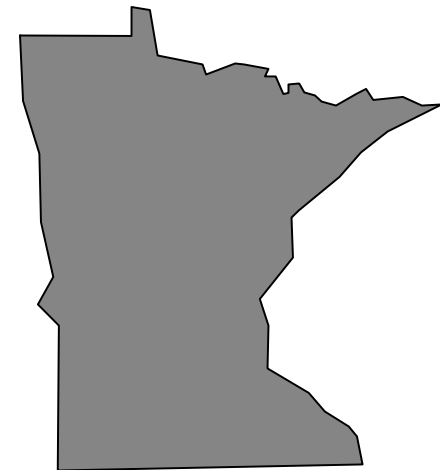


Minnesota Budget Forecast

February 2009



March 12, 2009

\$4.6 Billion Shortfall for FY 2010-11

\$236 Million Balance for FY 2009

<i>(\$ in millions)</i>	<u>FY 2008-09</u>	<u>FY 2010-11</u>
November Shortfall	(\$426)	(\$4,847)
Changes:		
Unallotment & Budget Reserve	426	
Underlying Forecast Changes	(228)	(1,318)
Federal Stimulus	464	1,359
February Forecast Balance	\$236	(\$4,806)
<i>Budget Deficit (FY 2009-11)</i>		<i>(\$4,570)</i>

FY2008-09 Revenues Down \$625 Million from End of Session Estimates

<i>\$ Millions</i>	<u>EOS</u>	<u>Nov</u>	<u>Feb</u>	<u>Change</u>
Beg. Balance	\$2,245	\$2,245	\$2,245	\$0
Revenues	32,857	32,445	32,232	(625)
Expenditures	34,593	34,611	33,891	(702)
Cash Flow	350	350	350	0
Reserve	<u>153</u>	<u>155</u>	<u>0</u>	<u>(153)</u>
Balance	\$6	(\$426)	\$236	\$230

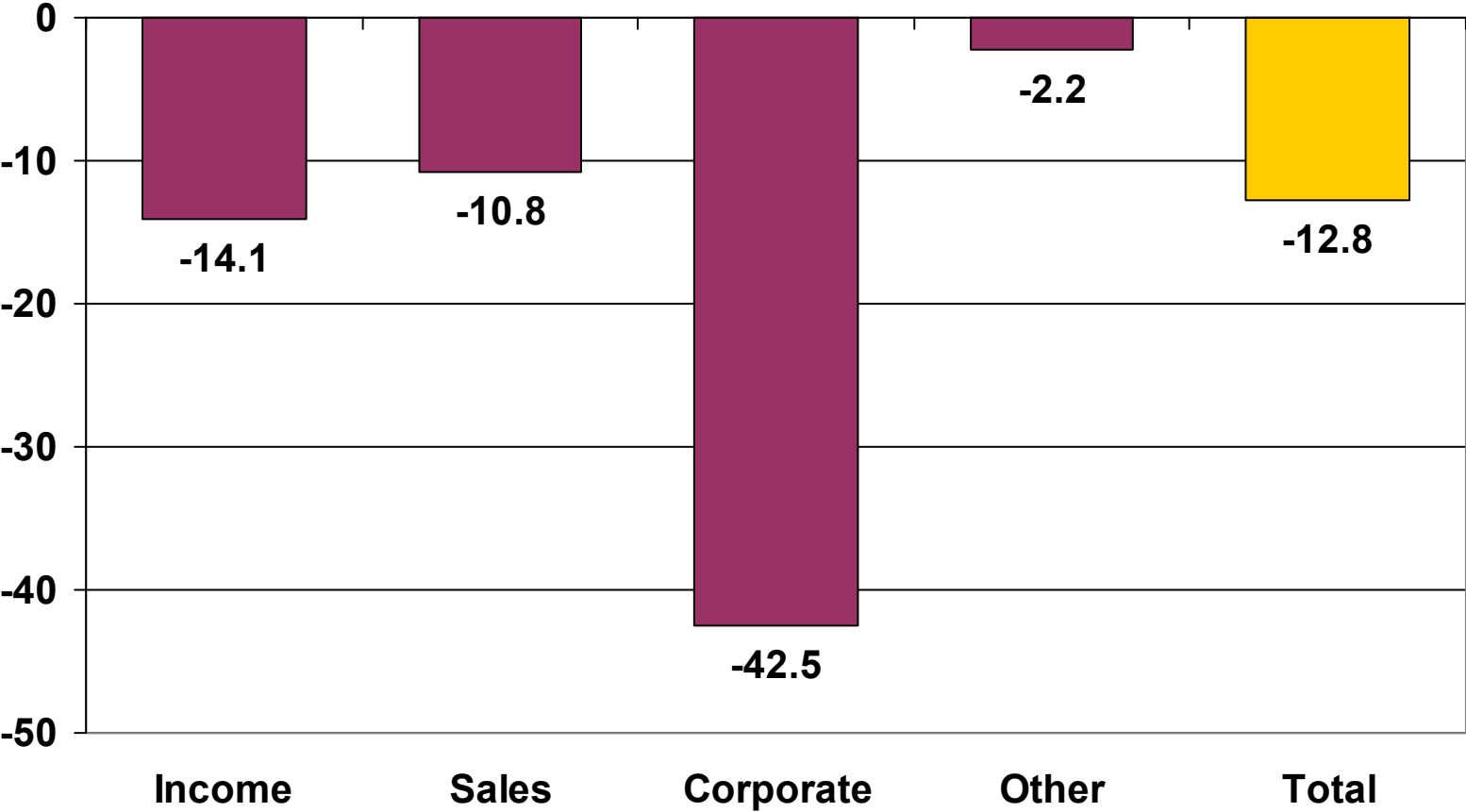
FY2010-11 Revenues Down \$4.5 Billion from Previous Planning Estimates

