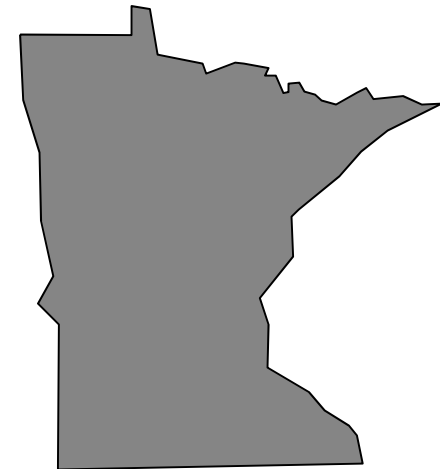


# Minnesota Budget Forecast

**November 2011**



**Minnesota Management & Budget**

**December 1, 2011**

# **\$876 Million Budget Balance Now Forecast for FY 2012-13**

<b>(\$ in millions)</b>	<b><u>Nov Fcst</u></b>	<b><u>Change</u></b>
<b>Beginning Balance</b>	<b>\$1,289</b>	<b>\$564</b>
<b>Revenues</b>	<b>33,700</b>	<b>(24)</b>
<b>Spending</b>	<b>33,991</b>	<b>(348)</b>
<b>Cash Flow Acct</b>	<b>95</b>	<b>0</b>
<b>Budget Reserve</b>	<b>27</b>	<b>27</b>
<b><i>Balance</i></b>	<b><u>\$ 876</u></b>	<b><u>\$ 861</u></b>

# Key Changes in FY 2012-13 Budget

(\$ in millions)

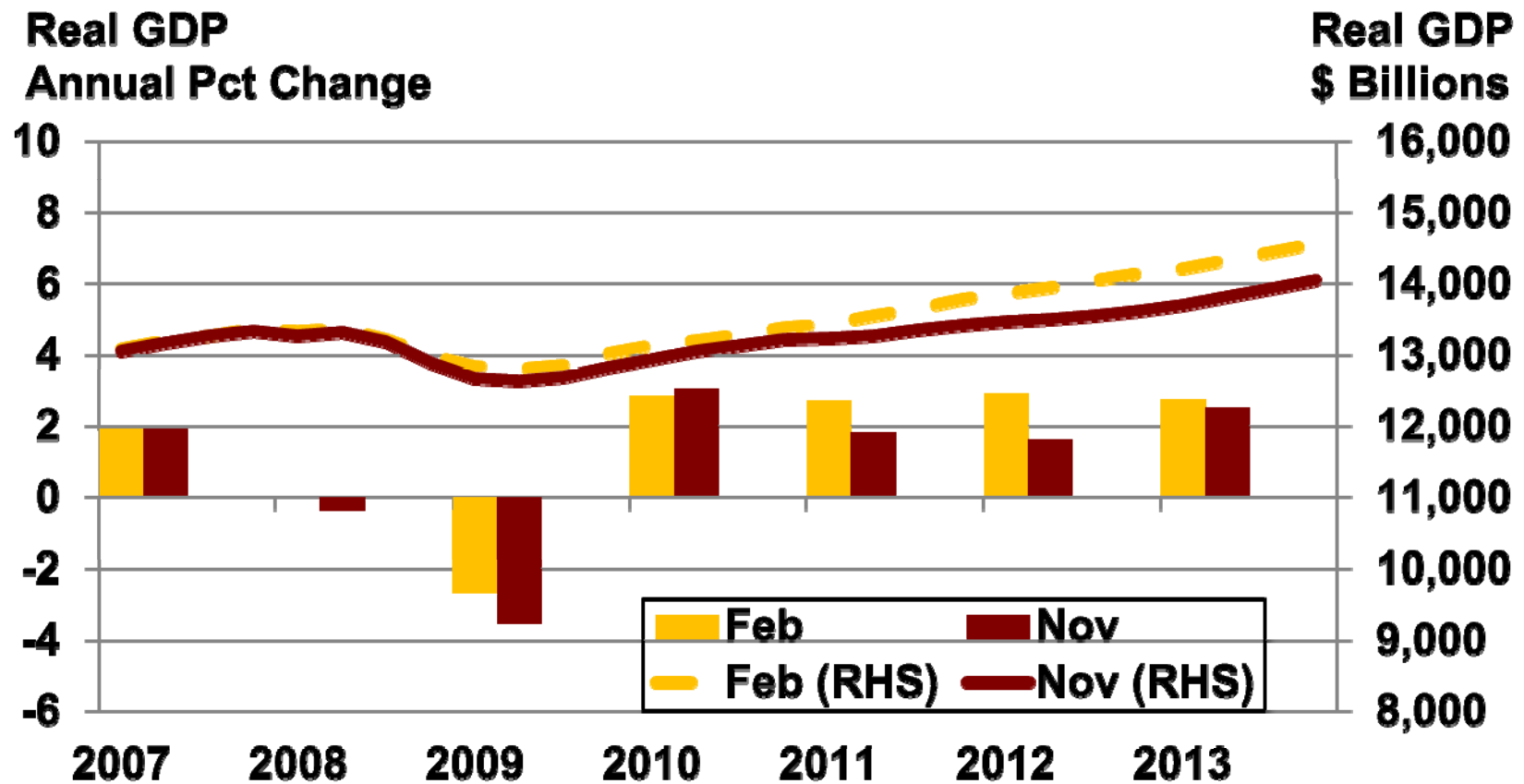
<b>Balance at end of session</b>	<b>\$15</b>
<hr/>	
<b>FY 2011 actual revenues</b>	<b>358</b>
<b>FY 2011 actual spending</b>	<b>(205)</b>
<b>FY 12-13 forecast revenues</b>	<b>(24)</b>
<b>FY 12-13 forecast spending</b>	<b>(348)</b>
<b>FY 12 deposit to reserve</b>	<b>27</b>
<hr/>	
<b><i>New Balance (allocated to reserves)</i></b>	<b>\$ 876</b>

