

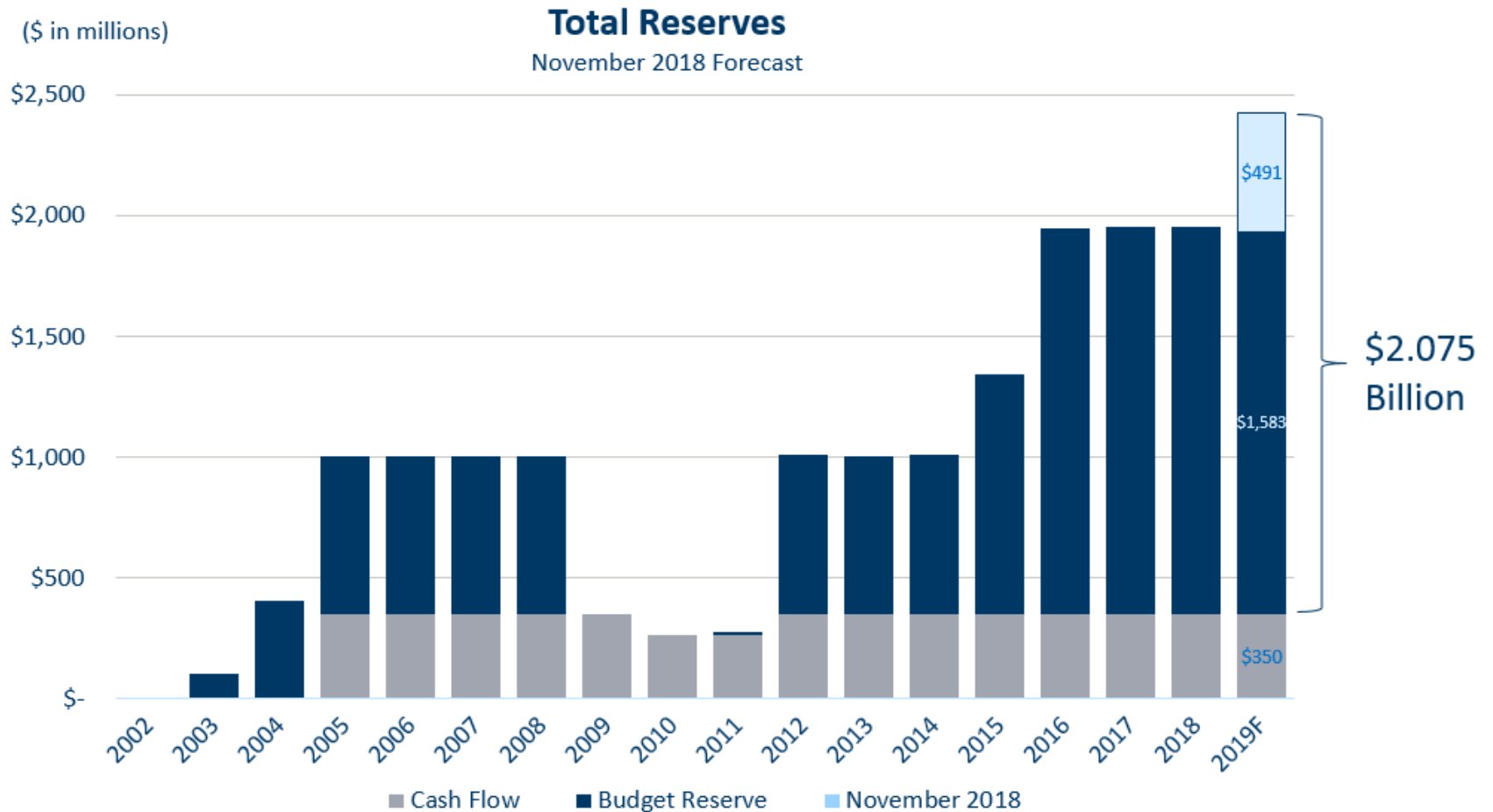
Budget and Economic Forecast

December 6, 2018

State Finances are Stable

- Projected balance now \$1.5 billion for FY 2020-21
- Improved outlook for FY 2018-19 biennium
- Added to budget reserve as required by law
- Economic outlook weakened since February
- Slower revenue growth projected for FY 2022-23

