MINNESOTA

BUDGET AND ECONOMIC FORECAST

NOVEMBER 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 bienniums.

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).

Supplemental budget and economic forecast material is available on MMB's website (mn.gov/mmb).

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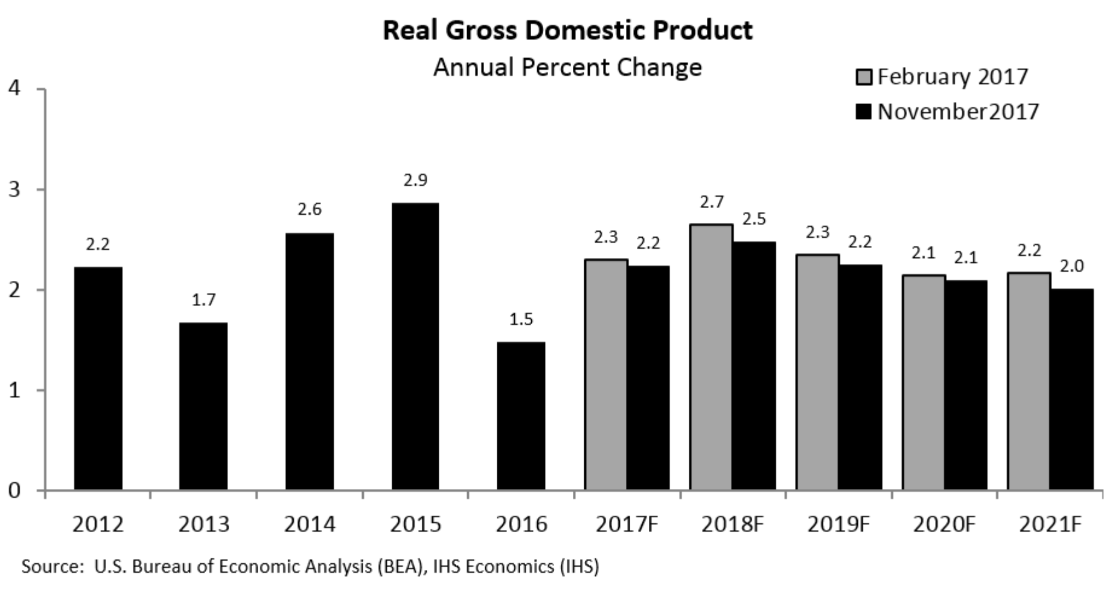
EXECUTIVE SUMMARY

A reduced U.S. economic growth forecast is mirrored in Minnesota's budget outlook. A deficit of $188 million is now projected for the FY 2018-19 biennium. Forecast revenues for the biennium are down $559 million compared to end of session estimates. All major tax types show reduced growth with individual income taxes expected to be $461 million lower over the current biennium. Spending is estimated to be $398 million higher than end of session largely due to a higher forecast for special education spending along with unspent appropriations from FY 2017 that are projected to be spent in FY 2018. Partially offsetting lower revenue growth and higher spending are $625 million in increased resources available from a positive closing balance in FY 2017. Reserve balances are $20 million higher due to statutory allocations. A reduced budget outlook continues into the next biennium with negative balances due to slower growth.

U.S. Economic Outlook. The outlook for U.S. economic growth has weakened since *Minnesota's Budget and Economic Forecast* was last prepared in February 2017. The U.S. economic data coming in this year has been mixed, with slowdowns in residential and business construction, but improvements in net exports and business equipment investment. Minnesota's macroeconomic consultant, IHS Markit (IHS), has removed from their baseline outlook federal fiscal stimulus—in the form of individual income and corporate tax rate cuts and increased infrastructure spending—that in their February outlook was expected to support economic growth starting in 2018. Their November 2017 outlook was released on November 6, well before the U.S. House and Senate passed their tax bills, and incorporates no change to U.S. tax policy. The removal of assumed fiscal stimulus has helped lower the U.S. economic outlook relative to February.



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

Considerable uncertainty remains about what U.S. policy changes will be enacted and their impact on the economy. At this time, it is unclear what tax law changes will emerge from the U.S. Congress and how those changes will affect the federal deficit and economic activity. Congress faces imminent deadlines for funding the government and for raising the debt ceiling, and possible changes to trade and immigration policy also bring uncertainty. In their November outlook, IHS assumes lawmakers will act to avoid a shutdown and raise the debt ceiling. They assume no change to trade or immigration policy.

In IHS's November outlook, consumer spending, business investment, and government all contribute less to 2017-21 real GDP growth relative to February. The one area of improvement is net exports, which are now expected to subtract less from real GDP growth compared to February. IHS has lowered their forecast for real GDP growth in 2018 from 2.7 percent in February's outlook to 2.5 percent in November. The reduced drag from net exports is not enough to offset lower forecasts for real consumer spending and business capital purchases.

Looking ahead, IHS expects consumer spending to remain the primary contributor to growth in the economy, even while their outlook for consumer spending has weakened. Gains in employment, real incomes, stock prices, and home values are expected to continue to improve household finances. In this forecast, real consumer spending is expected to grow 2.5 percent in 2018, compared to 3.2 percent in the February outlook. The reductions continue into 2019, with real consumer spending growing 2.2 percent in this forecast compared to 2.9 percent in February. These lower forecasts are partially due to IHS removing their assumption of individual tax cuts, which were expected to increase consumer spending.

In this outlook, total U.S. wage and salary income grows more slowly than IHS had assumed in February. We now know that wage income grew much more slowly in 2016 than IHS had expected: 2.9 percent, compared to 4.2 percent assumed in February. Total wage and salary income is now expected to grow 3.4 percent in 2017, down from 4.8 percent in February. The reductions continue into 2018, with total wage income growing 4.4 percent in this forecast compared to 5.4 percent in February. Growth rates for 2019 and 2020 are also lowered by 0.3 percentage points each relative to the prior forecast.

The IHS November outlook is similar to that of other macroeconomic forecasters. The November Blue Chip Consensus, the average of about 50 business forecasts, calls for real GDP to grow 2.2 percent in 2017 and 2.5 percent in 2018, the same as IHS.

Minnesota Economic Outlook. Well into the ninth year of the current U.S. economic expansion, Minnesota's steady economic performance and tight labor market continue. The state is currently adding jobs at the same rate as the nation, and that steady job growth has kept the unemployment rate well below the U.S. rate. Statewide, there are about as many job vacancies as there are unemployed job seekers. Together, high demand for labor and low unemployment have supported growth in Minnesota wage and salary income. In October, average hourly wages by private sector employees in Minnesota were 3.9 percent higher than a year prior, ahead of the comparable rate for U.S. workers, 2.4 percent.

The state added more than 41,000 jobs in the 12 months ending in October, amounting to annual employment growth of 1.4 percent, the same as the U.S. growth rate over the same period. This growth coincided with an upward trend in Minnesota's labor force participation rate (LFPR), which reached 70.5 percent in October, 1.1 percentage points over a year ago and 7.8 percentage points higher than U.S. rate. In this forecast, we expect slightly higher employment growth over the next few years than we had forecast in February. We now expect Minnesota employment to grow at an average pace of about 1.2 percent per year over the forecast period, up from 1.1 percent in February.

We expect Minnesota's total wage and salary income to grow at moderate rates of 4.3 to 4.7 percent per year over the forecast period. This is slower growth than we had anticipated in February. The largest change occurs in 2016, the base year for this forecast. In February, Minnesota wages had been forecast to grow 3.8 percent in 2016, and we now know that they grew one percentage point more slowly at 2.8 percent. A similar change occurred at the U.S. level. In February, IHS had forecast U.S. wage income to grow 4.2 percent in 2016, and actual growth was 2.9 percent. For Minnesota's forecast, the lower 2016 base carries forward to bring down the forecast wage level for each subsequent year.

Budget Update: Closed Biennium. The FY 2016-17 biennium closed in a favorable position compared to prior estimates. The February 2017 forecast projected a $744 million balance available for the previous biennium. Budget changes enacted in the 2017 regular and special sessions reduced the balance to a projected $730 million.

Closed Biennium: FY 2016-17 General Fund Budget

End-of-Session vs. Actual Comparison

($ in millions)	End-of-Session	Actual	$ Change	% Change
Beginning Balance	**$2,103**	**$2,103**	**$ -**	0.0%
Revenues	42,435	42,485	50	0.1
Expenditures	41,830	41,255	(575)	(1.4)
Cash Flow & Budget Reserves	1,953	1,953	-	0.0
Appropriation Carryforward	-	358	358	n/a
Stadium Reserve	25	27	2	7.5
Budgetary Balance	**$730**	**$995**	**$265**	

This forecast now reflects actual revenue and expenditure data for FY 2017. Final FY 2016-17 revenues were $42.485 billion, up $50 million (0.1 percent) from end of session estimates. Actual spending was $41.255, $575 million (1.4 percent) lower than prior estimates. After adjusting for $358 million in appropriations that carried forward and are projected to be spent in the current biennium and a $2 million increase in the stadium reserve balance, $265 million more than projected is added to resources in the FY 2018-19 biennium.

Budget Outlook: Current Biennium. Minnesota's budget outlook for the FY 2018-19 biennium has worsened since last February's forecast. The February 2017 forecast projected a $1.651 billion balance for FY 2018-19 before the legislature took actions on the budget for the current biennium. The enacted budget, after adjusting for the Governor's veto of the House and Senate appropriations and subsequent court ordered temporary funding, reduced that balance to $163 million.

Resources in the current biennium have been increased $625 million from FY 2016-17 closing balances which includes the $265 million increased balance, plus $358 million in appropriation carryforward and the $2 million in reserve increase. Offsetting the gain is a $559 million (1.2 percent) reduced revenue forecast and a $398 million ($0.9 percent) increased spending estimate. A statutory deposit from the assigned risk plan adds $5 million to the budget reserve while higher gambling tax receipts increase the projected stadium reserve balance by $15 million. These changes reduced the projected budgetary balance by $351 million and results in a forecast deficit of $188 million.

Current Biennium: FY 2018-19 General Fund Budget

End-of-Session w/ Court Order vs. November 2017 Forecast

($ in millions)	End-of-Session	November 2017 Forecast	$ Change	% Change
Beginning Balance	**$2,708**	**$3,333**	**$625**	23.1%
Revenues	45,006	44,447	(559)	(1.2)
Expenditures	45,557	45,955	398	0.9
Cash Flow & Budget Reserves	1,953	1,958	5	0.3
Stadium Reserve	40	55	15	37.1
Beginning Balance	**$163**	**$(188)**	**$(351)**	

Revenues. Total general fund revenues for FY 2018-19 are now forecast to be $44.447 billion, $559 million (1.2 percent) less than the February 2017 forecast adjusted for law changes. Total tax revenues for the biennium are forecast to be $42.624 billion, $622 million (1.4 percent) below the prior estimate. Lower expected individual, sales, corporate, and state general property tax revenue more than offset increased forecasts for other tax and non-tax revenue.

Current Biennium: FY 2018-19 General Fund Revenues

End-of-Session vs. November 2017 Forecast Comparison

($ in millions)	End-of-Session	November 2017 Forecast	$ Change	% Change
Individual Income Tax	$24,150	$23,690	$(461)	(1.9)%
General Sales Tax	11,209	11,144	(65)	(0.6)
Corporate Franchise Tax	2,621	2,466	(155)	(5.9)
State General Property Tax	1,646	1,630	(16)	(1.0)
Other Tax Revenue	3,619	3,695	75	2.1
Total Tax Revenues	**$43,246**	**42,624**	**(622)**	**(1.4)%**
Non-Tax Revenues	1,397	1,460	63	4.5
Other Resources	363	363	0	0.0
Total Revenues	**$45,006**	**$44,447**	**$(559)**	**(1.2)%**

Individual income tax receipts in the current biennium are now forecast to be $461 million (1.9 percent) less than the prior estimate. That change is due to lower forecast growth in wage income from 2017 to 2019 and a decrease in our estimate of tax liability for 2016, the base year for this forecast. The lower tax year 2016 liability estimate arises from lower than expected net tax collections associated with tax year 2016 final returns and extensions.

General sales tax revenue in FY 2018-19 is now forecast to be $65 million (0.5 percent) less than the prior estimate. Lower expected gross sales tax receipts more than offset a lower forecast of tax refunds. The change in forecast gross sales tax refunds net of the motor vehicle lease (MVL) transfer reflects lower than expected gross receipts so far in FY 2018 and a lower forecast for taxable sales compared to February. The large number of sales tax law changes enacted in the 2017 legislative session add uncertainty to the sales tax forecast.

The corporate franchise tax is forecast to generate $2.466 billion in FY 2018-19, $155 million (5.9 percent) less than the prior estimate. Lower forecast gross corporate payments and higher forecast refunds both contribute to the change. Due to anomalies in the corporate profits forecast in the IHS November outlook, our corporate tax forecast is based on their October profit projection.

Other tax revenue is now expected to be $75 million (2.1 percent) more than the prior estimate. Among other taxes, lawful gambling taxes show the largest dollar amount change, $13.3 million (10.1 percent) more than the prior estimate. This change reflects higher than expected year-over-year growth in gambling tax receipts.

Current Biennium: FY 2018-19 General Fund Expenditures

Change From End-of-Session w/ Court Order

($ in millions)	November 2017 Forecast	$ Change	% Change
E-12 Education	$18,879	$121	0.6%
Property Tax Aids & Credits	3,648	7	0.2
Health & Human Services	13,871	13	0.1
Debt Service	1,153	(3)	(0.2)
All Other	8,404	260	3.2
Total Expenditures	**$45,955**	**$398**	**0.9%**

Expenditures. Total spending in the current biennium is now forecast to be $45.955 billion, $398 million (0.9 percent) higher than end of session estimates.

A large portion of the higher spending, $358 million, in FY 2018-19 is the result of unspent appropriations from the previous biennium that carried forward and are available to be spent in the current biennium. The largest portion of that carryforward is $270 million for the health insurance premium subsidy and transition of care programs at Minnesota Management and Budget (MMB). Of that amount, $99 million is canceled in FY2018 with this forecast, and then made available via contingent appropriations in the 2017 session for health and human services in FY 2018-19 ($33 million) and in FY 2020-21 ($65 million).

A higher forecast for special education drives the increase of $121 million (0.6 percent) in E-12 education. Spending on special education services by school districts has increased at a faster rate than previously projected.

In health and human services (HHS) savings from lower spending for long term care ($114 million lower), lower average payments for elderly and disabled basic care ($56 million savings) and lower enrollment of disabled individuals in basic care ($56 million lower) is offset by increased state general fund obligations due to congressional failure to appropriate funding for the Children's Health Insurance Program (CHIP). This forecast includes $178 million in additional medical assistance spending in the current biennium since congress has not authorized funding for this program that provides federal funding for certain children's health care. These changes in addition to other smaller changes in HHS result in a minimal overall increase of $13 million (0.1 percent) in the current biennium.

Budget Outlook: Planning Estimates. The reduced budget outlook carries into the planning estimates. The projections for the FY 2020-21 are provided to estimate structural balance which excludes reserves and any balance from the current biennium. Revenue growth outpaces spending growth into the next biennium, but spending still exceeds revenue by $337 million.

The majority of expenditure projections do not include an adjustment for projected inflation. Inflation, based on the Consumer Price Index (CPI), is expected to be 2.4 percent in FY 2020 and 2.6 percent in FY 2021.

Biennial Comparison: FY 2018-19 vs. FY 2020-21 General Fund Budget

November 2017 Forecast

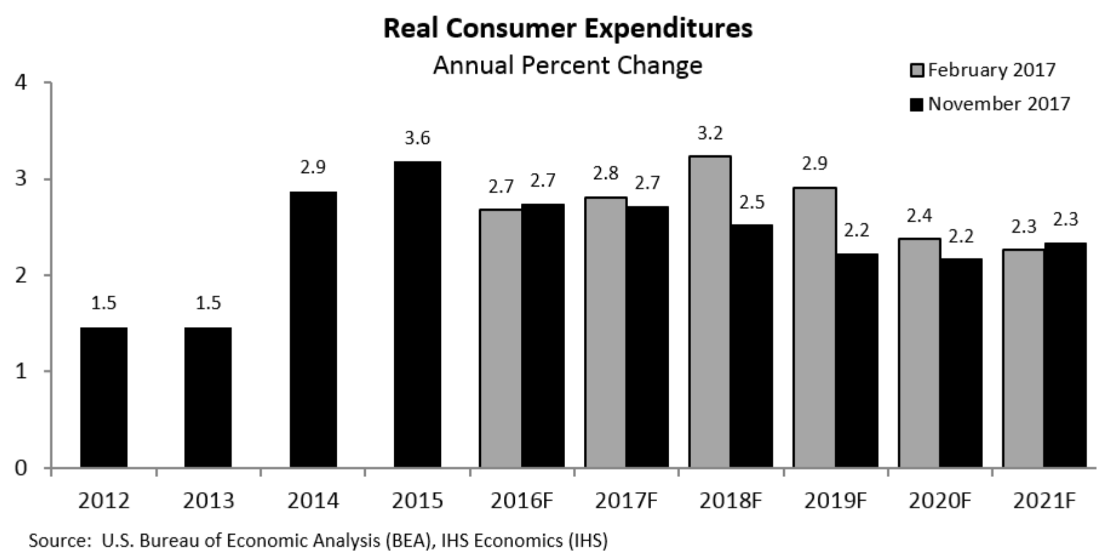
($ in millions)	FY 2018-19	FY 2020-21	$ Change	% Change
Forecast Revenues	$44,447	$47,646	$3,199	3.5%
Projected Spending	45,955	47,983	2,028	2.2
Structural Balance	**$(1,508)**	**$(337)**	**$1,171**	
Estimated Inflation (CPI) Applied to Projected Spending	*N/A*	*$1,311*		

The FY 2020-21 planning estimates are not intended to predict surpluses or deficits several years into the future. Instead, they provide an important baseline against which the longer-term impacts and affordability of budget decision in the 2018 legislative session can be measured.

ECONOMIC OUTLOOK

U.S. Economic Outlook

The outlook for U.S. economic growth has weakened since *Minnesota's Budget and Economic Forecast* was last prepared in February 2017. The U.S. economic data coming in this year has been mixed, with slowdowns in residential and business construction, but improvements in net exports and business equipment investment. Minnesota's macroeconomic consultant, IHS Markit (IHS), has removed from their baseline outlook federal fiscal stimulus—in the form of individual income and corporate tax rate cuts and increased infrastructure spending—that in their February outlook was expected to support economic growth starting in 2018. Their November 2017 outlook was released on November 6, well before the U.S. House and Senate passed their tax bills, and incorporates no change to U.S. tax policy. The removal of assumed fiscal stimulus has helped lower the U.S. economic outlook relative to February.



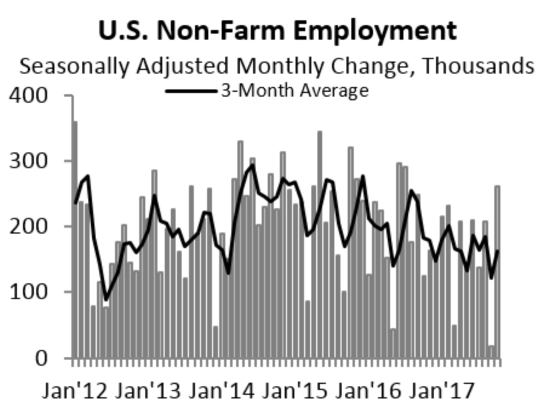
In this forecast, real consumer spending is expected to grow 2.5 percent in 2018, compared to 3.2 percent in the February outlook. The reductions continue into 2019, with real consumer spending growing 2.2 percent in this forecast compared to 2.9 percent in February. These lower forecasts are partly due to IHS removing their assumption of individual tax cuts, which were expected to increase consumer spending.

Considerable uncertainty remains about what U.S. policy changes will be enacted and their impact on the economy. At this time, it is unclear what tax law changes will emerge from the U.S. Congress and how those changes will affect the federal deficit and economic activity. Congress faces imminent deadlines for funding the government and for raising the debt ceiling, and possible changes to trade and immigration policy also bring uncertainty. In their November outlook, IHS assumes lawmakers will act to avoid a shutdown and raise the debt ceiling. They assume no change to trade or immigration policy.

In IHS's November outlook, consumer spending, business investment, and government all contribute less to 2017-21 real GDP growth relative to February. The one area of improvement is net exports, which are now expected to subtract less from real GDP growth compared to February. IHS has lowered their forecast for real GDP growth in 2018 from 2.7 percent in February's outlook to 2.5 percent in November. The reduced drag from net exports is not enough to offset lower forecasts for real consumer spending—weakened by the reversed fiscal stimulus assumption—and business capital purchases.

Looking ahead, IHS expects consumer spending to remain the primary contributor to growth in the economy, even while their outlook for consumer spending has weakened. Gains in employment, real incomes, stock prices, and home values are expected to continue to improve household finances. In this forecast, real consumer spending is expected to grow 2.5 percent in 2018, compared to 3.2 percent in the February outlook. The reductions continue into 2019, with real consumer spending growing 2.2 percent in this forecast compared to 2.9 percent in February. These lower forecasts are partly due to IHS removing their assumption of individual tax cuts, which were expected to increase consumer spending.

As steady employment growth continues to absorb the remaining labor market slack, earnings are slowly improving. According to the Bureau of Labor Statistics (BLS), the establishment payroll survey showed that U.S. employers added a seasonally adjusted 261,000 jobs in October, following additions of about 156,000 per month during the previous 12 months. The seasonally adjusted unemployment rate has dipped to 4.1 percent, well below IHS's estimate of the non-accelerating inflation rate of unemployment (NAIRU, or full employment level of unemployment) of 4.7 percent. Average hourly earnings of private sector employees increased 2.4 percent over the 12 months ending in October, lower than the increases we saw earlier this year, but still steady growth above the rate of inflation.



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

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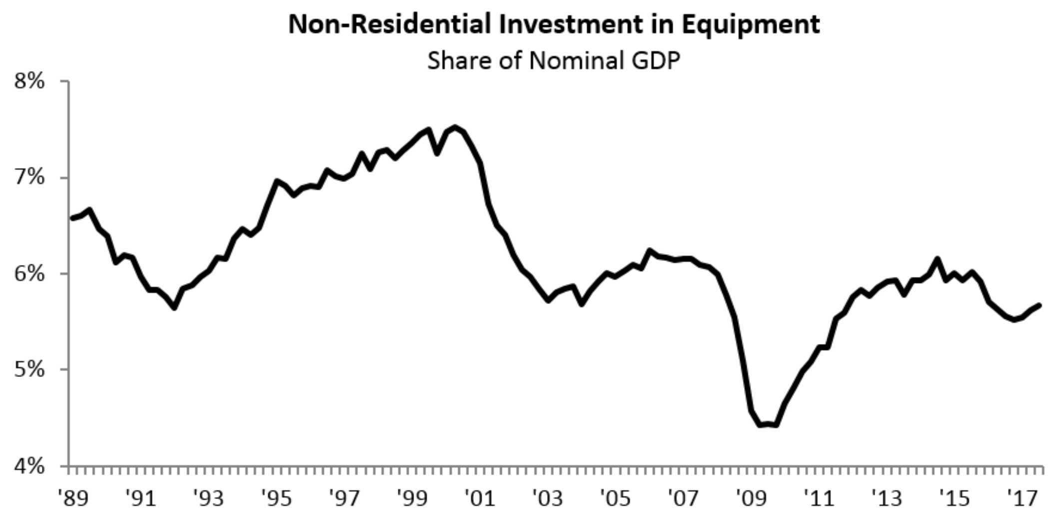
In this outlook, total U.S. wage and salary income grows more slowly than IHS had assumed in February. We now know that wage income grew much more slowly in 2016 than IHS had expected: 2.9 percent, compared to 4.2 percent assumed in February. Total wage and salary income is now expected to grow 3.4 percent in 2017, down from 4.8 percent in February. The reductions continue into 2018, with total wage income growing 4.4 percent in this forecast compared to 5.4 percent in February. Growth rates for 2019 and 2020 are also lowered by 0.3 percentage points each relative to the prior forecast.

While overall business investment slowed this year—brought down, in part, by a slowdown in oil and natural gas drilling and mining—equipment spending has maintained a strong pace. In their November outlook, IHS expects the strength in equipment investment to persist, with real growth of 4.0 to 4.5 percent annually over 2017-2019. This is a positive factor for workers, as some types of equipment investment can boost worker productivity, which can put upward pressure on compensation.