\*Does not add to total due to rounding.

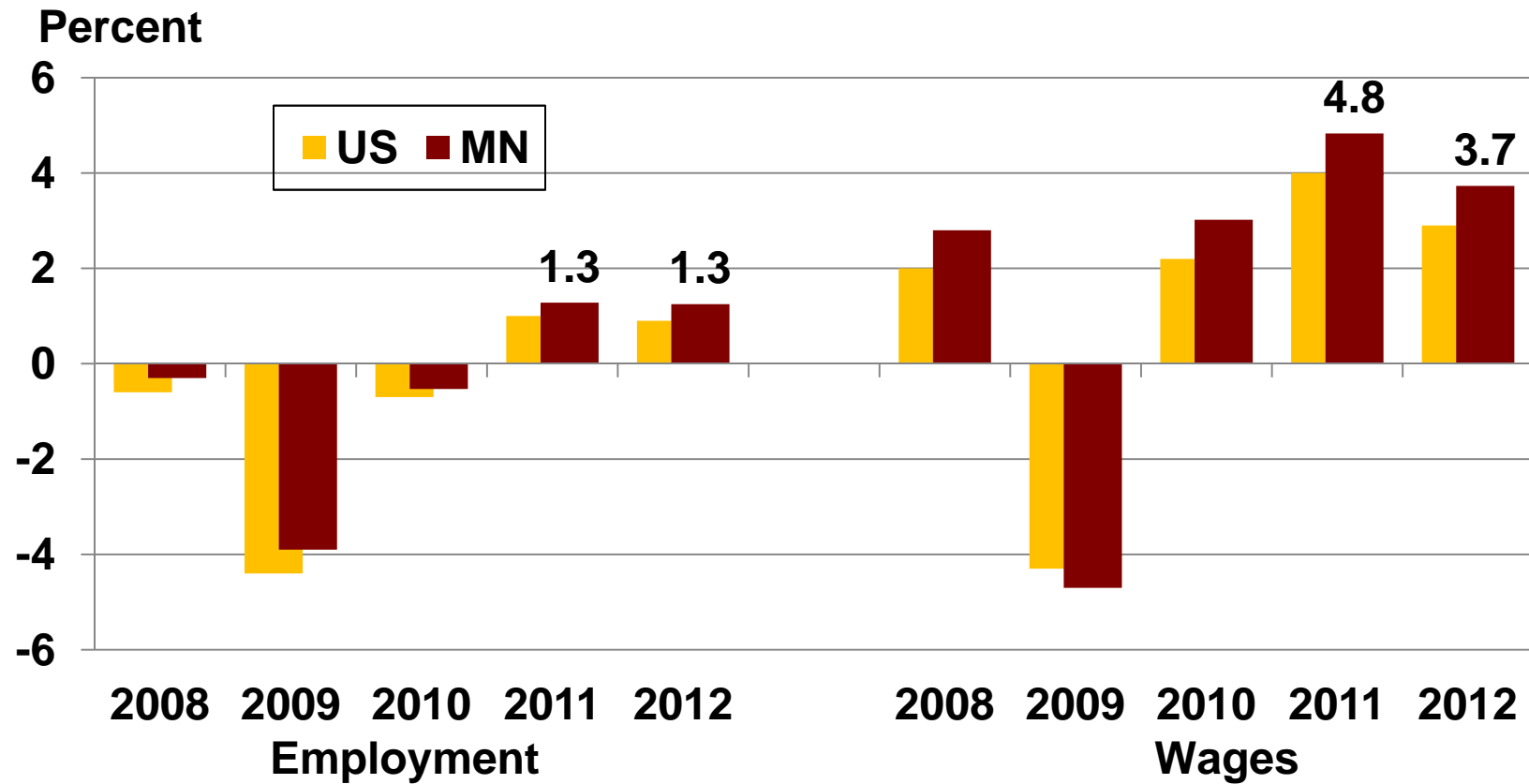
# **Current Law Allocates Entire Forecast Balance to Restoring Reserves**