<i>\$ Millions</i>	<u>EOS</u>	<u>Nov</u>	<u>Feb</u>	<u>Change</u>
Beg. Balance	\$509	\$79	\$586	\$77
Revenues	35,187	31,865	30,700	(4,487)
Expenditures	36,133	36,713	35,506	(627)
Cash Flow	350	350	350	0
Reserve	<u>153</u>	<u>155</u>	<u>0</u>	<u>(153)</u>
Balance	(\$940)	(\$5,274)	(\$4,570)	(\$3,630)

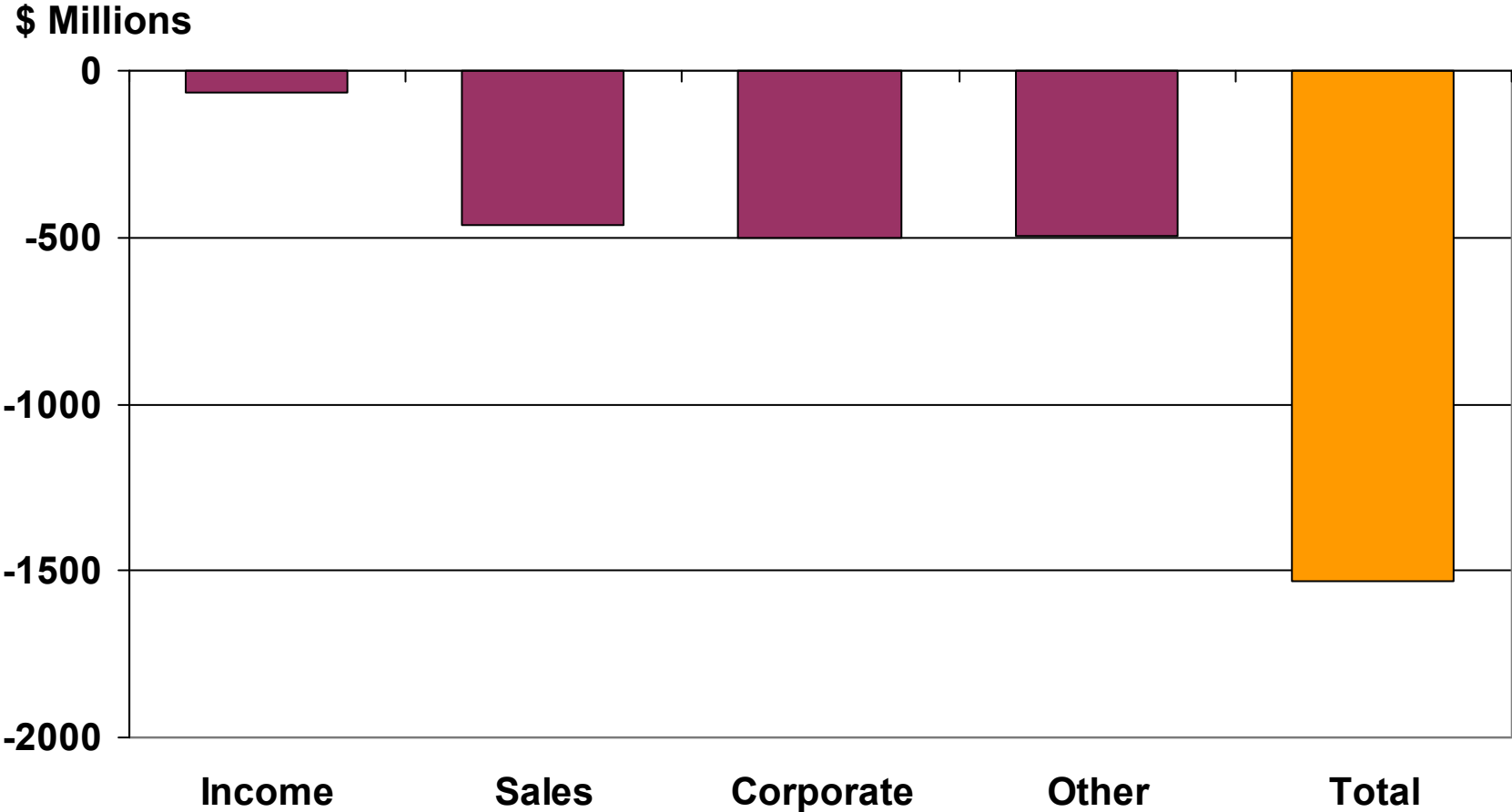
Individual Income Tax Down \$2.45 Billion in FY2010-11

<i>\$ Millions</i>	<u>EOS</u>	<u>Nov</u>	<u>Feb</u>	<u>Change</u>
Individual	\$17,359	\$15,611	\$14,909	(\$2,450)
Sales	9,513	8,687	8,485	(1,028)
Corporate	2,044	1,405	1,175	(869)
Other	<u>6,271</u>	<u>6,162</u>	<u>6,131</u>	<u>(140)</u>
Total	\$35,187	\$31,865	\$30,700	(\$4,487)