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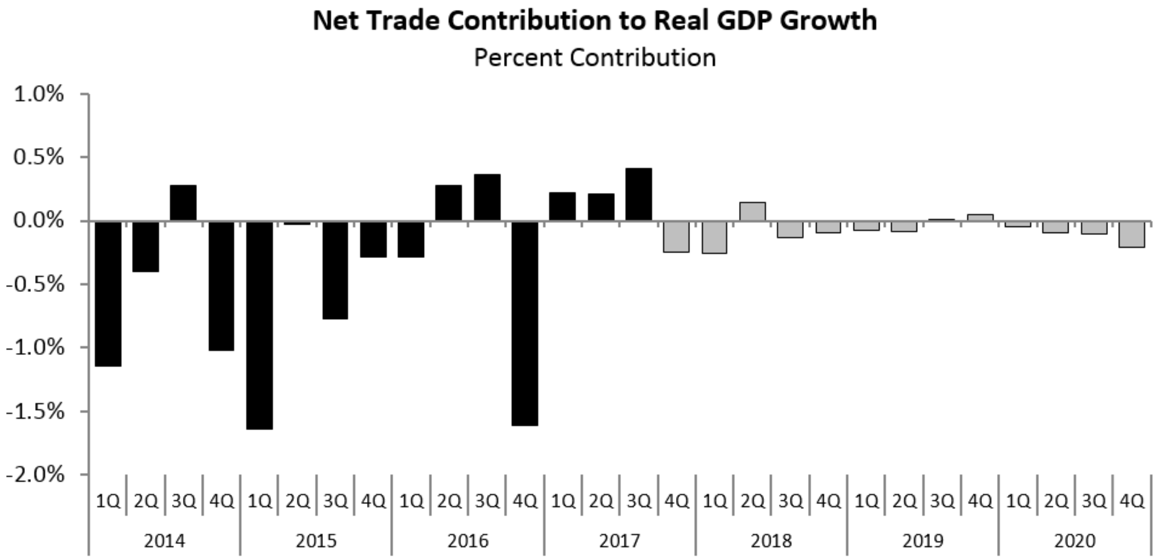
The world economy is showing more strength than it has in years, with no major country currently in recession. More robust world demand and the diminishing effects of the strong U.S. dollar have boosted U.S. exports, while steady U.S. demand has fueled import growth. The balance of those two factors has recently tipped toward exports, as net exports have added to U.S. real GDP growth for three straight quarters. IHS expects the balance to reverse in the near term, as net exports subtract from GDP growth for the next two quarters, and then add to GDP in mid-2018.

Significant uncertainty remains about U.S. trade policy remains. While the signatory countries of the North American Free Trade Agreement (NAFTA), Canada, Mexico, and the United States, had planned to finalize renegotiations of the trade treaty by the end of the year, it instead appears that talks will continue into next year. That reduces clarity regarding the relationships with two of the country's largest trading partners.



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

The world economy is showing more strength than it has in years, with no major country currently in recession. More robust world demand and the diminishing effects of the strong U.S. dollar have boosted U.S. exports, while steady U.S. demand has fueled import growth.

The Federal Reserve is expected to continue with gradual monetary policy normalization as the labor market tightens and inflation moves toward the Fed's target of 2 percent. Since February, IHS has lowered their forecast for inflation as measured by the Consumer Price Index (CPI) and the CPI excluding food and energy. Also since February, IHS has lowered their expectation for the pace of increases in the upper bound of the federal funds rate target and raised their assumed equilibrium level of rates. The February 2017 baseline outlook expected the federal funds rate to reach an equilibrium level of 3.0 percent by the end of 2019. IHS now expects the federal funds rate to reach only 2.5 percent by the end of 2019, rise to 3.0 percent by the end of 2020, and settle in at an equilibrium level of 3.2 percent in 2021. IHS notes the risk in the current interaction between fiscal and monetary policy.

Enacting fiscal stimulus, as may be included in the tax law bill that emerges from Congress, at a time when the economy is essentially at full employment could spark inflation. If prices rise faster than the Fed prefers, the Fed will likely act to raise interest rates faster than is assumed in this outlook, and the economy will grow more slowly than expected.

The IHS November outlook is similar to that of other macroeconomic forecasters. The November Blue Chip Consensus, the average of about 50 business forecasts, calls for real GDP to grow 2.2 percent in 2017 and 2.5 percent in 2018, the same as IHS.

Forecast risks: Even aside from U.S. policy uncertainty, there are risks inherent in this forecast. First, annual real GDP growth of 2.0-2.5 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 ninth 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, 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) IHS assumes an unchanged U.S. fiscal policy, with no tax cuts or tax reform. They also assume that lawmakers will pass a bill to fund the government by the December 8 deadline and avoid a shutdown. (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 2.50 percent by the end of 2019, and the long-term equilibrium level of 3.20 percent in 2021. (3) The November outlook assumes global growth will hold steady, with annual real GDP growth for major-currency U.S. trading partners averaging 1.8 percent over the next ten years. (4) IHS assumes that steady global growth will reduce the relative attractiveness of investment into the U.S., causing the real, trade-weighted value of the U.S. dollar to fall after peaking in 2018. (5) IHS expects energy prices to stay fairly flat through 2019 and then slowly pick up, with the average price of a barrel of Brent crude oil to be $54 in 2018, $58 in 2019, and $67 in 2020.

IHS assigns a probability of 65 percent to the November baseline outlook. They assign a 20 percent probability to a more pessimistic scenario, in which a correction to commercial real estate prices and declining consumer and business confidence trigger a two-quarter recession in 2018. In IHS's more optimistic scenario, a pick-up in home purchases by young adults fuels the housing market, and improvements in productivity boost incomes and, consequently, consumer spending, raising real GDP growth starting in 2018. This scenario gets a 15 percent probability.

Minnesota Economic Outlook

Well into the ninth year of the current U.S. economic expansion, Minnesota's steady economic performance continues. The Bureau of Economic Analysis (BEA) reports the state's real GDP rose 2.1 percent in 2016, 0.6 percentage points more than the nation. Most indicators suggest that Minnesota's labor market is tight. The state is currently adding jobs at the same rate annually as the nation, and that steady job growth has kept the unemployment rate well below the U.S. rate. Together, high demand for labor and low unemployment have supported growth in total Minnesota wage income and wages per worker.

Steady job growth has helped push down Minnesota's unemployment rate. Relative to October of last year, Minnesota's unemployment rate decreased 0.7 percentage points to 3.3 percent on a seasonally adjusted basis, 0.8 percentage points below the U.S. rate.

Labor market. A robust demand for workers together with low unemployment has created a tight labor market. Statewide, there are about as many job vacancies as there are unemployed 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. Relative to October of last year, Minnesota's unemployment rate decreased 0.7 percentage points to 3.3 percent on a seasonally adjusted basis, 0.8 percentage points below the U.S. rate. This is below the previous low point of the post-recession economic expansion (3.7 percent in March 2015), and is the lowest we have seen in 17 years. Minnesota has experienced more than seven years (87 months) of over the year (unadjusted) employment expansion.

The state added 41,372 jobs in the 12 months ending in October, amounting to annual employment growth of 1.4 percent, the same as the U.S. rate over the same period. In this forecast, we expect slightly higher employment growth over the next few years than we had forecast in February. We now expect Minnesota employment to grow at an average pace of about 1.2 percent per year over the forecast period, up from 1.1 percent in February. We expect moderate acceleration in wages per worker, combined with this employment growth, to lead total wage and salary income to grow 4.3 to 4.7 percent per year over the forecast period.

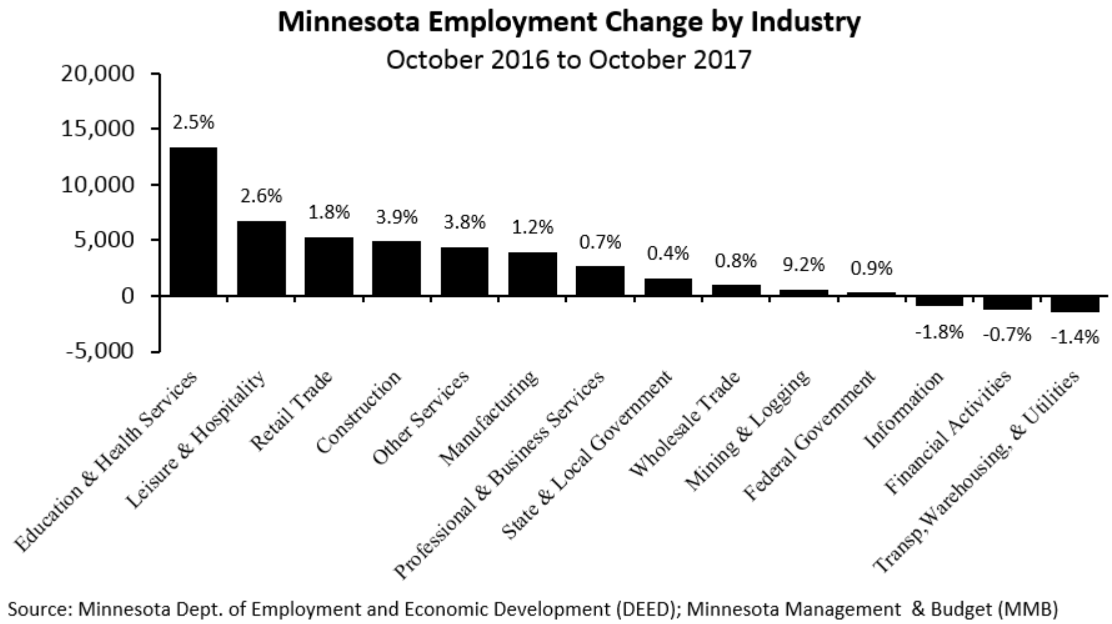
Forecast Comparison: Minnesota & U.S.

Forecast 2017 to 2021, Calendar Years

	2014	2015	2016	2017	2018	2019	2020	2021
Total Non-Farm Payroll Employment (Thousands)								
Minnesota								
November 2017	2,813	2,856	2,896	2,949	2,990	3,023	3,051	3,075
%Chg	1.4	1.5	1.4	1.8	1.4	1.1	0.9	0.8
'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
U.S.								
November 2017	138,937	141,813	144,306	146,440	148,293	149,805	150,984	151,791
%Chg	1.9	2.1	1.8	1.5	1.3	1.0	0.8	0.5
'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
Wage and Salary Disbursements (Billions of Current Dollars)								
Minnesota								
November 2017	145.9	153.9	158.3	165.1	172.8	180.9	188.8	197.1
%Chg	4.5	5.5	2.8	4.3	4.7	4.7	4.4	4.4
'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
U.S.								
November 2017	7,477	7,859	8,085	8,364	8,732	9,173	9,603	10,045
%Chg	5.1	5.1	2.9	3.4	4.4	5.0	4.7	4.6
'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
Non-Wage Personal Income (Billions of Current Dollars)								
Minnesota								
November 2017	122.6	126.5	129.0	132.3	136.9	142.9	149.7	157.1
%Chg	5.3	3.2	2.0	2.5	3.5	4.4	4.7	5.0
'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
U.S.								
November 2017	7,341	7,694	7,843	8,064	8,342	8,726	9,153	9,619
%Chg	5.5	4.8	1.9	2.8	3.4	4.6	4.9	5.1
'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
Total Personal Income (Billions of Current Dollars)								
Minnesota								
November 2017	268.5	280.4	287.2	297.4	309.7	323.8	338.5	354.2
%Chg	4.9	4.4	2.4	3.5	4.2	4.5	4.5	4.6
'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
U.S.								
November 2017	14,818	15,553	15,929	16,428	17,074	17,899	18,756	19,663
%Chg	5.3	5.0	2.4	3.1	3.9	4.8	4.8	4.8
'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

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

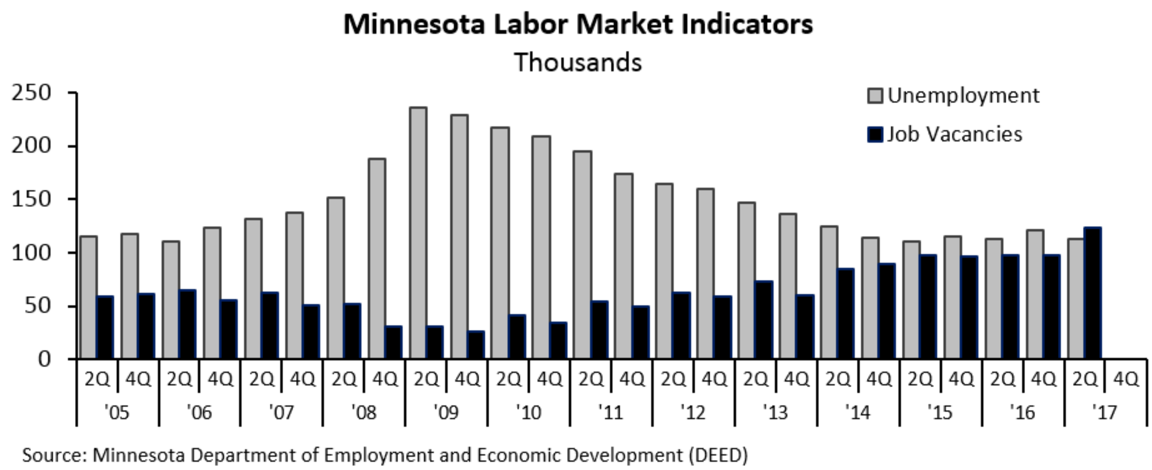
Minnesota's employment gains continue to be broad based. Comparing October 2017 with the same month in 2016, the sectors that showed solid gains are: education and health services (up 13,380 jobs), leisure and hospitality (up 6,776), retail trade (up 5,284), and construction (up 4,983). Additional industries that showed moderate growth are: other services (up 4.417), manufacturing (up 3,974), professional and business services (up 2,670), and state and local government (up 1,601). Minnesota's annual job growth currently exceeds the U.S. rate in nine of the eleven major sectors, with financial activities and professional and business services being the only sectors that fall behind the nation.



Minnesota's employment gains continue to be broad based. Minnesota's annual job growth currently exceeds the U.S. rate in nine of the eleven major sectors.

Minnesota's manufacturing sector gained jobs over the month and over the year in October, continuing a positive trend and reaching a post-recession high level of employment. In the private education and health care sector, the entire over the year job growth came from health care and social assistance (up 17,936, or 3.9 percent). In contrast, private education services has experienced a negative over the year job growth (down 4,556 or -6.3 percent). After a strong start between February and April, the construction sector has had four consecutive months of job losses, with an October drop of 2,300 jobs. Over the year, however, this sector continues to show a steady growth of 3.9 percent, above the national rate of 2.6 percent.

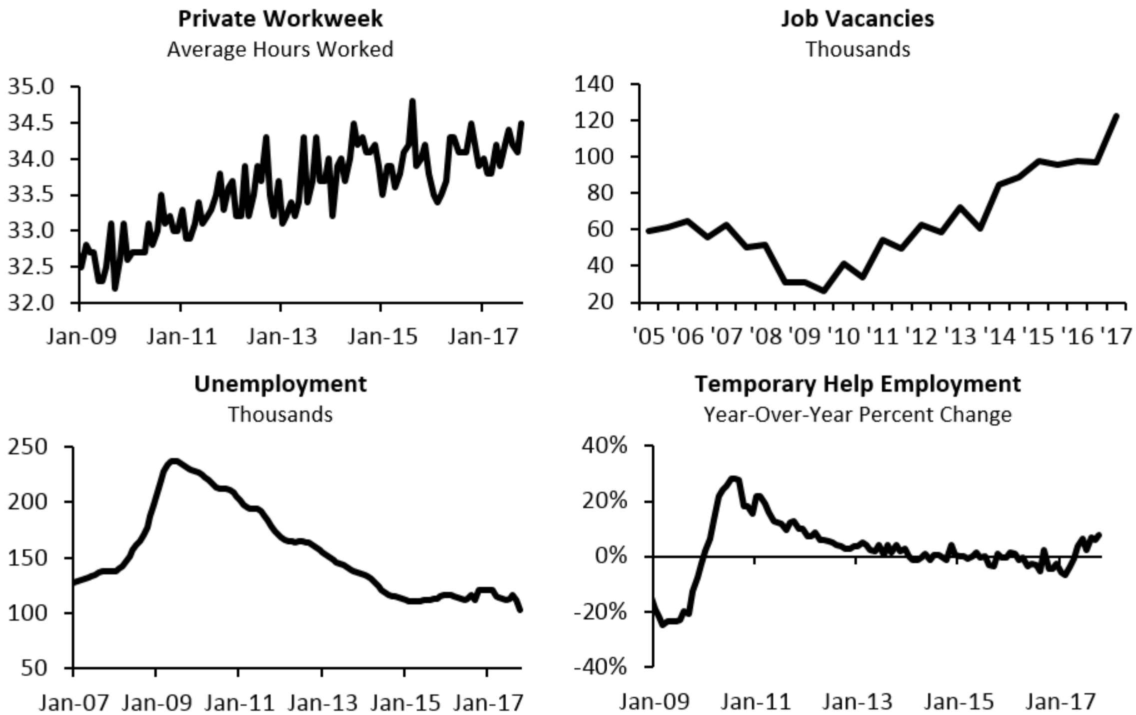
According the Department of Employment and Economic Development's (DEED's) job vacancy report, in the second quarter of 2017 there were 0.9 unemployed persons for each vacancy compared to 1.2 a year earlier. The state's unemployed-to-job vacancy ratio has hovered between 0.9 and 1.2 since the end of 2014, indicating that the opportunities for job seekers in Minnesota have steadily improved since the recession. Industries such health care and social assistance, accommodation and food service, retail trade, and manufacturing continue to have the largest numbers of vacancies. Geographically, about 60 percent of job vacancies were located in the Twin Cities seven-county area, and 40 percent were located in Greater Minnesota. In the second quarter of 2017, the number of job vacancies increased by 36.8 percent in the Twin Cities and 12.6 percent in Greater Minnesota relative to the same quarter one year ago. With persistently high job vacancies as baby boomer retirements continue, filling new positions is becoming increasingly difficult for many of the state's employers.



According the Department of Employment and Economic Development's (DEED's) job vacancy report, in the second quarter of 2017 there were 0.9 unemployed persons for each vacancy compared to 1.2 a year earlier.

Other indicators also suggest a "seller's labor market" in Minnesota. According to DEED, the number of Minnesota workers filing initial claims for unemployment benefits in October was 12,858, a decrease of 16 percent since last October. Over the last nine months, initial claims have gradually decreased. Lower initial claims correlate with a healthy economy and are an indicator of labor market tightness. In addition, the average workweek in the private sector rose to 34.5 hours in October, 0.4 more than in the previous month, and the same level as 12 months ago.

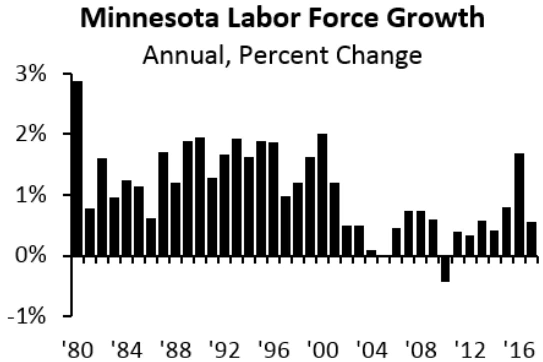
Minnesota Leading Indicators

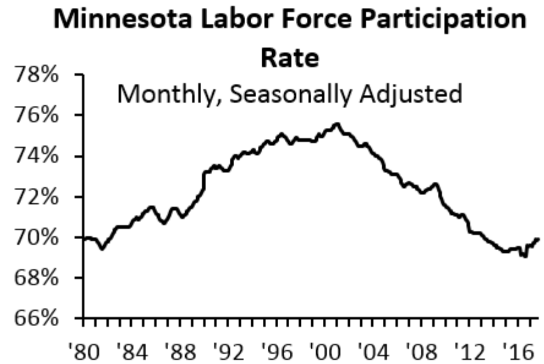


Source: Minnesota Department of Employment and Economic Development (DEED)

Labor market indicators suggest a "seller's labor market" in Minnesota. Recent months have seen increases in both the average number of weekly hours worked by private sector employees and their average hourly earnings.

Throughout 2017, Minnesota's labor force participation rate (LFPR) has trended upward. It reached 70.5 percent in October, 1.1 percentage points over a year ago and 7.8 percentage points higher than U.S. rate. The increased LFPR coincided with job growth in Minnesota that exceeded the U.S. rate during the middle months of this year. The increase is also notable, because Minnesota already had one of the highest LFPR's among U.S. states—and well above the U.S. rate—and it is occurring as baby boomers are retiring. That demographic reality, though, suggests that further large increases in Minnesota's LFPR are unlikely.

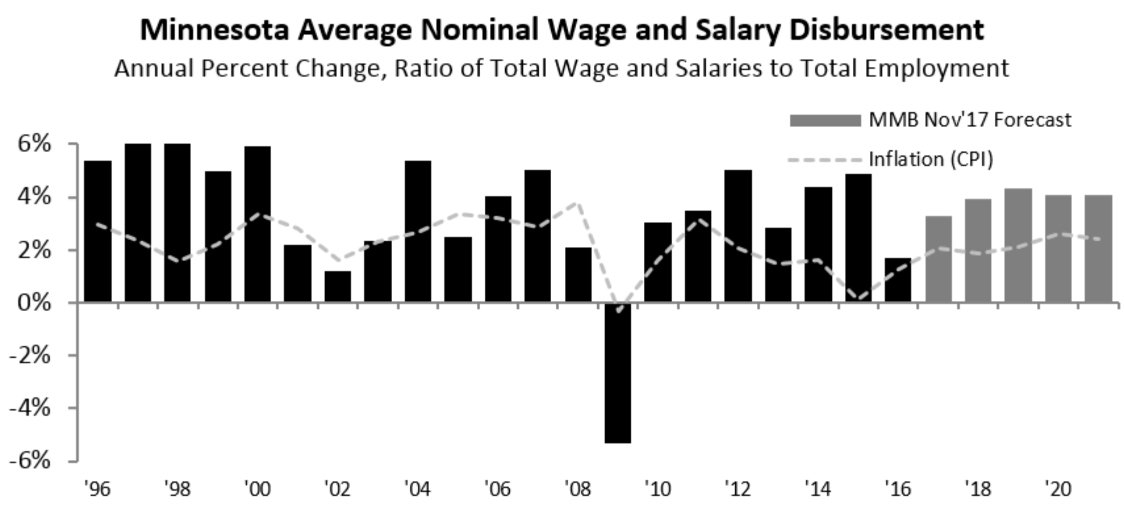




Source: Minnesota Department of Employment and Economic Development (DEED), Minnesota Management & Budget (MMB)

In 2017, Minnesota's labor force participation rate (LFPR) has trended upward, reaching 70.5 percent in October. The increase is notable, because Minnesota already had one of the highest LFPR's among U.S. states, and it is occurring as baby boomers are retiring.

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 this forecast, we expect Minnesota's total wage and salary income to continue to grow at moderate rates of 4.3 to 4.7 percent per year over 2017-21. This is slower growth than we had expected in February. The largest and most consequential change is for 2016. In February, Minnesota wages had been forecast to grow 3.8 percent in 2016, and we now know that they grew one percentage point more slowly at 2.8 percent. A similar change occurred at the U.S. level. In February, IHS had forecast 4.2 percent growth in 2016, and growth actually came in at 2.9 percent. For Minnesota's forecast, the lower 2016 base carries forward to bring down the forecast wage level for each subsequent year.

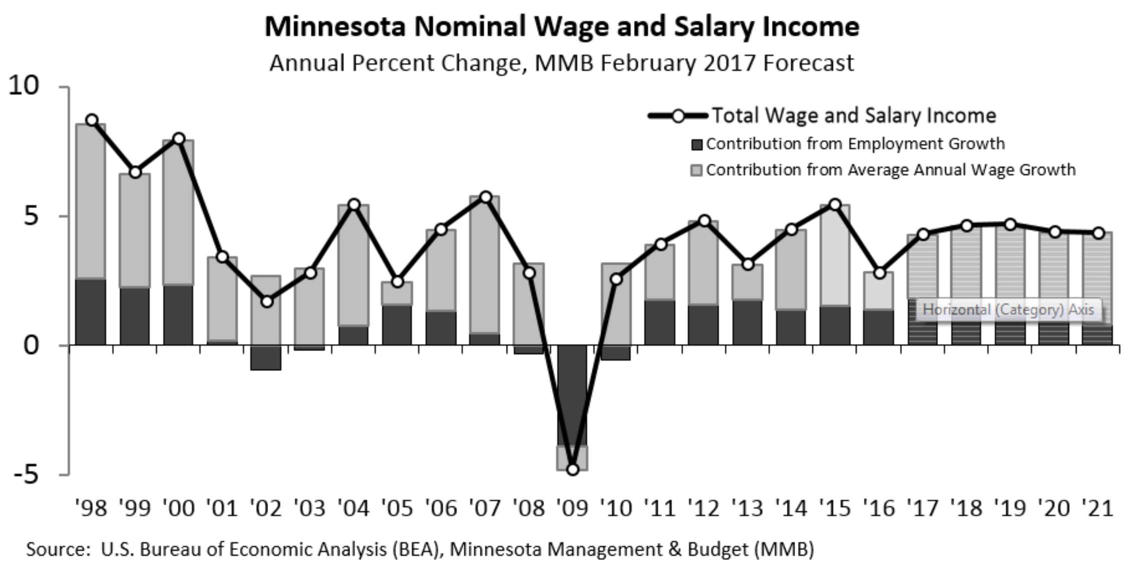


Source: Buearu of Economic Analysis (BEA); Minnesota Department of Employment and Economic Development (DEED); Minnesota Management & Budget (MMB)

Annual growth in Minnesota's average wage income is forecast to accelerate from 1.4 percent in 2016 to 2.4 percent in 2017, 3.2 percent in 2018, and 3.6 percent in 2019. These rates exceed forecasted rates for inflation over the same period, implying improvements in real wages.

