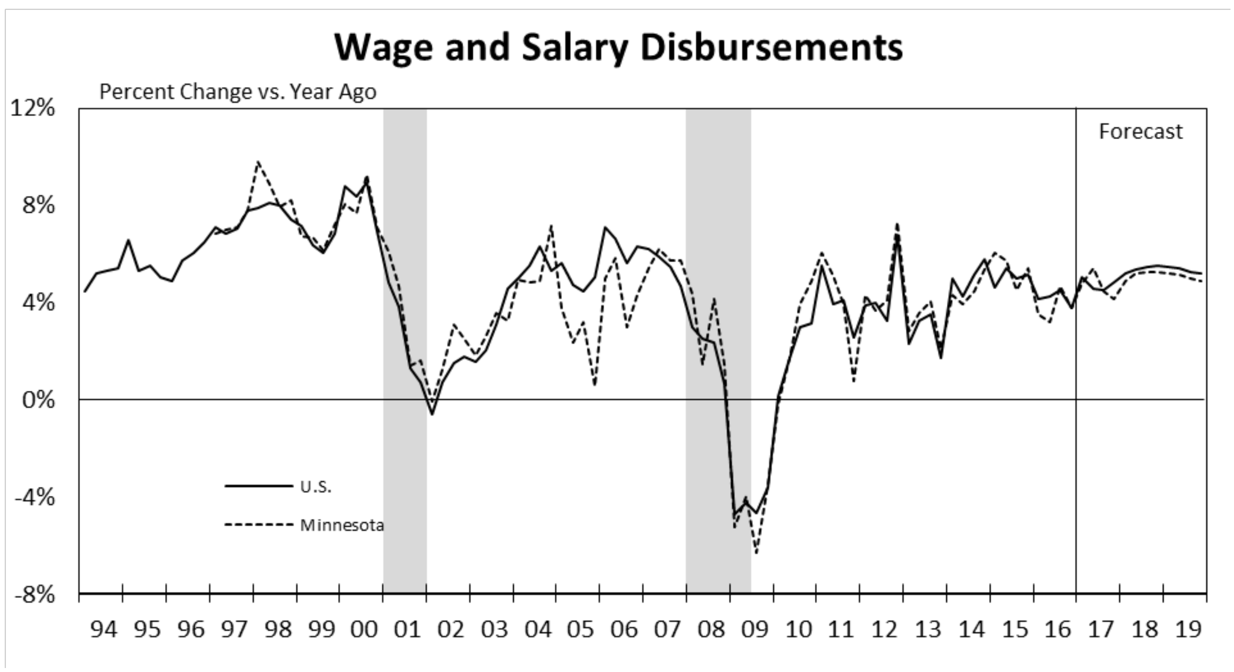
After many quarters of negative growth in the last 2 years--largely but not entirely related to oil, gas and coal--industrial production is expected to grow in the 2 to 3 percent range before slowing to under 2 percent in the second half of 2019.



Since the '08-'09 recession, compensation growth for private sector employees as measured by the Employment Cost Index (ECI) has been around 2 percent. The ECI it is expected to increase to 3.3 percent by 2019 and level off at 3.4 percent going forward. Given the IHS forecast for inflation, this would represent an increase in real compensation.



Both U.S. and Minnesota annual employment growth rates trend down from above 1.0 percent to between 0.8 and 0.9 percent by the end of 2019.



Over 2017 to 2019, total U.S. wage and salary income is forecast to grow roughly 4.5 to 5.5 percent per year. Minnesota's total wage and salary income grows two to three tenths of a percent less.

Minnesota Economic Forecast Summary

Forecast 2016 to 2021 - Calendar Years

	2014	2015	2016	2017	2018	2019	2020	2021
Current Dollar Income (Billions of Dollars)								
Personal Income	268.126	279.263	287.129	299.603	314.340	330.145	345.600	361.110
%Chg	4.7	4.2	2.8	4.3	4.9	5.0	4.7	4.5
Wage & Salary Disbursements	145.948	153.846	159.708	167.220	175.853	184.783	193.485	202.568
%Chg	4.5	5.4	3.8	4.7	5.2	5.1	4.7	4.7
Non-Wage Personal Income	122.178	125.416	127.419	132.385	138.485	145.363	152.115	158.543
%Chg	5.0	2.7	1.6	3.9	4.6	5.0	4.6	4.2
Supplements to Wages & Salaries	32.604	32.794	34.021	35.257	36.498	37.923	39.379	40.792
%Chg	5.9	0.6	3.7	3.6	3.5	3.9	3.8	3.6
Dividends, Interest, & Rent Income	49.442	50.923	51.865	54.240	57.355	61.071	64.541	67.383
%Chg	8.5	3.0	1.9	4.6	5.7	6.5	5.7	4.4
Farm Proprietors Income	3.067	2.873	1.862	1.766	1.858	1.881	1.859	1.941
%Chg	-43.8	-6.3	-35.2	-5.2	5.2	1.2	-1.2	4.4
Non-Farm Proprietors Income	18.626	19.968	20.735	21.688	22.616	23.345	23.991	24.748
%Chg	7.4	7.2	3.8	4.6	4.3	3.2	2.8	3.2
Personal Current Transfer Receipts	42.883	44.234	45.354	46.938	49.145	51.503	54.078	56.866
%Chg	4.9	3.2	2.5	3.5	4.7	4.8	5.0	5.2
Less: Contrib. for Gov. Social Ins.	23.173	24.042	24.890	25.959	27.439	28.816	30.186	31.642
%Chg	3.5	3.8	3.5	4.3	5.7	5.0	4.8	4.8
Real Income (Billions of 2009 Dollars)								
Real Personal Income	245.639	254.956	259.292	266.275	275.333	283.635	290.298	296.533
%Chg	3.2	3.8	1.7	2.7	3.4	3.0	2.3	2.1
Real Wage & Salary Disbursements	133.708	140.454	144.223	148.618	154.033	158.753	162.523	166.343
%Chg	3.0	5.0	2.7	3.0	3.6	3.1	2.4	2.4
Employment (Thousands)								
Employment - Total Non-Farm Payrolls	2,814.4	2,856.5	2,893.3	2,922.8	2,965.1	3,001.7	3,029.9	3,052.9
%Chg	1.4	1.5	1.3	1.0	1.4	1.2	0.9	0.8
Construction	107.6	115.2	120.6	124.2	126.8	128.8	130.8	132.9
%Chg	7.1	7.1	4.6	3.0	2.1	1.6	1.6	1.6
Manufacturing	312.3	316.9	316.6	315.1	317.8	320.6	321.3	321.0
%Chg	1.6	1.5	-0.1	-0.4	0.8	0.9	0.2	-0.1
Private Service-Providing	1,966.8	1,996.4	2,028.5	2,057.0	2,093.8	2,121.3	2,142.1	2,163.7
%Chg	1.0	1.5	1.6	1.4	1.8	1.3	1.0	1.0
Government	420.6	421.0	421.9	420.9	421.1	425.1	429.8	429.4
%Chg	1.5	0.1	0.2	-0.3	0.0	1.0	1.1	-0.1
Minnesota Civilian Labor Force	2,985.7	3,009.7	3,037.8	3,062.6	3,077.4	3,089.5	3,098.1	3,105.7
Unemployment Rate (%)	4.1	3.6	3.7	3.5	3.2	3.1	3.2	3.3
Demographic Indicators (Millions)								
Total Population	5.457	5.490	5.525	5.563	5.600	5.635	5.670	5.703
%Chg	0.7	0.6	0.7	0.7	0.7	0.6	0.6	0.6
Total Population Age 16 & Over	4.317	4.348	4.381	4.417	4.450	4.483	4.518	4.551
%Chg	0.8	0.7	0.8	0.8	0.7	0.8	0.8	0.7
Total Population Age 65 & Over	0.780	0.806	0.832	0.862	0.893	0.924	0.957	0.989
%Chg	3.2	3.3	3.2	3.7	3.5	3.5	3.5	3.3
Total Households	2.129	2.147	2.174	2.195	2.217	2.238	2.259	2.279
%Chg	0.4	0.8	1.2	1.0	1.0	1.0	0.9	0.9
Housing Indicators (Thousands)								
Total Housing Permits (Authorized)	16.789	20.344	21.817	25.651	25.245	25.089	25.126	24.035
%Chg	-0.1	21.2	7.2	17.6	-1.6	-0.6	0.1	-4.3
Single-Family	10.276	12.345	13.980	15.724	15.475	15.380	15.402	14.733
%Chg	-3.0	20.1	13.2	12.5	-1.6	-0.6	0.1	-4.3