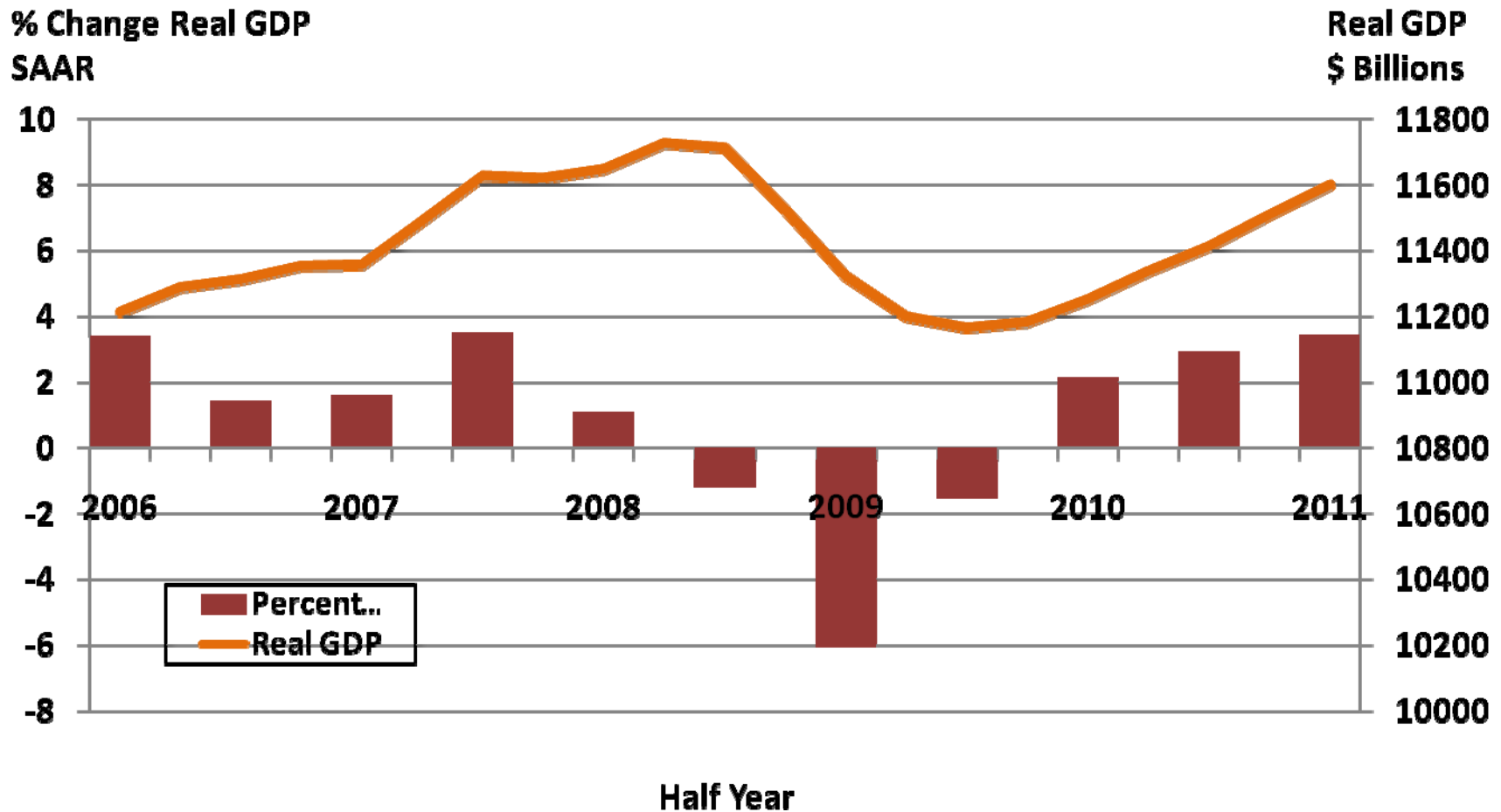
Forecast Receipts for FY2010-11 Are 12.8 Percent Below Planning Estimates