As employers work harder to fill open positions, and businesses invest in productivity-enhancing equipment, wage and salary income per worker—or average wage income—is expected to rise. In this forecast, growth in Minnesota average wage income picks up for a few years before stabilizing in 2020. Annual growth in Minnesota's average wage income is forecast to accelerate from 1.4 percent in 2016 to 2.4 percent in 2017, 3.2 percent in 2018, and 3.6 percent in 2019. These rates exceed forecasted rates for inflation over the same period, implying improvements in real wages.

With only moderate growth in Minnesota employment in the forecast, average wage growth is going to be the main driver of growth in total nominal wage income in the upcoming years. The contribution of employment growth increases to 1.8 in 2017 from 1.4 percent in 2016, and then starts to decline under the constraint of annual labor force growth that stays below one percent. Therefore, nominal gains in total wage and salary income throughout the forecast period is expected to be driven by solid growth in average wage income.

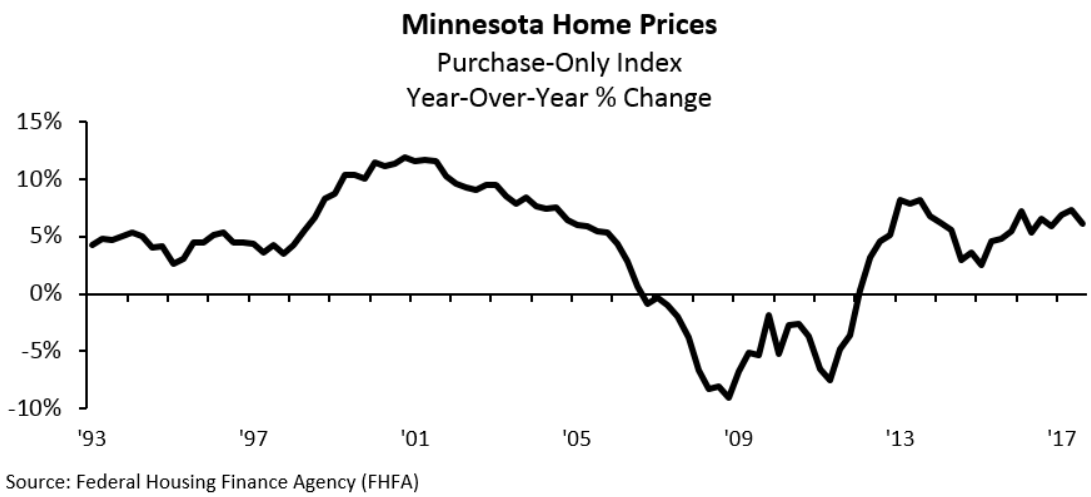


Gains in total wage and salary income throughout much of the forecast period is expected to be driven by solid growth in wages per worker, or the average wage.

Housing Market. Minnesota's housing market continues to show a persistent shortage of existing single family homes for sale. In October, year-to-date closed sales of homes in Minnesota were unchanged from the prior year. With persistently tight supply, median and mean sale prices continue to rise. According to the Minnesota Association of Realtors, the over-the-year increase in the median sale price was 6.8 percent in October, while the average sale price increased 6.9 percent. Statewide, there were about 21,538 homes available for sale on October, down 15.3 percent from an already low level (25,427) a year earlier. With a shortage of homes available and a rising demand, home prices are likely to continue to be pushed upward.

Rising home prices pose a risk to affordability. The last time prices were as high as this year (in 2006), the 30-year fixed mortgage rate was about 6.5 percent. In contrast, rates are now averaging around 4.0 percent. While higher median prices increase monthly mortgage payments, lower rates constrain them. Combining these effects, affordability has declined since 2012, when

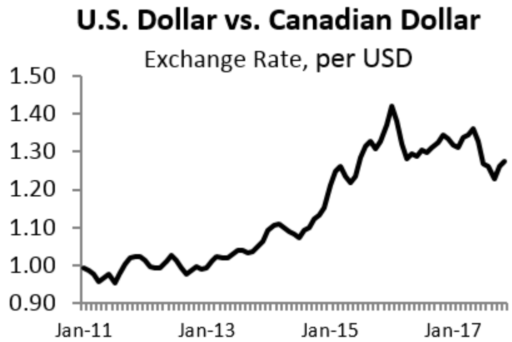
Minnesota's housing affordability index—the ratio of median household income to the income needed to purchase a median-priced house—was around 300. However, affordability remains above 2004-2007 levels, when the index was less than 150. The housing affordability index in October 2017 was 187, 11 percent lower than a year earlier. Overall, payments on purchased homes are still below where they were during the housing bubble, despite the higher prices in 2017 compared to 2006. Low home supply in Minnesota is expected to continue throughout 2017 and the beginning of 2018.

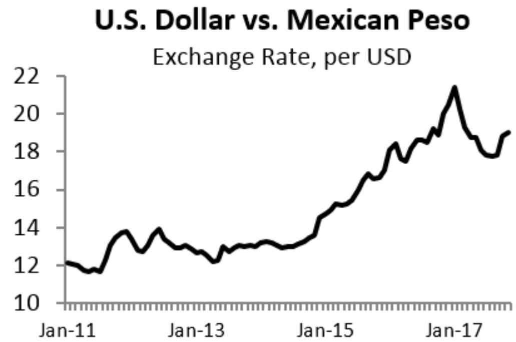


With persistently tight supply, median and mean sale prices continue to rise. According to the Minnesota Association of Realtors, the over-the-year increase in the median sale price was 6.8 percent in October, while the average sale price increased 6.9 percent.

Exports. Minnesota's exports of goods and services to countries throughout the world are an important source of economic strength and job creation, and the outlook for exports is encouraging. According to DEED, Minnesota's exports this year increased 5 percent in the first quarter, 7 percent in the second quarter, and 11 percent in the third quarter, compared to the same quarters in 2016. This continuous rise is in line with the national trends, but the growth of exports in Minnesota is more robust. Comparing the first nine months of 2017 with the same time period of 2016, Minnesota exports increased 8 percent, while U.S. exports grew 6 percent. Minnesota's manufacturing activity has also performed better than the U.S. Minnesota manufactured exports increased about 5 percent in the first quarter, 7 percent in the second quarter, and 10 percent in the third quarter of 2017. The nation's manufactured exports increased about 4 percent in each of those quarters.

Over the last two years, a strong U.S. dollar has made U.S. goods more expensive for foreign customers, lowering demand for exports. While the dollar's value has been erratic, the effect of the strong dollar is starting to fade. The broad-based dollar index lost nearly 9 percent of its value between January and September of this year, although it has since strengthened. Similarly, before rebounding in the last two months, the Canada-U.S. foreign exchange rate declined 6.86 percent between January and September, and the Mexico-U.S. foreign exchange rate dropped 16.65 percent over the same period. Meanwhile, the world economy is performing well, with none of the major economies currently in a recession. The combination of strengthening world demand and a weakening dollar have fueled export growth over the past year.

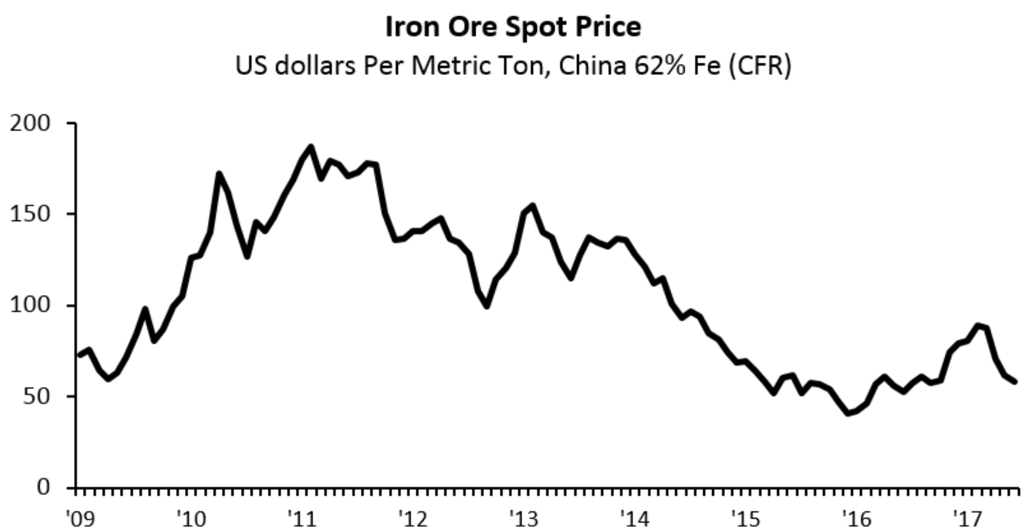




Source: Federal Reserve

Stronger global demand and the dollar's waning strength relative to major trading partners has improved demand for the state's products, as Minnesota-produced goods and commodities become cheaper for foreign customers.

In the third quarter of 2017, Minnesota increased exports to Canada—the state's largest trading partner—by 14 percent over the previous year. Similarly, Minnesota's exports to Mexico in the third quarter grew 7 percent over last year. Overall, in the third quarter, the state's exports to North America were up 11 percent. Exports to Europe also performed very well in the third quarter of 2017, with growth of about 10 percent over the year, driven by increased exports to Germany (up 32 percent) and the U.K. (up 16 percent). The growth of exports to Asia rose 8 percent over the year, with the largest increases in exports to Japan (up 37 percent), China (up 2 percent), India (up 27 percent), and the Philippines (up 10 percent). The boost to Minnesota's exports in the third quarter was mainly driven by products such as iron ore, optics/medical, electrical machinery and plastics.



Source: International Monetary Fund (IMF)

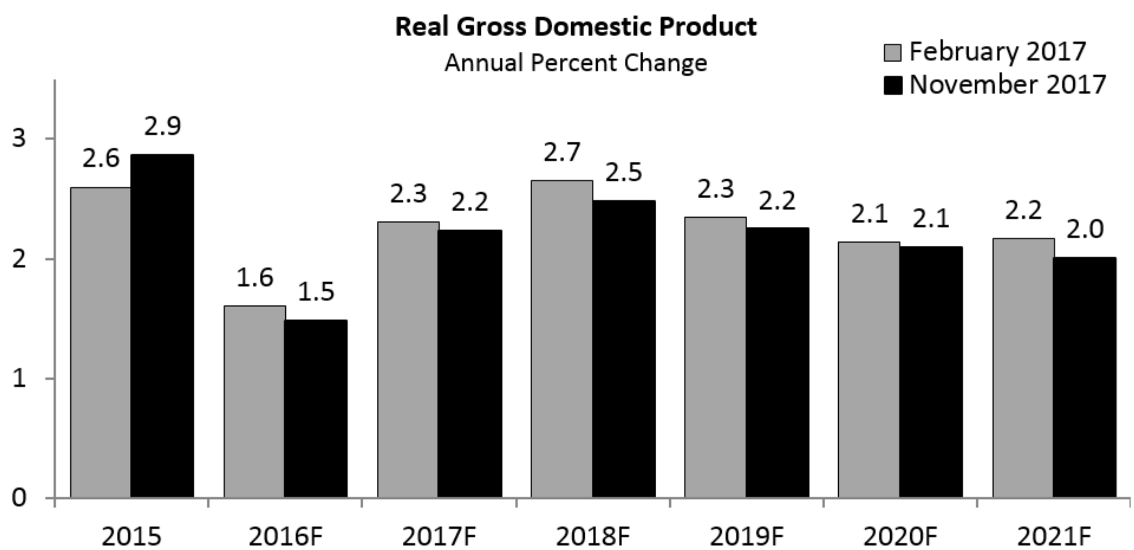
After struggling the last few years, 2017 has been positive for Minnesota's Iron Range. Iron ore prices rose to a level not seen more than two years, reaching about $89 dollars per ton in February 2017. Since then, iron ore prices have declined, approaching $60 per ton in October 2017, a 32 percent drop from February.

Iron Ore Mining. After struggling the last few years, 2017 has been positive for Minnesota's Iron Range. In the third quarter of 2017, DEED reports that iron ore exports rose at a very strong pace. Minnesota exported $135 million worth of ore, slag, or ash in the third quarter, a remarkable 769 percent increase over a year ago. Iron ore prices rose to a level not seen in more than two years, reaching about $89 dollars per ton in February 2017. Since then, iron ore prices have declined, approaching $60 per ton in October 2017, a 32 percent drop from February. For 2018, we can expect a further decline in iron ore prices, as global supply increases and China's demand—which accounts for nearly 70 percent of global iron ore demand—decreases.

Council of Economic Advisers' Statement

Minnesota's Council of Economic Advisors (CEA) met on November 14, 2017, to review the IHS Markit (IHS) outlook for U.S. economic growth, which includes the assumptions underlying Minnesota's November 2017 *Budget and Economic Forecast.* Since February, IHS has decreased their growth expectations for 2017 to 2021. The largest change occurs in 2018, with projected real GDP growth in that year decreasing from 2.7 percent in February's outlook to 2.5 percent in November. In the November outlook, consumer spending, business investment, and government all contribute less to 2018 GDP growth relative to February. IHS also decreased their forecast for 2019 real GDP growth from 2.3 percent in the February outlook to 2.2 percent in November. IHS now expects real GDP to grow at a compound annual rate of 2.4 percent from 2017 to 2019, 0.10 percentage points slower than they had expected in February. They expect compound annual real GDP growth of 2.1 percent from 2019 to 2021, 0.10 percentage points slower than in their February forecast.

Regarding economic fundamentals, IHS expects continuing improvements in household finances and employment to support consumer spending. Business equipment purchases have accelerated this year, and continued gains in equipment investment are expected to support real GDP growth through 2019.

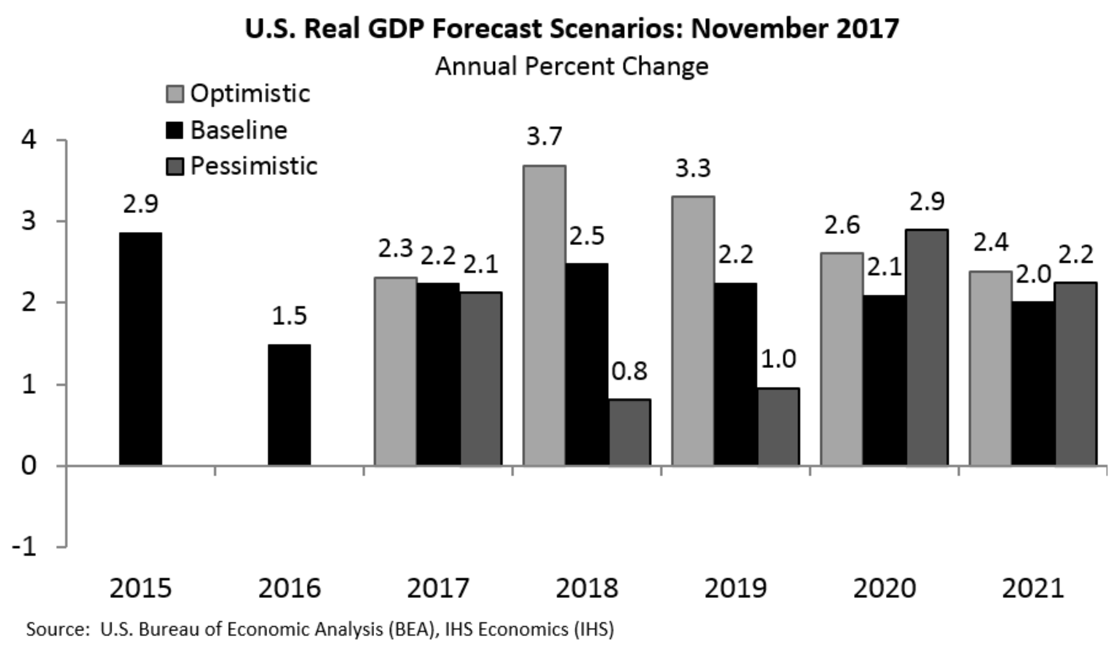


Since February, IHS has decreased their growth expectations for 2017 to 2021. IHS has removed an assumption of federal fiscal stimulus that in their February outlook was expected to buoy growth starting in 2018. While acknowledging that considerable uncertainty about U.S. economic policy remains, council members agreed that IHS's expectations for U.S. growth are a good starting point for MMB's forecast.

IHS has removed from their baseline the impacts of federal fiscal stimulus, including personal and corporate income tax rate cuts and increased infrastructure spending. In February they had assumed that fiscal stimulus would boost economic growth starting in 2018. IHS now believes it is unlikely that significant federal tax legislation will be enacted before the end of this year. They estimate the impact on real GDP growth of passage of the current House tax bill, the Tax Cuts and Jobs Act (TCJA), would be a modest 0.2-0.3 percentage points in the first year of implementation.

The IHS November outlook is similar to that of other macroeconomic forecasters. The November Blue Chip Consensus, the average of about 50 business forecasts, calls for real GDP to grow 2.2 percent in 2017 and 2.5 percent in 2018, the same as IHS.

While acknowledging that considerable uncertainty regarding U.S. economic policy remains, council members agree that IHS's expectations for U.S. growth are a good starting point for MMB's November 2017 economic forecast. Members also agree that the risks to the forecast for 2018 are balanced between downside risk and upside potential for growth. In 2019 and beyond, however, the downside risks become larger. Economic disruptions from geopolitical events, a stock market correction that dampens business confidence and slows consumer spending, or U.S. trade policy missteps could cause the economy to grow more slowly than IHS expects. On the other hand, now that IHS has removed their assumption of federal fiscal stimulus, passage of tax cuts could boost short term growth a bit above the baseline. In addition to economic risks, MMB economists note that considerable risks to the revenue forecast arise from uncertainty about how corporate and individual taxpayers will respond to changing federal fiscal policies. Finally, council members also agree that the difficulty of projecting long range economic conditions, particularly in the current environment of policy uncertainty, warrants caution when using forecasts for 2020 and 2021.



IHS assigns a probability of 65 percent to the November baseline outlook. They assign a 20 percent probability to a more pessimistic scenario, in which a correction to commercial real estate prices and declining consumer and business confidence trigger a two-quarter recession in 2018. They assign a 15 percent probability to a more optimistic scenario, in which a pick-up in home purchases by young adults fuels the housing market, and improvements in productivity boost incomes and, consequently, consumer spending starting in 2018.

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 2017 *Budget and Economic Forecast* understates the cost of current services as provided by law in FY 2020-2021 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 a Aaa rating. Minnesota's current $1.608 billion budget reserve is only about 3.6 percent of forecast FY 2018-19 revenues.

BUDGET OUTLOOK

Closed Biennium

When the last *Budget and Economic Forecast* was released in February, a balance of $744 million was projected for the FY 2016-17 biennium. Actions in the 2017 regular and special legislative sessions including $14 million in spending increases and $540 thousand in revenue reductions reduced the projected ending balance to $730 million.

Closed Biennium: FY 2016-17 General Fund Budget
End-of-Session vs. Actual Comparison

($ in millions)	End-of-Session	Actual	$ Change	% Change
Beginning Balance	**$2,103**	**$2,103**	**$ -**	**0.0%**
Revenues				
Taxes	40,426	40,343	(83)	(0.2)
Non-Tax Revenues	1,517	1,598	82	5.4
Transfers, Other Resources	492	544	52	10.5
Total Revenues	**$42,435**	**$42,485**	**$50**	**0.1%**
Expenditures				
E-12 Education	17,424	17,409	(15)	(0.1)
Property Tax Aids	3,338	3,321	(17)	(0.5)
Health & Human Services	11,766	11,545	(221)	(1.9)
Debt Service	1,139	1,139	-	0.0
All Other	8,164	7,841	(322)	(3.9)
Total Expenditures	**$41,830**	**$41,255**	**$(575)**	**(1.4)%**
Reserves	1,953	1,953	-	
Appropriation Carryforward	-	358	358	
Stadium Reserve	25	27	2	
Budgetary Balance	**$730**	**$995**	**$265**	

FY 2017 Close. In August, the books were officially closed for the fiscal year and biennium that ended June 30, 2017. The FY 2016-17 biennium ended with a positive general fund balance of $995 million, $265 million more than projected at the end of the 2017 legislative sessions. The closing balance at the end of the biennium represents “money in the bank” available as a resource for the FY 2018-19 biennium. The additional resources balancing into the current biennium act as a cushion that partially offsets the projected forecast reduction in revenue and increased spending that results in a projected deficit in the FY 2018-19.

FY 2017 total resources – including revenues, transfers-in, and prior budget year adjustments – were $52 million higher than prior estimates. Tax revenues were $83 million lower than previous estimates. Individual income tax receipts came in $257 million lower than forecast. The lower individual income tax amount was partially offset by higher than projected sales ($58 million) and corporate ($63 million) tax receipts. Higher statewide property tax, tobacco taxes and taconite occupation taxes also partially offset the overall lower tax receipts for the fiscal year.

Offsetting the tax revenue loss were $134 million higher general fund non-tax revenues and transfers from other funds. Investment income, departmental earnings and Department of Human Services (DHS) state operated services revenue accounted for a majority of the increase. Adjustments to prior fiscal years, including error corrections, encumbrance cancellations and revenues attributable to prior fiscal years, totaled $49 million and accounted for most of the gain over estimated resources for FY 2017.

Actual spending for FY 2017 was $575 million below end of session estimates, however a large portion of that total, $358 million, is attributed to unspent appropriations that carried forward and are available for spending in the current biennium. Accounting for the majority of the appropriations carried forward is $270 million in unspent funds appropriated for the health insurance premium subsidy and transition of care programs at Minnesota Management and Budget. Other savings included lower than projected spending in health and human services ($221 million) largely due to a provision in calendar year 2015 managed care contracts that adjusted payments to health plans because enrollees were healthier than anticipated.

FY 2017 concluded with the cash flow account balance at $350 million, the budget reserve account balance at $1.603 billion and the stadium reserve balance at $27 million, $2 million higher than prior estimates due to higher than projected gambling revenues.

Current Biennium

A budgetary balance of $1.651 billion was projected for the FY 2018-19 biennium in the most recent *Budget and Economic Forecast* last February. Actions during the 2017 regular and special legislative sessions as well as executive actions by the Governor and court ordered spending left a projected balance of $163 million. A lower revenue forecast and higher estimated spending partially offset by a higher beginning balance from the last biennium now results in a forecast deficit of $188 million for the current biennium.

With the Supreme Court's decision upholding the Governor's line item veto of the House and Senate appropriations, the forecast for the current biennium does not include a significant portion of the appropriations for the legislature. In late June a Ramsey County court ordered 3 months of spending authority for the House and Senate. That spending, $15 million, is included in this forecast but the remaining $114 million of the vetoed appropriations falls to the bottom line of the general fund, since there is no legal authorization for the spending. If those appropriations were included in this forecast, the deficit for the FY 2018-19 biennium would increase to $302 million.

Revenue. Revenue in the current biennium is now projected to reach $44.447 billion, a reduction of $559 million (1.2 percent) from prior forecast levels. All major taxes are projected lower than prior estimates with individual income tax receipts $461 million lower (1.9 percent), corporate tax receipts $155 million lower (5.9 percent), sales tax collections $65 million lower (0.6 percent) and the statewide property tax $16 million lower (1.0 percent). Non-major tax revenue sources and non-tax revenues are projected to be higher than end of session estimates partially offsetting the overall forecast reduction. Total revenue for the biennium is still growing over the previous biennium with $1.962 billion (4.6 percent) more revenue projected be collected in the FY 2018-19 biennium compared to FY 2016-17 collections.

Current Biennium: FY 2018-19 General Fund Budget

End-of-Session with Court Order vs. November 2017 Forecast Comparison

($ in millions)	End-of-Session w/ Court Order	November 2017 Forecast	$ Change	% Change
Beginning Balance	**$2,708**	**$3,333**	**$625**	**23.1%**
Revenues				
Taxes	43,246	42,624	(622)	(1.4)
Non-Tax Revenues	1,397	1,460	63	4.5
Transfers, Other Resources	363	363	0	0.0
Total Revenues	**$45,006**	**$44,447**	**$(559)**	**(1.2)%**
Expenditures				
E-12 Education	18,758	18,879	121	0.6
Property Tax Aids	3,641	3,648	7	0.2
Health & Human Services	13,858	13,871	13	0.1
Debt Service	1,155	1,153	(2)	(0.2)
All Other	8,144	8,404	260	3.2
Total Expenditures	**$45,557**	**$45,955**	**$398**	**0.9%**
Reserves	1,953	1,958	5	
Stadium Reserve	40	55	15	
Budgetary Balance	**$163**	**$(188)**	**$(351)**	

Spending. Spending in the FY 2018-19 biennium is expected to be $398 million (0.9 percent) higher than estimates at the time of the enacted budget, and is now estimated to be $45.955 billion. A large portion of the higher spending, $358 million, in the current biennium is the result of unspent appropriations from the previous biennium that carried forward and are available to be spent in the current biennium. The largest portion of that carryforward is $270 million for the health insurance premium subsidy and transition of care programs at Minnesota Management and Budget (MMB). Of that amount, $99 million is canceled in FY2018 with this forecast, and then made available via contingent appropriations in the 2017 session for expenditure at DHS for medical assistance and central office operations in FY 2018-19 ($33 million) and medical assistance in FY 2020-21 ($65 million).

A higher forecast for special education drives the increase of $121 million (0.6 percent) in E-12 education. Spending on special education services by school districts has increased at a faster rate than previously projected. Growth in the number of children receiving special education services and higher costs both contribute to the increased forecast.