Budget Reserve Largest in State History



Current Biennium's Balance Increases

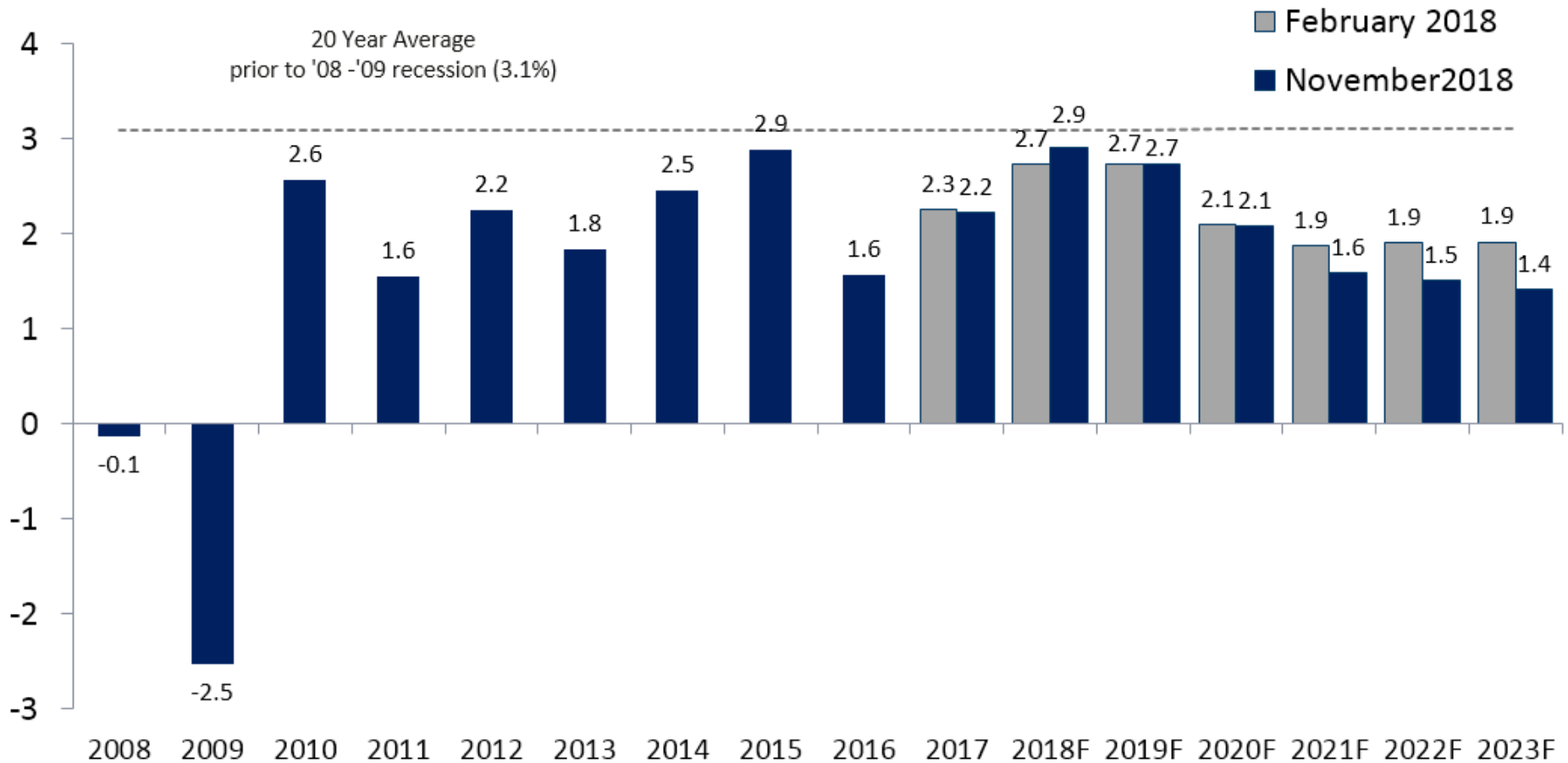
(\$ in millions)	FY 2018-19 End-of-Session	FY 2018-19 Nov. Forecast	Forecast Change
Beginning Balance	\$3,333	\$3,333	\$ -
Revenues	44,801	45,410	609
Spending	45,856	45,549	(306)
Cash & Budget Reserves	1,933	2,070	137
Stadium Reserve	58	50	(8)
Forecast Balance	\$288	\$1,074	\$786
33% to Budget Reserve	-	354	354
Budgetary Balance	\$288	\$720	\$432