Source: Minnesota Management & Budget (MMB) November 2016 Forecast

U.S. Economic Forecast Summary

Forecast 2016 to 2021, Calendar Years

	2014	2015	2016	2017	2018	2019	2020	2021
Real National Income Accounts (Billions of 2009 Dollars)								
Real Gross Domestic Product (GDP)	15,982.3	16,397.2	16,660.0	17,043.9	17,495.6	17,905.9	18,289.0	18,685.6
%Chg	2.4	2.6	1.6	2.3	2.7	2.3	2.1	2.2
Real Consumption	10,868.9	11,214.7	11,514.9	11,838.1	12,220.9	12,576.3	12,875.4	13,166.6
%Chg	2.9	3.2	2.7	2.8	3.2	2.9	2.4	2.3
Real Nonresidential Fixed Investment	2,155.6	2,200.2	2,190.7	2,284.2	2,398.9	2,496.1	2,579.6	2,662.6
%Chg	6.0	2.1	-0.4	4.3	5.0	4.1	3.3	3.2
Real Residential Investment	505.4	564.5	592.2	616.0	636.3	649.1	664.0	682.8
%Chg	3.5	11.7	4.9	4.0	3.3	2.0	2.3	2.8
Real Personal Income	13,567.7	14,112.9	14,454.5	14,847.9	15,379.8	15,874.6	16,285.2	16,673.6
%Chg	3.7	4.0	2.4	2.7	3.6	3.2	2.6	2.4
Current Dollar National Income Accounts (Billions of Dollars)								
Gross Domestic Product (GDP)	17,393.1	18,036.7	18,567.0	19,397.1	20,322.8	21,221.7	22,134.2	23,106.7
%Chg	4.2	3.7	2.9	4.5	4.8	4.4	4.3	4.4
Personal Income	14,809.8	15,458.5	16,006.2	16,706.5	17,558.6	18,477.8	19,387.6	20,304.8
%Chg	5.2	4.4	3.5	4.4	5.1	5.2	4.9	4.7
Wage & Salary Disbursements	7,476.3	7,854.8	8,184.2	8,573.1	9,035.4	9,517.1	9,990.9	10,489.1
%Chg	5.1	5.1	4.2	4.8	5.4	5.3	5.0	5.0
Non-Wage Personal Income	7,333.4	7,603.7	7,822.1	8,133.4	8,523.2	8,960.8	9,396.8	9,815.8
%Chg	5.4	3.7	2.9	4.0	4.8	5.1	4.9	4.5
Price and Wage Indexes								
U.S. GDP Deflator (2005=1.0)	108.838	109.999	111.452	113.802	116.155	118.514	121.020	123.656
%Chg	1.8	1.1	1.3	2.1	2.1	2.0	2.1	2.2
U.S. Consumer Price Index (1982-84=1.0)	2.367	2.370	2.400	2.457	2.505	2.564	2.634	2.703
%Chg	1.6	0.1	1.3	2.4	1.9	2.4	2.7	2.6
Employment Cost Index (Dec 2005=1.0)	1.212	1.238	1.264	1.293	1.332	1.376	1.423	1.472
%Chg	2.1	2.1	2.1	2.3	3.0	3.3	3.4	3.4
Employment (Thousands)								
Employment - Total Non-Farm Payrolls	138.9	141.8	144.3	146.4	148.5	150.2	151.5	152.5
%Chg	1.9	2.1	1.8	1.5	1.4	1.1	0.9	0.7
Construction	6.1	6.5	6.7	6.9	7.1	7.3	7.4	7.6
%Chg	5.0	5.0	3.9	2.5	3.1	2.8	2.2	2.5
Manufacturing	12.2	12.3	12.3	12.4	12.5	12.7	12.8	12.9
%Chg	1.4	1.2	0.1	0.3	1.2	1.5	0.9	0.3
Private Service-Providing	97.8	100.2	102.3	104.2	105.9	107.0	107.7	108.6
%Chg	2.1	2.4	2.2	1.8	1.6	1.0	0.7	0.8
Government	21.9	22.0	22.2	22.2	22.2	22.4	22.7	22.6
%Chg	0.1	0.7	0.9	0.1	-0.1	0.8	1.2	-0.4
U.S. Civilian Labor Force	155.9	157.1	159.2	160.3	162.2	164.0	165.7	166.8
Employment - Household Survey	146.3	148.8	151.4	152.9	155.3	157.4	158.8	159.6
Unemployment Rate (%)	6.2	5.3	4.9	4.6	4.2	4.1	4.2	4.3
Other Key Measures								
Non-Farm Productivity (index, 2005=1.0)	1.055	1.065	1.067	1.080	1.094	1.109	1.127	1.146
%Chg	0.8	0.9	0.2	1.3	1.3	1.4	1.6	1.7
Total Ind. Production (index, 2007=100)	104.891	105.215	104.165	105.671	108.971	111.596	113.760	115.997
%Chg	2.9	0.3	-1.0	1.4	3.1	2.4	1.9	2.0
Manhours in Private Non-Farm Estab.								
Billions of Hours	197.5	201.9	205.3	209.0	212.9	215.7	217.5	219.5
%Chg	2.3	2.2	1.7	1.8	1.9	1.3	0.9	0.9
Average Weekly Hours	32.5	32.5	32.4	32.5	32.5	32.6	32.6	32.6
Manufacturing Workweek	42.0	41.8	41.8	41.8	41.7	41.8	41.8	41.9

Source: IHS Economics; February 2016 Baseline

Alternative Forecast Comparison

Calendar Years

	16Q4	17Q1	17Q2	17Q3	17Q4	18Q1	2015	2016	2017	2018
Real Gross Domestic Product (GDP), Percent Change, Seasonally Adjusted at Annual Rate										
Blue Chip Consensus (02-17)	1.9	2.2	2.3	2.4	2.4	2.4	2.6	1.6	2.3	2.4
IHS Economics Baseline (02-17)	1.9	2.1	2.2	2.8	2.5	2.8	2.6	1.6	2.3	2.7
Moody's Analytics (02-17)	1.9	2.6	3.1	2.7	3.0	-	2.6	1.6	2.6	2.9
S&P Economic Forecast (12-16)	2.8	1.8	2.5	2.6	2.4	-	2.6	1.6	2.4	2.3
Wells Fargo (02-17)	1.9	1.7	2.4	2.5	2.2	2.4	2.6	1.6	2.2	2.4
Congressional Budget Office (01-17)	2.0	2.6	2.2	2.3	2.0	2.0	2.6	1.6	2.3	2.0
Consumer Price Index (CPI), Percent Change, Seasonally Adjusted at Annual Rate (except where noted)										
Blue Chip Consensus (02-17)	3.4	2.5	2.3	2.4	2.4	2.3	0.1	1.3	2.5	2.3
IHS Economics Baseline (02-17)	3.4	2.5	1.9	2.5	1.6	1.5	0.1	1.3	2.4	1.9
Moody's Analytics (02-17)	3.4	3.5	2.4	2.4	2.7	-	0.1	1.3	2.8	2.7
S&P Economic Forecast (12-16)	1.9	2.3	2.5	2.7	2.4	-	0.1	1.3	2.4	2.2
Wells Fargo (02-17)*	1.8	2.5	2.4	2.7	2.5	2.5	0.1	1.3	2.5	2.6
Congressional Budget Office (01-17)	1.6	3.0	2.3	2.3	2.3	2.3	0.1	1.3	2.4	2.3