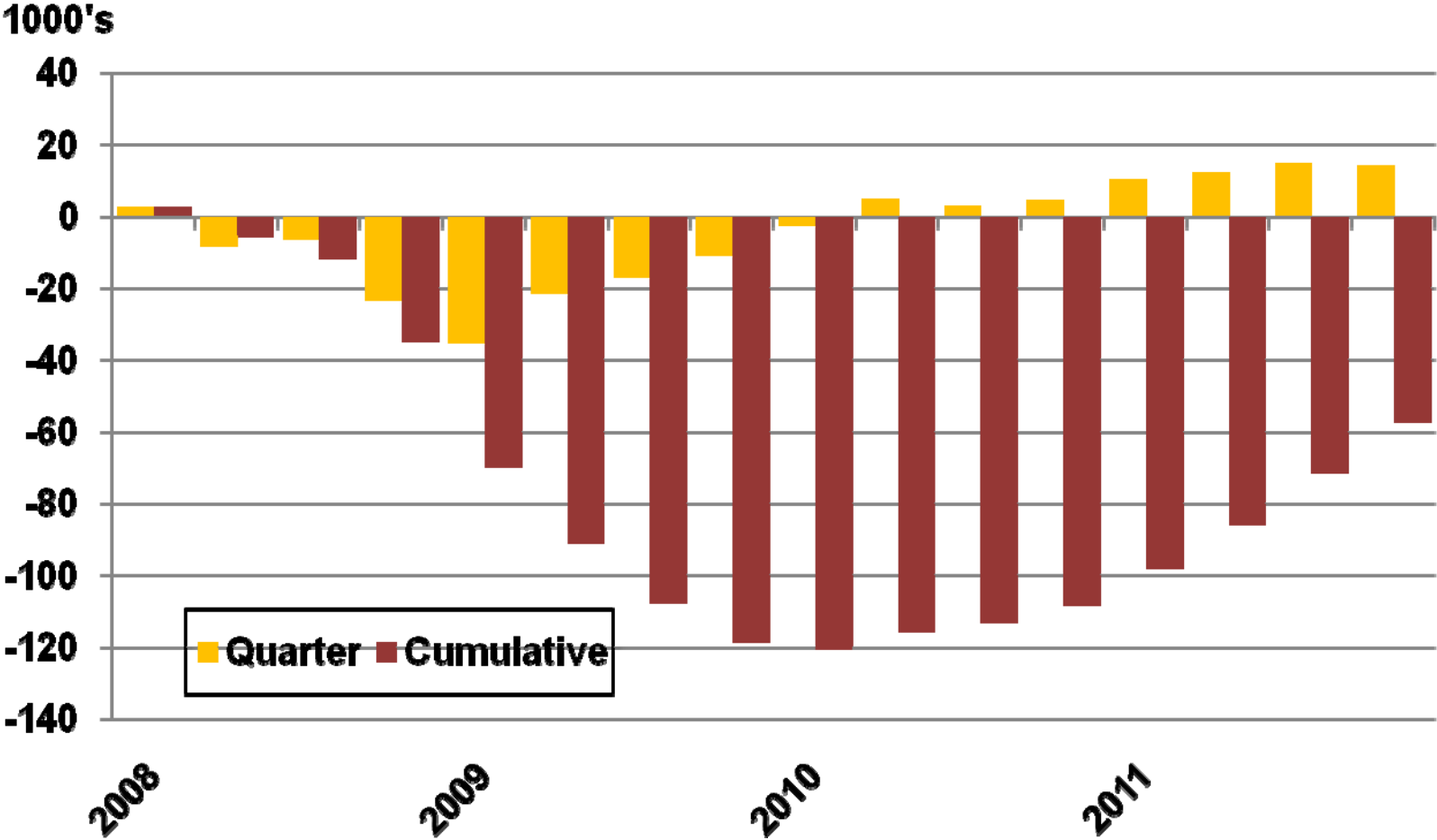
Forecast Revenues in FY2010-11 Are Less than the FY2008-09 Forecast