\$1.5 Billion Available for Upcoming Budget

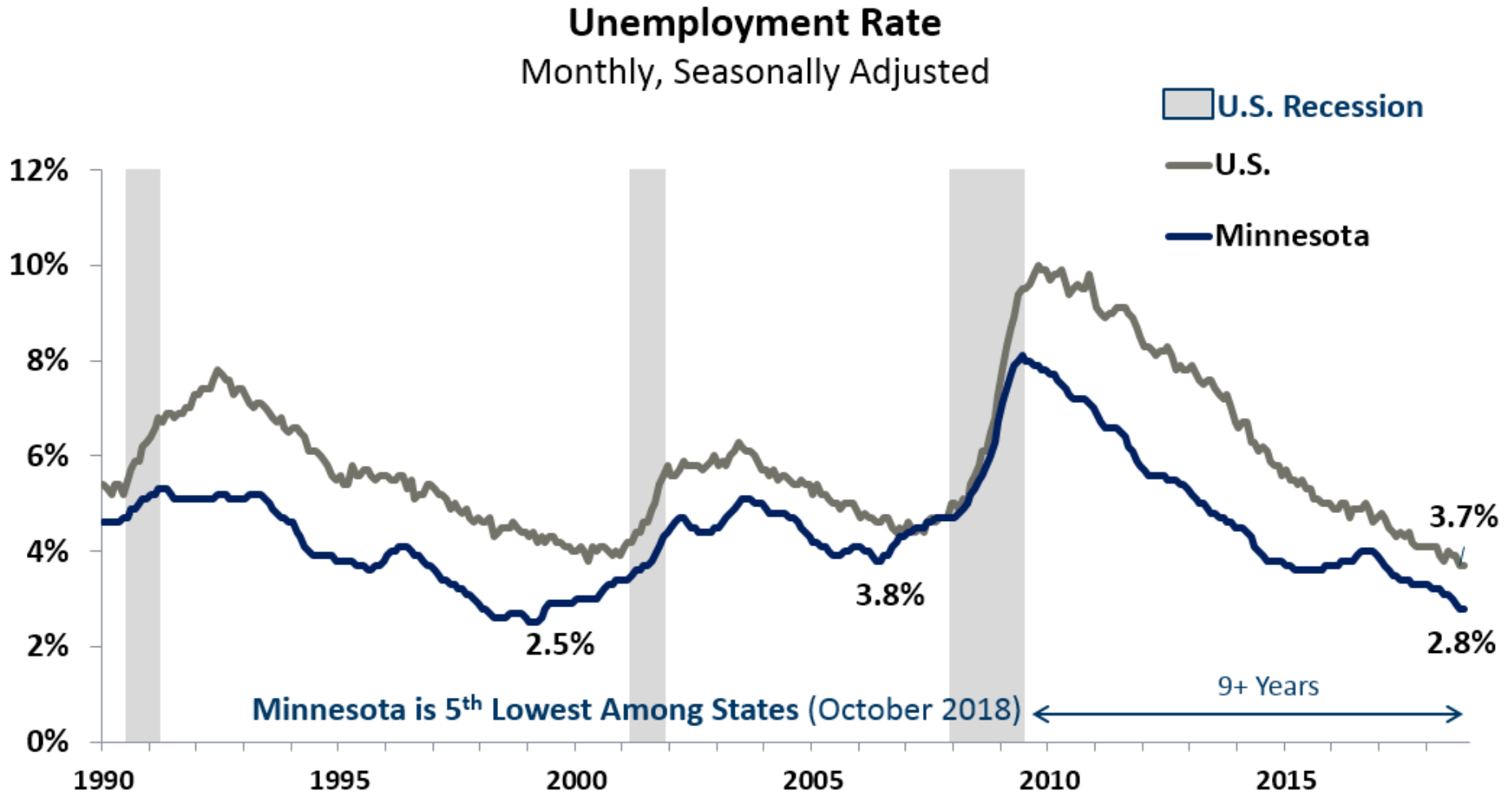
(\$ in millions)	FY 2020-21 End-of-Session	FY 2020-21 Nov. Forecast	Forecast Change
Beginning Balance	\$2,279	\$3,194	\$915
Revenues	48,136	48,327	190
Spending	47,943	47,454	(489)
Cash & Budget Reserves	1,933	2,425	491
Stadium Reserve	120	98	(22)
Forecast Balance	\$419	\$1,544	\$1,125