In health and human services (HHS) savings from lower spending for long term care ($114 million lower), lower average payments for elderly and disabled basic care ($56 million savings) and lower enrollment of disabled individuals in basic care ($56 million lower) is offset by increased state general fund obligations due to congressional failure to appropriate funding for the Children's Health Insurance Program (CHIP). This forecast includes $178 million in additional medical assistance spending in the current biennium since congress has not authorized funding for this program that provides federal funding for some children's health care. These changes in addition to other smaller changes in HHS result in a minimal overall increase of $13 million (0.1 percent) in the current biennium.

Current Biennium: FY 2018-19 General Fund Budget

Biennial Comparison; November 2017 Forecast

($ in millions)	FY 2016-17	FY 2018-19	$ Change	% Change
Beginning Balance	**$2,103**	**$3,333**	**$1,230**	**58.5%**
Revenues				
Taxes	40,343	42,624	2,281	5.7
Non-Tax Revenues	1,598	1,460	(138)	(8.7)
Transfers, Other Resources	544	363	(180)	(33.2)
Total Revenues	**$42,485**	**$44,447**	**$1,962**	**4.6%**
Expenditures				
E-12 Education	17,409	18,879	1,470	8.4
Property Tax Aids	3,321	3,648	327	9.8
Health & Human Services	11,545	13,871	2,326	20.1
Debt Service	1,139	1,153	14	1.3
All Other	7,841	8,404	563	7.2
Total Expenditures	**$41,255**	**$45,955**	**$4,701**	**11.4%**
Reserves	1,953	1,958	5	
Appropriation Carryforward	358	-	n/a	
Stadium Reserve	27	55	28	
Budgetary Balance	**$730**	**$(188)**		

Other spending changes in this forecast are small. A provision in Laws of 2017, Ch. 95 directing a $10 million transfer to the disaster contingency account in the special revenue fund was triggered when the closing balance in the previous biennium exceeded projections. Property tax aid and credit expenditures are $7 million higher due to increased property tax refunds while the Destination Medical Center forecast is down $3 million due to updated project timelines. Other non-forecast spending budgets remain at appropriated levels after accounting for carryforward from FY 2017.

Debt Service. Spending for debt service in the current biennium is nearly unchanged from prior estimates, down $2 million (0.2 percent). With each forecast MMB makes an assumption about the size of future capital budget authorizations. In this forecast it is assumed that the size of the bonding authorization in the 2018 session will be $800 million and $230 million in 2019. Those assumptions continue on an odd/even year alternating basis into the future. These assumptions match the assumed amounts from the February 2017 forecast.

Reserves. The budget reserve account balance is now $1.608 billion, $5 million higher than end of session due to a provision in Minnesota Statutes 79.251 that directs a portion of the prior calendar year excess surplus in the Minnesota Workers Compensation Assigned Risk Plan to the budget reserve account. The balance in the stadium reserve account is expected to reach $55 million by the end of the biennium, $15 million higher due to an increased gambling tax forecast. The cash flow account balance is unchanged at $350 million.

Planning Estimates

Out year planning estimates, based on current law revenues and expenditures, are presented to detail the impacts of the forecast on future years as well as identify longer-term trends. Revenue projections for FY 2020-21 are based on IHS' November Baseline forecast for the planning years. Expenditure projections assume that current law funding levels and policies continue unchanged, adjusted only for caseload and enrollment changes authorized in law, as well as formula driven growth. The expenditure forecast does not assume cost growth outside of a few specific budget area like health care, debt service, property tax refunds and special education where assumptions for price increases or market conditions are specified by statute.

To highlight structural balance or unbalance, the table below shows forecast revenues and projected spending and excludes the impact of balances from prior years and reserves. In the FY 2020-21 biennium base level spending is expected to exceed forecast revenue by $337 million.

Planning Estimates: FY 2020-21 General Fund Forecast
By Fiscal Year; November 2017 Forecast

($ in millions)	**FY 2020**	**FY 2021**	**FY 2020-21**
Forecast Revenues	$23,378	$24,268	$47,646
Projected Spending	23,819	24,164	47,983
Difference	**$(441)**	**$104**	**$(337)**
Estimated Inflation (CPI) Applied to Projected Spending	*$423*	*$888*	*$1,311*

Projected inflationary growth based on the Consumer Price Index is now forecast to be 2.4 percent in FY 2020 and 2.6 percent in FY 2021. After adjusting for programs with price increases included in the current law formula, applying the annual inflation rate, compounded over 2 years, would add approximately $1.311 billion in spending pressure to the FY 2020-21 biennium.

Biennial Comparison: FY 2018-19 vs. FY 2020-21 General Fund Budget
November 2017 Forecast

($ in millions)	FY 2018-19	FY 2020-21	$ Change	% Change
Forecast Revenues	$44,447	$47,646	$3,199	3.5%
Projected Spending	45,955	47,983	2,028	2.2

The planning estimates are not intended to predict surpluses or deficits two 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 the economy and the level of spending that is needed to maintain programs and services. The FY 2020-21 planning estimates provide an important baseline against which the longer-term impacts and affordability of budget decisions can be measured.

REVENUE OUTLOOK

Current Biennium

Total general fund revenues for FY 2018-19 are now forecast to be $44.447 billion, $559 million (1.2 percent) less than the February 2017 forecast adjusted for law changes. Total tax revenues for the biennium are forecast to be $42.624 billion, $622 million (1.4 percent) below the prior estimate. Lower expected individual, sales, corporate, and state general property tax revenue more than offset increased forecasts for other tax and non-tax revenue.

Current Biennium: FY 2018-19 General Fund Revenues
End-of-Session vs. November 2017 Forecast Comparison

($ in millions)	End-of-Session	November 2017 Forecast	$ Change	% Change
Individual Income Tax	$24,150	$23,690	$(461)	(1.9)%
General Sales Tax	11,209	11,144	(65)	(0.6)
Corporate Franchise Tax	2,621	2,466	(155)	(5.9)
State General Property Tax	1,646	1,630	(16)	(1.0)
Other Tax Revenue	3,619	3,695	75	2.1
Total Tax Revenues	**$43,246**	**42,624**	**(622)**	**(1.4)%**
Non-Tax Revenues	1,397	1,460	63	4.5
Other Resources	363	363	0	0.0
Total Revenues	**$45,006**	**$44,447**	**$(559)**	**(1.2)%**

Revenues for FY 2018-19 are now expected to exceed their FY 2016-17 levels by $1.962 billion (4.6 percent). Total tax revenues are projected to be $2.281 (5.7 percent) more than in FY 2016-17. Individual income tax revenues account for 89 percent of the biennial tax revenue growth. Net corporate receipts in FY 2018-19 are lower than in the previous biennium. Smaller expected corporate payments and larger projected refunds both contribute to that change.

This is the first forecast of FY 2018-19 since FY 2018 began on July 1. After four months of observed collections, fiscal year-to-date receipts are $6.258 billion, 14 percent of the total expected over the biennium. With 20 months of FY 2018-19 collections left to observe, 86 percent of forecast receipts are outstanding.

Biennial Comparison: FY 2016-17 vs. FY 2018-19 General Fund Revenues
November 2017 Forecast

($ in millions)	FY 2016-17	FY 2018-19	$ Change	% Change
Individual Income Tax	$21,670	$23,690	$2,020	9.3%
General Sales Tax	10,638	11,144	506	4.8
Corporate Franchise Tax	2,678	2,466	(213)	(7.9)
State General Property Tax	1,712	1,630	(82)	(4.8)
Other Tax Revenue	3,644	3,695	50	1.4
Total Tax Revenues	**$40,343**	**42,624**	**2,281**	**5.7%**
Non-Tax Revenues	1,598	1,460	(138)	(8.7)
Other Resources	544	363	(180)	(33.2)
Total Revenues	**$42,485**	**$44,447**	**$1,962**	**4.6%**

Individual Income Tax. Individual income tax receipts are now forecast to be $461 million (1.9 percent) less than the prior estimate. That change is due to lower forecast growth in wage income from 2017 to 2019 and a decrease in our estimate of tax liability for 2016, the base year for this forecast.

At the close of FY 2017, net income tax revenue was $257 million less than forecast. That shortfall was due to lower than expected collections and higher than expected refunds associated with tax year 2016 final returns and extensions. In our July 2017 *Revenue and Economic Update*, we reported that data from the Quarterly Census of Employment and Wages (QCEW) suggested that Minnesota wage and salary income grew about a percentage point more slowly in 2016 than we had forecast in February. In July, we also speculated that non-wage income, particularly capital gains realizations by Minnesota residents, may have grown less in 2016 than we had expected. Indeed, as we explain below, lower wage income growth and lower assumed capital gains realizations in 2016 reduce our estimate of tax year 2016 income tax liability.

This forecast builds from estimated final 2016 income tax liability. Using information from processed tax returns, revenue in the state accounting system, and projections of returns remaining to be received and/or processed, we estimate that final 2016 tax liability is $10.017 billion, $227 million less than estimated in February.

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. Current information from the Bureau of Economic Analysis (BEA) indicates that Minnesota's wage income growth in 2016 was 2.8 percent, compared to the 3.8 percent growth that we assumed in the February forecast. In order to produce estimated tax year 2016 liability, capital gains realized by Minnesota residents were assumed to have declined 7.8 percent from 2015 (exclusive of realizations assumed to arise from a one-time corporate event in 2015). In the February forecast, we had assumed a decline of 5.9 percent. Both farm and non-farm business income are also assumed to have grown less in 2016 than we had assumed in February.

A lower forecast of income growth for CY 2017 and 2018 combine with the lower base year income tax liability to lower the forecast for FY 2018-19 income tax revenues. Information from the BEA, Quarterly Census of Employment and Wages (QCEW), and income tax withholding collections suggest that Minnesota's growth in wage and salary income has been weaker than we forecast in February, and that lower wage income growth is forecast to continue. Annual growth in wage income included in adjusted gross income (AGI) in 2017 is now expected to be 4.6 percent, down from 4.7 percent in the February forecast, or cumulatively 1.1 percentage point lower since 2015. (Note that this percentage differs from the rate shown in our Minnesota Economic Forecast Summary table in this report, because that table reports growth rates in the components of personal income, which can differ from wages included in AGI.) Annual wage growth is now forecast to be 4.7 percent in both 2018 and 2019, compared to 5.2 and 5.1 percent, respectively in the prior forecast.

Changes in expected growth rates in some non-wage income types in CY 2017 and 2018 also reduce the FY 2018-19 income tax forecast. Capital gains realizations reported by Minnesota residents are now assumed to grow 11.3 percent in 2017 and 1.6 percent in 2018, compared to 11.5 and 3.4 percent, respectively, in the prior forecast. Growth in interest income is now expected to be 14.6 percent in 2017 and 19.5 percent in 2018, compared to 15.8 and 20.0 percent, respectively, in February. Growth in business income is cumulatively 2.0 percentage points lower through 2020, compared to February. Partially offsetting these effects is higher assumed growth in dividend income throughout the forecast period.

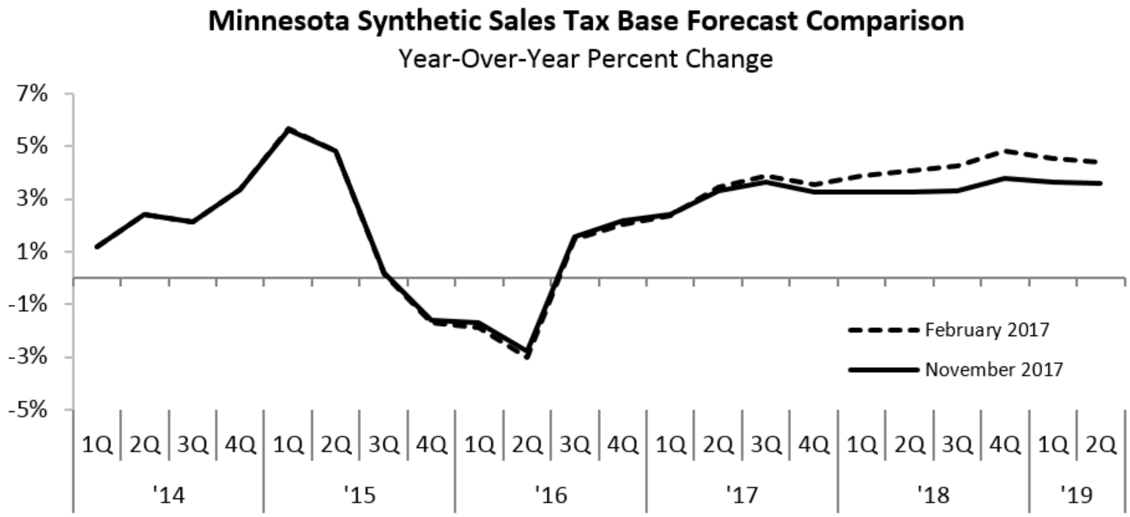
Lower than expected tax payments by fiduciaries since the February forecast and lower projected growth in capital gains income brings down the forecast of these taxes. In FY 2018-19, revenue from fiduciaries is expected to be $56 million less than forecast in February. Similarly, lower than expected payments from non-resident partnerships, along with lower projected growth in business income, capital gains, and interest income, bring down the forecast for taxes paid by these entities by $17 million.

Changes in assumptions about the timing of refunds reduced the net income tax forecast for FY 2018-19 by $23 million. Changes in our estimate of miscellaneous income tax payments not necessarily related to the current tax year reduced the forecast by about $10 million.

So far in CY 2017, cash estimated payments—prepayments typically made by people with taxable non-wage income—are about 2 percent *less* than they were a year ago, an unusual pattern to observe. Because our forecast calls for non-wage income to *grow* year-over-year, we expect the trend in estimated payments to reverse. We expect estimated payments to start to grow with 2017 fourth quarter payments and continue to grow thereafter.

New information that is expected to become available between now and February 2018 may change the income tax forecast for FY 2018-19. In early January, we expect to learn the actual tax liability for 2016, the year on which this forecast is based. A significant variance between actual and estimated 2016 liability will change the forecast. Late January should bring new information about final estimated tax payments—which we expect to see grow over last year—and the final quarter of withholding for 2017, providing some clarity about tax year 2017 liability. Finally, in February, we expect to have the first information about 2016 growth rates in various income types—including capital gains—from a preliminary sample of 2016 tax returns. This should help identify income growth arising from sources that are unlikely to carry over into subsequent years.

General Sales Tax. General sales tax revenue in FY 2018-19 is now forecast to be $65 million (0.5 percent) less than the prior estimate. Lower expected gross sales tax receipts more than offset a lower forecast of tax refunds. The change in forecast gross sales tax receipts net of the motor vehicle lease (MVL) transfer reflects lower than expected gross receipts so far in FY 2018 and a lower forecast for taxable sales compared to February. Using forecasts for spending on a wide range of taxable goods and services, we construct the Minnesota synthetic sales tax base, a proxy for the actual sales tax base. In this forecast, the synthetic base is expected to grow 0.2 percentage points slower in 2018 and 0.8 percentage points slower in 2019 than we had assumed in February.



Source: U.S. Bureau of Economic Analysis; IHS Economics; Minnesota Management & Budget (MMB)

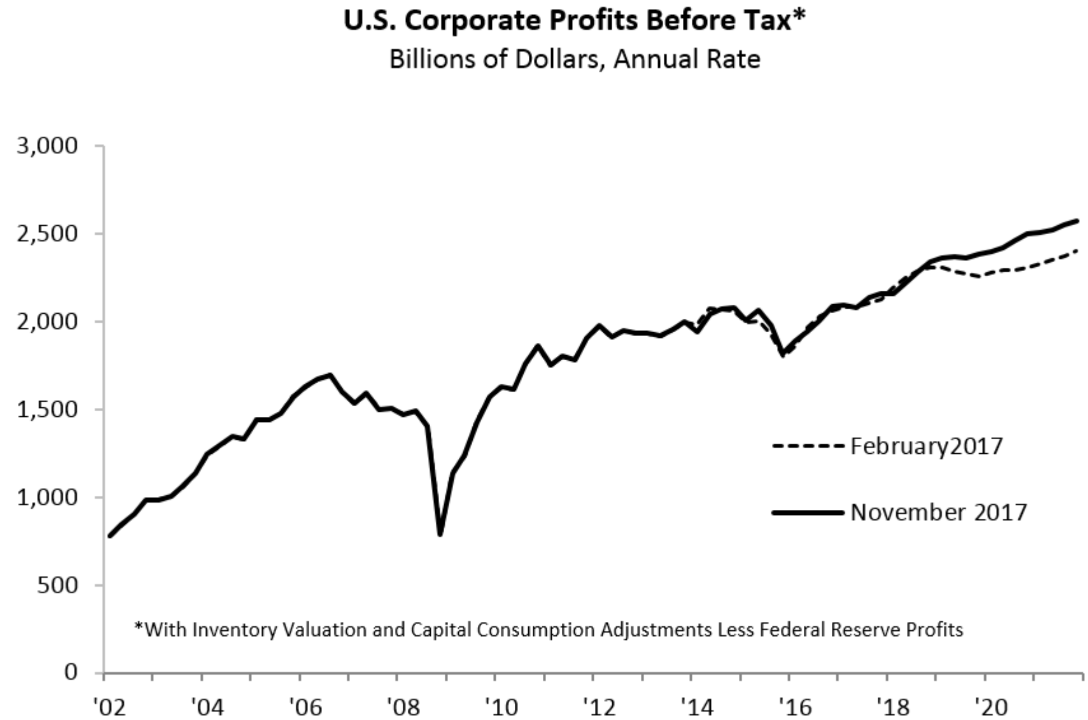
In this forecast, the proxy for Minnesota's sales tax base is expected to grow 0.2 percentage points slower in 2018 and 0.8 percentage points slower in 2019 than we had assumed in February.

The large number of sales tax law changes enacted in the 2017 legislative session create risk for the sales tax forecast. There is uncertainty about the magnitude and timing of the revenue impacts of the more than 20 new provisions affecting sales tax revenue. If actual sales tax receipts differ from the forecast, it may be difficult to determine if that variance is due to changes in economic conditions, or unforeseen impacts of the law changes.

Corporate Franchise Tax. The corporate franchise tax is forecast to generate $2.466 billion in FY 2018-19, $155 million (5.9 percent) less than the prior estimate. Lower forecast gross corporate payments and higher forecast refunds both contribute to the change.

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 $1.282 billion, about $8 million less than the February estimate.

Lower estimated implied CY 2016 liability offsets a slightly higher forecast of corporate profits growth in CY 2017, resulting in a lower estimate of implied CY 2017 corporate tax liability. We estimate corporate liability attributable to CY 2017 to be $1.196 billion, $111 million less than the February estimate. Corporate profits grow more slowly in this forecast in CY 2018, 6.4 percent compared to 7.5 percent in February. Faster forecast growth in CY 2019 is not enough to offset the lower base effects, bringing down the corporate tax receipts forecast for FY 2018-19.



Source: U.S. Bureau of Economic Analysis (BEA); IHS Economics; Minnesota Management & Budget (MMB)

Corporate profits grow more slowly in this forecast in CY 2018 than assumed in February. Faster forecast growth in CY 2019 is not enough to offset the effect of lower base year implied liability, bringing down the corporate tax receipts forecast for FY 2018-19.

The forecast for corporate profits in the November 2017 IHS baseline outlook was unrealistically high relative to their October forecast. This may have been an unintended consequence of IHS harmonizing their models with those of Macroeconomic Advisors when the two firms merged earlier this year. Following IHS's advice, we based our November corporate tax revenue forecast on IHS's corporate profits forecast for October 2017, rather than on their November projection.

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 $3 million higher in FY 2018-19 than the February estimate.

Other Tax Revenue, Non-Tax Revenue, Other Resources. Other tax revenue is now expected to be $50 million (1.4 percent) more than the prior estimate. Among other taxes, lawful gambling taxes show the largest dollar amount change, $13.3 million (10.1 percent) more than the prior estimate. This change reflects higher than expected year-over-year growth in gambling tax receipts. The forecast for cigarette and tobacco taxes is $12.6 million (1.0 percent) higher than the prior estimate. Higher than expected collections, higher growth in the nominal value of home sales, and higher refinancing activity have raised the forecasts for the deed and mortgage taxes. Among non-tax revenues, the Medical Assistance surcharge show the largest dollar amount change, increasing $23 million (4.2 percent) over the prior estimate.

Planning Estimates

Total revenues for FY 2020-21 are now estimated to be $47.646 billion, an increase of $3.198 billion (7.2 percent) over the current forecast for FY 2018-19 revenues. Total tax revenues for FY 2020-21 are estimated to be $45.837 billion, a 7.5 percent increase over FY 2018-19 forecast revenues.

Together, the individual income and sales taxes account for about 90 percent of the projected biennial tax revenue growth. The individual income tax shows the largest increase, growing by $2.309 billion (9.7 percent), and contributing 72 percent of the total tax revenue biennial change. The general sales tax is expected to exceed FY 2018-19 forecast levels by $592 million (5.3 percent), accounting for 18 percent of the growth in tax revenues. The corporate franchise tax, statewide property tax, and other taxes together contribute $311 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 2.2 percent in CY 2019, followed by somewhat slower growth of 2.1 percent in CY 2020 and 2.0 percent in CY 2021.

Biennial Comparison: FY 2018-19 vs. FY 2020-21 General Fund Revenues
November 2017 Forecast

($ in millions)	FY 2018-19	FY 2020-21	$ Change	% Change
Individual Income Tax	$23,690	$25,999	$2,309	9.7%
General Sales Tax	11,144	11,736	592	5.3
Corporate Franchise Tax	2,466	2,610	144	5.9
State General Property Tax	1,630	1,633	3	0.2
Other Tax Revenue	3,695	3,858	164	4.4
Total Tax Revenues	**42,624**	**45,837**	**3,213**	**7.5%**
Non-Tax Revenues	1,460	1,435	(25)	(1.7)
Other Resources	363	373	10	2.8
Total Revenues	**$44,447**	**$47,646**	**$3,198**	**7.2%**

The planning estimates for 2020-2021 should be used with caution. First, the projections will be affected by any revenue changes in a supplemental budget for the FY 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 source 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 caution when using economic forecasts of 2020 and 2021.

EXPENDITURE OUTLOOK

Closed Biennium

The FY 2016-17 biennium ended with a positive general fund balance of $995 million, $265 million more than estimated at the end of the 2017 special legislative session. Final FY 2017 spending was notably lower than end of session projections. Expenditures totaled $21.103 billion, $575 million (1.4 percent) lower than end of session estimates.

$304 million of the savings are reflected in lower state government area spending. This is largely the result of lower spending in the premium subsidy and transition of care programs. The programs received one-time appropriations totaling $327 million in FY 2017, but only spent $56 million. The remaining appropriations were carried forward into FY 2018 where they are available to continue providing discounts to people purchasing health insurance on the individual market.

In FY 2017, health and human services (HHS) expenditures were $221 million (1.9 percent) lower than end of session estimates. Medical Assistance (MA) and Alternative Care spending was $200 million (4.4 percent) below end of session estimates. Much of the savings is due to the downward adjustment of payments to health plans serving MA enrollees because 2015 program participants were healthier than anticipated. Additional reductions in spending are attributable to changes in cost of and enrollment in long-term care programs and the use of federal Children's Health Insurance Program (CHIP) funding that was unexpended in the previous state fiscal year.

All other bill areas saw actual spending come in $50 million below end of session estimates. This is largely due to unspent appropriations being carried into the FY 2018-19 biennium.

Current Biennium

Total state general fund expenditures for the FY 2018-19 biennium are projected to be $45.955 billion, which is $398 million (0.9 percent) higher than previously expected. $358 million of the change is due to appropriations that were unspent in FY 2017 and carried into FY 2018, $99 million of which is canceled with this forecast as directed in Laws 2017, Special Session, Ch. 6. Most of the remainder is attributable to higher E-12 forecast expenditures due to cost pressures in special education. The table below shows forecast change in spending for the current biennium.

Current Biennium: FY 2018-19 General Fund Expenditures
End-of-Session vs. November 2017 Forecast Comparison

($ in millions)	End-of-Session	November 2017 Forecast	$ Change	% Change
E-12 Education	$18,758	$18,879	$121	0.6%
Property Tax Aids & Credits	3,641	3,648	7	0.2
Health & Human Services	13,858	13,871	13	0.1
Debt Service	1,155	1,153	(3)	(0.2)
All Other	8,144	8,404	260	3.2
Total Expenditures	**$45,557**	**$45,955**	**$398**	**0.9%**

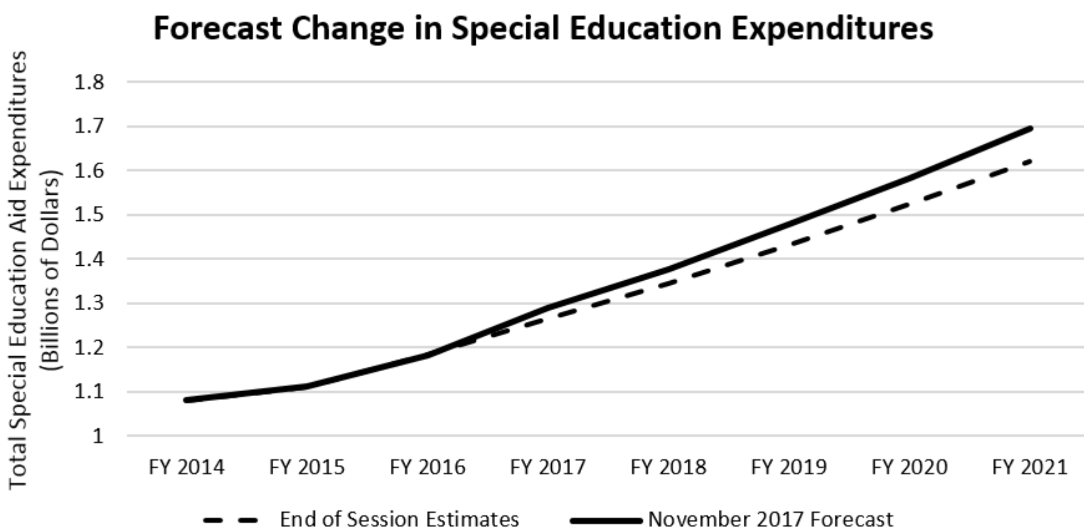
E-12 Education. Education finance is the largest category of state general fund spending. It consists of aid programs for general education, special education, early childhood and family education, charter schools, nonpublic pupil programs, and integration programs. E-12 aids can be divided into two 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 expenditures are forecast to reach $18.879 billion in FY 2018-19, a $121 million (0.6 percent) increase from end of session estimates. Higher spending on special education drives the increase. Major changes from end of session estimates are highlighted in the table below.