* Year-over-Year Percent Change

IHS Economics Baseline Forecast Comparison

Calendar Years

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Real Gross Domestic Product (GDP), Annual Percent Change										
February 2011	2.9	3.1	3.3	2.9	-	-	-	-	-	-
November 2011	1.6	2.5	3.5	3.3	-	-	-	-	-	-
February 2012	2.1	2.3	3.3	3.2	-	-	-	-	-	-
November 2012	2.1	1.9	2.8	3.3	2.9	2.1	-	-	-	-
February 2013	2.2	1.9	2.8	3.3	2.9	2.8	-	-	-	-
November 2013	2.8	1.7	2.5	3.1	3.3	3.1	-	-	-	-
February 2014	2.8	1.9	2.7	3.3	3.4	3.1	-	-	-	-
November 2014	2.3	2.2	2.2	2.6	2.8	3.0	2.6	2.6	-	-
February 2015	2.3	2.2	2.4	3.0	2.7	2.8	2.6	2.8	-	-
November 2015	2.2	1.5	2.4	2.4	2.9	2.8	2.7	2.6	-	-
February 2016	2.2	1.5	2.4	2.4	2.4	2.8	2.6	2.4	-	-
November 2016	2.2	1.7	2.4	2.6	1.5	2.2	2.2	2.2	2.0	2.2
February 2017	2.2	1.7	2.4	2.6	1.6	2.3	2.7	2.3	2.1	2.2
Consumer Price Index (CPI), Annual Percent Change										
February 2011	1.7	1.9	2.2	2.2	-	-	-	-	-	-
November 2011	1.5	1.7	2.0	2.1	-	-	-	-	-	-
February 2012	2.0	1.8	1.9	1.9	-	-	-	-	-	-
November 2012	2.1	1.3	1.8	1.7	1.9	1.9	-	-	-	-
February 2013	2.1	1.4	1.7	1.6	1.7	1.8	-	-	-	-
November 2013	2.1	1.4	1.4	1.7	1.9	1.9	-	-	-	-
February 2014	2.1	1.5	1.3	1.7	1.8	1.8	-	-	-	-
November 2014	2.1	1.5	1.7	1.0	1.6	2.2	2.2	2.3	-	-
February 2015	2.1	1.5	1.6	-0.7	2.3	2.7	2.7	2.5	-	-
November 2015	2.1	1.5	1.6	0.0	1.4	2.7	2.4	2.4	-	-
February 2016	2.1	1.5	1.6	0.1	0.6	2.3	2.7	2.7	-	-
November 2016	2.1	1.5	1.6	0.1	1.3	2.5	2.5	2.4	2.5	2.5
February 2017	2.1	1.5	1.6	0.1	1.3	2.4	1.9	2.4	2.7	2.6

Source: IHS Economics

Forecast Comparison: Minnesota & U.S.

Forecast 2016 to 2021, Calendar Years

	2014	2015	2016	2017	2018	2019	2020	2021
Personal Income (Billions of Current Dollars)								
Minnesota								
February 2017	268.1	279.3	287.1	299.6	314.3	330.1	345.6	361.1
%Chg	4.7	4.2	2.8	4.3	4.9	5.0	4.7	4.5
November 2016	268.1	279.3	285.8	297.8	311.6	326.1	340.7	355.9
%Chg	4.7	4.2	2.4	4.2	4.6	4.6	4.5	4.4
U.S.								
February 2017	14,810	15,459	16,006	16,707	17,559	18,478	19,388	20,305
%Chg	5.2	4.4	3.5	4.4	5.1	5.2	4.9	4.7
November 2016	14,810	15,459	16,007	16,736	17,606	18,534	19,444	20,367
%Chg	5.2	4.4	3.5	4.6	5.2	5.3	4.9	4.7
Wage and Salary Disbursements (Billions of Current Dollars)								
Minnesota								
February 2017	145.9	153.8	159.7	167.2	175.9	184.8	193.5	202.6
%Chg	4.5	5.4	3.8	4.7	5.2	5.1	4.7	4.7
November 2016	145.9	153.8	159.4	166.9	174.8	182.9	191.0	199.7
%Chg	4.5	5.4	3.6	4.7	4.7	4.6	4.4	4.5
U.S.								
February 2017	7,476	7,855	8,184	8,573	9,035	9,517	9,991	10,489
%Chg	5.1	5.1	4.2	4.8	5.4	5.3	5.0	5.0
November 2016	7,476	7,855	8,184	8,589	9,062	9,552	10,030	10,534
%Chg	5.1	5.1	4.2	5.0	5.5	5.4	5.0	5.0
Total Non-Farm Payroll Employment (Thousands)								
Minnesota								
February 2017	2,814	2,856	2,893	2,923	2,965	3,002	3,030	3,053
%Chg	1.4	1.5	1.3	1.0	1.4	1.2	0.9	0.8
November 2016	2,814	2,856	2,895	2,923	2,949	2,979	3,005	3,031
%Chg	1.4	1.5	1.3	1.0	0.9	1.0	0.9	0.9
U.S.								
February 2017	138,937	141,813	144,306	146,446	148,454	150,150	151,471	152,456
%Chg	1.9	2.1	1.8	1.5	1.4	1.1	0.9	0.7
November 2016	138,939	141,833	144,314	146,196	147,960	149,708	151,042	152,076
%Chg	1.9	2.1	1.7	1.3	1.2	1.2	0.9	0.7
Average Annual Non-Farm Wage (Current Dollars)								
Minnesota								
February 2017	51,857	53,859	55,199	57,212	59,307	61,560	63,859	66,353
%Chg	3.1	3.9	2.5	3.6	3.7	3.8	3.7	3.9
November 2016	51,858	53,859	55,065	57,098	59,285	61,409	63,564	65,866
%Chg	3.1	3.9	2.2	3.7	3.8	3.6	3.5	3.6
U.S.								
February 2017	53,811	55,389	56,714	58,541	60,863	63,384	65,959	68,801
%Chg	3.1	2.9	2.4	3.2	4.0	4.1	4.1	4.3
November 2016	53,810	55,381	56,708	58,753	61,246	63,804	66,403	69,269
%Chg	3.1	2.9	2.4	3.6	4.2	4.2	4.1	4.3

Source: IHS Economics and Minnesota Management and Budget (MMB)

