



BUDGET AND *ECONOMIC FORECAST*

FEBRUARY 2019

Produced by Minnesota Management and Budget



Budget Outlook Weakened

- Projected balance now \$1.052 billion for FY 2020-21
 - Reduced by \$492 million since November
- Revenue projections lower through FY 2023
- Slower growth in Economic outlook

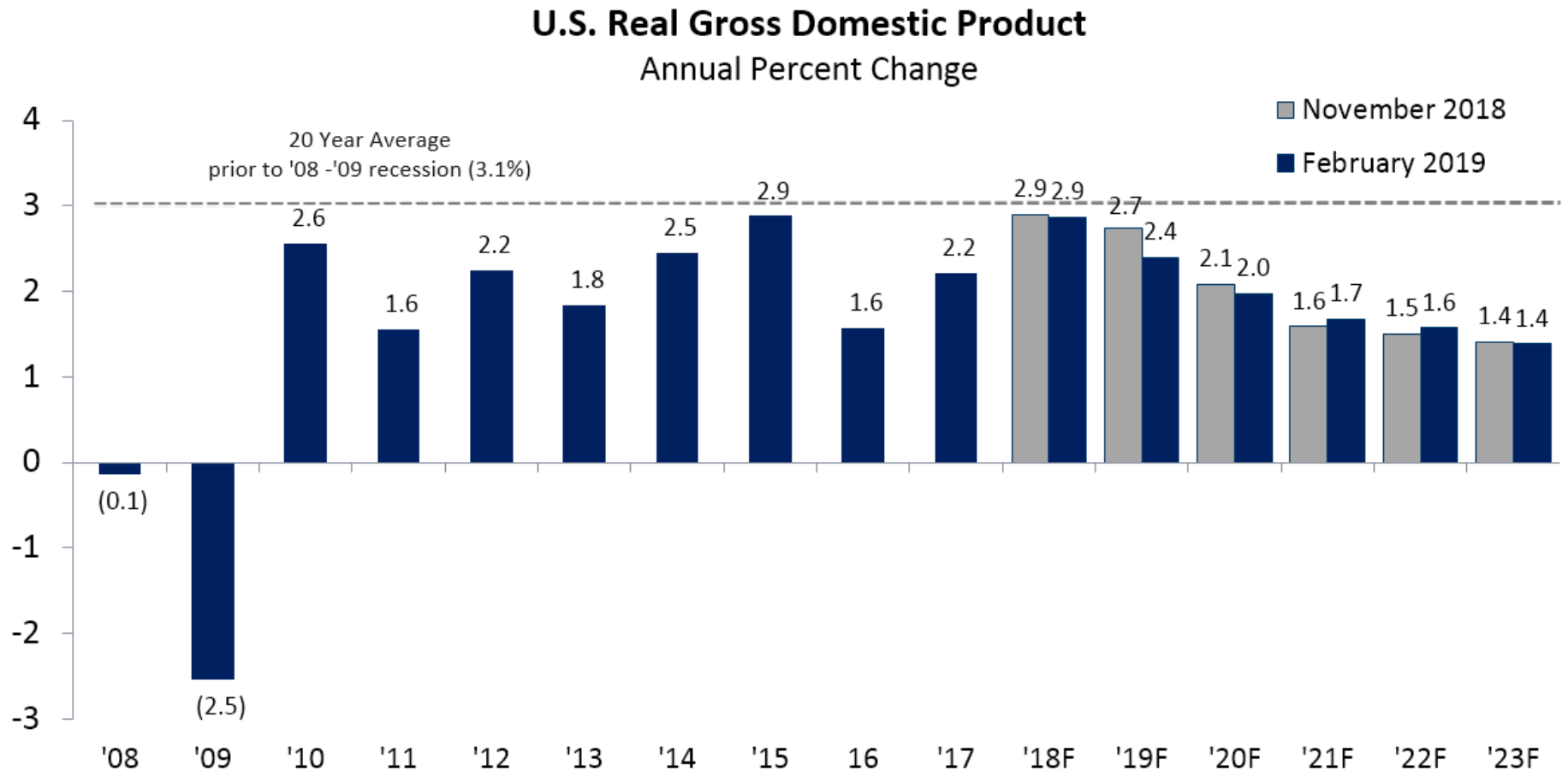
Current Biennium Surplus Reduced

(\$ in millions)	FY 2018-19 Nov. Forecast	FY 2018-19 Feb. Forecast	Forecast Change
Beginning Balance	\$3,333	\$3,333	\$ -
Revenues	45,410	45,212	(198)
Spending	45,549	45,508	(41)
Cash & Budget Reserves	2,425	2,425	-
Stadium Reserve	50	50	-
Budgetary Balance	\$720	\$563	\$(157)

