

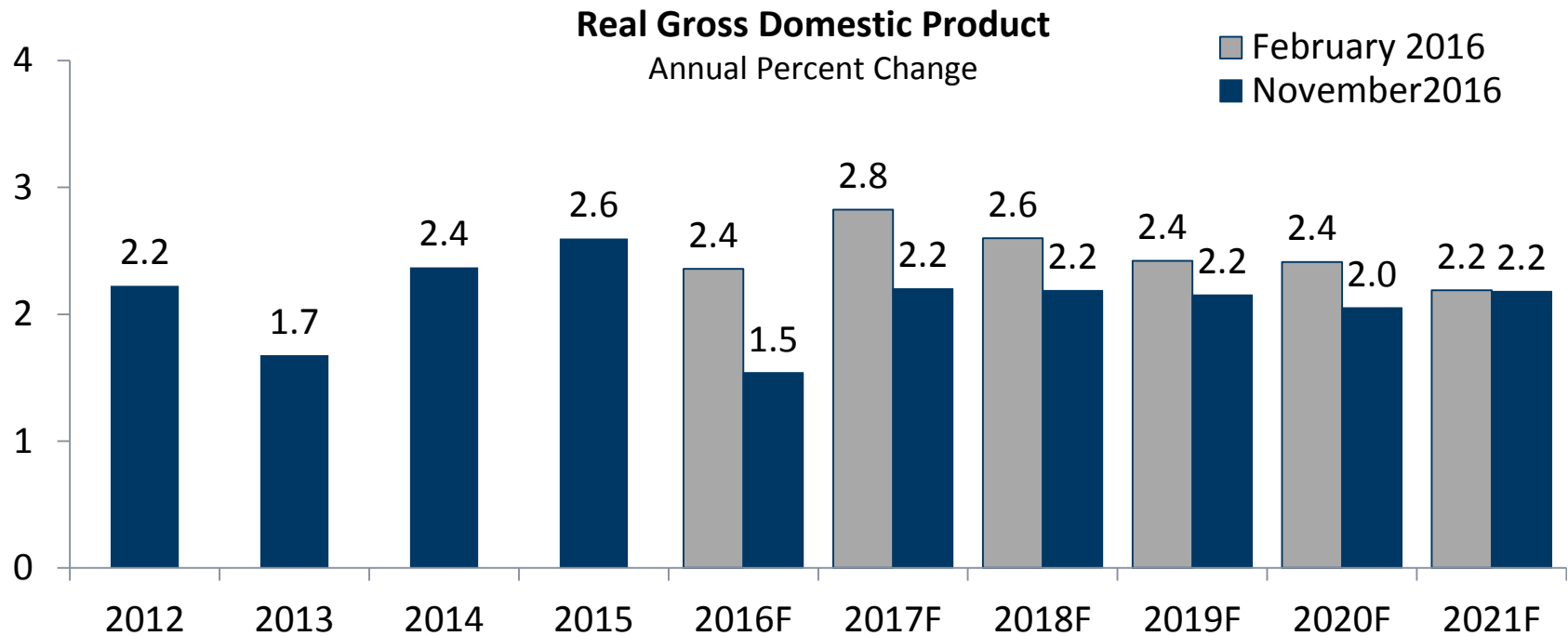
Budget and Economic Forecast

December 2, 2016

Budget Outlook Stable: Continued Slower Growth

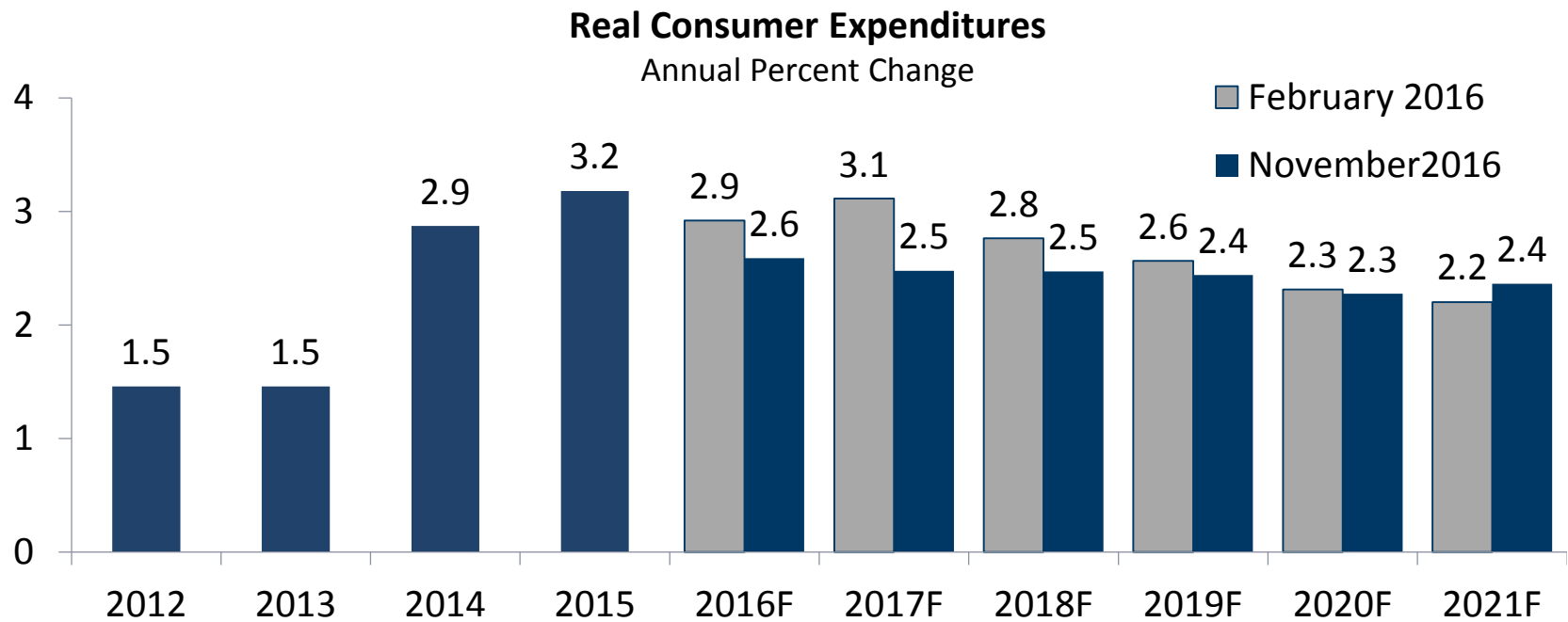
- FY 2018-19 budgetary balance now \$1.4 billion