GII's Forecast Contains a Deep Recession

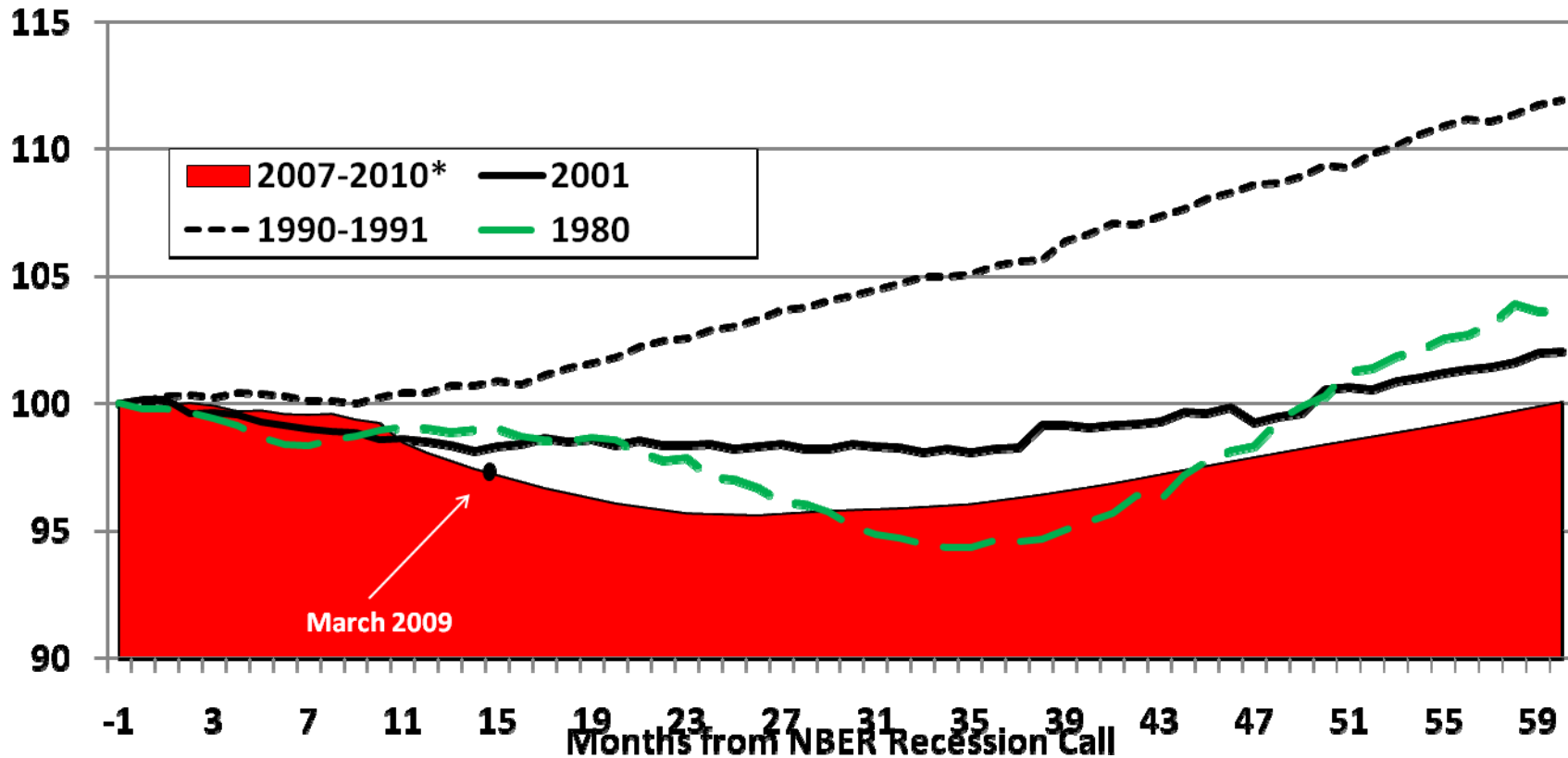


This Recession Will Not Skip Minnesota

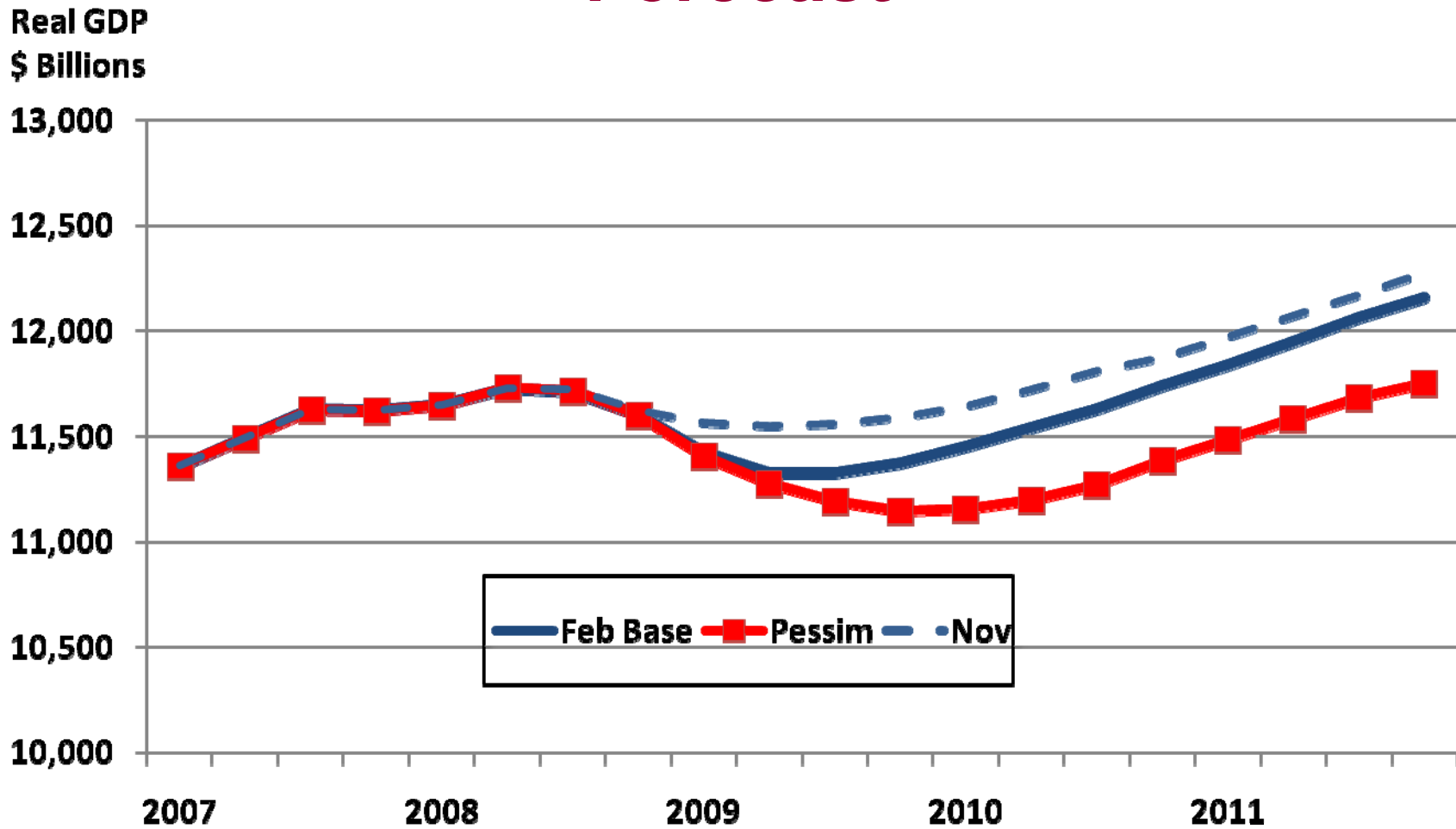


The Recession Will Be Longer and Deeper than Recent Downturns

MN Employment
Month Preceding NBER
Recession Call = 100



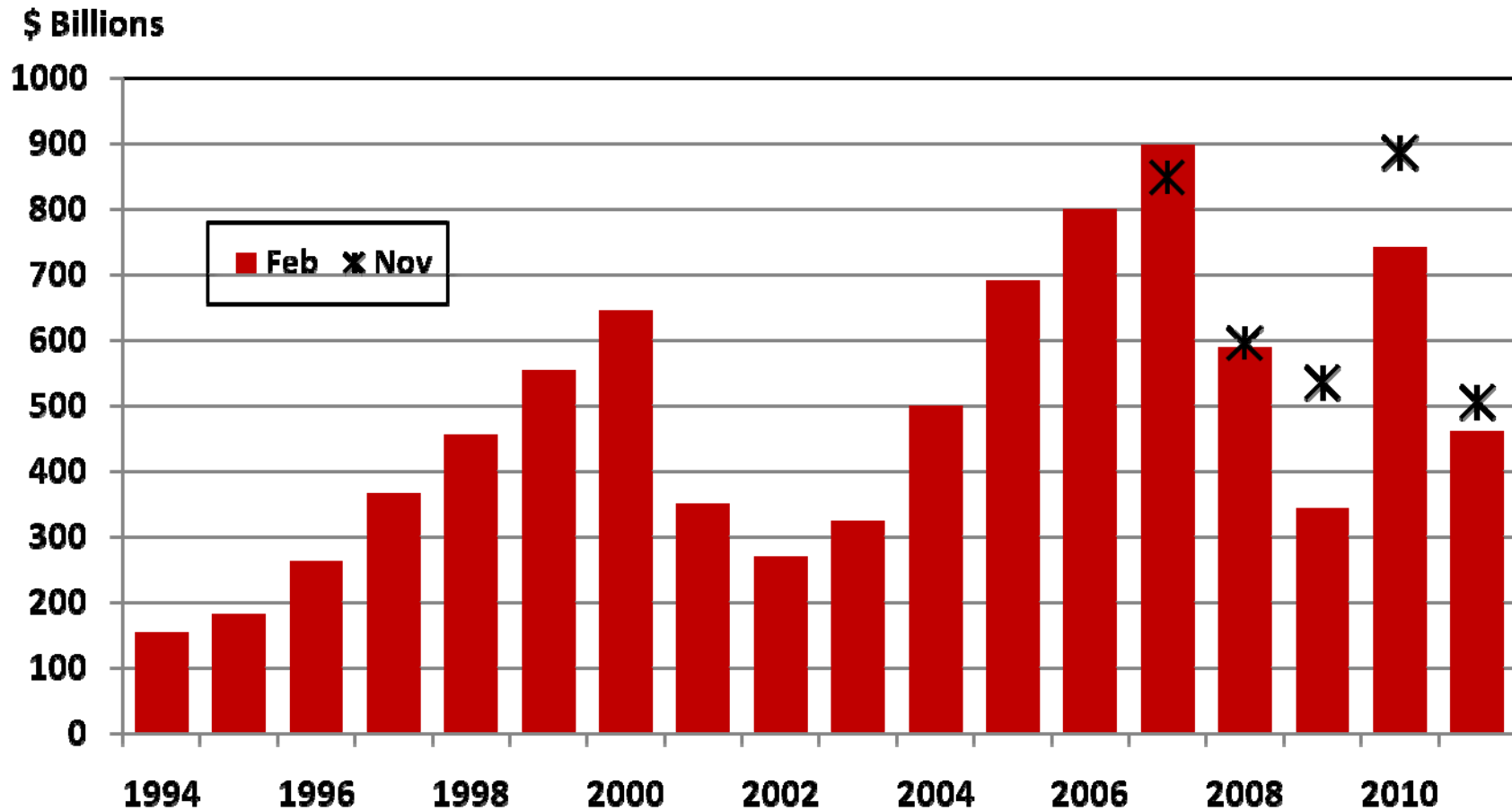
The Recession Could Be Worse than Forecast



What to Watch For

- **Consumer spending**
- **Savings rate**
- **Improvements in credit markets**
- **Payroll employment (smaller declines)**
- **Tax year 2008 final payments and refunds**

Capital Gains Expected to Fall 35 Percent in 2008, an Additional 40 Percent in 2009