Factors Affecting Tax Revenue

Billions of Current Dollars

	2014	2015	2016	2017	2018	2019	2020	2021
Individual Income Tax (Calendar Year)								
Minnesota Non-Farm Tax Base								
November 2014	213.919	222.743	234.048	247.250	259.688	271.678	-	-
%Chg	3.8	4.1	5.1	5.6	5.0	4.6		
February 2015	214.375	224.873	236.323	249.318	261.988	274.210	-	-
%Chg	4.0	4.9	5.1	5.5	5.1	4.7		
November 2015	212.873	222.897	232.633	244.093	256.625	269.365	-	-
%Chg	4.5	4.7	4.4	4.9	5.1	5.0		
February 2016	212.873	222.646	229.615	240.335	252.558	264.448	-	-
%Chg	4.5	4.6	3.1	4.7	5.1	4.7		
November 2016	214.016	224.737	232.035	242.225	253.658	265.518	277.610	290.023
%Chg	5.7	5.0	3.2	4.4	4.7	4.7	4.6	4.5
February 2016	214.016	224.737	232.309	243.150	255.823	269.200	282.015	294.700
%Chg	5.7	5.0	3.4	4.7	5.2	5.2	4.8	4.5
Minnesota Wage and Salary Disbursements								
November 2014	145.147	151.563	158.495	165.898	173.420	181.153	-	-
%Chg	3.9	4.4	4.6	4.7	4.5	4.5		
February 2015	145.733	153.655	161.100	168.953	176.765	184.913	-	-
%Chg	4.3	5.4	4.8	4.9	4.6	4.6		
November 2015	145.926	153.019	159.958	167.580	175.413	183.918	-	-
%Chg	4.6	4.9	4.5	4.8	4.7	4.8		
February 2016	145.926	152.842	158.588	166.015	173.658	181.303	-	-
%Chg	4.6	4.7	3.8	4.7	4.6	4.4		
November 2016	145.948	153.846	159.410	166.923	174.843	182.918	191.040	199.655
%Chg	4.5	5.4	3.6	4.7	4.7	4.6	4.4	4.5
February 2017	145.948	153.846	159.708	167.220	175.853	184.783	193.485	202.568
%Chg	4.5	5.4	3.8	4.7	5.2	5.1	4.7	4.7
Minnesota Dividends, Interest, & Rental Income								
November 2014	48.489	49.808	53.303	58.403	62.585	65.879	-	-
%Chg	3.1	2.7	7.0	9.6	7.2	5.3		
February 2015	48.454	49.863	52.930	57.410	61.539	64.549	-	-
%Chg	3.0	2.9	6.2	8.5	7.2	4.9		
November 2015	47.508	49.369	50.773	53.305	56.838	59.868	-	-
%Chg	3.9	3.9	2.8	5.0	6.6	5.3		
February 2016	47.508	49.405	49.921	52.211	56.026	59.535	-	-
%Chg	3.9	4.0	1.0	4.6	7.3	6.3		
November 2016	49.442	50.923	51.865	53.597	56.173	59.217	62.458	65.313
%Chg	8.5	3.0	1.8	3.3	4.8	5.4	5.5	4.6
February 2017	49.442	50.923	51.865	54.240	57.355	61.071	64.541	67.383
%Chg	8.5	3.0	1.9	4.6	5.7	6.5	5.7	4.4
Minnesota Non-Farm Proprietors' Income								
November 2014	20.282	21.372	22.248	22.948	23.683	24.644	-	-
%Chg	4.9	5.4	4.1	3.1	3.2	4.1		
February 2015	20.188	21.356	22.291	22.957	23.681	24.747	-	-
%Chg	4.4	5.8	4.4	3.0	3.2	4.5		
November 2015	19.440	20.510	21.901	23.204	24.374	25.578	-	-
%Chg	5.9	5.5	6.8	6.0	5.0	4.9		
February 2016	19.440	20.397	21.107	22.109	22.877	23.607	-	-
%Chg	5.9	4.9	3.5	4.7	3.5	3.2		
November 2016	18.626	19.968	20.761	21.705	22.645	23.381	24.112	25.056
%Chg	7.4	7.2	4.0	4.5	4.3	3.2	3.1	3.9
February 2017	18.626	19.968	20.735	21.688	22.616	23.345	23.991	24.748
%Chg	7.4	7.2	3.8	4.6	4.3	3.2	2.8	3.2

Factors Affecting Tax Revenue (Continued)
Billions of Current Dollars

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Sales Tax (Fiscal Year)										
Minnesota Synthetic Sales Tax Base										
November 2014	73.746	76.929	80.113	83.634	87.403	91.537	95.285	98.523	-	-
%Chg	5.1	4.3	4.1	4.4	4.5	4.7	4.1	3.4		
February 2015	73.771	76.948	80.213	83.568	88.120	92.585	96.380	100.037	-	-
%Chg	5.1	4.3	4.2	4.2	5.4	5.1	4.1	3.8		
November 2015	73.662	76.441	78.560	81.685	85.626	90.097	94.537	98.470	-	-
%Chg	5.3	3.8	2.8	4.0	4.8	5.2	4.9	4.2		
February 2016	73.628	76.460	78.587	81.588	84.158	87.161	91.571	95.695	-	-
%Chg	5.3	3.8	2.8	3.8	3.1	3.6	5.1	4.5		
November 2016	73.584	76.795	79.007	82.162	80.945	82.860	85.645	88.705	91.581	94.852
%Chg	5.5	4.4	2.9	4.0	-1.5	2.4	3.4	3.6	3.2	3.6
February 2017	73.476	76.661	78.880	82.025	80.694	82.573	85.752	89.610	93.010	96.503
%Chg	5.4	4.3	2.9	4.0	-1.6	2.3	3.8	4.5	3.8	3.8
Minnesota's Proxy Share of U.S. Consumer Durable Spending (Excluding Autos)										
November 2014	13.820	14.400	14.844	15.336	15.920	16.601	17.316	17.943	-	-
%Chg	5.2	4.2	3.1	3.3	3.8	4.3	4.3	3.6		
February 2015	13.820	14.400	14.851	15.403	16.139	16.759	17.363	17.964	-	-
%Chg	5.2	4.2	3.1	3.7	4.8	3.8	3.6	3.5		
November 2015	13.808	14.299	14.605	15.163	15.803	16.555	17.184	17.870	-	-
%Chg	5.2	3.6	2.1	3.8	4.2	4.8	3.8	4.0		
February 2016	13.808	14.299	14.605	15.155	15.805	16.376	17.055	17.678	-	-
%Chg	5.2	3.6	2.1	3.8	4.3	3.6	4.1	3.7		
November 2016	13.636	14.249	14.690	15.363	16.030	16.429	16.632	16.998	17.528	18.163
%Chg	5.3	4.5	3.1	4.6	4.3	2.5	1.2	2.2	3.1	3.6
February 2017	13.636	14.249	14.690	15.363	16.029	16.592	16.978	17.700	18.373	19.076
%Chg	5.3	4.5	3.1	4.6	4.3	3.5	2.3	4.3	3.8	3.8
Minnesota's Proxy Share of U.S. Capital Equipment Spending										
November 2014	12.820	13.487	14.079	15.116	16.412	17.910	19.108	20.061	-	-
%Chg	7.8	5.2	4.4	7.4	8.6	9.1	6.7	5.0		
February 2015	12.820	13.487	14.087	15.280	16.932	18.491	19.807	20.946	-	-
%Chg	7.8	5.2	4.4	8.5	10.8	9.2	7.1	5.8		
November 2015	13.005	13.547	13.835	14.697	15.382	16.677	18.007	19.165	-	-
%Chg	9.3	4.2	2.1	6.2	4.7	8.4	8.0	6.4		
February 2016	13.005	13.547	13.835	14.686	15.102	15.725	17.017	18.326	-	-
%Chg	9.3	4.2	2.1	6.2	2.8	4.1	8.2	7.7		
November 2016	13.003	13.589	13.786	14.451	10.931	10.942	11.436	12.041	12.648	13.308
%Chg	9.7	4.5	1.5	4.8	-24.4	0.1	4.5	5.3	5.0	5.2
February 2017	13.003	13.589	13.786	14.451	10.929	10.817	11.320	11.919	12.537	13.157
%Chg	9.7	4.5	1.5	4.8	-24.4	-1.0	4.7	5.3	5.2	4.9
Minnesota's Proxy Share of U.S. Construction Spending										
November 2014	5.514	5.930	6.721	7.363	7.899	8.319	8.713	9.026	-	-
%Chg	12.7	7.5	13.3	9.6	7.3	5.3	4.7	3.6		
February 2015	5.513	5.925	6.653	7.122	7.468	8.023	8.486	8.861	-	-
%Chg	12.7	7.5	12.3	7.0	4.9	7.4	5.8	4.4		
November 2015	5.522	5.902	6.598	7.187	7.675	8.214	8.764	9.142	-	-
%Chg	12.9	6.9	11.8	8.9	6.8	7.0	6.7	4.3		
February 2016	5.522	5.901	6.596	7.122	7.465	7.793	8.315	8.707	-	-
%Chg	12.9	6.9	11.8	8.0	4.8	4.4	6.7	4.7		
November 2016	5.521	5.922	6.738	7.429	7.814	8.189	8.947	9.361	9.759	10.201
%Chg	12.8	7.3	13.8	10.3	5.2	4.8	9.3	4.6	4.2	4.5
February 2017	5.522	5.924	6.741	7.428	7.766	8.163	8.836	9.241	9.611	10.083
%Chg	12.9	7.3	13.8	10.2	4.6	5.1	8.2	4.6	4.0	4.9