- \$334 million allocated to budget reserve; total reserves now \$1.9 billion
- FY 2016-17 budgetary balance is \$678 million
- Risk with this forecast

U.S. Economic Outlook Has Weakened



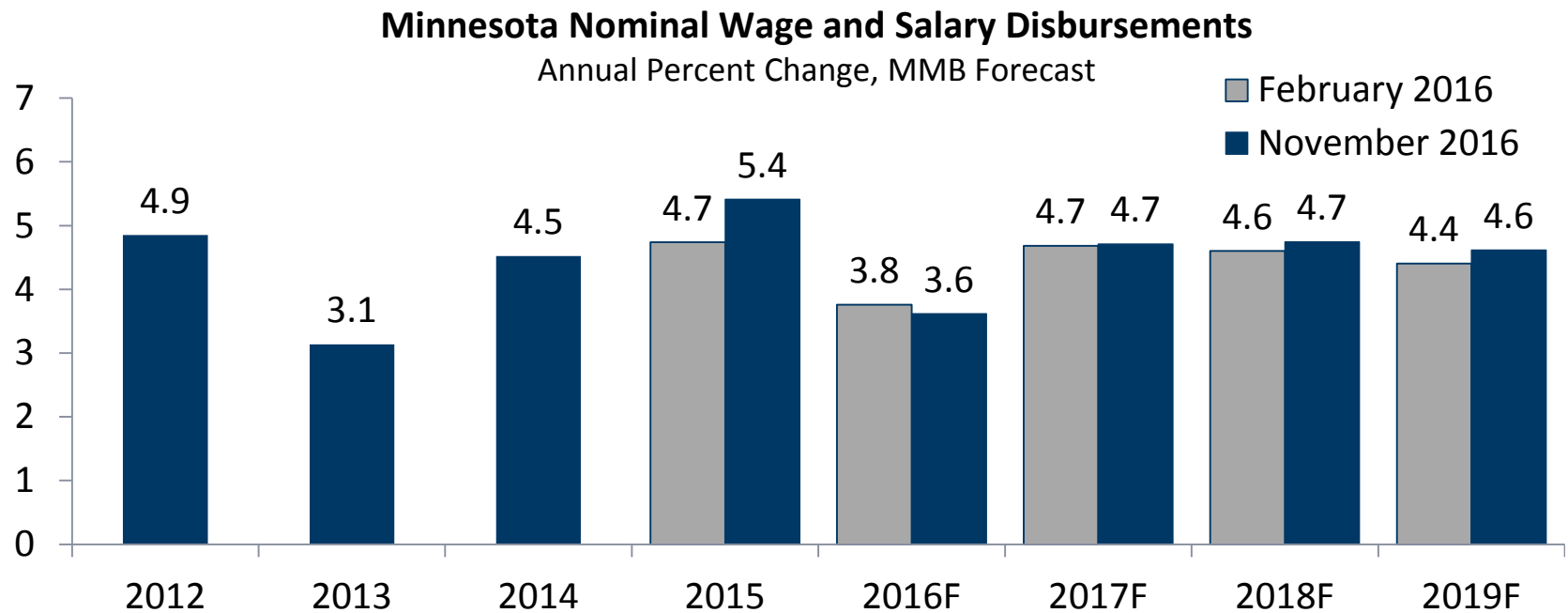
Source: U.S. Bureau of Economic Analysis (BEA), IHS Economics (IHS)