E-12 Education General Fund Expenditures
End-of-Session vs. November 2017 Forecast Comparison

($ in millions)	FY 2018-19		FY 2020-21	
	$ Change	% Change	$ Change	% Change
General Education Aid	$7	0.1%	$(20)	(0.1)%
Special Education Aid	103	3.5	136	4.2
Literacy Incentive Aid	(2)	(2.4)	(4)	(4.3)
Adult Basic Education Aid	(3)	(2.7)	(3)	(2.7)
Achievement and Integration Aid	1	0.6	18	12.0
Other changes	15	1.2	6	0.5
Total E-12 General Fund Forecast Change	**$121**	**0.6%**	**$133**	**0.7%**

Forecast spending on special education is $103 million (3.5 percent) higher in FY 2018-19 than previous estimates. Special education is an expenditure driven formula, rather than a pupil based formula like general education. The amount of special education aid districts receive is driven by their spending on special education services which includes the number of students and the number and cost of teachers and paraprofessionals. The November forecast incorporates expenditure data from FY 2016 and FY 2017, which came in above previous estimates. The addition of these two years increased the projected annual growth rate from FY 2017 to FY 2021 to 5.2 percent from the 4.0 percent assumed in the February forecast. Many factors have contributed to the increase in spending on special education services by districts. Growth in the number of children receiving these services has accelerated in each of the past four years. As districts have seen consistent increases in the basic formula and rebuilt their reserves, schools are hiring more teachers and lowering child to staff ratios. In addition to adding more staff, the salaries and cost of benefits of all staff have been rising faster in recent years. Average salaries of special education teachers grew by 1.9 percent and 2.0 percent in FY 2016 and FY 2017 respectively, compared to 1.2 percent and 1.4 percent in FY 2014 and FY 2015. Fringe benefits grew by 11.3 percent and 6.3 percent in FY 2016 and FY 2017, compared to 7.1 percent and 7.1 percent in FY 2014 and FY 2015.



Estimated Special Education Aid expenditures are higher than previous estimates due to rising cost pressures.

General education spending is expected to be $7 million (0.1 percent) higher for FY 2018-19 than end of session estimates. Pupil counts increased very slightly from the February forecast, driving a small increase in general education spending. This is offset slightly by a $15 million reduction in Post-Secondary Enrollment Options (PSEO) spending, driven by the participation of fewer schools in the program.

Adult Basic Education forecast expenditures are $3 million lower in FY 2018-19 compared to end of session projections. In fiscal year 2017, contact hours, one determinant of Adult Basic Education Aid, came in lower than previously project which caused a downward adjustment over the entire forecast period. Literacy Incentive Aid is decreased by $2 million in FY 2018-19 in the November forecast. Literacy Incentive Aid is projected using a 5-year average of Minnesota Comprehensive Assessment (MCA) reading proficiency scores. Actual FY 2017 proficiency scores were lower than February estimates, which reduces projected expenditures.

Health and Human Services. Health and human services is one-third of total state general fund spending. The majority of these expenditures (86 percent) are forecast programs including Medical Assistance (MA), Chemical Dependency (CD), the 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 for low-income individuals and families, persons with physical or developmental disabilities, and the low-income elderly. 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.

In the FY 2018-19 biennium, anticipated HHS general fund spending is $13.871 billion, up $13 million (0.1 percent) relative to end of session estimates. Anticipated MA spending on services for the elderly and disabled population is lower than previously expected, but this change is offset by costs for the Children's Health Insurance Program (CHIP), increases in managed care costs, and a transfer to the health care access fund. The following table identifies major forecast expenditure changes from end of session estimates.

General Fund Health and Human Services Expenditures
End-of-Session vs. November 2017 Forecast Comparison

($ in millions)	FY 2018-19		FY 2020-21	
	$ Change	**% Change**	**$ Change**	**% Change**
Lower Spending in Long Term Care	$(114)	(2.4)%	$(145)	(2.8)%
Lower Average Payments in Elderly & Disabled Basic Care	(56)	(1.6)	(66)	(1.6)
Lower Enrollment of Disabled Individuals	(56)	(1.5)	(89)	(2.1)
No Federal Appropriation for Children's Health Insurance Program	178	6.4	26	0.8
Updated Managed Care Rates	19	0.6	33	0.9
Managed Care Trend Restoration	17	0.3	65	1.6
All Other MA	(39)	(0.4)	23	0.3
Total MA Change	**(51)**	**(0.5)**	**(154)**	**(1.3)**
Transfer to HCAF	50	NA	0	NA
All other HHS	14	0.3	1	0.0
Total HHS General Fund Forecast Change	**$13**	**0.1%**	**$(153)**	**(1.0)%**

Medical Assistance Program
Forecast expenditures on services for the elderly and disabled are down $249 million in FY 2018-19. Lower than anticipated spending in long term care programs ($114 million) is mainly attributed to lower average payments in Home and Community Based Service (HCBS) waiver programs, specifically in the Community Access Disability Inclusion (CADI) waiver. This is the result of recent enrollees costing less than expected. Additionally, lower fee-for-service payments and change in service needs within elderly and disabled basic care reduced spending $56 million. Lower average payments in this basic care program are due, in part, to a greater proportion of Medicare-eligible recipients in the program who, on average, cost less to the state. The continued diversion of the non-Medicare disabled population to adults without children basic care drives lower enrollment and an additional $56 million in lower forecast spending.

Congress did not appropriate continued funding for the Children's Health Insurance Program (CHIP) by the end of federal fiscal year 2017. The loss of federal share for this program is expected to increase state expenditures by $178 million (6.4 percent increase in spending for families with children) in this biennium. Bills are being considered by both houses of Congress to appropriate ongoing funding for the program, but it is uncertain if or when a bill would be signed into law.

New managed care rates for calendar year 2018 increase forecast spending by $19 million in FY 2018-19. Actual rates for families with children and adults without children grew more than assumed in previous forecasts. Rates for the elderly and individuals with disabilities grew less than previously assumed. In addition, this forecast restores a 0.5 percent rate reduction assumption from last legislative session. The FY 2018-19 biennial budget assumed the Department of Human Services (DHS) would limit the growth in managed care rates by 0.5 percent and budgeted the corresponding savings. However, DHS has determined that these limits are not expected to lower managed care rate growth in 2019 and 2020. This determination increases forecast expenditures by $17 million in FY 2018-19.

This increase, as well as a $16 million appropriation to DHS Central Office Operations, is funded by the cancellation of $99 million from the premium subsidy program administered by Minnesota Management and Budget.[1] Additional discussion of this cancellation is included on the next page.

Other Health and Human Services Expenditures
Spending across all non-health care programs increased $64 million in FY 2018-19. This is primarily due to a $50 million transfer to the Health Care Access Fund. The 2015 legislature established a statutory mechanism to transfer money to the health care access fund depending on the result of a study by the Department of Health (MDH).[2] Minnesota Statutes, Section 62U.10 directs MDH to compare health care spending on several chronic conditions and smoking exposure against projections. The study provides information on the progress Minnesota is making to lower spending on chronic disease. In December 2017, MDH reported that state-administered spending on these conditions in 2014 was lower than projected by more than $50 million, triggering the transfer. This transfer may occur in future years depending on findings of future annual analyses from the Department of Health.

Property Tax, Aids, and Credits. Property tax aids and credits spending is expected to be $3.648 billion in the FY 2018-19 biennium, an increase of $7 million (0.2 percent) compared to end of session estimates. Homestead and renters property tax refunds account for a significant amount of this growth. These property tax refunds are forecasted to increase by $17 million (1.3 percent) due to growth in property tax collections and slower income growth. Other forecast items partially offset this growth including a $3 million (29.2 percent) estimated decrease in targeting property tax refunds, a $3 million (3.6 percent) expected reduction in Lieu of Property Taxes (PILT) spending, and a $2 million (3.5 percent) projected decline in fire state aid. Additionally, estimated school building bond agriculture credit spending is reduced by $2 million (6.3 percent) due to lower than expected debt service levy amounts in agricultural property-heavy districts.

Debt Service and All Other. Debt service expenditures for the current biennium are forecast to be $1.153 billion in the current biennium, which is a $2.5 million (0.22 percent) reduction from prior estimates. Lower interest rate assumptions and revised timing and size of bond sales contribute to this reduction.

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[1] Laws 2017, 1st Special Session, Chapter 6, Article 18, Secs. 13-15.
[2] Laws 2015, Chapter 71, Article 8, Section 11.

Premium Subsidy Program in November Forecast

Background. Following large increases in individual market health insurance premiums, the 2017 legislature enacted the Premium Subsidy Program in January 2017. Through this program, individuals who do not accept federal subsidies receive a 25 percent reduction in premiums for calendar year 2017. The program is administered by Minnesota Management and Budget (MMB) and received an appropriation of $312 million. The same bill contained a $15 million appropriation for transition of care services, which is not reflected in this discussion.

2017 Legislative Changes. After 2017 open enrollment, it became apparent that participation the program would likely be lower than original projections, lowering the anticipated cost of the program. The legislature enacted a provision requiring the Commissioner of MMB to certify in the November 2017 forecast the extent to which appropriations exceed obligations for the program, and directed that up to $99 million of the certified amount would be canceled to the General Fund to fund two appropriations within the Department of Human Services (DHS), described below.

The 2017 legislature also directed the Commissioner of DHS to lower anticipated growth in managed care contracts. The FY 2018-19 biennial budget assumed that rates would grow 0.5 percentage points less than assumed in the February 2017 forecast. DHS was directed to estimate whether these savings were attainable in the November 2017 forecast. If they were not attainable, Medical Assistance expenditures would increase by $17 million in FY 2018-19 and $65 million in FY 2020-21. In addition, DHS received an appropriation for Central Office Operations of $16 million, contingent on available funds in the Premium Subsidy Program

November Forecast Analysis. The Commissioner of MMB certified that the appropriation for the Premium Subsidy Program exceeded anticipated obligations by more than $99 million, which triggers the cancellation. The commissioner of DHS has determined that the reduction in managed care growth is not attainable and has restored growth rates to February 2017 forecast assumptions. This results in higher spending in Medical Assistance across two biennia. In addition, the appropriation to the DHS Central Office drives $16 million in higher spending.

These changes result in movement of expected expenditures across the state budget and across biennia. In addition to the changes outlined above. Unspent 2017 appropriations to the Premium Subsidy Program were carried forward from FY 2017 into the FY 2018-19 biennium. On net, however, there is no impact to the general fund bottom line. The impact of these changes across the state budget is displayed in the table below.

($ millions)	2017 End of Session			November 2017 Forecast		
	FY 2016-17	**FY 2018-19**	**FY 2020-21**	**FY 2016-17**	**FY 2018-19**	**FY 2020-21**
MMB - Premium Subsidy	*312*			*56*	*255*	
Cancellation					*(99)*	
Premium Subsidy Total	**312**	**0**	**0**	**56**	**156**	**0**
DHS - Central Office	0	0	0	0	16	0
DHS - Medical Assistance	0	0	0	0	17	65
Total	**312**	**0**	**0**	**56**	**189**	**65**

All other bill area spending is forecast to total $8.404 billion, $260 million (3.2 percent) higher than end of session estimates. This change is largely the result of unspent FY 2017 appropriations carried forward into FY 2018. The largest example of this is the premium subsidy and transition of care programs administered by Minnesota Management and Budget. MMB rolled forward $270 million that was unspent in fiscal year 2017 into fiscal year 2018. Of this, $99 million has been canceled from the appropriation as a result of an analysis directed by the 2017 legislature. The remaining $171 million is available to pay for discounts for individuals purchasing health insurance in the non-group market in calendar year 2017. In addition to state government, the economic development and environment bill areas also have higher spending than end of session estimates due to balances rolled forward from the previous biennium.

Planning Estimates

General fund spending in FY 2020-21 is expected to be $47.983 billion, $33 million (0.1 percent) lower than end of session estimates. This change is primarily the result of lower spending in health and human services, which is somewhat offset by higher spending in E-12 education. The table below details changes in FY 2020-21 forecast expenditures.

Planning Estimates: FY 2020-21 General Fund Expenditures
End-of-Session vs. November 2017 Forecast Comparison

($ in millions)	End-of-Session	November 2017 Forecast	$ Change	% Change
E-12 Education	$19,517	$19,649	$133	0.7%
Property Tax Aids & Credits	3,678	3,662	(16)	(0.4)
Health & Human Services	15,729	15,576	(153)	(1.0)
Debt Service	1,217	1,204	(13)	(1.1)
All Other	7,876	7,892	16	0.2
Total Expenditures	**$48,017**	**$47,983**	**(33)**	**(0.1)%**

E-12 Education. Spending on E-12 education in FY 2020-21 is expected to reach $19.649 billion, a 0.7 percent increase over end of session estimates. This change is largely driven by trends seen in the current biennium. The increase in special education continues into the next biennium, driving a $136 million (4.2 percent) increase over previous estimates. Slightly offsetting this increase, general education is $20 million (0.1 percent) lower in FY 2020-21 than end of session estimates. This is due to the continuation of the downward trend in PSEO participation which has a larger decrease ($21 million) in FY 2020-21.

Lower spending in two smaller categorical programs also persists in the FY 2020-21 biennium in this forecast. Forecast spending for Adult Basic Education decreases by $3 million and Literacy Incentive Aid decreases by $4 million compared to end of session projections.

Achievement and Integration aid is projected to increase by $18 million over previous estimates in FY 2020-21, due to two policy changes in the administration of the program. The Department of Education (MDE) will begin using federal rather than state counts of protected class students. The federal counts allow students to choose more than one category to identify their race or ethnicity, where the state count only allows one. This move is expected to increase the number of protected class students, which the funding is based on. In addition to this change, MDE will include American Indian students in the calculation of protected students. They were previously excluded because rules make participation optional for schools with a concentration of American Indian students. These changes in interpretation will begin during calendar year 2018. MDE expects new schools to begin receiving aid in FY 2020. These changes increase spending by $17.6 million for the biennium.

Health & Human Services. Health and human services expenditures are projected to total $15.576 billion in the next biennium, a decrease of $153 million (1.0 percent) from end of session estimates. Changes to MA drive the reduction ($154 million, a -1.3 percent change from the end of session).

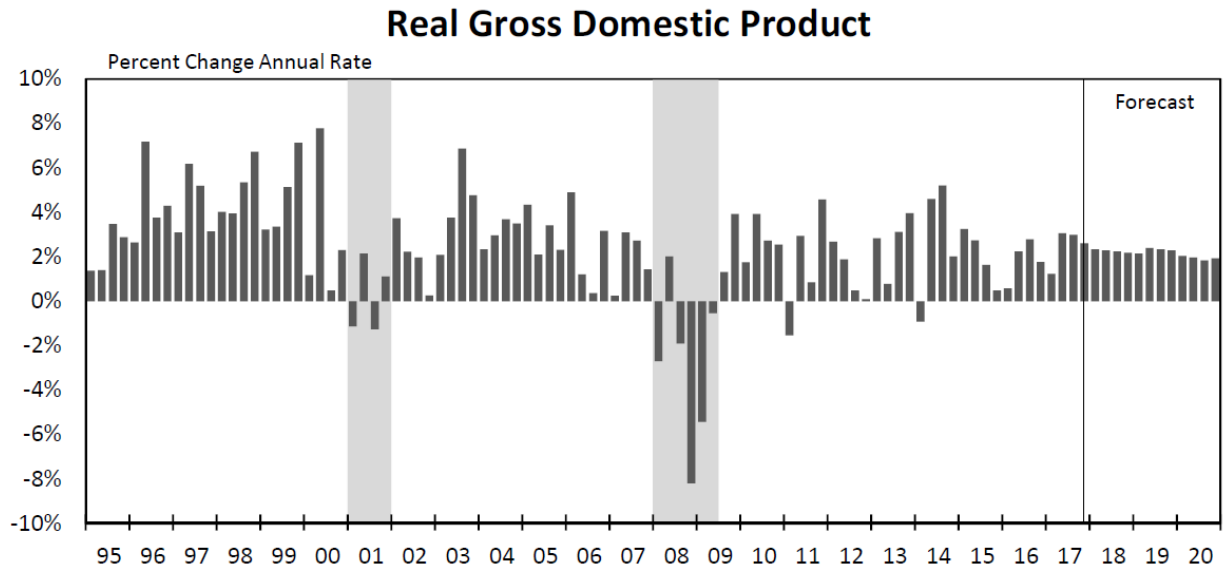
Many of the trends impacting health and human services spending in the FY 2018-19 biennium continue to impact spending estimates in the FY 2020-21 biennium. Lower spending in long term care ($145 million, -2.8 percent change from end of session estimates) and continued diversion of disabled to adults without kids basic care ($89 million, -2.1 percent change from end of session estimates) result in a $234 million forecast savings. These savings are offset by the restoration of previous managed care growth rate assumptions ($65 million), updated managed care rates ($33 million) and the lack of a federal appropriation for CHIP ($26 million). The impact of federal inaction on CHIP funding is lower in the next biennium because end of session estimates incorporated the sunset of enhanced federal funding in 2019.

Property Tax, Aids, and Credits. Property tax aids and credits expenditures are projected to total $3.662 billion in FY 2020-21, representing a decrease of $16 million (0.4 percent) versus end of session estimates. The largest reduction is in school building bond agriculture credits, where the compounding effect of lower than expected levy amounts in agricultural property-heavy districts results in a $19 million (19.5 percent) forecasted decrease. Other projected reductions include a $4 million (6.2 percent) decrease in fire state aid, a $2 million (3.3 percent) decrease in the agricultural market value homestead credit, and a $2 million (2.8 percent) decrease in PILT payments. Total property tax refund spending, on the other hand, is expected to grow by $10 million (0.7 percent) due to slower income growth and larger property tax growth compared to the previous forecast. Changes in all other bill area line items total a net estimated increase of $2 million.

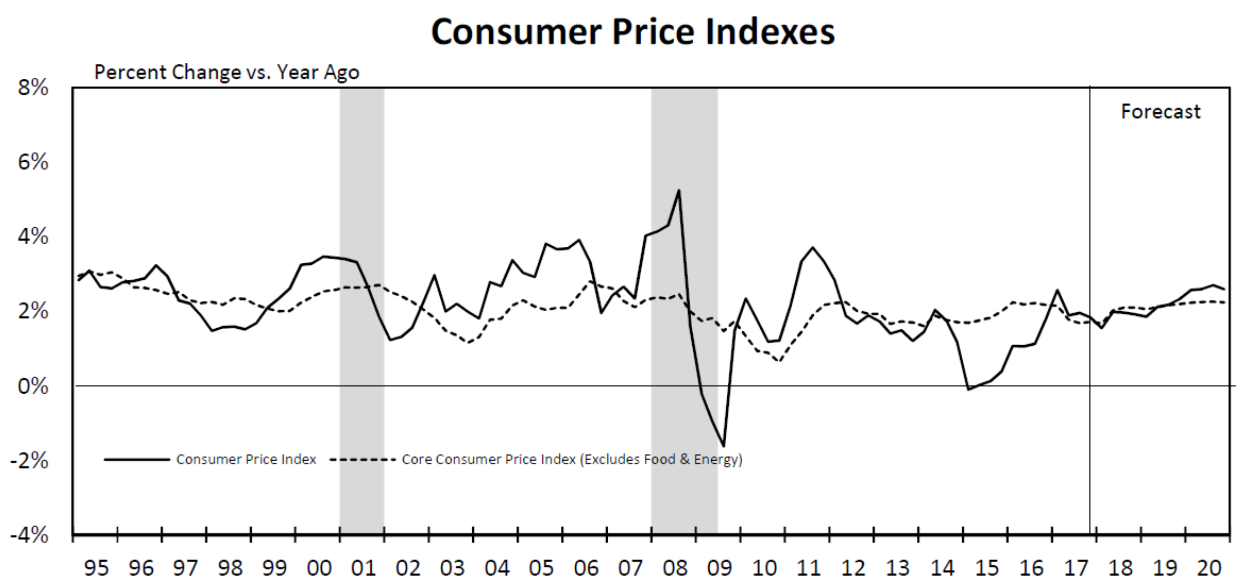
Debt Service and All Other Spending. Debt service expenditures are forecast to be $1.204 billion in the next biennium, which is $13 million (1.1 percent) less than the previous estimates. As in end of session estimates, this forecast assumes a bond authorization of $800 million in each even-numbered legislative session and $230 million in each odd numbered session.

All other areas of the state budget are projected to total $7.892 billion in the FY 2020-21 biennium. This is an increase of $16 million (0.2 percent) over end of session estimates. The largest driver of this change is higher spending in the Department of Corrections, resulting from higher anticipated bed counts.

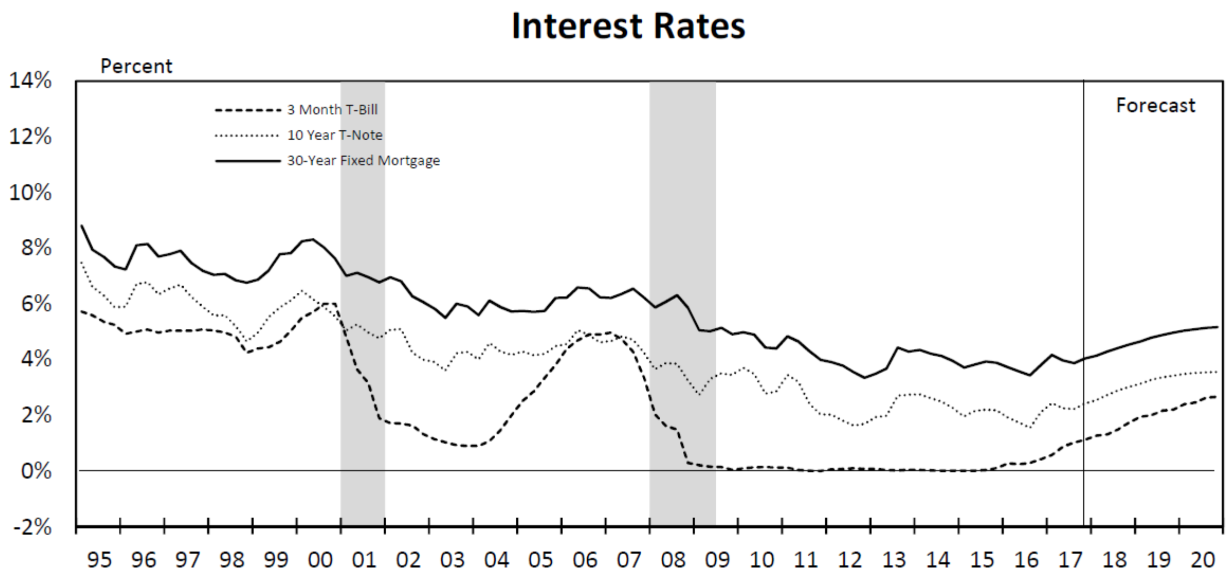
APPENDIX



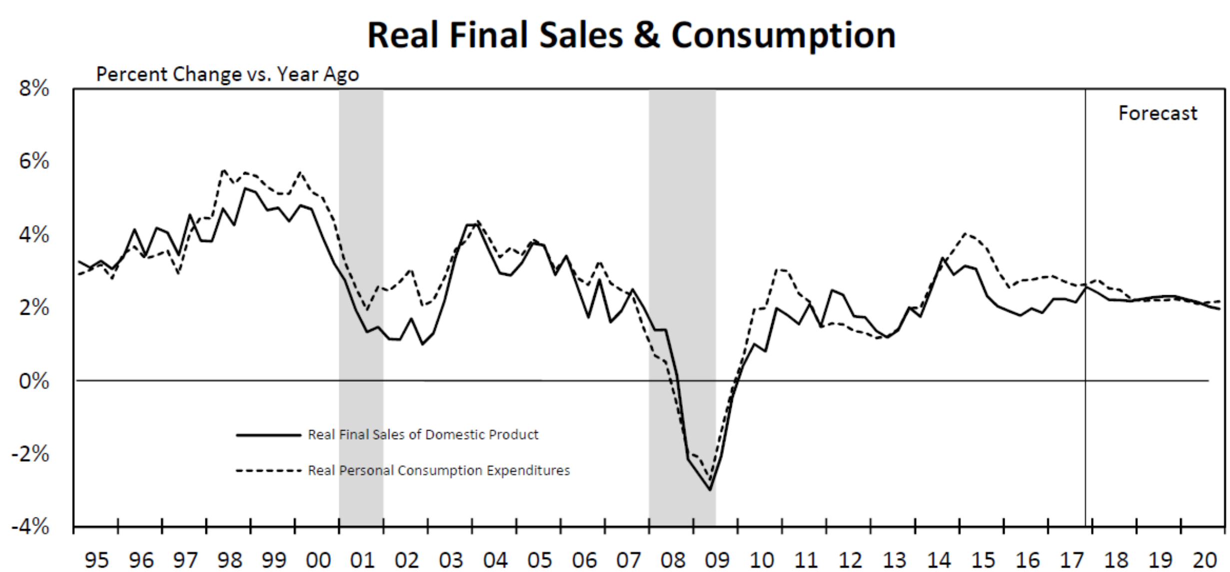
From 2017 through 2021, real GDP grows at annual rates within a narrow band of 2.0 to 2.5 percent, consistent with modest productivity growth. This is slower than the 3.1 percent average annual growth during the 20 years preceding the '08-'09 recession.