Lower Projected Balance for FY 2020-21

(\$ in millions)	FY 2020-21 Nov. Forecast	FY 2020-21 Feb. Forecast	Forecast Change
Beginning Balance	\$3,194	\$3,037	\$(157)
Revenues	48,327	47,941	(386)
Spending	47,454	47,403	(51)
Cash & Budget Reserves	2,425	2,425	-
Stadium Reserve	98	98	-
Forecast Balance	\$1,544	\$1,052	\$(492)

Near-Term U.S. Outlook Weakened Since November

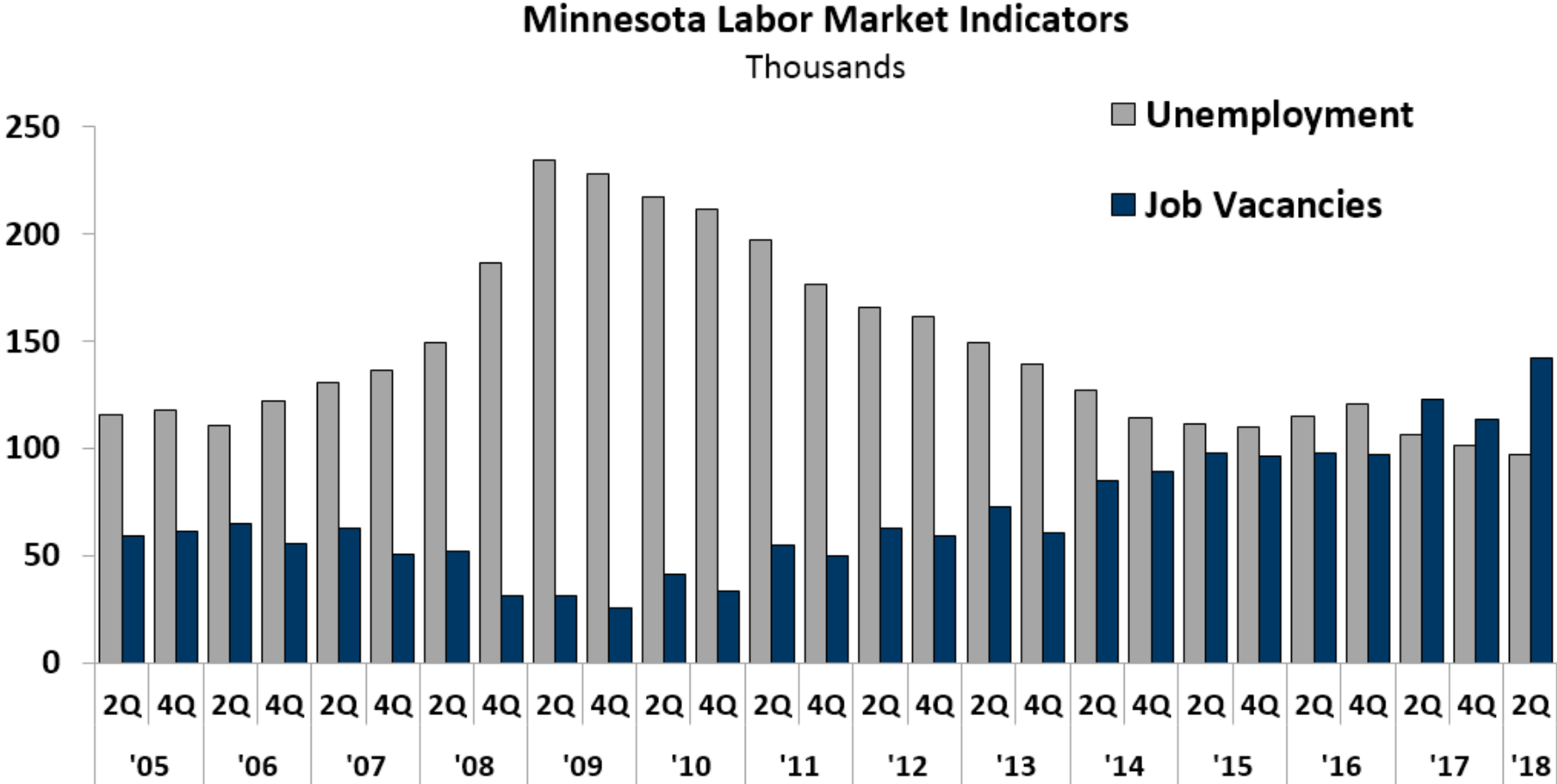


State Unemployment Rate Remains Below U.S.