- (1) \$255 Million – Fully restore cash flow account to \$350 million**
- (2) \$621 Million – Partially restores budget reserve to \$648 million, \$5 million short of cap**
- (3) \$ 0 – No buy-back of school shifts**

# Forecast Economic Growth for 2011 and 2012 is Down from February



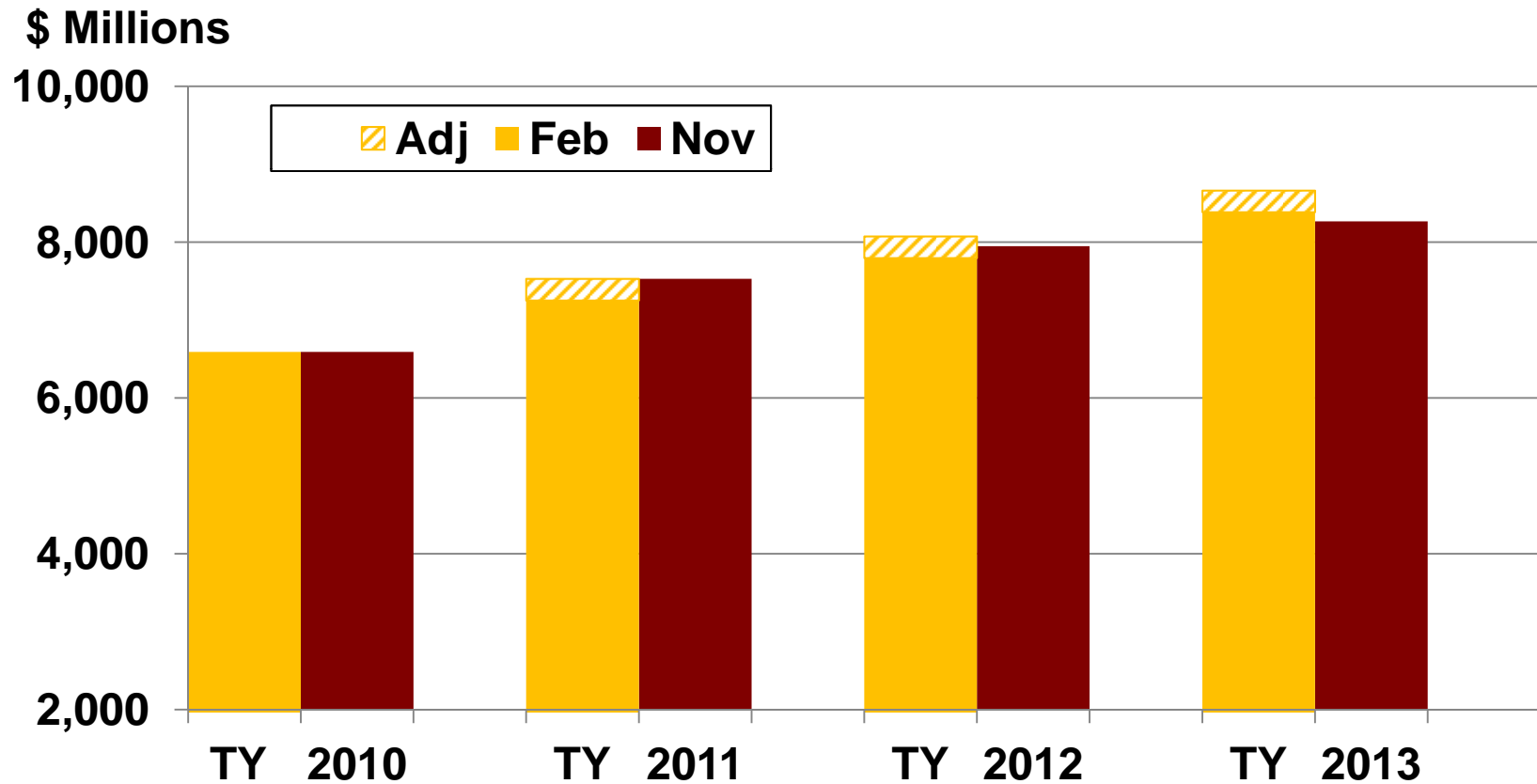
# Minnesota's Economy Likely to be Better than U.S. in 2011 and 2012