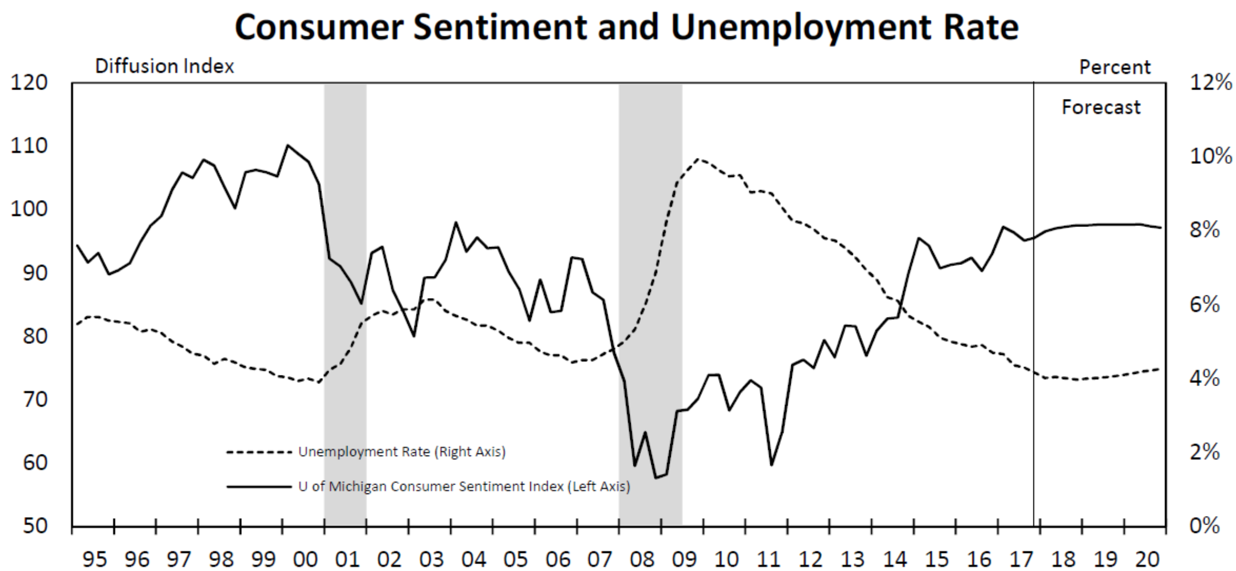
The Core Consumer Price Index (Core CPI) year-over-year growth rate increases from 1.70 percent in 2017Q3 to 2.25 percent in 2020q4. The 2.25 percent compares to 1.97 percent forecasted for the core personal consumption expenditure index (Core PCE). The Fed's target for inflation measured by the PCE is about 2.0 percent.



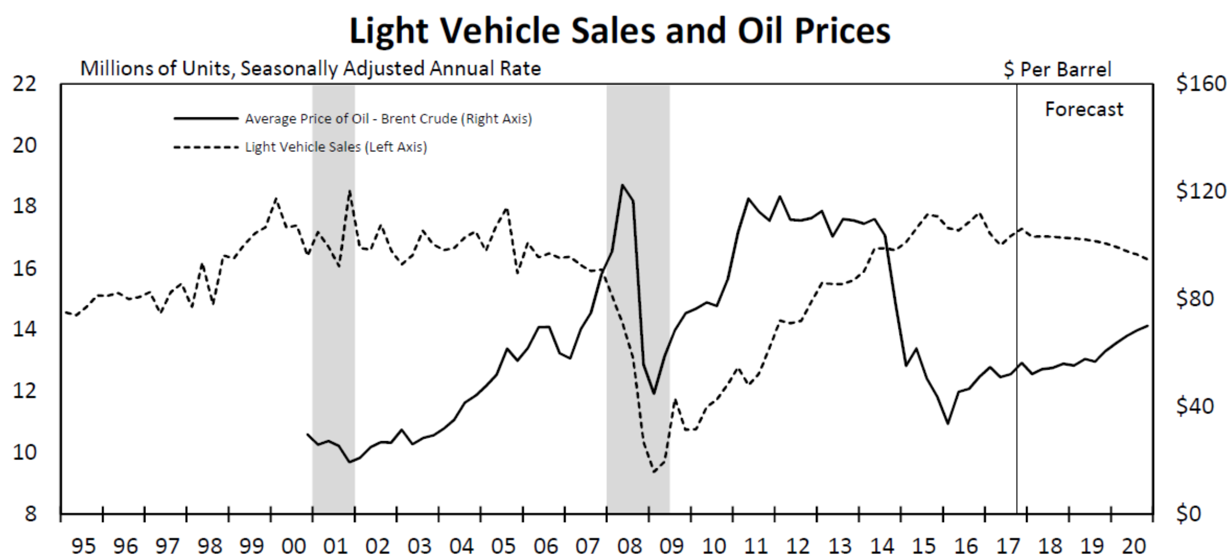
In the IHS forecast, the Fed steadily tightens monetary policy, pushing up interest rates across the board. The Federal Funds rate tops out at 3.2 percent in 2021, when the 10 year T-note reaches just under 3.6 percent.



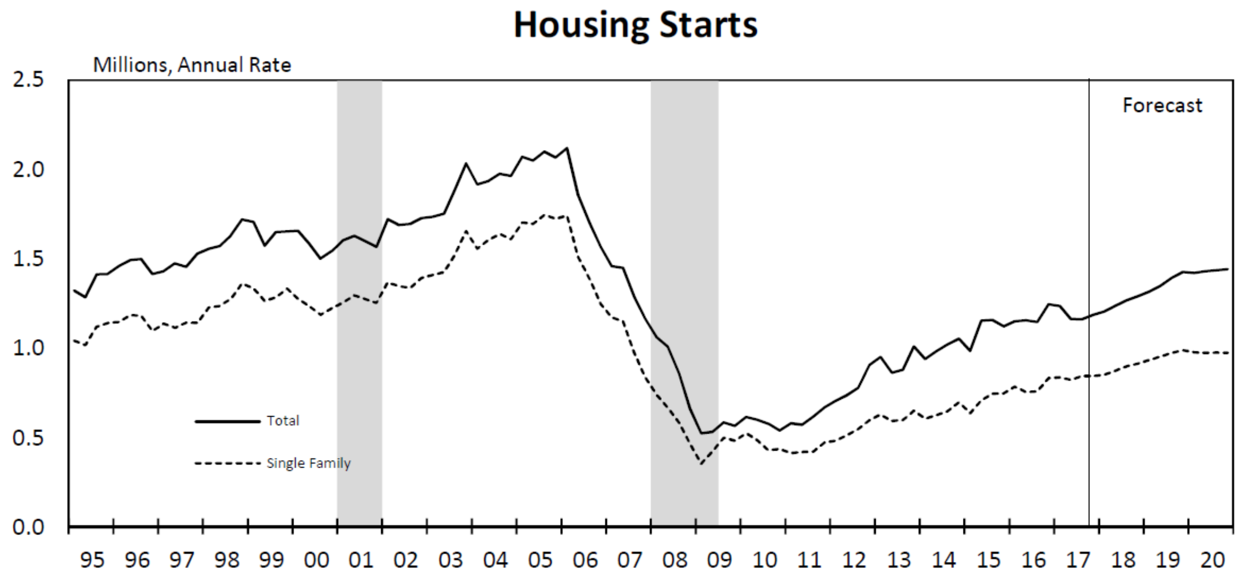
Real personal consumption expenditure growth slows and averages about 2.20 percent per year for 2019 and 2020, consistent with modest real GDP growth.



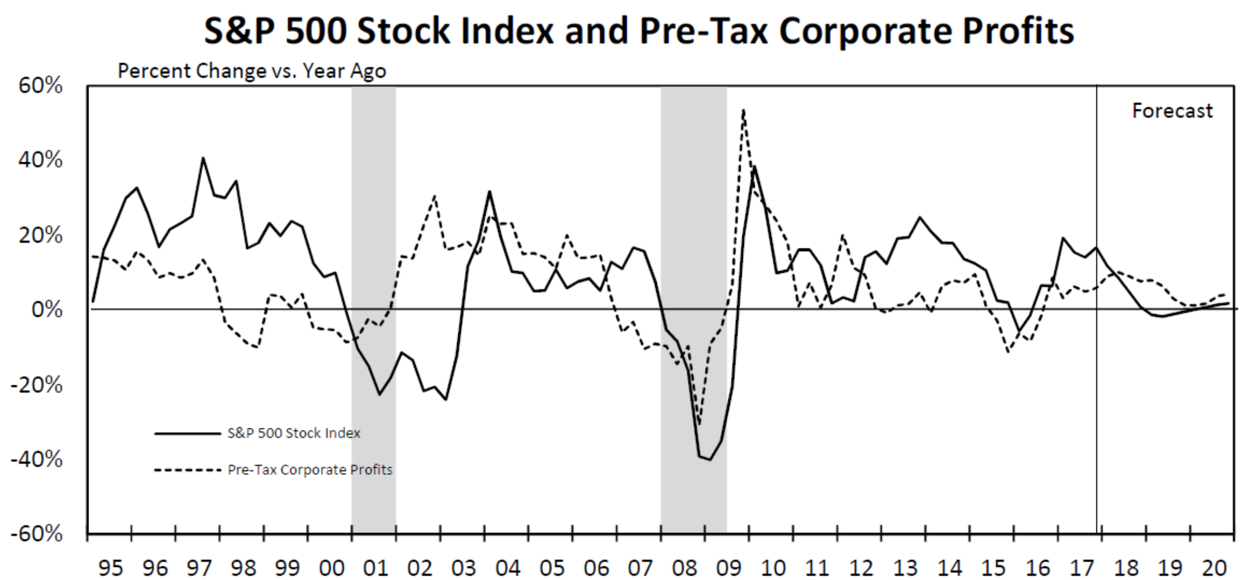
The IHS forecast calls for the unemployment rate to gradually drift down to 4.0 percent and then rise slightly. Consumer sentiment stabilizes just 3 points shy of 100, a healthy reading for this indicator.



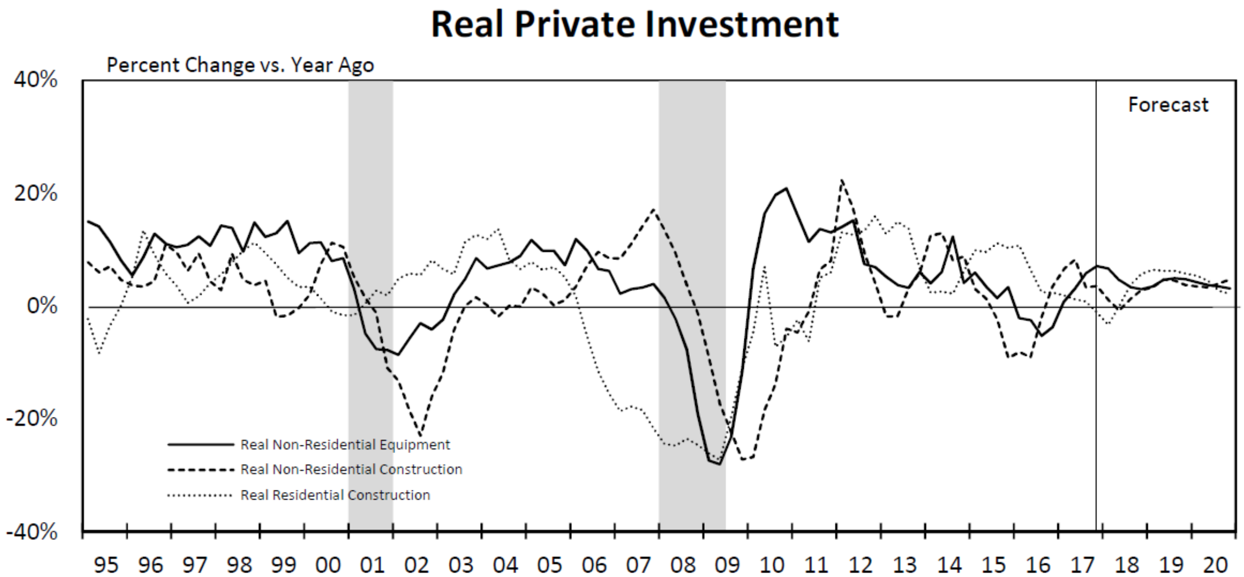
In the IHS forecast, oil prices gradually rise to $70 per barrel by the end of 2020 from the 2017Q3 average of $52. Light vehicle sales reached a post-recession peak in 2016q4 at 17.8 million units. In this forecast, they steadily decline, reaching 16.3 million units in 2020q4.



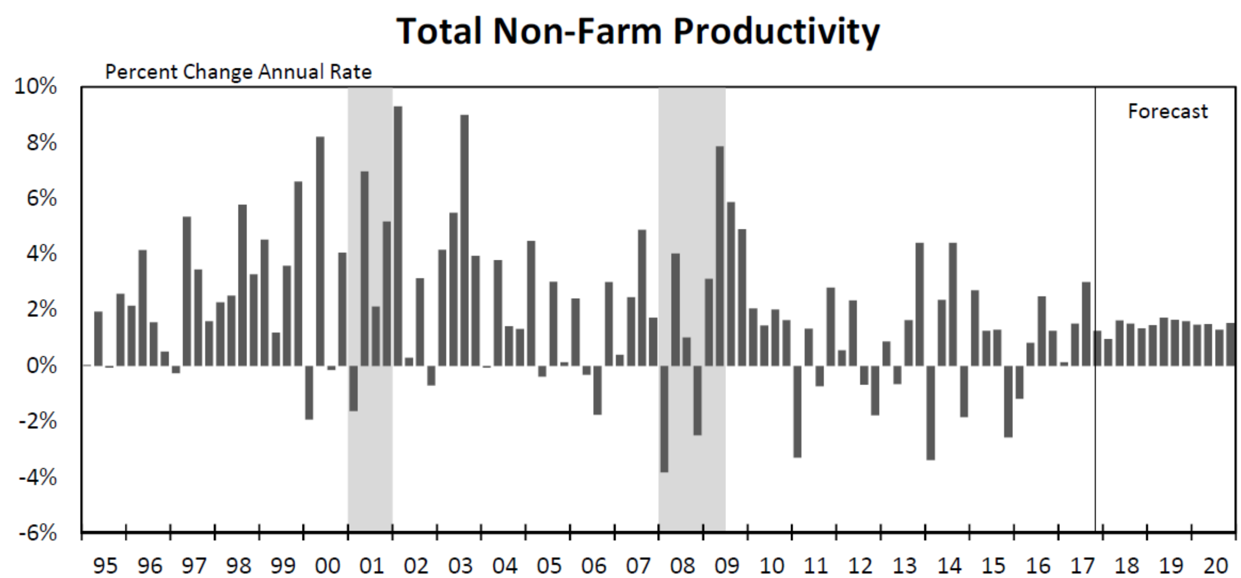
In this forecast, housing starts rise steadily, reaching 1.44 million units at the end of 2020. That level was last seen prior to the '08-'09 recession.



In this forecast, growth in the S&P500 stock index slows until 2018q2, when it starts to decline through 2019q3. At that point it grows again, reaching its 2018q2 peak in 2020q4, and continues to grow thereafter. Meanwhile, corporate profits steadily increase, but generally at a decreasing rate. (The corporate profits forecast depicted here is from the October 2017 IHS Outlook).

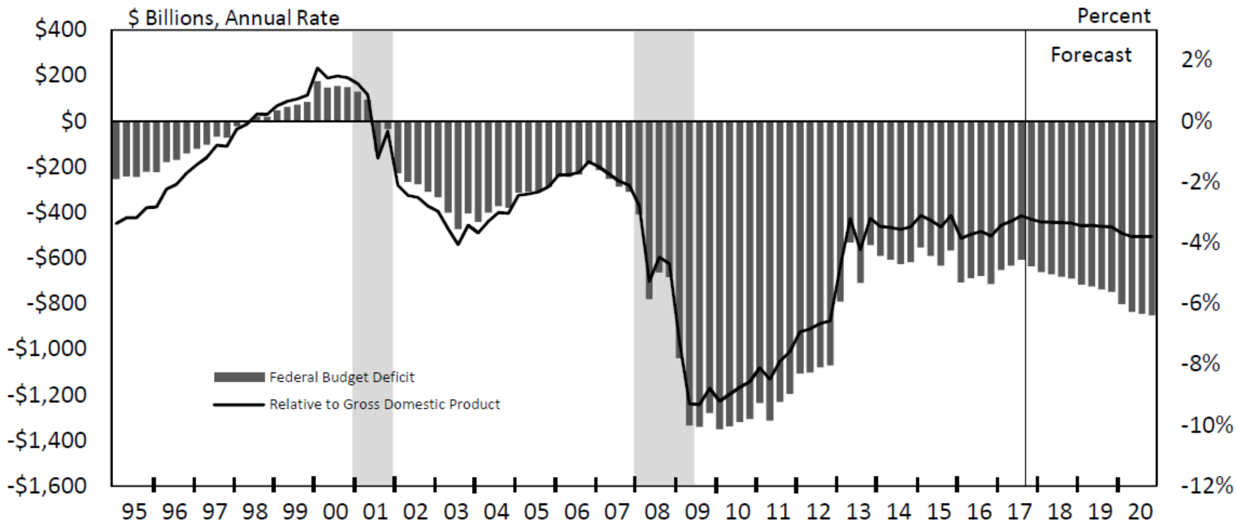


Real non-residential equipment investment grows steadily through 2020 at rates always above 3.0 percent, thus exceeding the expected rate of real GDP growth in each quarter. Real non-residential construction growth slows in 2018 and then grows at rates exceeding 3.0 percent every quarter through 2020q4.



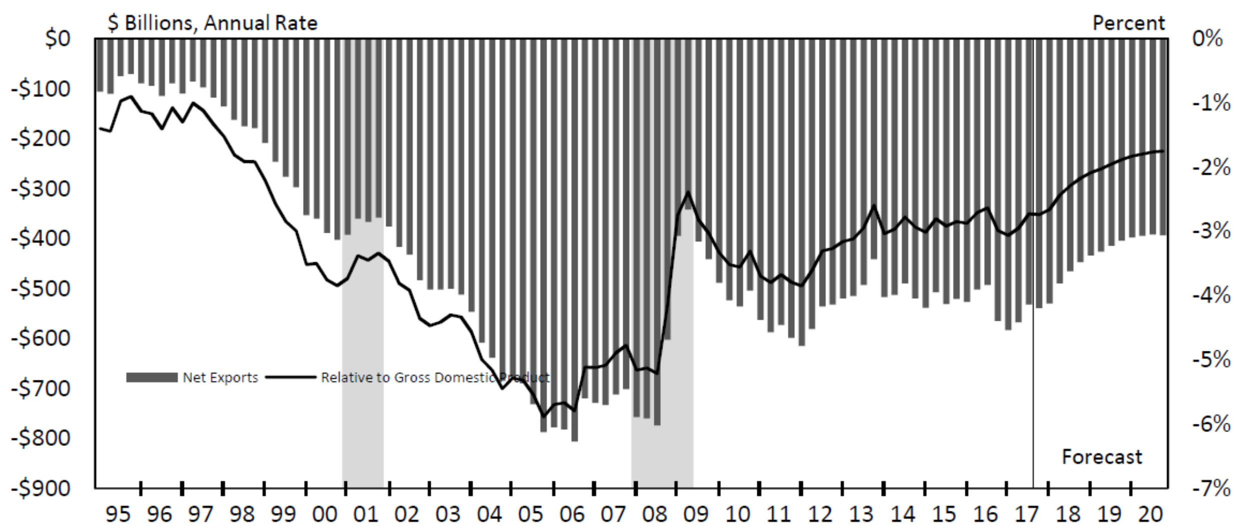
After recording an anomalously high value for 2017q3, non-farm productivity growth settles in at 1.3 to 1.7 percent per year range with an average growth rate of 1.5 percent. This is consistent with GDP growth rates of less than 3.0 percent.

Federal Budget Deficit (NIPA Basis)

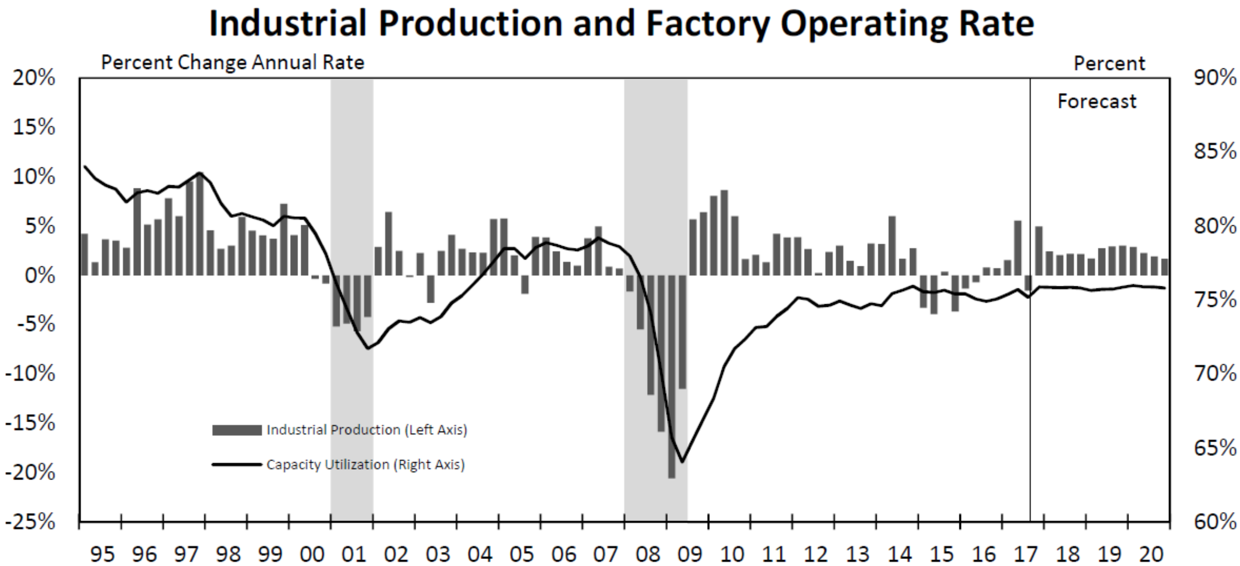


From 2017q3 to 2020q4, the federal budget deficit as a percent of GDP increases about 0.7 percentage points from 3.1 percent to 3.8 percent. This forecast assumes no change to federal fiscal policy.