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

Low Unemployment, High Demand for Workers in Minnesota



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

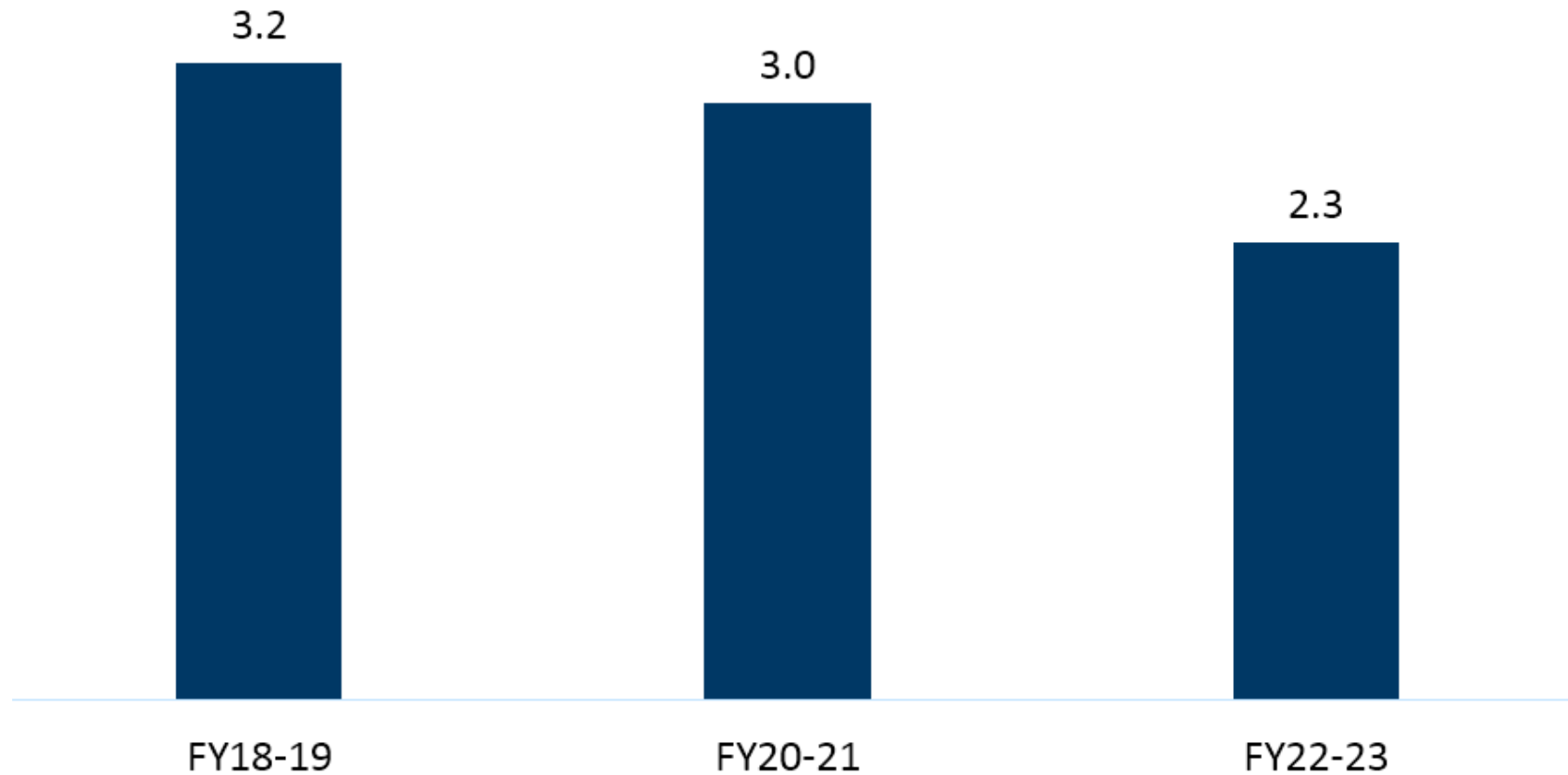
Revenue Forecast Lowered

(\$ in millions)	FY 2018-19		FY 2020-21	
	Feb. 2018 Forecast	Forecast Change	Feb. 18 Forecast	Forecast Change
Individual Income Tax	\$23,731	\$(403)	\$25,705	\$(571)
General Sales Tax	11,124	(19)	11,857	(165)
Corporate Franchise Tax	2,833	130	2,912	262
All Other Revenue	7,524	94	7,467	88
Total Revenues	\$45,212	\$(198)	\$47,941	\$(386)

Forecast Revenue Growth Slows

Biennial Growth in Total Revenues

Annualized percent growth



Forecast Risks

- Taxpayer response to federal tax law changes
- Slowing labor force growth
- Trade policy uncertainty
- Geo-political events
- 28 months remain until the end of FY 2020-21

