

Budget & Economic Forecast

At a Glance

November 2014

FOR IMMEDIATE RELEASE

Minnesota's Budget Outlook Improves \$1.037 Billion Available for Upcoming FY 2016-17 Budget

Higher Revenues, Lower Spending Generate FY 2014-15 Forecast Balance. Actual revenue and expenditures for FY 2014, combined with revised forecasts for FY 2015, increased the projected balance for the current biennium from \$32 to \$556 million. Forecast revenues increased \$279 million (0.7 percent), while projected spending is \$250 million (0.6 percent) lower. A \$5 million increase in estimated stadium reserves offsets part of the gain.

New Law Directs \$183 Million to Budget Reserve, Leaving \$373 Million Budgetary Balance. Significant changes were made to the statute governing general fund budget reserves in 2014. Thirty-three percent of any forecast balance for the current biennium, determined each November, is to be deposited to the budget reserve until recommended levels are reached. The \$183 million deposit increases general fund reserves to \$1.344 billion.

FY 2014-15 General Fund Forecast

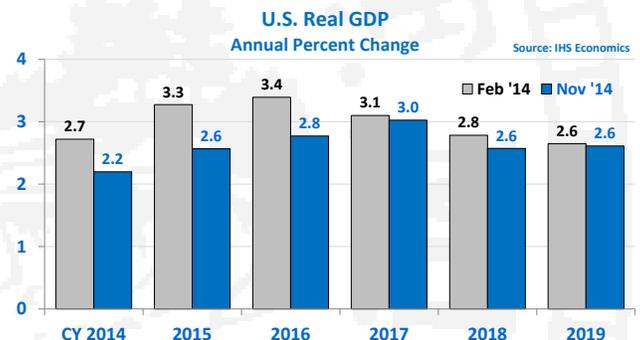
(\$ in millions)	November	\$ Change
Beginning Balance	\$1,712	\$0
Revenues	39,371	279
Spending	39,338	(249)
Cash & Budget Reserve	1,161	0
Stadium Reserve	28	5
Forecast Balance	\$556	\$523
33% to Budget Reserve	183	183
Budgetary Balance	\$373	\$340

FY 2016-17 General Fund Forecast

(\$ in millions)	November	\$ Change
Beginning Balance	\$1,745	\$528
Revenues	41,880	(412)
Spending	41,243	(502)
Cash & Budget Reserve	1,344	183
Stadium Reserve	1	1
Budgetary Balance	\$1,037	\$434

FY 2016-17 Forecast Shows a Total of \$1.037 Billion Available for Upcoming Budget. FY 2016-17 revenues are now forecast to be \$41.880 billion, a 6.4 percent increase over the current biennium. Forecast current law spending is \$41.243 billion, 4.8 percent above FY 2014-15. Both are lower than previous projections. The \$373 million ending balance for FY 2015 now adds to the beginning resources for the next biennium – resulting in a \$1.037 billion balance now expected for FY 2016-17, up from \$603 million projected at the end of the 2014 session.

U.S. Economic Outlook Has Weakened. Slower labor force growth and household formation contribute to a weaker U.S. economic outlook. IHS Economics (formerly Global Insight) now expects real GDP growth of 2.2 percent in 2014, 2.6 percent in 2015, and 2.8 percent in 2016. February's baseline forecast had called for 2.7 percent growth in 2014, followed by 3.3 percent and 3.4 percent growth in 2015 and 2016 respectively. The IHS forecast for U.S. growth depends on productivity gains and wage growth acceleration.



FY 2014-15 Revenue Forecast

(\$ in millions)	November	\$ Change
Individual Income	\$19,615	\$289
Sales	10,198	46
Corporate	2,637	(72)
Statewide Property	1,675	10
All Other Revenues	3,460	(5)
Total Tax Revenues	\$37,585	\$268
All Other Revenues, Transfers	1,786	11
Total Revenues	\$39,371	\$279

Income Tax Receipts Improve FY 2014-15 Forecast, Contribute to Growth in FY 2016-17. Income tax receipts ended FY 2014 ahead of the February forecast, contributing \$194 million of the \$279 million increase in FY 2014-15 forecast revenues. Higher than previously expected increases in nonwage income more than offset lower wage growth for the remainder of the biennium. Income and sales tax receipts supply almost all of the tax revenue growth in FY 2016-17 over FY 2014-2015. Corporate and other tax revenues are expected to remain fairly flat.

CONTACT:

John Pollard, Legislative & Communications Director
651-201-8039, john.pollard@state.mn.us

Complete Forecast & Supporting Budget Documents: MN.GOV/MMB