Federal Stimulus Bill Provides Broad Relief to Minnesota

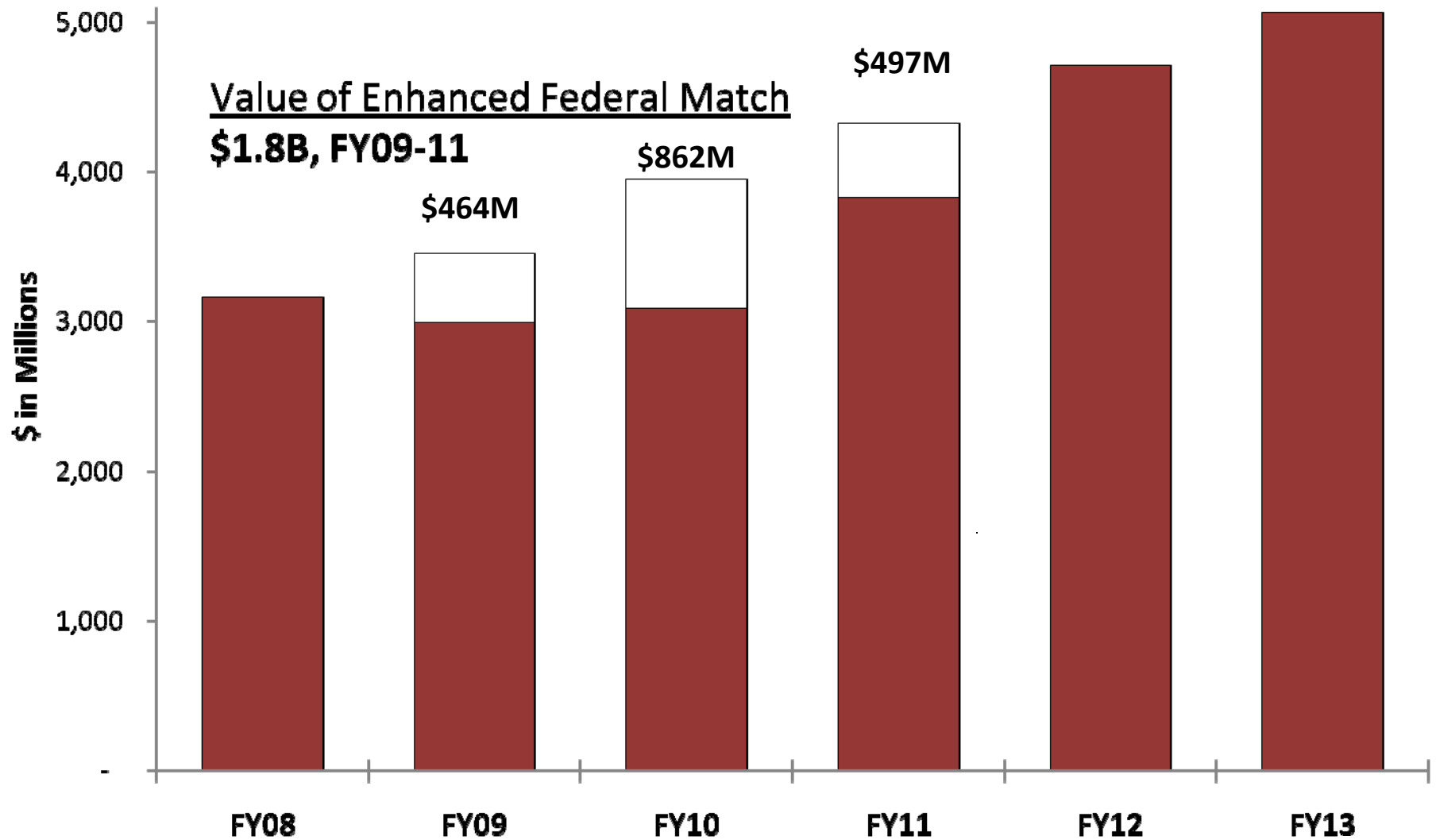
- **State and local governments eligible for an estimated \$4.6 billion in aid**
- **Much of this total is dedicated to specific purposes and projects and doesn't directly impact budget outlook**
- **Forecast impact limited to enhanced federal match for Medical Assistance**
 - Results in lower spending of \$464 million in FY 2009, \$1.4 billion in FY 2010-11

Types of State Stimulus Funding

Category	Program	MN Total
Forecast impact	Medicaid Match	\$1.8 B
Potential budget impact	State Stabilization	\$0.8 B
Dedicated funding	e.g. Highways & Bridges; Drinking Water	All programs estimated at \$2.0 B
Competitive Grants	e.g. Health IT; Green Jobs	No state allocation