U.S. Consumer Spending Forecast is Lower



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

Steady Growth in Minnesota Wage Income Expected



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

Forecast Revenues for Current and Next Biennium

(\$ in millions)	FY 2016-17		FY 2018-19	
	Nov 2016 Forecast	Forecast Change	Nov 2016 Forecast	Forecast Change
Individual Income Tax	\$21,822	\$(16)	\$24,120	\$(36)
General Sales Tax	10,612	(107)	11,419	(428)
Corporate Franchise Tax	2,605	54	2,540	(4)
Statewide Property Tax	1,694	5	1,745	11
All Other Revenue	5,649	105	5,498	(10)
Total Revenues	\$42,382	\$41	\$45,321	\$(467)

Significant Risks with this Forecast

- Long, slow-growth expansion
- U.S. policy uncertainty
- Inflation
- International trade
- 30 months remain until end of FY 2018-19

Lower Health Care Spending Drives Expenditure Savings

(\$ in millions)	FY 2016-17		FY 2018-19	
	Nov 2016 Forecast	Forecast Change	Nov 2016 Forecast	Forecast Change
E-12 Education	\$17,403	\$3	\$18,177	\$3
Property Tax Aids & Credits	3,342	(9)	3,467	13
Health & Human Services	11,808	(206)	14,251	(173)
Debt Service	1,139	(35)	1,143	32
All Other	7,810	(3)	7,547	(28)
Total Spending	\$41,502	\$(245)	\$44,585	\$(152)

Current Biennium's Balance Increases

(\$ in millions)	FY2016-17 End-of-Session	FY2016-17 Nov Forecast	Forecast Change
Beginning Balance	\$2,103	\$2,103	\$ -
Revenues	42,341	42,382	41
Spending	41,747	41,502	(245)
Cash & Budget Reserves	1,947	1,947	-
Stadium Reserve	21	24	3
Forecast Balance	\$729	\$1,012	\$283
33% to Budget Reserve	-	334	334
Budgetary Balance	\$729	\$678	\$(51)

Next Biennium's Balance Lowered

(\$ in millions)	FY 2018-19 End-of-Session	FY 2018-19 Nov Forecast	Forecast Change
Beginning Balance	\$2,696	\$2,982	\$286
Revenues	45,788	45,321	(467)
Spending	44,737	44,585	(152)
Cash & Budget Reserves	1,947	2,280	334
Stadium Reserve	24	38	13
Forecast Balance	\$1,776	\$1,400	\$(376)

Long Term Budget Outlook Remains Stable

(\$ in millions)	FY 2018-19	FY 2020-21	Biennial Growth	Annualized % Growth
Forecast Revenues	\$45,321	\$48,539	\$3,218	3.5%
Projected Spending	\$44,585	\$47,059	\$2,475	2.7%
Structural Balance	\$736	\$1,480		
<i>Estimated Inflation (CPI from 2.4 to 2.6%)</i>	<i>\$1,327</i>	<i>\$3,167</i>		

Sound Fiscal Management Provides Stability

- Structurally balanced budget
- Reserves to help manage through an economic downturn
- Risk in this forecast
- Maintain a positive structural balance

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