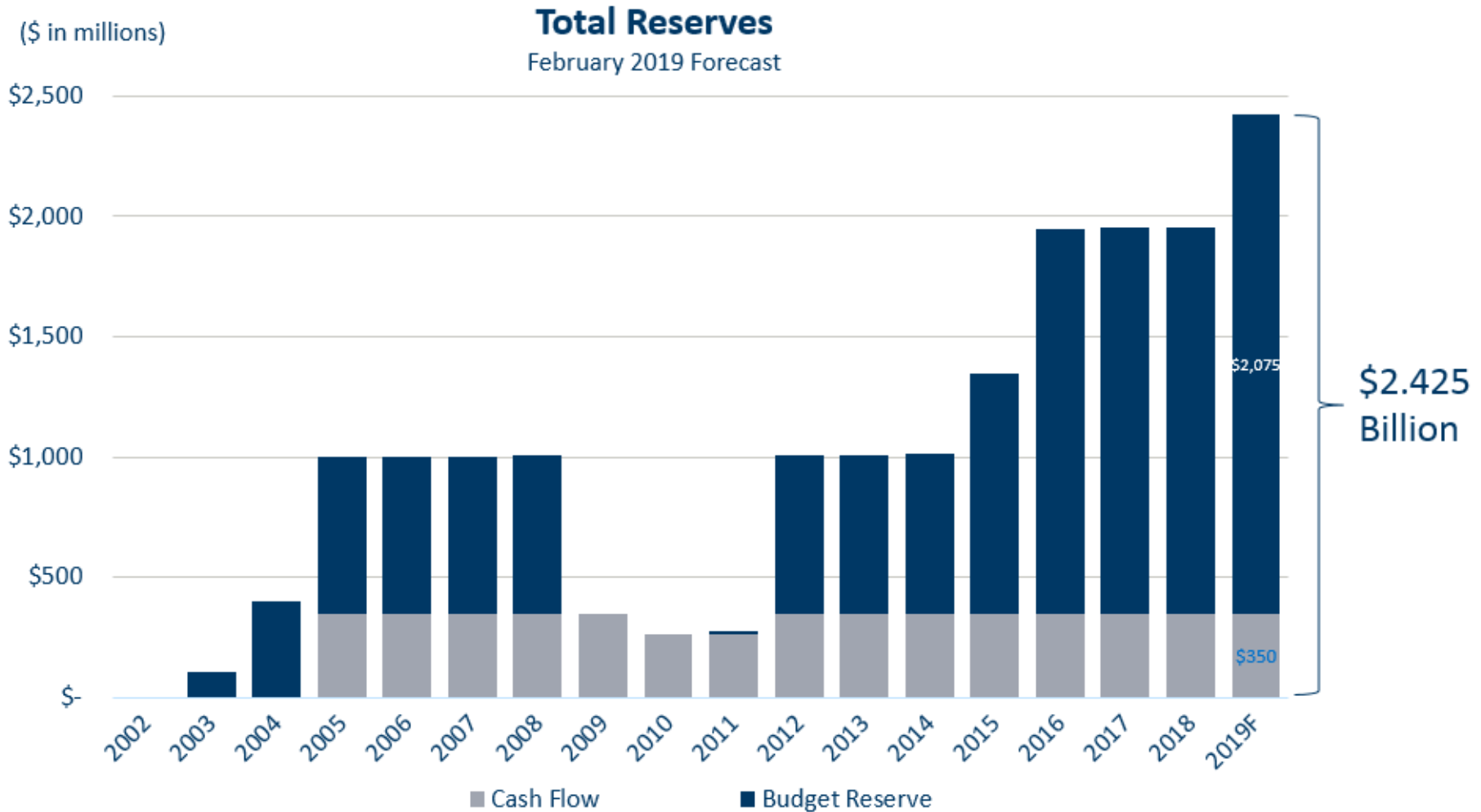
Lower Spending Partially Offsets Reduced Revenue

(\$ in millions)	FY 2020-21 Nov. Forecast	FY 2020-21 Feb. Forecast	Forecast Change
E-12 Education	\$19,601	\$19,553	\$(48)
Property Tax Aids & Credits	3,710	3,739	29
Health & Human Services	14,905	14,875	(30)
Debt Service	1,199	1,199	-
Other	8,040	8,037	(2)
Total Spending	\$47,454	\$47,403	\$(51)

Planning Estimates

(\$ in millions)	FY 2020-21	FY 2022-23	Biennial Growth	Annualized % Growth
Forecast Revenues	\$47,941	\$50,192	\$2,251	2.3%
Projected Spending	47,403	50,203	2,800	2.9%
Structural Balance	\$538	\$(11)		
<i>Estimated Inflation</i>	<i>\$1,097</i>	<i>\$2,694</i>		

State Finances Remain Sound





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