Complete listing at mmb.state.mn.us/stimulus

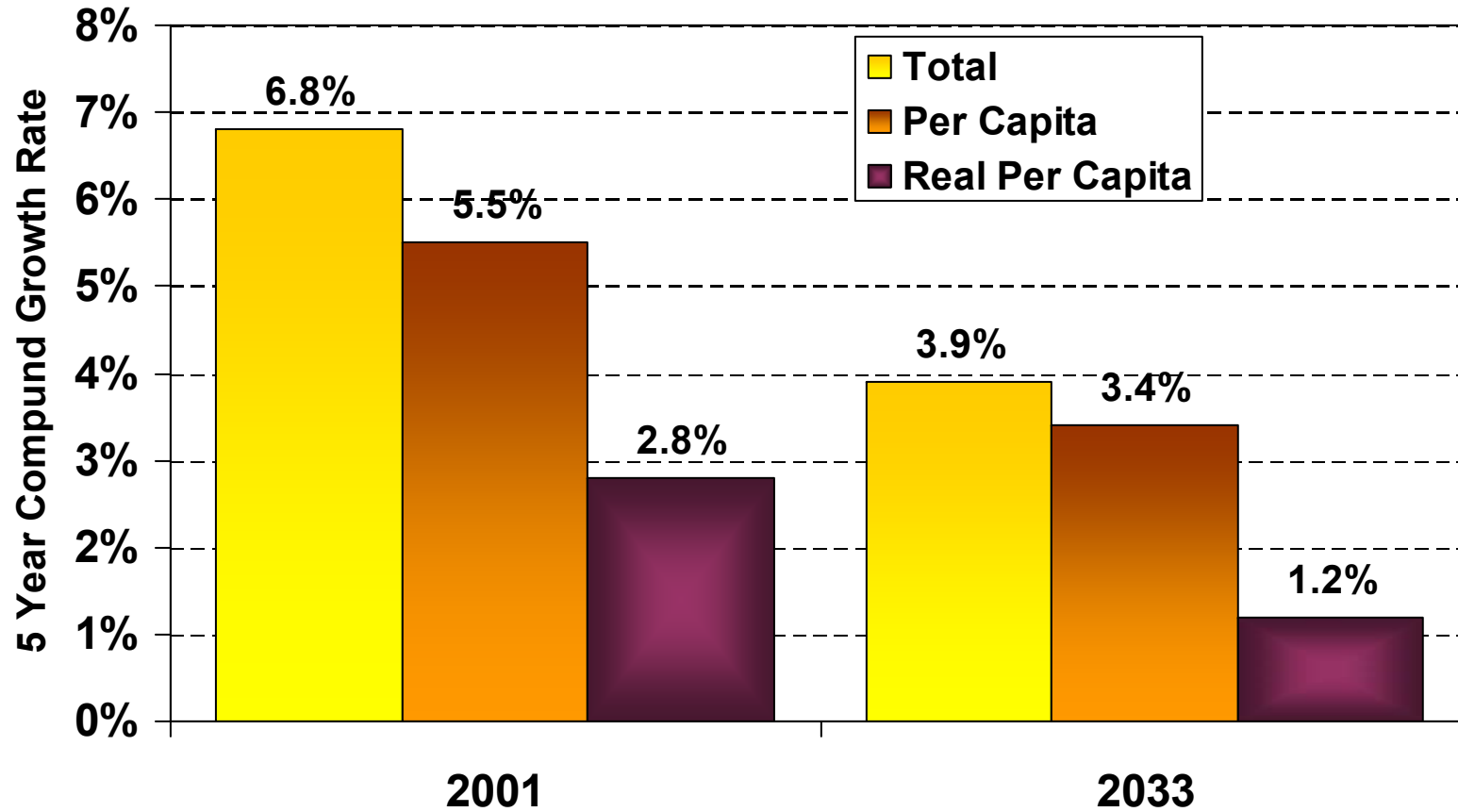
State Medical Assistance Spending



Federal Stimulus Helps, But It Is Not a Permanent Budget Solution

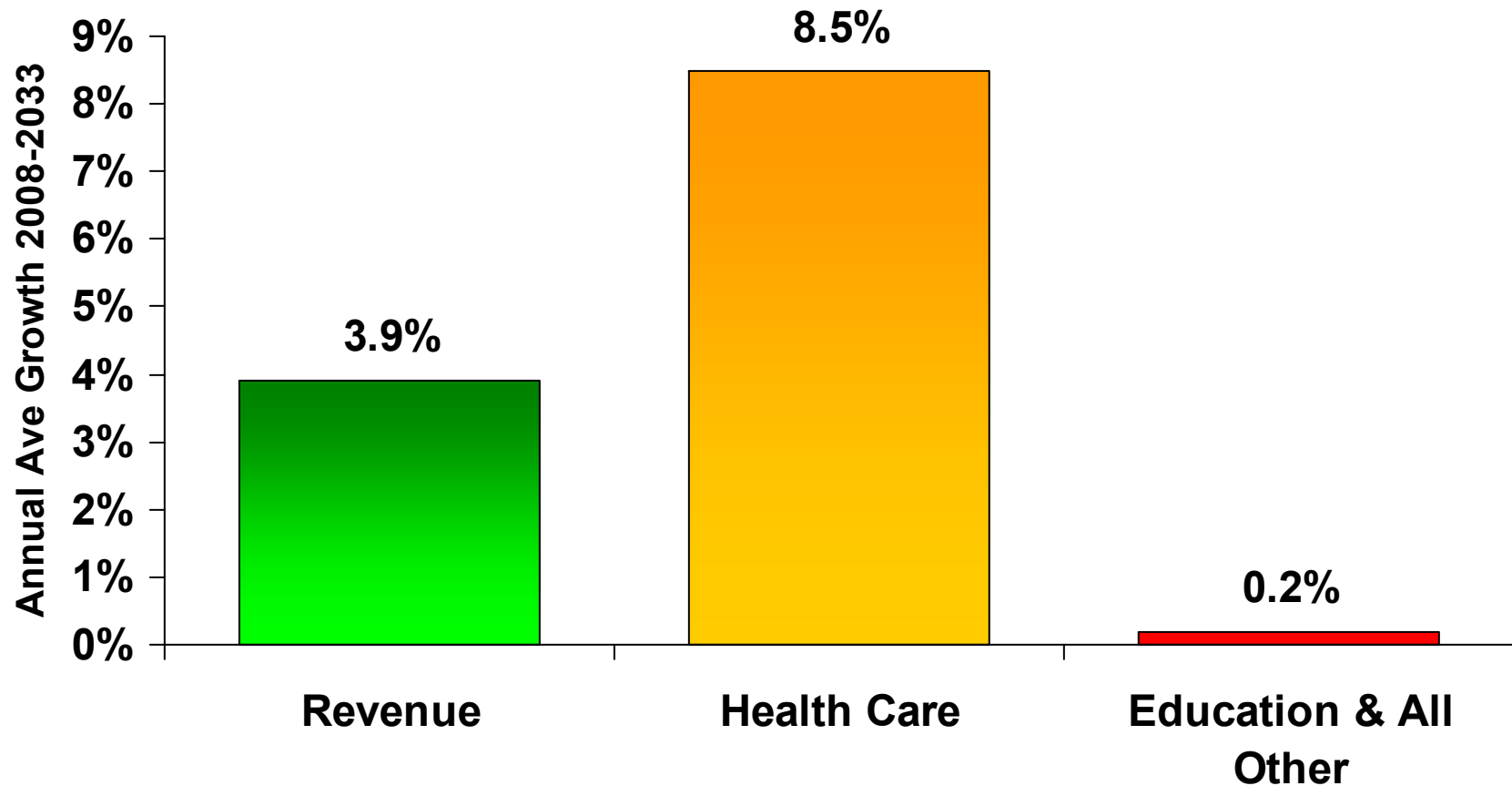
<i>(\$ in millions)</i>	<u>FY 2010-11</u>	<u>FY 2012-13</u>
Revenues	\$30,700	\$34,244
Spending	35,506	39,377
One-time federal stimulus	(1,359)	0
Adjusted spending	36,865	39,377
Structural gap	(\$6,165)	(\$5,133)
<i>Inflation (estimate)</i>	\$170	\$1,360

Next 25 Years--State Revenue Growth Rate Projected To Slow



Budget Trends Commission, 2009

If State Health Care Costs Continue Their Current Trend, State Spending On Other Services Can't Grow



General Fund Spending Outlook, presentation to the Budget Trends Commission, August 2008, Dybdal, Reitan and Broat