Factors Affecting Tax Revenue (Continued)

Billions of Current Dollars

	2014	2015	2016	2017	2018	2019	2020	2021
Corporate Franchise Tax (Calendar Year)								
U.S. Corporate Profits (w/ IVA and capital consumption adjustment, less profits from Federal Reserve)								
November 2014	1,994.3	2,183.5	2,282.4	2,295.8	2,331.1	2,427.9	-	-
%Chg	-1.5	9.5	4.5	0.6	1.5	4.2		
February 2015	2,116.7	2,209.6	2,303.6	2,259.0	2,276.9	2,383.0	-	-
%Chg	4.6	4.4	4.3	-1.9	0.8	4.7		
November 2015	1,972.5	1,918.5	1,993.1	2,045.1	2,062.6	2,099.7	-	-
%Chg	0.9	-2.7	3.9	2.6	0.9	1.8		
February 2016	1,972.5	1,862.5	1,857.1	1,970.2	2,020.1	2,036.4	-	-
%Chg	0.9	-5.6	-0.3	6.1	2.5	0.8		
November 2016	2,045.6	1,932.5	1,791.7	1,903.6	2,024.9	2,048.5	2,063.0	2,124.3
%Chg	4.9	-5.5	-7.3	6.2	6.4	1.2	0.7	3.0
February 2017	2,045.6	1,932.5	1,978.9	2,098.0	2,256.0	2,281.3	2,292.1	2,362.7
%Chg	4.9	-5.5	2.4	6.0	7.5	1.1	0.5	3.1
Deed & Mortgage Tax (Fiscal Year)								
U.S. New and Existing Home Sales (Current $ Value)								
November 2014	1,221.3	1,339.7	1,455.0	1,517.0	1,525.4	1,600.0	-	-
%Chg	7.0	9.7	8.6	4.3	0.6	4.9		
February 2015	1,221.3	1,362.5	1,547.8	1,642.4	1,701.4	1,807.2	-	-
%Chg	7.0	11.6	13.6	6.1	3.6	6.2		
November 2015	1,221.3	1,341.3	1,481.1	1,634.6	1,748.7	1,796.7	-	-
%Chg	6.9	9.8	10.4	10.4	7.0	2.7		
February 2016	1,221.3	1,341.3	1,458.2	1,611.1	1,712.1	1,747.0	-	-
%Chg	6.9	9.8	8.7	10.5	6.3	2.0		
November 2016	1,223.1	1,342.3	1,467.9	1,594.5	1,676.9	1,735.6	1,791.9	1,858.7
%Chg	6.9	9.8	9.4	8.6	5.2	3.5	3.2	3.7
February 2017	1,223.1	1,342.3	1,467.9	1,578.4	1,667.0	1,727.5	1,772.3	1,848.5
%Chg	6.9	9.8	9.4	7.5	5.6	3.6	2.6	4.3

* Series revised in part due to law changes.

** Beginning in November 2013, includes rest-of-world profits to account for change in the Minnesota tax base.

*** Beginning in November 2014, primary factor became Minnesota Direct Premiums Written: Property and Life.

Current Fiscal Year-to-Date 2017
November 2016 Forecast vs. Actual Revenue comparison

Fiscal Year-to-Date 2017 (July, 2016 to January, 2017)

	FORECAST REVENUES	ACTUAL REVENUES	VARIANCE ACT-FCST
Individual Income Tax			
Withholding	4,865,492	4,847,072	(18,420)
Declarations	1,336,100	1,320,092	(16,008)
Miscellaneous	337,857	351,821	13,964
Gross	6,539,448	6,518,984	(20,464)
Refund	209,735	198,117	(11,619)
Net	6,329,713	6,320,867	(8,845)
Corporate Franchise Tax			
Declarations	606,621	598,842	(7,779)
Miscellaneous	149,101	141,782	(7,319)
Gross	755,722	740,624	(15,098)
Refund	99,890	103,318	3,428
Net	655,832	637,305	(18,527)
General Sales and Use Tax			
Gross	3,205,227	3,212,760	7,532
Mpls. sales tax transferred to MSFA	1,033	1,033	0
Sales Tax Gross	3,206,260	3,213,793	7,533
Refunds (including Indian refunds)	109,593	92,692	(16,901)
Net	3,096,667	3,121,101	24,433
Other Revenues:			
Net Estate	89,839	71,068	(18,771)
Net Liquor/Wine/Beer	47,339	47,309	(30)
Net Cigarette/Tobacco	405,014	411,475	6,461
Deed and Mortgage	141,019	141,465	446
Net Insurance Premiums Taxes	176,172	175,510	(662)
Net Lawful Gambling	28,249	30,462	2,214
Health Care Surcharge	122,592	120,476	(2,117)
Other Taxes	392	437	45
Statewide Property Tax	390,480	387,988	(2,491)
DHS SOS Collections	35,949	52,886	16,937
Investment Income	12,514	16,320	3,806
Tobacco Settlement	160,252	158,453	(1,799)
Dept. Earnings & MSOP Recov.	115,631	121,332	5,702
Fines and Surcharges	28,809	40,410	11,601
Lottery Revenues	26,696	27,265	569
Revenues yet to be allocated	280	70	(210)
Residual Revenues	62,111	74,018	11,907
County Nursing Home, Pub Hosp IGT	3,608	3,396	(212)
Other Subtotal	1,846,945	1,880,340	33,395
Other Refunds	3,525	2,614	(910)
Other Net	1,843,421	1,877,726	34,306
Total Gross	**12,348,376**	**12,353,741**	**5,365**
Total Refunds	**422,743**	**396,741**	**(26,001)**
Total Net	**11,925,633**	**11,957,000**	**31,367**

Current Biennium: FY 2016-17 General Fund Budget
November 2016 Adj. vs. February 2017 Forecast
($ in thousands)

	11-16 Forecast Adj. FY 2016-17	2-17 Forecast FY 2016-17	$ Change
Actual & Estimated Resources			
Balance Forward From Prior Year	2,103,017	2,103,017	-
Current Resources:			
Tax Revenues	40,366,449	40,426,878	60,429
Non-Tax Revenues	1,501,693	1,516,653	14,960
Subtotal - Non-Dedicated Revenue	41,868,142	41,943,531	75,389
Dedicated Revenue	1,531	1,531	-
Transfers In	395,459	395,459	1
Prior Year Adjustments	94,985	94,970	(15)
Subtotal - Other Revenue	491,975	491,960	(15)
Subtotal-Current Resources	42,360,117	42,435,491	75,375
Total Resources Available	**44,463,133**	**44,538,508**	**75,375**
Actual & Estimated Spending			
E-12 Education	17,403,462	17,426,997	23,535
Higher Education	3,081,146	3,081,146	-
Property Tax Aids & Credits	3,342,067	3,337,918	(4,149)
Health & Human Services	11,808,443	11,766,111	(42,332)
Public Safety & Judiciary	2,170,205	2,172,328	2,123
Transportation	280,022	277,899	(2,123)
Environment & Agriculture	474,699	474,723	24
Jobs, Economic Development, Housing & Commerce	514,505	514,504	(1)
State Government & Veterans	1,365,706	1,366,870	1,164
Debt Service	1,138,500	1,138,500	-
Capital Projects & Grants	266,405	266,435	30
Deficiencies/Other	(764)	8,789	9,553
Estimated Cancellations	(15,000)	(15,000)	-
Total Expenditures & Transfers	**41,829,396**	**41,817,220**	**(12,176)**
Balance Before Reserves	**2,633,737**	**2,721,288**	**87,551**
Cash Flow Account	350,000	350,000	-
Budget Reserve	1,603,443	1,603,443	-
Stadium Reserve	24,174	24,951	777
Budgetary Balance	**656,120**	**742,894**	**86,774**