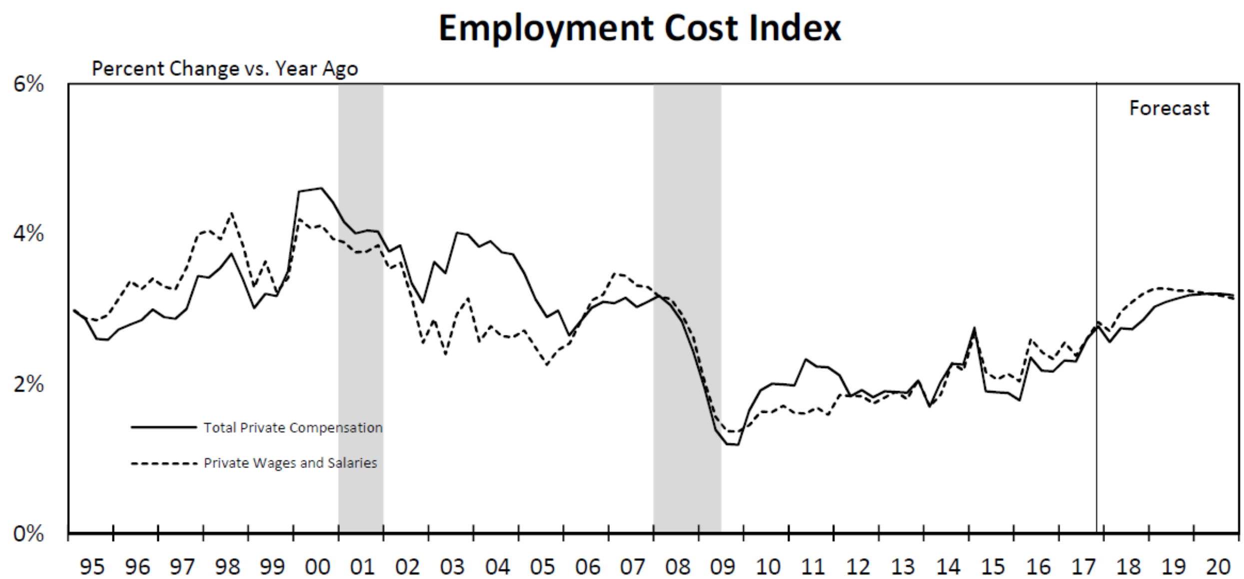
Balance of Trade (Net Exports)



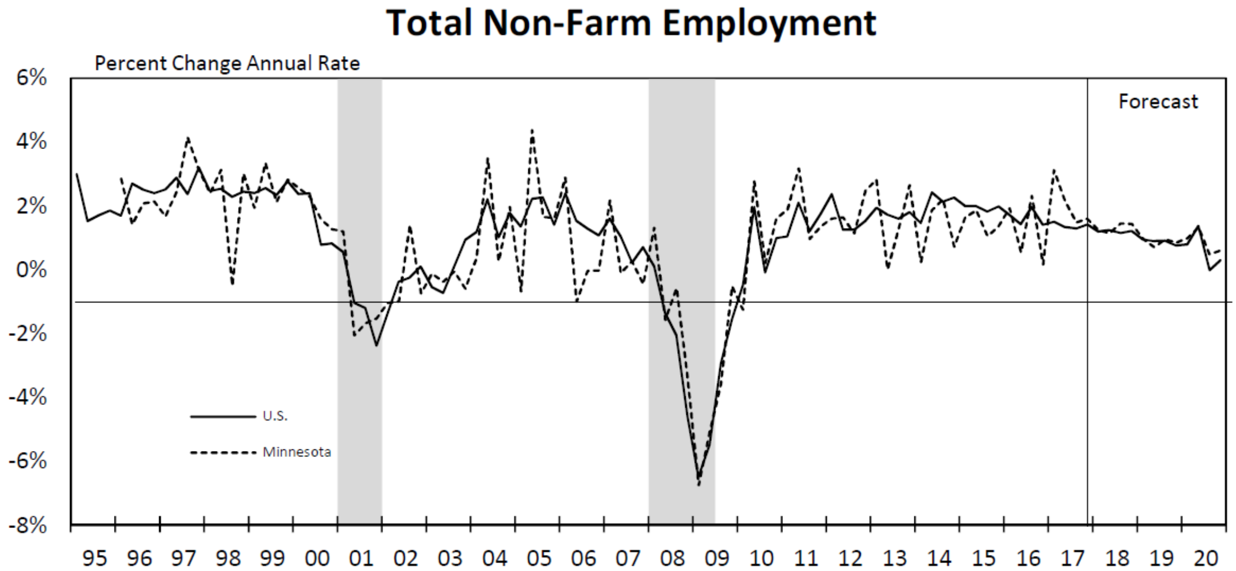
The trade deficit steadily decreases over time, both in dollar terms and as a share of GDP. It drops from 2.7 to 1.8 percent of GDP. The drop is attributed a strong world economy and, after 2018, a steady decline in the trade-weighted value of the dollar.



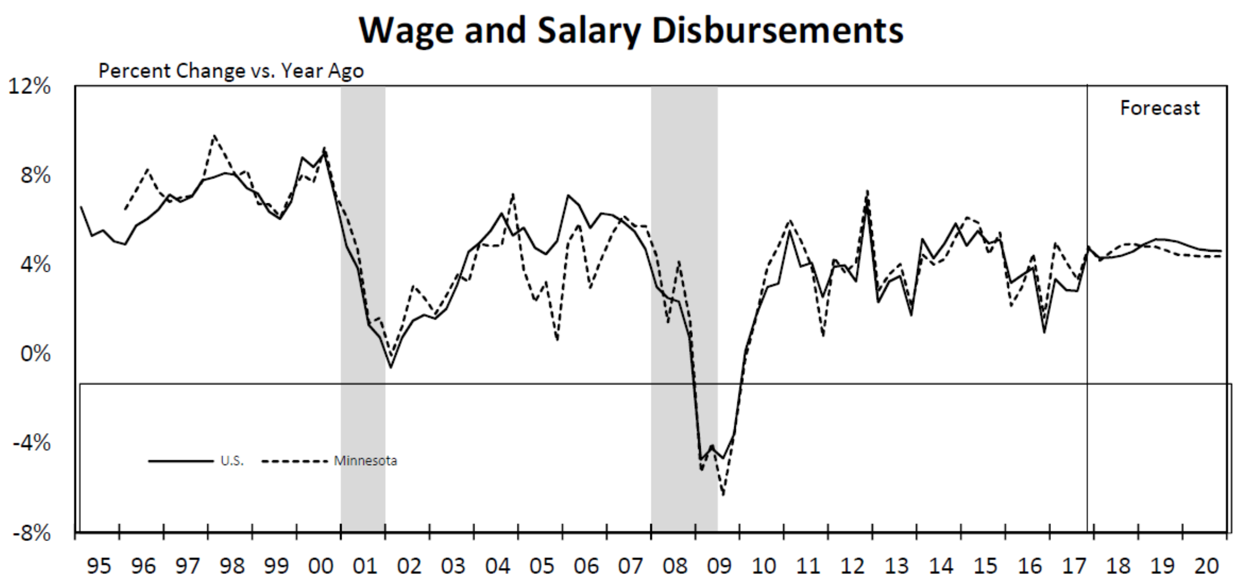
In this forecast, hurricane damage causes a drop in 2017q3 production followed by a one quarter rebuilding boom. Thereafter, industrial production grows in a range between 1.7 and 3.0 percent, averaging about 2.3 percent from 2018q1 to 2020q4. Capacity Utilization remains steady after 2017q3.



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 is expected to grow 3.2 percent in 2019 and remain at that rate 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 the 0.8 and 0.9 percent range in 2019. In 2020, growth rates are affected by forecast temporary decennial census hiring.



Over the 2018q1 to 2020q4 period, total U.S. wage and salary income is forecast to grow in roughly 4.3 to 5.1 percent range. Minnesota's total wage and salary income grows in a 4.2 to 4.9 percent range over the same period

Minnesota Economic Forecast Summary

Forecast 2017 to 2021 - Calendar Years

	2014	2015	2016	2017	2018	2019	2020	2021
Current Dollar Income (Billions of Dollars)								
Personal Income	268.530	280.406	287.250	297.357	309.725	323.798	338.528	354.235
%Chg	4.9	4.4	2.4	3.5	4.2	4.5	4.5	4.6
Wage & Salary Disbursements	145.930	153.918	158.271	165.098	172.785	180.883	188.835	197.095
%Chg	4.5	5.5	2.8	4.3	4.7	4.7	4.4	4.4
Non-Wage Personal Income	122.600	126.489	128.979	132.259	136.935	142.913	149.695	157.140
%Chg	5.3	3.2	2.0	2.5	3.5	4.4	4.7	5.0
Supplements to Wages & Salaries	32.546	32.974	35.441	37.422	38.671	39.834	41.134	42.468
%Chg	5.7	1.3	7.5	5.6	3.3	3.0	3.3	3.2
Dividends, Interest, & Rent Income	49.786	52.852	53.309	54.730	56.670	59.403	62.395	66.027
%Chg	9.3	6.2	0.9	2.7	3.5	4.8	5.0	5.8
Farm Proprietors Income	3.359	2.773	1.390	1.348	1.089	1.039	1.098	1.200
%Chg	-38.5	-17.4	-49.9	-3.0	-19.2	-4.7	5.7	9.3
Non-Farm Proprietors Income	18.330	18.957	19.511	20.437	21.275	21.955	22.582	23.362
%Chg	5.7	3.4	2.9	4.7	4.1	3.2	2.9	3.5
Personal Current Transfer Receipts	42.969	44.320	45.579	46.099	48.002	50.547	53.489	56.304
%Chg	5.1	3.1	2.8	1.1	4.1	5.3	5.8	5.3
Less: Contrib. for Gov. Social Ins.	23.130	24.077	24.812	26.213	27.205	28.301	29.439	30.658
%Chg	3.3	4.1	3.1	5.6	3.8	4.0	4.0	4.1
Real Income (Billions of 2009 Dollars)								
Real Personal Income	245.993	256.119	259.269	264.110	271.145	278.648	285.228	292.515
%Chg	3.3	4.1	1.2	1.9	2.7	2.8	2.4	2.6
Real Wage & Salary Disbursements	133.683	140.585	142.853	146.639	151.260	155.663	159.103	162.753
%Chg	3.0	5.2	1.6	2.7	3.2	2.9	2.2	2.3
Employment (Thousands)								
Employment - Total Non-Farm Payrolls	2,813.4	2,855.9	2,895.7	2,948.5	2,990.5	3,022.7	3,050.7	3,074.7
%Chg	1.4	1.5	1.4	1.8	1.4	1.1	0.9	0.8
Construction	107.6	115.2	116.3	122.1	124.6	126.7	128.8	130.5
%Chg	7.1	7.0	1.0	5.0	2.1	1.7	1.6	1.3
Manufacturing	312.3	317.5	317.9	319.6	322.6	324.8	325.5	325.5
%Chg	1.6	1.7	0.1	0.5	0.9	0.7	0.2	0.0
Private Service-Providing	1,965.7	1,997.2	2,031.3	2,071.3	2,102.4	2,127.5	2,149.2	2,170.8
%Chg	1.0	1.6	1.7	2.0	1.5	1.2	1.0	1.0
Government	420.6	419.1	424.0	428.7	433.8	436.4	439.9	440.5
%Chg	1.5	-0.4	1.2	1.1	1.2	0.6	0.8	0.2
Minnesota Civilian Labor Force	2,954.5	2,970.9	3,004.8	3,035.5	3,056.9	3,067.8	3,077.4	3,085.9
Unemployment Rate (%)	4.1	3.8	3.5	3.6	3.1	2.9	3.0	3.1
Demographic Indicators (Millions)								
Total Population	5.453	5.482	5.520	5.558	5.594	5.630	5.664	5.698
%Chg	0.6	0.5	0.7	0.7	0.7	0.6	0.6	0.6
Total Population Age 16 & Over	4.313	4.341	4.375	4.411	4.444	4.477	4.512	4.544
%Chg	0.7	0.6	0.8	0.8	0.7	0.8	0.8	0.7
Total Population Age 65 & Over	0.780	0.805	0.832	0.863	0.893	0.925	0.957	0.989
%Chg	3.2	3.3	3.3	3.7	3.5	3.5	3.5	3.3
Total Households	2.129	2.147	2.149	2.170	2.192	2.213	2.234	2.254
%Chg	0.4	0.8	0.1	1.0	1.0	1.0	1.0	0.9
Housing Indicators (Thousands)								
Total Housing Permits (Authorized)	16.789	20.337	23.632	24.609	24.942	24.801	24.473	24.049
%Chg	-0.2	21.1	16.2	4.1	1.4	-0.6	-1.3	-1.7
Single-Family	10.276	12.338	13.707	15.063	15.111	15.025	14.826	14.570
%Chg	-3.0	20.1	11.1	9.9	0.3	-0.6	-1.3	-1.7

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

U.S. Economic Forecast Summary

Forecast 2017 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)	16,013.3	16,471.5	16,716.2	17,089.6	17,512.7	17,906.3	18,281.5	18,648.9
%Chg	2.6	2.9	1.5	2.2	2.5	2.2	2.1	2.0
Real Consumption	10,868.4	11,264.3	11,572.1	11,886.1	12,185.4	12,455.5	12,725.2	13,022.9
%Chg	2.9	3.6	2.7	2.7	2.5	2.2	2.2	2.3
Real Nonresidential Fixed Investment	2,172.7	2,223.5	2,210.4	2,308.6	2,391.2	2,484.8	2,570.0	2,650.2
%Chg	6.9	2.3	-0.6	4.4	3.6	3.9	3.4	3.1
Real Residential Investment	505.2	556.9	587.4	592.1	601.3	638.2	661.8	676.0
%Chg	3.5	10.2	5.5	0.8	1.5	6.1	3.7	2.1
Real Personal Income	13,574.6	14,205.7	14,377.4	14,591.0	14,947.2	15,402.8	15,802.6	16,237.1
%Chg	3.7	4.6	1.2	1.5	2.4	3.0	2.6	2.7
Current Dollar National Income Accounts (Billions of Dollars)								
Gross Domestic Product (GDP)	17,427.6	18,120.7	18,624.5	19,377.2	20,256.2	21,163.2	22,109.2	23,052.3
%Chg	4.4	4.0	2.8	4.0	4.5	4.5	4.5	4.3
Personal Income	14,818.2	15,553.0	15,928.7	16,427.7	17,073.8	17,898.6	18,755.7	19,663.2
%Chg	5.3	5.0	2.4	3.1	3.9	4.8	4.8	4.8
Wage & Salary Disbursements	7,476.8	7,858.9	8,085.2	8,363.5	8,732.1	9,172.6	9,602.7	10,044.7
%Chg	5.1	5.1	2.9	3.4	4.4	5.0	4.7	4.6
Non-Wage Personal Income	7,341.4	7,694.1	7,843.5	8,064.1	8,341.7	8,726.0	9,153.0	9,618.6
%Chg	5.5	4.8	1.9	2.8	3.4	4.6	4.9	5.1
Price and Wage Indexes								
U.S. GDP Deflator (2005=1.0)	108.839	110.012	111.419	113.389	115.662	118.184	120.934	123.608
%Chg	1.8	1.1	1.3	1.8	2.0	2.2	2.3	2.2
U.S. Consumer Price Index (1982-84=1.0)	2.367	2.370	2.400	2.450	2.495	2.549	2.615	2.679
%Chg	1.6	0.1	1.3	2.1	1.9	2.1	2.6	2.4
Employment Cost Index (Dec 2005=1.0)	1.212	1.238	1.264	1.295	1.331	1.372	1.416	1.461
%Chg	2.1	2.1	2.1	2.5	2.7	3.1	3.2	3.2
Employment (Thousands)								
Employment - Total Non-Farm Payrolls	138.9	141.8	144.3	146.4	148.3	149.8	151.0	151.8
%Chg	1.9	2.1	1.8	1.5	1.3	1.0	0.8	0.5
Construction	6.1	6.5	6.7	6.9	7.0	7.2	7.5	7.7
%Chg	5.0	5.0	3.9	2.8	1.4	3.3	3.9	2.8
Manufacturing	12.2	12.3	12.3	12.4	12.7	12.9	13.0	13.0
%Chg	1.4	1.2	0.1	0.6	2.1	1.5	0.8	0.4
Private Service-Providing	97.8	100.2	102.3	104.1	105.4	106.4	106.9	107.5
%Chg	2.1	2.4	2.2	1.7	1.3	0.9	0.5	0.5
Government	21.9	22.0	22.2	22.3	22.4	22.6	22.8	22.8
%Chg	0.1	0.7	0.9	0.5	0.5	0.6	1.0	-0.1
U.S. Civilian Labor Force	155.9	157.1	159.2	160.4	162.1	164.0	165.6	166.6
Employment - Household Survey	146.3	148.8	151.4	153.4	155.6	157.4	158.7	159.4
Unemployment Rate (%)	6.2	5.3	4.9	4.4	4.0	4.0	4.2	4.3
Other Key Measures								
Non-Farm Productivity (index, 2005=1.0)	1.057	1.070	1.070	1.085	1.101	1.118	1.135	1.152
%Chg	1.0	1.2	0.0	1.4	1.5	1.5	1.5	1.5
Total Ind. Production (index, 2007=100)	105.129	104.384	103.106	104.863	107.437	109.907	112.738	114.573
%Chg	3.1	-0.7	-1.2	1.7	2.5	2.3	2.6	1.6
Manhours in Private Non-Farm Estab.Billions of Hours	196.9	201.3	204.6	208.1	211.1	213.4	214.5	215.8
%Chg	2.3	2.2	1.6	1.7	1.4	1.1	0.5	0.6
Average Weekly Hours	32.5	32.5	32.4	32.4	32.5	32.4	32.4	32.4
Manufacturing Workweek	42.0	41.8	41.9	41.9	41.7	41.6	41.6	41.6

Source: IHS Economics; February 2016 Baseline

Forecast Comparison: Minnesota & U.S.

Forecast 2017 to 20121, Calendar Years

	2014	2015	2016	2017	2018	2019	2020	2021
Personal Income (Billions of Current Dollars)								
Minnesota								
November 2017	268.5	280.4	287.2	297.4	309.7	323.8	338.5	354.2
%Chg	4.9	4.4	2.4	3.5	4.2	4.5	4.5	4.6
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
U.S.								
November 2017	14,818	15,553	15,929	16,428	17,074	17,899	18,756	19,663
%Chg	5.3	5.0	2.4	3.1	3.9	4.8	4.8	4.8
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
Wage and Salary Disbursements (Billions of Current Dollars)								
Minnesota								
November 2017	145.9	153.9	158.3	165.1	172.8	180.9	188.8	197.1
%Chg	4.5	5.5	2.8	4.3	4.7	4.7	4.4	4.4
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
U.S.								
November 2017	7,477	7,859	8,085	8,364	8,732	9,173	9,603	10,045
%Chg	5.1	5.1	2.9	3.4	4.4	5.0	4.7	4.6
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
Total Non-Farm Payroll Employment (Thousands)								
Minnesota								
November 2017	2,813	2,856	2,896	2,949	2,990	3,023	3,051	3,075
%Chg	1.4	1.5	1.4	1.8	1.4	1.1	0.9	0.8
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
U.S.								
November 2017	138,937	141,813	144,306	146,440	148,293	149,805	150,984	151,791
%Chg	1.9	2.1	1.8	1.5	1.3	1.0	0.8	0.5
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
Average Annual Non-Farm Wage (Current Dollars)								
Minnesota								
November 2017	51,869	53,894	54,658	55,994	57,779	59,842	61,900	64,103
%Chg	3.1	3.9	1.4	2.4	3.2	3.6	3.4	3.6
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
U.S.								
November 2017	53,814	55,417	56,029	57,112	58,884	61,230	63,601	66,174
%Chg	3.1	3.0	1.1	1.9	3.1	4.0	3.9	4.0
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

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

Alternative Forecast Comparison

Calendar Years

	17Q1	17Q2	17Q3	17Q4	18Q1	18Q2	2015	2016	2017	2018
Real Gross Domestic Product (GDP), Percent Change, Seasonally Adjusted at Annual Rate										
Blue Chip Consensus (11-17)	1.2	3.1	3.0	2.7	2.3	2.4	2.9	1.5	2.2	2.5
IHS Economics Baseline (11-17)	1.2	3.1	3.0	2.6	2.3	2.3	2.9	1.5	2.2	2.5
Moody's Analytics (11-17)	1.2	3.1	3.0	2.7	2.9	3.3	2.9	1.5	2.2	2.9
S&P Economic Forecast (11-16)	-	-	3.0	2.8	2.2	2.4	2.9	1.5	2.2	2.6
Wells Fargo (11-17)	1.2	3.1	3.0	2.5	2.3	2.5	2.9	1.5	2.2	2.6
CBO Outlook (06-17)	0.7	3.2	2.5	2.3	2.0	2.0	2.6	1.6	2.1	2.2
Consumer Price Index (CPI), Percent Change, Seasonally Adjusted at Annual Rate (except where noted)										
Blue Chip Consensus (11-17)	3.1	-0.3	2.0	2.8	2.2	1.9	0.1	1.3	2.1	2.1
IHS Economics Baseline (11-17)	3.1	-0.3	2.0	2.5	2.1	1.4	0.1	1.3	2.1	1.9
Moody's Analytics (11-17)	3.1	-0.3	2.0	3.0	2.0	2.1	0.1	1.3	2.1	2.2
S&P Economic Forecast (11-17)	-	-	2.0	2.6	2.2	2.6	0.1	1.3	2.3	2.1
Wells Fargo (11-17)*	2.6	1.9	2.0	1.9	1.7	2.3	0.1	1.3	2.1	2.1
CBO Outlook (06-17)	3.1	0.4	2.5	2.3	2.3	2.3	0.1	1.3	2.3	2.2

* 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
November 2017	2.2	1.7	2.6	2.9	1.5	2.2	2.5	2.2	2.1	2.0
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
November 2017	2.1	1.5	1.6	0.1	1.3	2.1	1.9	2.1	2.6	2.4

Source: IHS Economics

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								
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
November 2017	214.045	225.726	231.091	240.262	250.730	262.238	273.810	286.483
%Chg	5.7	5.5	2.4	4.0	4.4	4.6	4.4	4.6
Minnesota Wage and Salary Disbursements								
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
November 2017	145.930	153.918	158.271	165.098	172.785	180.883	188.835	197.095
%Chg	4.5	5.5	2.8	4.3	4.7	4.7	4.4	4.4
Minnesota Dividends, Interest, & Rental Income								
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
November 2017	49.786	52.852	53.309	54.730	56.670	59.403	62.395	66.027
%Chg	9.3	6.2	0.9	2.7	3.5	4.8	5.0	5.8
Minnesota Non-Farm Proprietors' Income								
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
November 2017	18.330	18.957	19.511	20.437	21.275	21.955	22.582	23.362
%Chg	5.7	3.4	2.9	4.7	4.1	3.2	2.9	3.5

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										
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
November 2017	73.576	76.792	79.116	82.398	80.998	83.454	86.420	89.633	92.701	95.663
%Chg	5.5	4.4	3.0	4.1	-1.7	3.0	3.6	3.7	3.4	3.2
Minnesota's Proxy Share of U.S. Consumer Durable Spending (Excluding Autos)										
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
November 2017	13.636	14.249	14.703	15.430	16.122	16.747	17.534	17.822	18.238	18.877
%Chg	5.3	4.5	3.2	4.9	4.5	3.9	4.7	1.6	2.3	3.5
Minnesota's Proxy Share of U.S. Capital Equipment Spending										
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
November 2017	13.003	13.589	13.779	14.406	10.620	10.672	11.526	12.021	12.525	12.918
%Chg	9.7	4.5	1.4	4.6	-26.3	0.5	8.0	4.3	4.2	3.1
Minnesota's Proxy Share of U.S. Construction Spending										
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
November 2017	5.522	5.923	6.739	7.520	7.679	7.951	8.298	8.884	9.263	9.631
%Chg	12.9	7.3	13.8	11.6	2.1	3.5	4.4	7.1	4.3	4.0

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)								
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
November 2017*	2,033.0	1,964.3	1,978.7	2,114.5	2,218.1	2,316.0	2,402.7	2,496.6
%Chg	4.3	-3.4	0.7	6.9	4.9	4.4	3.7	3.9
Deed & Mortgage Tax (Fiscal Year)								
U.S. New and Existing Home Sales (Current $ Value)								
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
November 2017	1,223.4	1,339.9	1,464.4	1,601.7	1,672.2	1,829.1	1,919.1	1,986.1
%Chg	7.0	9.5	9.3	9.4	4.4	9.4	4.9	3.5

* We used October 2017 U.S. Corporate Profits due to a data inconsistency from IHS.