## Revenues Up \$358 Million in FY 2011, Down \$24 Million in FY 2012-13

<b>(\$ millions)</b>	<b>Change <u>FY 2011</u></b>	<b>Change <u>FY 2012-13</u></b>
<b>Individual Income</b>	<b>\$277</b>	<b>36</b>
<b>Sales Tax</b>	<b>(30)</b>	<b>(105)</b>
<b>Corp. Inc. Tax</b>	<b>11</b>	<b>150</b>
<b>All Other</b>	<b>100</b>	<b>(105)</b>
<b>Total Change</b>	<b>\$358</b>	<b>\$(24)</b>

# Income Tax Revenues Start from Higher Base, But Grow More Slowly





# Spending Down \$205 Million in FY 2011, and Down \$348 in FY 2012-13

<b>(\$ millions)</b>	<b>Change <u>FY 2011</u></b>	<b>Change <u>FY2012-13</u></b>
<b>K-12 Education</b>	<b>\$(8)</b>	<b>\$15</b>
<b>Health &amp; Human Svcs</b>	<b>(149)</b>	<b>(308)</b>
<b>Debt Service</b>	<b>0</b>	<b>(58)</b>
<b>All Other</b>	<b><u>(48)</u></b>	<b><u>3</u></b>
<b>Total Change</b>	<b>\$(205)</b>	<b>\$(348)</b>

# Human Services Forecast Reflects Recent Trends and Law Changes

- MA early expansion – experience with enrollment trends in new program
- Pharmacy rebates – new data to implement 2010 federal law change
- MA – recent experience slows overall enrollment and cost growth
- Uncertainty remains as state and federal law changes are implemented

## Projected FY 2014-15 Gap Reduced from \$1.9 Billion to \$1.3 Billion

	End-of- Session	November Forecast	Change
	<u>FY 14-15</u>	<u>FY 14-15</u>	<u>FY 14-15</u>
Revenues	35,296	35,717	421
Spending*	<u>37,187</u>	<u>37,017</u>	<u>(170)</u>
<i>Difference</i>	<b><i>\$(1,891)</i></b>	<b><i>\$(1,300)</i></b>	<b><i>\$(591)</i></b>

\*Spending not adjusted for general inflation -

Adjusting for inflation would increase spending by \$425 million in 2014, and \$882 million in 2015