Current Biennium: FY 2016-17 General Fund Budget
February 2017 Forecast
($ in thousands)

	Actuals FY 2016	Feb Fcst FY 2017	Biennial Total FY 2016-17
Actual & Estimated Resources			
Balance Forward From Prior Year	2,103,017	3,102,423	2,103,017
Current Resources:			
Tax Revenues	20,110,469	20,316,409	40,426,878
Non-Tax Revenues	779,291	737,362	1,516,653
Subtotal - Non-Dedicated Revenue	20,889,760	21,053,771	41,943,531
Dedicated Revenue	1,017	514	1,531
Transfers In	192,727	202,732	395,459
Prior Year Adjustments	67,861	27,109	94,970
Subtotal - Other Revenue	261,605	230,355	491,960
Subtotal-Current Resources	21,151,365	21,284,126	42,435,491
Total Resources Available	**23,254,382**	**24,386,549**	**44,538,508**
Actual & Estimated Spending			
E-12 Education	8,507,385	8,919,612	17,426,997
Higher Education	1,529,168	1,551,978	3,081,146
Property Tax Aids & Credits	1,646,052	1,691,866	3,337,918
Health & Human Services	5,601,161	6,164,950	11,766,111
Public Safety & Judiciary	1,041,299	1,131,029	2,172,328
Transportation	135,089	142,810	277,899
Environment & Agriculture	256,952	217,771	474,723
Jobs, Economic Development, Housing & Commerce	212,580	301,924	514,504
State Government & Veterans	463,974	902,896	1,366,870
Debt Service	609,285	529,215	1,138,500
Capital Projects & Grants	140,225	126,210	266,435
Deficiencies/Other	8,789	-	8,789
Estimated Cancellations	-	(15,000)	(15,000)
Total Expenditures & Transfers	**20,151,959**	**21,665,261**	**41,817,220**
Balance Before Reserves	**3,102,423**	**2,721,288**	**2,721,288**
Cash Flow Account	350,000	350,000	350,000
Budget Reserve	1,596,522	1,603,443	1,603,443
Stadium Reserve	22,535	24,951	24,951
Appropriations Carried Forward	187,204	-	-
Budgetary Balance	**946,162**	**742,894**	**742,894**

Planning Estimates: FY 2018-19 General Fund Budget
November 2016 Adj. vs February 2017 Forecast

($ in thousands)

	11-16 Forecast Adj. FY 2018-19	2-17 Forecast FY 2018-19	$ Change
Actual & Estimated Resources			
Balance Forward From Prior Year	2,633,737	2,721,288	87,551
Current Resources:			
Tax Revenues	43,560,411	43,898,994	338,583
Non-Tax Revenues	1,418,671	1,401,048	(17,623)
Subtotal - Non-Dedicated Revenue	44,979,082	45,300,042	320,960
Dedicated Revenue	1,205	1,205	-
Transfers In	308,585	308,585	-
Prior Year Adjustments	53,458	53,510	52
Subtotal - Other Revenue	363,248	363,300	52
Subtotal-Current Resources	45,342,330	45,663,342	321,012
Total Resources Available	**47,976,067**	**48,384,630**	**408,563**
Actual & Estimated Spending			
E-12 Education	18,176,964	18,271,866	94,902
Higher Education	3,069,493	3,069,493	-
Property Tax Aids & Credits	3,466,927	3,451,877	(15,050)
Health & Human Services	14,251,454	14,324,310	72,856
Public Safety & Judiciary	2,174,294	2,174,294	-
Transportation	243,592	243,592	-
Environment & Agriculture	403,903	404,029	126
Jobs, Economic Development, Housing & Commerce	391,680	397,685	6,005
State Government & Veterans	1,027,878	1,025,224	(2,654)
Debt Service	1,142,616	1,142,817	201
Capital Projects & Grants	255,985	255,924	(61)
Estimated Cancellations	(20,000)	(20,000)	-
Total Expenditures & Transfers	**44,584,786**	**44,741,111**	**156,325**
Balance Before Reserves	**3,391,281**	**3,643,519**	**252,238**
Cash Flow Account	350,000	350,000	-
Budget Reserve	1,603,443	1,603,443	-
Stadium Reserve	37,690	40,301	2,611
Budgetary Balance	**1,400,148**	**1,649,775**	**249,627**

Planning Estimates: FY 2018-19 General Fund Budget
February 2017 Forecast
($ in thousands)

	Forecast FY 2018	Forecast FY 2019	Biennial Total FY 2018-19
Actual & Estimated Resources			
Balance Forward From Prior Year	2,721,288	2,897,980	2,721,288
Current Resources:			
Tax Revenues	21,393,756	22,505,238	43,898,994
Non-Tax Revenues	703,739	697,309	1,401,048
Subtotal - Non-Dedicated Revenue	22,097,495	23,202,547	45,300,042
Dedicated Revenue	594	611	1,205
Transfers In	154,291	154,294	308,585
Prior Year Adjustments	26,950	26,560	53,510
Subtotal - Other Revenue	181,835	181,465	363,300
Subtotal-Current Resources	22,279,330	23,384,012	45,663,342
Total Resources Available	**25,000,618**	**26,281,992**	**48,384,630**
Actual & Estimated Spending			
E-12 Education	9,045,512	9,226,354	18,271,866
Higher Education	1,536,592	1,532,901	3,069,493
Property Tax Aids & Credits	1,712,767	1,739,110	3,451,877
Health & Human Services	7,005,004	7,319,306	14,324,310
Public Safety & Judiciary	1,086,700	1,087,594	2,174,294
Transportation	121,796	121,796	243,592
Environment & Agriculture	202,045	201,984	404,029
Jobs, Economic Development, Housing & Commerce	194,235	203,450	397,685
State Government & Veterans	511,210	514,014	1,025,224
Debt Service	563,554	579,263	1,142,817
Capital Projects & Grants	128,223	127,701	255,924
Estimated Cancellations	(5,000)	(15,000)	(20,000)
Total Expenditures & Transfers	**22,102,638**	**22,638,473**	**44,741,111**
Balance Before Reserves	**2,897,980**	**3,643,519**	**3,643,519**
Cash Flow Account	350,000	350,000	350,000
Budget Reserve	1,603,443	1,603,443	1,603,443
Stadium Reserve	31,833	40,301	40,301
Budgetary Balance	**912,704**	**1,649,775**	**1,649,775**

Biennial Comparison: FY 2016-17 vs. FY 2018-19
February 2017 Forecast
($ in thousands)