Current Fiscal Year-to-Date 2018
End of Session vs. Actual Revenue Comparison

Fiscal Year-to-Date 2018 (July, 2017 to October, 2017)

($ IN THOUSANDS)	FORECAST REVENUES	ACTUAL REVENUES	VARIANCE ACT-FCST
Individual Income Tax			
Withholding	2,777,100	2,732,118	(44,982)
Declarations	493,534	465,648	(27,885)
Miscellaneous	230,349	221,298	(9,052)
Gross	3,500,983	3,419,065	(81,918)
Refund	111,674	71,418	(40,256)
Net	3,389,309	3,347,646	(41,662)
Corporate Franchise Tax			
Declarations	346,926	343,573	(3,353)
Miscellaneous	101,075	97,386	(3,690)
Gross	448,001	440,959	(7,042)
Refund	44,604	17,966	(26,638)
Net	403,397	422,993	19,595
General Sales and Use Tax			
Gross	1,769,523	1,753,781	(15,742)
Mpls. sales tax transferred to MSFA	591	592	0
Sales Tax Gross	1,770,114	1,754,373	(15,741)
Refunds (including Indian refunds)	45,526	44,857	(669)
Net	1,724,588	1,709,516	(15,073)
Other Revenues:	-		
Net Estate	50,826	44,538	(6,289)
Net Liquor/Wine/Beer	24,011	24,692	681
Net Cigarette/Tobacco	159,066	126,255	(32,811)
Deed and Mortgage	70,876	75,428	4,552
Net Insurance Premiums Taxes	92,344	91,579	(765)
Net Lawful Gambling	14,802	18,048	3,246
Health Care Surcharge	42,963	41,556	(1,407)
Other Taxes	-	1	1
Statewide Property Tax	188,498	180,466	(8,032)
DHS SOS Collections	18,808	27,353	8,545
Investment Income	6,333	11,802	5,468
Tobacco Settlement	100	100	-
Dept. Earnings & MSOP Recov.	52,238	53,244	1,005
Fines and Surcharges	19,953	20,349	396
Lottery Revenues	13,511	15,424	1,913
Revenues yet to be allocated	-	13,617	13,617
Residual Revenues	17,690	34,743	17,053
County Nursing Home, Pub Hosp IGT	2,075	-	(2,075)
Other Subtotal	774,096	779,194	5,098
Other Refunds	1,902	1,284	(617)
Other Net	772,195	777,910	5,715
Total Gross	**6,493,194**	**6,393,590**	**(99,604)**
Total Refunds	**203,706**	**135,526**	**(68,180)**
Total Net	**6,289,489**	**6,258,064**	**(31,424)**

Closed Biennium: FY 2016-17 General Fund Budget
November 2017 Forecast vs Enacted Budget w/CO
($ in thousands)

	6-17 Enacted w/CO FY 2016-17	11-17 Forecast FY 2016-17	$ Change
Actual & Estimated Resources			
Balance Forward From Prior Year	2,103,017	2,103,017	-
Current Resources:			
Tax Revenues	40,426,338	40,343,036	(83,302)
Non-Tax Revenues	1,516,653	1,598,370	81,717
Subtotal - Non-Dedicated Revenue	41,942,991	41,941,406	(1,585)
Dedicated Revenue	1,531	1,296	(235)
Transfers In	395,459	397,910	2,451
Prior Year Adjustments	94,970	144,370	49,400
Subtotal - Other Revenue	491,960	543,576	51,616
Subtotal-Current Resources	42,434,951	42,484,982	50,031
Total Resources Available	**44,537,968**	**44,587,999**	**50,031**
Actual & Estimated Spending			
E-12 Education	17,423,862	17,408,718	(15,144)
Higher Education	3,081,146	3,084,888	3,742
Property Tax Aids & Credits	3,337,948	3,321,205	(16,743)
Health & Human Services	11,766,111	11,545,166	(220,945)
Public Safety & Judiciary	2,175,135	2,171,225	(3,910)
Transportation	276,799	274,742	(2,057)
Environment & Agriculture	508,300	501,306	(6,994)
Jobs, Economic Development, Housing & Commerce	484,690	459,040	(25,650)
State Government & Veterans	1,366,227	1,061,803	(304,424)
Debt Service	1,138,500	1,138,500	-
Capital Projects & Grants	277,468	278,156	688
Deficiencies/Other	8,789	9,988	1,199
Estimated Cancellations	(15,000)	-	15,000
Total Expenditures & Transfers	**41,829,975**	**41,254,737**	**(575,238)**
Balance Before Reserves	**2,707,993**	**3,333,262**	**625,269**
Cash Flow Account	350,000	350,000	-
Budget Reserve	1,603,443	1,603,443	-
Stadium Reserve	24,951	26,821	1,870
Appropriations Carried Forward	-	357,983	357,983
Budgetary Balance	**729,599**	**995,015**	**265,416**

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

	Actuals FY 2016	Actuals 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	20,232,567	40,343,036
Non-Tax Revenues	779,291	819,079	1,598,370
Subtotal - Non-Dedicated Revenue	20,889,760	21,051,646	41,941,406
Dedicated Revenue	1,017	279	1,296
Transfers In	192,727	205,183	397,910
Prior Year Adjustments	67,861	76,509	144,370
Subtotal - Other Revenue	261,605	281,971	543,576
Subtotal-Current Resources	21,151,365	21,333,617	42,484,982
Total Resources Available	**23,254,382**	**24,436,040**	**44,587,999**
Actual & Estimated Spending			
E-12 Education	8,507,385	8,901,333	17,408,718
Higher Education	1,529,168	1,555,720	3,084,888
Property Tax Aids & Credits	1,646,052	1,675,153	3,321,205
Health & Human Services	5,601,161	5,944,005	11,545,166
Public Safety & Judiciary	1,037,999	1,133,226	2,171,225
Transportation	135,089	139,653	274,742
Environment & Agriculture	270,810	230,496	501,306
Jobs, Economic Development, Housing & Commerce	198,722	260,318	459,040
State Government & Veterans	467,274	594,529	1,061,803
Debt Service	609,285	529,215	1,138,500
Capital Projects & Grants	140,225	137,931	278,156
Deficiencies/Other	8,789	1,199	9,988
Estimated Cancellations	-	-	-
Total Expenditures & Transfers	**20,151,959**	**21,102,778**	**41,254,737**
Balance Before Reserves	**3,102,423**	**3,333,262**	**3,333,262**
Cash Flow Account	350,000	350,000	350,000
Budget Reserve	1,596,522	1,603,443	1,603,443
Stadium Reserve	22,535	26,821	26,821
Appropriations Carried Forward	187,204	357,983	357,983
Budgetary Balance	**946,162**	**995,015**	**995,015**

FY 2018-19 General Fund Budget
November 2017 Forecast vs Enacted Budget w/CO
($ in thousands)

	6-17 Enacted w/CO FY 2018-19	11-17 Forecast FY 2018-19	$ Change
Actual & Estimated Resources			
Balance Forward From Prior Year	2,707,993	3,333,262	625,269
Current Resources:			
Tax Revenues	43,246,248	42,624,265	(621,983)
Non-Tax Revenues	1,396,585	1,459,915	63,330
Subtotal - Non-Dedicated Revenue	44,642,833	44,084,180	(558,653)
Dedicated Revenue	1,205	1,205	-
Transfers In	308,585	308,585	-
Prior Year Adjustments	53,510	53,443	(67)
Subtotal - Other Revenue	363,300	363,233	(67)
Budget Changes - Taxes	(652,746)	-	652,746
Budget Changes - Non-Taxes	(4,463)	-	4,463
Subtotal-Current Resources	45,006,133	44,447,413	(558,720)
Total Resources Available	**47,714,126**	**47,780,675**	**66,549**
Actual & Estimated Spending			
E-12 Education	18,758,361	18,878,970	120,609
Higher Education	3,279,493	3,282,318	2,825
Property Tax Aids & Credits	3,641,394	3,648,028	6,634
Health & Human Services	13,858,048	13,871,389	13,341
Public Safety & Judiciary	2,320,962	2,335,516	14,554
Transportation	339,494	340,791	1,297
Environment & Agriculture	442,872	458,896	16,024
Jobs, Economic Development, Housing & Commerce	534,466	552,627	18,161
State Government & Veterans	987,695	1,194,294	206,599
Debt Service	1,155,301	1,152,756	(2,545)
Capital Projects & Grants	259,254	259,758	504
Estimated Cancellations	(20,000)	(20,000)	-
Total Expenditures & Transfers	**45,557,340**	**45,955,343**	**398,003**
Balance Before Reserves	**2,156,786**	**1,852,332**	**(331,454)**
Cash Flow Account	350,000	350,000	-
Budget Reserve	1,603,443	1,608,364	4,921
Stadium Reserve	40,301	55,271	14,970
Budgetary Balance	**163,042**	**(188,303)**	**(351,345)**

FY 2018-19 General Fund Budget
November 2017 Forecast
($ in thousands)

	11-17 Forecast FY 2018	11-17 Forecast FY 2019	Biennial Total FY 2018-19
Actual & Estimated Resources			
Balance Forward From Prior Year	3,333,262	2,311,946	3,333,262
Current Resources:			
Tax Revenues	20,848,197	21,776,068	42,624,265
Non-Tax Revenues	736,322	723,593	1,459,915
Subtotal - Non-Dedicated Revenue	21,584,519	22,499,661	44,084,180
Dedicated Revenue	594	611	1,205
Transfers In	154,291	154,294	308,585
Prior Year Adjustments	26,861	26,582	53,443
Subtotal - Other Revenue	181,746	181,487	363,233
Subtotal-Current Resources	21,766,265	22,681,148	44,447,413
Total Resources Available	**25,099,527**	**24,993,094**	**47,780,675**
Actual & Estimated Spending			
E-12 Education	9,288,786	9,590,184	18,878,970
Higher Education	1,653,917	1,628,401	3,282,318
Property Tax Aids & Credits	1,731,676	1,916,352	3,648,028
Health & Human Services	6,851,510	7,019,879	13,871,389
Public Safety & Judiciary	1,168,904	1,166,612	2,335,516
Transportation	162,082	178,709	340,791
Environment & Agriculture	236,129	222,767	458,896
Jobs, Economic Development, Housing & Commerce	299,019	253,608	552,627
State Government & Veterans	708,561	485,733	1,194,294
Debt Service	563,123	589,633	1,152,756
Capital Projects & Grants	128,874	130,884	259,758
Estimated Cancellations	(5,000)	(15,000)	(20,000)
Total Expenditures & Transfers	**22,787,581**	**23,167,762**	**45,955,343**
Balance Before Reserves	**2,311,946**	**1,825,332**	**1,825,332**
Cash Flow Account	350,000	350,000	350,000
Budget Reserve	1,608,364	1,608,364	1,608,364
Stadium Reserve	38,465	55,271	55,271
Budgetary Balance	**315,117**	**(188,303)**	**(188,303)**

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

	11-17 Forecast FY 2016-17	11-17 Forecast FY 2018-19	$ Change
Actual & Estimated Resources			
Balance Forward From Prior Year	2,103,017	3,333,262	1,230,245
Current Resources:			
Tax Revenues	40,343,036	42,624,265	2,281,229
Non-Tax Revenues	1,598,370	1,459,915	(138,455)
Subtotal - Non-DediCIted Revenue	41,941,406	44,084,180	2,142,774
Dedicated Revenue	1,296	1,205	(91)
Transfers In	397,910	308,585	(89,325)
Prior Year Adjustments	144,370	53,443	(90,927)
Subtotal - Other Revenue	543,576	363,233	(180,343)
Subtotal-Current Resources	42,484,982	44,447,413	1,962,431
Total Resources Available	**44,587,999**	**47,780,675**	**3,192,676**
Actual & Estimated Spending			
E-12 Education	17,408,718	18,878,970	1,470,252
Higher Education	3,084,888	3,282,318	197,430
Property Tax Aids & Credits	3,321,205	3,648,028	326,823
Health & Human Services	11,545,166	13,871,389	2,326,223
Public Safety & Judiciary	2,171,225	2,335,516	164,291
Transportation	274,742	340,791	66,049
Environment & Agriculture	501,306	458,896	(42,410)
Jobs, Economic Development, Housing & Commerce	459,040	552,627	93,587
State Government & Veterans	1,061,803	1,194,294	132,491
Debt Service	1,138,500	1,152,756	14,256
Capital Projects & Grants	278,156	259,758	(18,398)
Deficiencies/Other	9,988	-	(9,988)
Estimated Cancellations	-	(20,000)	(20,000)
Total Expenditures & Transfers	**41,254,737**	**45,955,343**	**4,700,606**
Balance Before Reserves	**3,333,262**	**1,852,332**	**(1,507,930)**
Cash Flow Account	350,000	350,000	-
Budget Reserve	1,603,443	1,608,364	4,921
Stadium Reserve	26,821	55,271	28,450
Appropriations Carried Forward	357,983	-	(357,983)
Budgetary Balance	**995,015**	**(188,303)**	**(1,183,318)**

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

	11-17 Forecast FY 2016-17	11-17 Forecast FY 2018-19	11-17 Forecast FY 2020-21
Actual & Estimated Resources			
Balance Forward From Prior Year	2,103,017	3,333,262	1,825,332
Current Resources:			
Tax Revenues	40,343,036	42,624,265	45,837,174
Non-Tax Revenues	1,598,370	1,459,915	1,435,211
Subtotal - Non-Dedicated Revenue	41,941,406	44,084,180	47,272,385
Dedicated Revenue	1,296	1,205	1,222
Transfers In	397,910	308,585	308,904
Prior Year Adjustments	144,370	53,443	63,214
Subtotal - Other Revenue	543,576	363,233	373,340
Subtotal-Current Resources	42,484,982	44,447,413	47,645,725
Total Resources Available	**44,587,999**	**47,780,675**	**49,471,057**
Actual & Estimated Spending			
E-12 Education	17,408,718	18,878,970	19,649,179
Higher Education	3,084,888	3,282,318	3,255,802
Property Tax Aids & Credits	3,321,205	3,648,028	3,662,106
Health & Human Services	11,545,166	13,871,389	15,575,972
Public Safety & Judiciary	2,171,225	2,335,516	2,361,015
Transportation	274,742	340,791	247,118
Environment & Agriculture	501,306	458,896	444,342
Jobs, Economic Development, Housing & Commerce	459,040	552,627	400,561
State Government & Veterans	1,061,803	1,194,294	931,736
Debt Service	1,138,500	1,152,756	1,204,338
Capital Projects & Grants	278,156	259,758	271,314
Deficiencies/Other	9,988	-	-
Estimated Cancellations	-	(20,000)	(20,000)
Total Expenditures & Transfers	**41,254,737**	**45,955,343**	**47,983,483**
Balance Before Reserves	**3,333,262**	**1,825,332**	**1,487,574**
Cash Flow Account	350,000	350,000	350,000
Budget Reserve	1,603,443	1,608,364	1,608,364
Stadium Reserve	26,821	55,271	115,343
Appropriations Carried Forward	357,983	-	-
Budgetary Balance	**995,015**	**(188,303)**	**(586,133)**

Planning Estimates: FY 2020-21 General Fund Budget
November 2017 Forecast
($ in thousands)

	11-17 Forecast FY 2020	11-17 Forecast FY 2021	Biennial Total FY 2020-21
Actual & Estimated Resources			
Balance Forward From Prior Year	1,825,332	1,383,865	1,825,332
Current Resources:			
Tax Revenues	22,475,367	23,361,807	45,837,174
Non-Tax Revenues	721,086	714,125	1,435,211
Subtotal - Non-Dedicated Revenue	23,196,453	24,075,932	47,272,385
Dedicated Revenue	611	611	1,222
Transfers In	154,398	154,506	308,904
Prior Year Adjustments	26,327	36,887	63,214
Subtotal - Other Revenue	181,336	192,004	373,340
Subtotal-Current Resources	23,377,789	24,267,936	47,645,725
Total Resources Available	**25,203,121**	**25,651,801**	**49,471,057**
Actual & Estimated Spending			
E-12 Education	9,740,523	9,908,656	19,649,179
Higher Education	1,627,901	1,627,901	3,255,802
Property Tax Aids & Credits	1,790,763	1,871,343	3,662,106
Health & Human Services	7,764,410	7,811,562	15,575,972
Public Safety & Judiciary	1,179,263	1,181,752	2,361,015
Transportation	123,559	123,559	247,118
Environment & Agriculture	222,232	222,110	444,342
Jobs, Economic Development, Housing & Commerce	193,717	206,844	400,561
State Government & Veterans	466,484	465,252	931,736
Debt Service	584,284	620,054	1,204,338
Capital Projects & Grants	131,120	140,194	271,314
Estimated Cancellations	(5,000)	(15,000)	(20,000)
Total Expenditures & Transfers	**23,819,256**	**24,164,227**	**47,983,483**
Balance Before Reserves	**1,383,865**	**1,487,574**	**1,487,574**
Cash Flow Account	350,000	350,000	350,000
Budget Reserve	1,608,364	1,608,364	1,608,364
Stadium Reserve	75,586	115,343	115,343
Budgetary Balance	**(650,085)**	**(586,133)**	**(586,133)**

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

	11-17 Forecast FY 2018-19	11-17 Forecast FY 2020-21	$ Change
Actual & Estimated Resources			
Balance Forward From Prior Year	3,333,262	1,825,332	(1,507,930)
Current Resources:			
Tax Revenues	42,624,265	45,837,174	3,212,909
Non-Tax Revenues	1,459,915	1,435,211	(24,704)
Subtotal - Non-DediCIted Revenue	44,084,180	47,272,385	3,188,205
Dedicated Revenue	1,205	1,222	17
Transfers In	308,585	308,904	319
Prior Year Adjustments	53,443	63,214	9,771
Subtotal - Other Revenue	363,233	373,340	10,107
Subtotal-Current Resources	44,447,413	47,645,725	3,198,312
Total Resources Available	**47,780,675**	**49,471,057**	**1,690,382**
Actual & Estimated Spending			
E-12 Education	18,878,970	19,649,179	770,209
Higher Education	3,282,318	3,255,802	(26,516)
Property Tax Aids & Credits	3,648,028	3,662,106	14,078
Health & Human Services	13,871,389	15,575,972	1,704,583
Public Safety & Judiciary	2,335,516	2,361,015	25,499
Transportation	340,791	247,118	(93,673)
Environment & Agriculture	458,896	444,342	(14,554)
Jobs, Economic Development, Housing & Commerce	552,627	400,561	(152,066)
State Government & Veterans	1,194,294	931,736	(262,558)
Debt Service	1,152,756	1,204,338	51,582
Capital Projects & Grants	259,758	271,314	11,556
Estimated Cancellations	(20,000)	(20,000)	-
Total Expenditures & Transfers	**45,955,343**	**47,983,483**	**2,028,140**
Balance Before Reserves	**1,825,332**	**1,487,574**	**(337,758)**
Cash Flow Account	350,000	350,000	-
Budget Reserve	1,608,364	1,608,364	-
Stadium Reserve	55,271	115,343	60,072
Budgetary Balance	**(188,303)**	**(586,133)**	**(397,830)**

Planning Estimates: FY 2020-21 General Fund Budget
November 2017 Forecast vs Enacted Budget w/CO

($ in thousands)

	6-17 Enacted w/CO FY 2020-21	11-17 Forecast FY 2020-21	$ Change
Actual & Estimated Resources			
Balance Forward From Prior Year	2,156,786	1,825,332	(331,454)
Current Resources:			
Tax Revenues	46,516,903	45,837,174	(679,729)
Non-Tax Revenues	1,380,939	1,435,211	54,272
Subtotal - Non-Dedicated Revenue	47,897,842	47,272,385	(625,457)
Dedicated Revenue	1,222	1,222	-
Transfers In	308,904	308,904	-
Prior Year Adjustments	63,065	63,214	149
Subtotal - Other Revenue	373,191	373,340	149
Budget Changes - Taxes	(1,076,469)	-	1,076,469
Budget Changes - Non-Taxes	(9,829)	-	9,829
Subtotal-Current Resources	48,271,033	47,645,725	(625,308)
Total Resources Available	**50,427,819**	**49,471,057**	**(956,762)**
Actual & Estimated Spending			
E-12 Education	19,516,677	19,649,179	132,502
Higher Education	3,255,802	3,255,802	-
Property Tax Aids & Credits	3,677,988	3,662,106	(15,882)
Health & Human Services	15,729,053	15,575,972	(153,081)
Public Safety & Judiciary	2,344,986	2,361,015	16,029
Transportation	247,118	247,118	-
Environment & Agriculture	437,994	444,342	6,348
Jobs, Economic Development, Housing & Commerce	405,766	400,561	(5,205)
State Government & Veterans	932,415	931,736	(679)
Debt Service	1,217,315	1,204,338	(12,977)
Capital Projects & Grants	271,796	271,314	(482)
Estimated Cancellations	(20,000)	(20,000)	-
Total Expenditures & Transfers	**48,016,910**	**47,983,483**	**(33,427)**
Balance Before Reserves	**2,410,909**	**1,487,574**	**(923,335)**
Cash Flow Account	350,000	350,000	-
Budget Reserve	1,603,443	1,608,364	4,921
Stadium Reserve	81,855	115,343	33,488
Budgetary Balance	**375,611**	**(586,133)**	**(961,744)**

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

	Actual FY 2014	Actual FY 2015	Actual FY 2016	Actual FY 2017	Forecast FY 2018	Forecast FY 2019	Forecast FY 2020	Forecast FY 2021	Average Annual
Individual Income Tax	$9,660	$10,403	$10,739	$10,931	$11,524	$12,166	$12,707	$13,292	
$ change	647	744	335	192	593	641	541	585	
% change	**7.2%**	**7.7%**	**3.2%**	**1.8%**	**5.4%**	**5.6%**	**4.4%**	**4.6%**	**5.9%**
Sales Tax	$5,043	$5,131	$5,233	$5,405	$5,469	$5,675	$5,755	$5,981	
$ change	282	89	101	172	64	206	80	226	
% change	**5.9%**	**1.8%**	**2.0%**	**3.3%**	**1.2%**	**3.8%**	**1.4%**	**3.9%**	**3.1%**
Corporate Tax	$1,278	$1,455	$1,473	$1,205	$1,226	$1,239	$1,284	$1,326	
$ change	(3)	177	18	(268)	21	13	45	43	
% change	**-0.2%**	**13.9%**	**1.2%**	**-18.2%**	**1.7%**	**1.0%**	**3.6%**	**3.3%**	**4.2%**
Statewide Property Tax	$836	$838	$854	$858	$813	$817	$817	$817	
$ change	24	3	16	4	(45)	4	(0)	(0)	
% change	**3.0%**	**0.3%**	**1.9%**	**0.5%**	**-5.3%**	**0.5%**	**0.0%**	**0.0%**	**0.7%**
Other Tax Revenue	$1,738	$1,758	$1,812	$1,833	$1,815	$1,879	$1,913	$1,945	
$ change	456	20	53	21	(17)	64	34	32	
% change	**35.6%**	**1.2%**	**3.0%**	**1.1%**	**-0.9%**	**3.5%**	**1.8%**	**1.7%**	**5.2%**
Total Tax Revenue	$18,554	$19,587	$20,110	$20,233	$20,848	$21,776	$22,475	$23,362	
$ change	1,407	1,033	524	122	616	928	699	886	
% change	**8.2%**	**5.6%**	**2.7%**	**0.6%**	**3.0%**	**4.5%**	**3.2%**	**3.9%**	**4.7%**
Non-Tax Revenues	$721	$753	$779	$819	$736	$724	$721	$714	
$ change	(77)	31	27	40	(83)	(13)	(3)	(7)	
% change	**-9.7%**	**4.3%**	**3.5%**	**5.1%**	**-10.1%**	**-1.7%**	**-0.3%**	**-1.0%**	**-1.1%**
Transfers, All Other	$188	$82	$193	$205	$154	$154	$154	$155	
$ change	(414)	(105)	110	12	(51)	0	0	0	
% change	**-68.8%**	**-56.1%**	**133.8%**	**6.5%**	**-24.8%**	**0.0%**	**0.1%**	**0.1%**	**0.8%**
Total Revenue	$19,463	$20,422	$21,082	$21,257	$21,739	$22,654	$23,351	$24,230	
$ change	916	959	661	174	482	915	697	880	
% change	**4.9%**	**4.9%**	**3.2%**	**0.8%**	**2.3%**	**4.2%**	**3.1%**	**3.8%**	**4.1%**

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

	Actual FY 2014	Actual FY 2015	Actual FY 2016	Actual FY 2017	Forecast FY 2018	Forecast FY 2019	Forecast FY 2020	Forecast FY 2021	Average Annual
K-12 Education	$8,430	$8,188	$8,507	$8,901	$9,289	$9,590	$9,741	$9,909	
$ change	(435)	(242)	319	394	387	301	150	168	
% change	**-4.9%**	**-2.9%**	**3.9%**	**4.6%**	**4.4%**	**3.2%**	**1.6%**	**1.7%**	**5.4%**
Higher Education	$1,381	$1,452	$1,529	$1,556	$1,654	$1,628	$1,628	$1,628	
$ change	86	71	77	27	98	(26)	(1)	-	
% change	**6.7%**	**5.1%**	**5.3%**	**1.7%**	**6.3%**	**-1.5%**	**0.0%**	**0.0%**	**1.9%**
Prop. Tax Aids & Credits	$1,321	$1,613	$1,646	$1,675	$1,732	$1,916	$1,791	$1,871	
$ change	0	292	33	29	57	185	(126)	81	
% change	**0.0%**	**22.1%**	**2.1%**	**1.8%**	**3.4%**	**10.7%**	**-6.6%**	**4.5%**	**3.3%**
Health & Human Services	$5,430	$6,191	$5,601	$5,944	$6,852	$7,020	$7,764	$7,812	
$ change	222	761	(590)	343	908	168	745	47	
% change	**4.3%**	**14.0%**	**-9.5%**	**6.1%**	**15.3%**	**2.5%**	**10.6%**	**0.6%**	**6.5%**
Public Safety	$944	$1,035	$1,041	$1,133	$1,169	$1,167	$1,179	$1,182	
$ change	(14)	91	6	92	36	(2)	13	2	
% change	**-1.5%**	**9.6%**	**0.6%**	**8.9%**	**3.1%**	**-0.2%**	**1.1%**	**0.2%**	**2.4%**
Debt Service	$620	$624	$609	$529	$563	$590	$584	$620	
$ change	397	4	(14)	(80)	34	27	(5)	36	
% change	**178.0%**	**0.6%**	**-2.3%**	**-13.1%**	**6.4%**	**4.7%**	**-0.9%**	**6.1%**	**14.3%**
All Other	$1,223	$1,190	$1,218	$1,364	$1,530	$1,257	$1,132	$1,143	
$ change	352	(33)	28	146	166	(258)	(125)	11	
% change	**40.4%**	**-2.7%**	**2.4%**	**12.0%**	**12.1%**	**-17.0%**	**-9.9%**	**1.0%**	**4.3%**
Total Spending	$19,349	$20,293	$20,152	$21,103	$22,788	$23,168	$23,819	$24,164	
$ change	609	944	(141)	951	1,685	395	651	345	
% change	**3.2%**	**4.9%**	**-0.7%**	**4.7%**	**8.0%**	**1.7%**	**2.8%**	**1.4%**	**4.7%**