

# Budget & Economic Forecast

Forecast Flash

November 2015

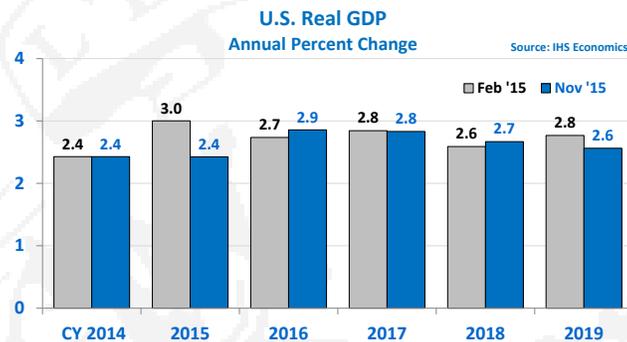
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## Minnesota's Budget Outlook Improves FY 2016-17 Available Balance now \$1.206 Billion

### Budget Outlook Improves; FY 2016-17 Forecast Balance is \$1.871 Billion.

FY 2016-17 revenues are now forecast to be \$42.718 billion, a \$90 million (0.2 percent) increase over end of session estimates. Current law spending is forecast to be \$41.585 billion, \$249 million (0.6 percent) below previous projections. In addition, changes in revenues and expenditures in FY 2015, among others, provide \$682 million of additional resources to the FY 2016-17 biennium. This brings the forecast balance to \$1.871 billion, up from \$865 million at the end-of-session. Current law allocates \$71 million to Environmental Funds and \$594 million to the budget reserve, leaving an available balance of \$1.206 billion.

**Law Directs \$594 million to Budget Reserve.** Under current law, 33 percent of any November forecast balance in the current biennium is to be allocated to the budget reserve until the recommended level of \$2.032 billion for FY 2016-17 is reached. This forecast directs \$594 million to the budget reserve, increasing it to \$1.597 billion—or 3.8 percent of FY 2016-17 non-dedicated revenues.



**U.S. Economic Outlook has Weakened.** Exports weakened by the stronger dollar, along with slower capital investment in the wake of falling oil prices, have helped restrain overall economic activity this year. IHS Economics has lowered their forecast for U.S. real GDP growth in 2015 from 3.0 percent in February to 2.4 percent in November's outlook. The November baseline for 2016 now calls for real GDP growth of 2.9 percent, compared to 2.7 percent in February. The growth forecast for 2017 is unchanged.

### Higher Expected Sales and Corporate Taxes Offset Lower Income Tax Forecast in FY 2016-17.

Lower expected income growth reduces forecast individual income tax receipts for the 2016-17 biennium. Higher than expected FY 2015 sales tax receipts raise the general sales tax forecast over the prior estimate. A reduced corporate refund forecast together with higher expected gross tax payments increase expected net corporate tax revenues.

### Lower Expenditure Growth Expected in FY 2016-17.

Human services estimated spending is lowered by \$416 million in FY 2016-17. The savings are primarily driven by lower health care rates and payments in the Medical Assistance program. Estimated spending for E-12 and other areas increase. Overall, total spending is lowered by \$249 million in FY 2016-17.

**Long Term Budget Outlook Remains Strong.** The improved budget outlook continues into the planning horizon as revenue growth exceeds spending growth. Without adjusting for inflation, there is a structural balance of \$2.046 billion for FY 2018-19. Economic changes, as well as the nature and timing of any budget changes for the 2016-17 biennium, may materially affect both revenue and expenditure projections for the next biennium.

### FY 2016-17 General Fund Budget Forecast

(\$ in millions)	November	\$ Change
<b>Beginning Balance</b>	<b>\$2,103</b>	<b>\$682</b>
Revenues	42,718	90
Spending	41,585	(249)
Cash & Budget Reserve	1,352	8
Stadium Reserve	13	6
<b>Forecast Balance</b>	<b>\$1,871</b>	<b>\$1,006</b>
<i>Environmental Funds Allocation</i>	71	71
<i>Budget Reserve Allocation</i>	594	594
<b>Budgetary Balance</b>	<b>\$1,206</b>	<b>\$341</b>

### FY 2016-17 General Fund Revenue Forecast

(\$ in millions)	November	\$ Change
Individual Income	\$21,957	\$(110)
General Sales	11,031	91
Corporate Franchise	2,644	69
Statewide Property	1,689	(9)
All Other Revenues	3,584	62
<b>Total Tax Revenues</b>	<b>\$40,905</b>	<b>\$102</b>
All Other Revenues, Transfers	1,811	(12)
<b>Total Revenues</b>	<b>\$42,718</b>	<b>\$90</b>

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Complete Forecast & Supporting Budget Documents: [MN.GOV/MMB](http://MN.GOV/MMB)