	Forecast FY 2016-17	Forecast FY 2018-19	$ Change
Actual & Estimated Resources			
Balance Forward From Prior Year	2,103,017	2,721,288	618,271
Current Resources:			
Tax Revenues	40,426,878	43,898,994	3,472,116
Non-Tax Revenues	1,516,653	1,401,048	(115,605)
Subtotal - Non-Dedicated Revenue	41,943,531	45,300,042	3,356,511
Dedicated Revenue	1,531	1,205	(326)
Transfers In	395,459	308,585	(86,874)
Prior Year Adjustments	94,970	53,510	(41,460)
Subtotal - Other Revenue	491,960	363,300	(128,660)
Subtotal-Current Resources	42,435,491	45,663,342	3,227,851
Total Resources Available	**44,538,508**	**48,384,630**	**3,846,122**
Actual & Estimated Spending			
E-12 Education	17,426,997	18,271,866	844,869
Higher Education	3,081,146	3,069,493	(11,653)
Property Tax Aids & Credits	3,337,918	3,451,877	113,959
Health & Human Services	11,766,111	14,324,310	2,558,199
Public Safety & Judiciary	2,172,328	2,174,294	1,966
Transportation	277,899	243,592	(34,307)
Environment & Agriculture	474,723	404,029	(70,694)
Jobs, Economic Development, Housing & Commerce	514,504	397,685	(116,819)
State Government & Veterans	1,366,870	1,025,224	(341,646)
Debt Service	1,138,500	1,142,817	4,317
Capital Projects & Grants	266,435	255,924	(10,511)
Deficiencies/Other	8,789	-	(8,789)
Estimated Cancellations	(15,000)	(20,000)	(5,000)
Total Expenditures & Transfers	**41,817,220**	**44,741,111**	**2,923,891**
Balance Before Reserves	**2,721,288**	**3,643,519**	**922,231**
Cash Flow Account	350,000	350,000	-
Budget Reserve	1,603,443	1,603,443	-
Stadium Reserve	24,951	40,301	15,350
Budgetary Balance	**742,894**	**1,649,775**	**906,881**

Planning Estimates: FY 2020-21 General Fund Budget
November 2016 Adj. vs February 2017 Forecast
($ in thousands)

	11-16 Forecast Adj. FY 2020-21	2-17 Forecast FY 2020-21	$ Change
Actual & Estimated Resources			
Balance Forward From Prior Year	3,391,281	3,643,519	252,238
Current Resources:			
Tax Revenues	46,658,912	47,593,372	934,460
Non-Tax Revenues	1,415,875	1,390,768	(25,107)
Subtotal - Non-Dedicated Revenue	48,074,787	48,984,140	909,353
Dedicated Revenue	1,222	1,222	-
Transfers In	308,905	308,904	(1)
Prior Year Adjustments	63,161	63,065	(96)
Subtotal - Other Revenue	373,288	373,191	(97)
Subtotal-Current Resources	48,448,075	49,357,331	909,256
Total Resources Available	**51,839,356**	**53,000,850**	**1,161,494**
Actual & Estimated Spending			
E-12 Education	18,785,924	18,918,030	132,106
Higher Education	3,065,802	3,065,802	-
Property Tax Aids & Credits	3,556,065	3,527,210	(28,855)
Health & Human Services	15,961,968	16,007,964	45,996
Public Safety & Judiciary	2,179,638	2,179,638	-
Transportation	243,592	243,592	-
Environment & Agriculture	402,423	402,732	309
Jobs, Economic Development, Housing & Commerce	414,067	442,814	28,747
State Government & Veterans	1,012,279	1,012,405	126
Debt Service	1,192,619	1,186,932	(5,687)
Capital Projects & Grants	264,943	265,666	723
Estimated Cancellations	(20,000)	(20,000)	-
Total Expenditures & Transfers	**47,059,320**	**47,232,785**	**173,465**
Balance Before Reserves	**4,780,036**	**5,768,065**	**988,029**
Cash Flow Account	350,000	350,000	-
Budget Reserve	1,603,443	1,603,443	-
Stadium Reserve	77,557	81,855	4,298
Budgetary Balance	**2,749,036**	**3,732,767**	**983,731**

Current Biennium: FY 2020-21 General Fund Budget
February 2017 Forecast
($ in thousands)

	Forecast FY 2020	Forecast FY 2021	Biennial Total FY 2020-21
Actual & Estimated Resources			
Balance Forward From Prior Year	3,643,519	4,509,553	3,643,519
Current Resources:			
Tax Revenues	23,281,637	24,311,735	47,593,372
Non-Tax Revenues	699,349	691,419	1,390,768
Subtotal - Non-Dedicated Revenue	23,980,986	25,003,154	48,984,140
Dedicated Revenue	611	611	1,222
Transfers In	154,398	154,506	308,904
Prior Year Adjustments	26,178	36,887	63,065
Subtotal - Other Revenue	181,187	192,004	373,191
Subtotal-Current Resources	24,162,173	25,195,158	49,357,331
Total Resources Available	**27,805,692**	**29,704,711**	**53,000,850**
Actual & Estimated Spending			
E-12 Education	9,379,164	9,538,866	18,918,030
Higher Education	1,532,901	1,532,901	3,065,802
Property Tax Aids & Credits	1,758,435	1,768,775	3,527,210
Health & Human Services	7,791,584	8,216,380	16,007,964
Public Safety & Judiciary	1,089,003	1,090,635	2,179,638
Transportation	121,796	121,796	243,592
Environment & Agriculture	201,437	201,295	402,732
Jobs, Economic Development, Housing & Commerce	216,233	226,581	442,814
State Government & Veterans	506,920	505,485	1,012,405
Debt Service	575,470	611,462	1,186,932
Capital Projects & Grants	128,196	137,470	265,666
Estimated Cancellations	(5,000)	(15,000)	(20,000)
Total Expenditures & Transfers	**23,296,139**	**23,936,646**	**47,232,785**
Balance Before Reserves	**4,509,553**	**5,768,065**	**5,768,065**
Cash Flow Account	350,000	350,000	350,000
Budget Reserve	1,603,443	1,603,443	1,603,443
Stadium Reserve	50,369	81,855	81,855
Budgetary Balance	**2,505,741**	**3,732,767**	**3,732,767**

Biennial Comparison: FY 2018-19 vs. FY 2020-21
February 2017 Forecast
($ in thousands)

	Forecast FY 2018-19	Forecast FY 2020-21	$ Change
Actual & Estimated Resources			
Balance Forward From Prior Year	2,721,288	3,643,519	922,231
Current Resources:			
Tax Revenues	43,898,994	47,593,372	3,694,378
Non-Tax Revenues	1,401,048	1,390,768	(10,280)
Subtotal - Non-Dedicated Revenue	45,300,042	48,984,140	3,684,098
Dedicated Revenue	1,205	1,222	17
Transfers In	308,585	308,904	319
Prior Year Adjustments	53,510	63,065	9,555
Subtotal - Other Revenue	363,300	373,191	9,891
Subtotal-Current Resources	45,663,342	49,357,331	3,693,989
Total Resources Available	**48,384,630**	**53,000,850**	**4,616,220**
Actual & Estimated Spending			
E-12 Education	18,271,866	18,918,030	646,164
Higher Education	3,069,493	3,065,802	(3,691)
Property Tax Aids & Credits	3,451,877	3,527,210	75,333
Health & Human Services	14,324,310	16,007,964	1,683,654
Public Safety & Judiciary	2,174,294	2,179,638	5,344
Transportation	243,592	243,592	-
Environment & Agriculture	404,029	402,732	(1,297)
Jobs, Economic Development, Housing & Commerce	397,685	442,814	45,129
State Government & Veterans	1,025,224	1,012,405	(12,819)
Debt Service	1,142,817	1,186,932	44,115
Capital Projects & Grants	255,924	265,666	9,742
Estimated Cancellations	(20,000)	(20,000)	-
Total Expenditures & Transfers	**44,741,111**	**47,232,785**	**2,491,674**
Balance Before Reserves	**3,643,519**	**5,768,065**	**2,124,546**
Cash Flow Account	350,000	350,000	-
Budget Reserve	1,603,443	1,603,443	-
Stadium Reserve	40,301	81,855	41,554
Budgetary Balance	**1,649,775**	**3,732,767**	**2,082,992**

FY 2016 - 21 Planning Horizon
February 2017 Forecast
($ in thousands)