U.S. Outlook Weakened Since February

Real Gross Domestic Product
Annual Percent Change



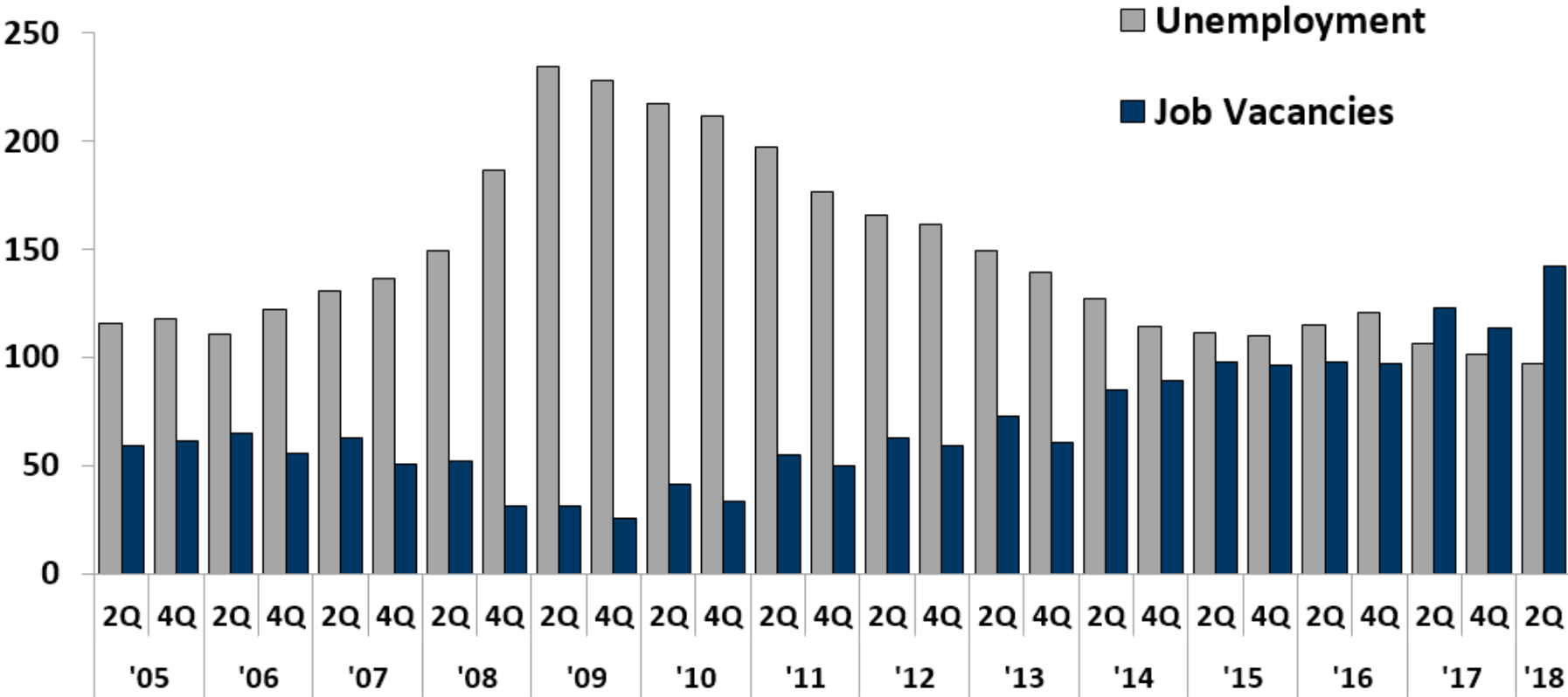
State Unemployment Rate Remains Below U.S.