	Forecast FY 2016-17	Forecast FY 2018-19	Forecast FY 2020-21
Actual & Estimated Resources			
Balance Forward From Prior Year	2,103,017	2,721,288	3,643,519
Current Resources:			
Tax Revenues	40,426,878	43,898,994	47,593,372
Non-Tax Revenues	1,516,653	1,401,048	1,390,768
Subtotal - Non-Dedicated Revenue	41,943,531	45,300,042	48,984,140
Dedicated Revenue	1,531	1,205	1,222
Transfers In	395,459	308,585	308,904
Prior Year Adjustments	94,970	53,510	63,065
Subtotal - Other Revenue	491,960	363,300	373,191
Subtotal-Current Resources	42,435,491	45,663,342	49,357,331
Total Resources Available	**44,538,508**	**48,384,630**	**53,000,850**
Actual & Estimated Spending			
E-12 Education	17,426,997	18,271,866	18,918,030
Higher Education	3,081,146	3,069,493	3,065,802
Property Tax Aids & Credits	3,337,918	3,451,877	3,527,210
Health & Human Services	11,766,111	14,324,310	16,007,964
Public Safety & Judiciary	2,172,328	2,174,294	2,179,638
Transportation	277,899	243,592	243,592
Environment & Agriculture	474,723	404,029	402,732
Jobs, Economic Development, Housing & Commerce	514,504	397,685	442,814
State Government & Veterans	1,366,870	1,025,224	1,012,405
Debt Service	1,138,500	1,142,817	1,186,932
Capital Projects & Grants	266,435	255,924	265,666
Deficiencies/Other	8,789	-	-
Estimated Cancellations	(15,000)	(20,000)	(20,000)
Total Expenditures & Transfers	**41,817,220**	**44,741,111**	**47,232,785**
Balance Before Reserves	**2,721,288**	**3,643,519**	**5,768,065**
Cash Flow Account	350,000	350,000	350,000
Budget Reserve	1,603,443	1,603,443	1,603,443
Stadium Reserve	24,951	40,301	81,855
Budgetary Balance	**742,894**	**1,649,775**	**3,732,767**

Historical and Projected Revenue Growth
February 2017 Forecast Budget - General Fund
($ in millions)

	Actual FY 2014	Actual FY 2015	Actual FY 2016	Forecast FY 2017	Forecast FY 2018	Forecast FY 2019	Average Annual
Individual Income Tax	$ 9,660	$ 10,403	$ 10,739	$ 11,188	$ 11,839	$ 12,563	
$ change	647	744	335	449	651	724	
% change	**7.2%**	**7.7%**	**3.2%**	**4.2%**	**5.8%**	**6.1%**	**6.3%**
Sales Tax	$ 5,043	$ 5,131	$ 5,233	$ 5,348	$ 5,592	$ 5,875	
$ change	282	89	101	115	244	283	
% change	**5.9%**	**1.8%**	**2.0%**	**2.2%**	**4.6%**	**5.1%**	**3.7%**
Corporate Tax	$ 1,278	$ 1,455	$ 1,473	$ 1,142	$ 1,280	$ 1,342	
$ change	(3)	177	18	(331)	138	62	
% change	**-0.2%**	**13.9%**	**1.2%**	**-22.5%**	**12.1%**	**4.9%**	**4.3%**
Statewide Property Tax	$ 836	$ 838	$ 854	$ 838	$ 861	$ 881	
$ change	24	3	16	(15)	23	20	
% change	**3.0%**	**0.3%**	**1.9%**	**-1.8%**	**2.7%**	**2.3%**	**1.9%**
Other Tax Revenue	$ 1,738	$ 1,758	$ 1,812	$ 1,800	$ 1,822	$ 1,844	
$ change	456	20	54	(12)	22	22	
% change	**35.6%**	**1.2%**	**3.0%**	**-0.6%**	**1.2%**	**1.2%**	**5.0%**
Total Tax Revenue	$ 18,554	$ 19,587	$ 20,110	$ 20,316	$ 21,394	$ 22,505	
$ change	1,407	1,033	524	206	1,077	1,111	
% change	**8.2%**	**5.6%**	**2.7%**	**1.0%**	**5.3%**	**5.2%**	**5.1%**
Non-Tax Revenues	$ 1,288	$ 753	$ 779	$ 737	$ 704	$ 697	
$ change	489	(535)	27	(42)	(34)	(6)	
% change	**61.3%**	**-41.6%**	**3.5%**	**-5.4%**	**-4.6%**	**-0.9%**	**1.1%**
Transfers, All Other	$ 188	$ 82	$ 193	$ 203	$ 154	$ 154	
$ change	(414)	(105)	110	10	(48)	0	
% change	**-68.8%**	**-56.1%**	**133.8%**	**5.2%**	**-23.9%**	**0.0%**	**0.7%**
Total Revenue	$ 20,030	$ 20,422	$ 21,082	$ 21,257	$ 22,252	$ 23,357	
$ change	1,483	392	661	174	995	1,105	
% change	**8.0%**	**2.0%**	**3.2%**	**0.8%**	**4.7%**	**5.0%**	**4.5%**

Historical and Projected Spending Growth
February 2017 Forecast Budget - General Fund
($ in millions)

	Actual FY 2014	Actual FY 2015	Actual FY 2016	Forecast FY 2017	Forecast FY 2018	Forecast FY 2019	Average Annual
E-12 Education	$ 8,430	$ 8,188	$ 8,507	$ 8,920	$ 9,046	$ 9,226	
$ change	(435)	(242)	319	412	126	181	
% change	**-4.9%**	**-2.9%**	**3.9%**	**4.8%**	**1.4%**	**2.0%**	**5.1%**
Higher Education	$ 1,381	$ 1,452	$ 1,529	$ 1,552	$ 1,537	$ 1,533	
$ change	86	71	77	23	(15)	(4)	
% change	**6.7%**	**5.1%**	**5.3%**	**1.5%**	**-1.0%**	**-0.2%**	**1.3%**
Prop. Tax Aids & Credits	$ 1,321	$ 1,613	$ 1,646	$ 1,692	$ 1,713	$ 1,739	
$ change	0	292	33	46	21	26	
% change	**0.0%**	**22.1%**	**2.1%**	**2.8%**	**1.2%**	**1.5%**	**2.6%**
Health & Human Services	$ 5,430	$ 6,191	$ 5,601	$ 6,165	$ 7,005	$ 7,319	
$ change	222	761	(590)	564	840	314	
% change	**4.3%**	**14.0%**	**-9.5%**	**10.1%**	**13.6%**	**4.5%**	**7.0%**
Public Safety	$ 944	$ 1,035	$ 1,041	$ 1,131	$ 1,087	$ 1,088	
$ change	(14)	91	7	90	(44)	1	
% change	**-1.4%**	**9.6%**	**0.6%**	**8.6%**	**-3.9%**	**0.1%**	**1.6%**
Debt Service	$ 620	$ 624	$ 609	$ 529	$ 564	$ 579	
$ change	397	4	(14)	(80)	34	16	
% change	**178.0%**	**0.6%**	**-2.3%**	**-13.1%**	**6.5%**	**2.8%**	**14.2%**
All Other	$ 1,223	$ 1,190	$ 1,218	$ 1,677	$ 1,153	$ 1,154	
$ change	352	(32)	27	459	(524)	1	
% change	**40.4%**	**-2.6%**	**2.3%**	**37.7%**	**-31.3%**	**0.1%**	**5.5%**
Total Spending	$ 19,348	$ 20,293	$ 20,152	$ 21,665	$ 22,103	$ 22,638	
$ change	609	945	(141)	1,513	437	536	
% change	**3.3%**	**4.9%**	**-0.7%**	**7.5%**	**2.0%**	**2.4%**	**4.6%**