Low Unemployment, High Demand for Workers in Minnesota

Minnesota Labor Market Indicators

Thousands

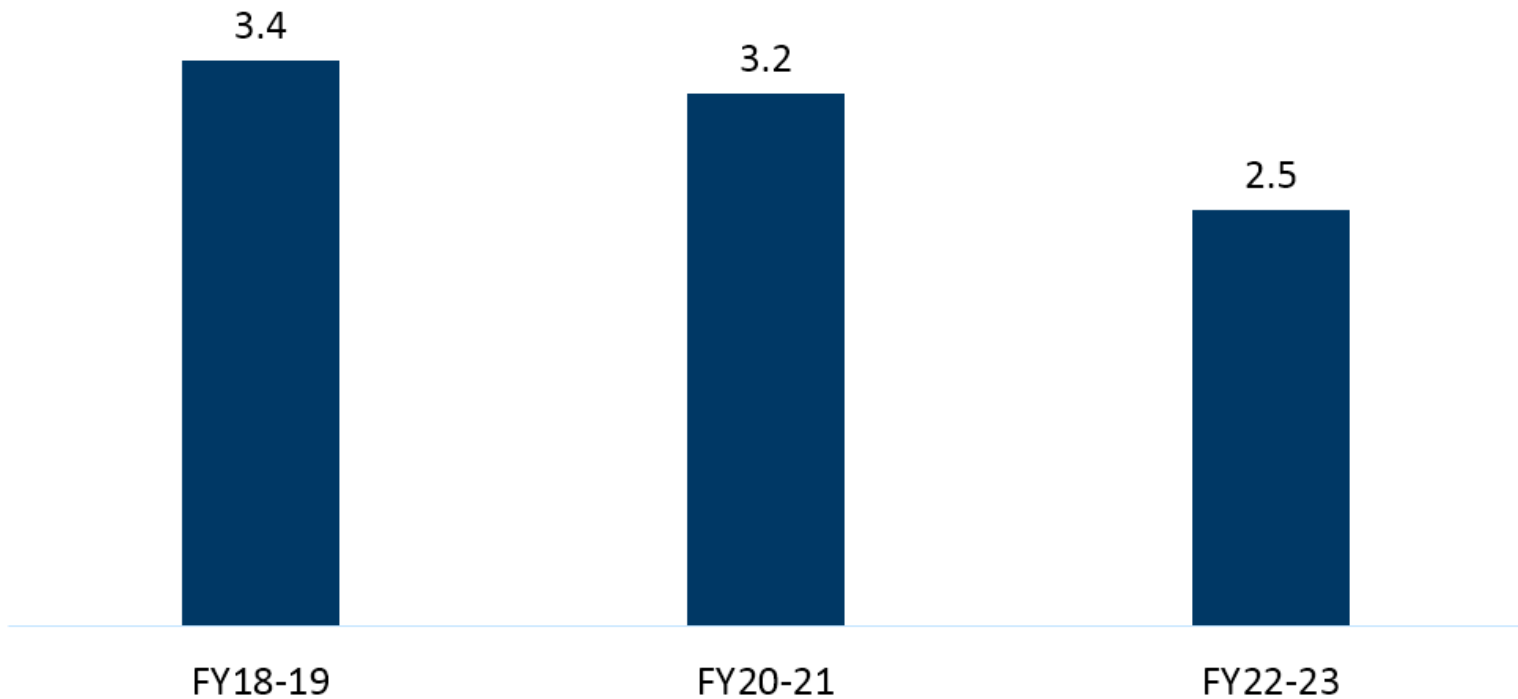


Revenue Forecast Improved in FY 2018-19, Slightly Improved in FY 2020-21

(\$ in millions)	FY 2018-19		FY 2020-21	
	Nov. 2018 Forecast	Forecast Change	Nov. 18 Forecast	Forecast Change
Individual Income Tax	\$24,133	\$419	\$26,276	\$81
General Sales Tax	11,143	(120)	12,022	(5)
Corporate Franchise Tax	2,703	107	2,650	41
All Other Revenue	7,431	205	7,379	74
Total Revenues	\$45,410	\$609	\$48,327	\$190

Forecast Revenue Growth Slows

Biennial Growth in Total Revenues
Annualized percent growth



Forecast Risks

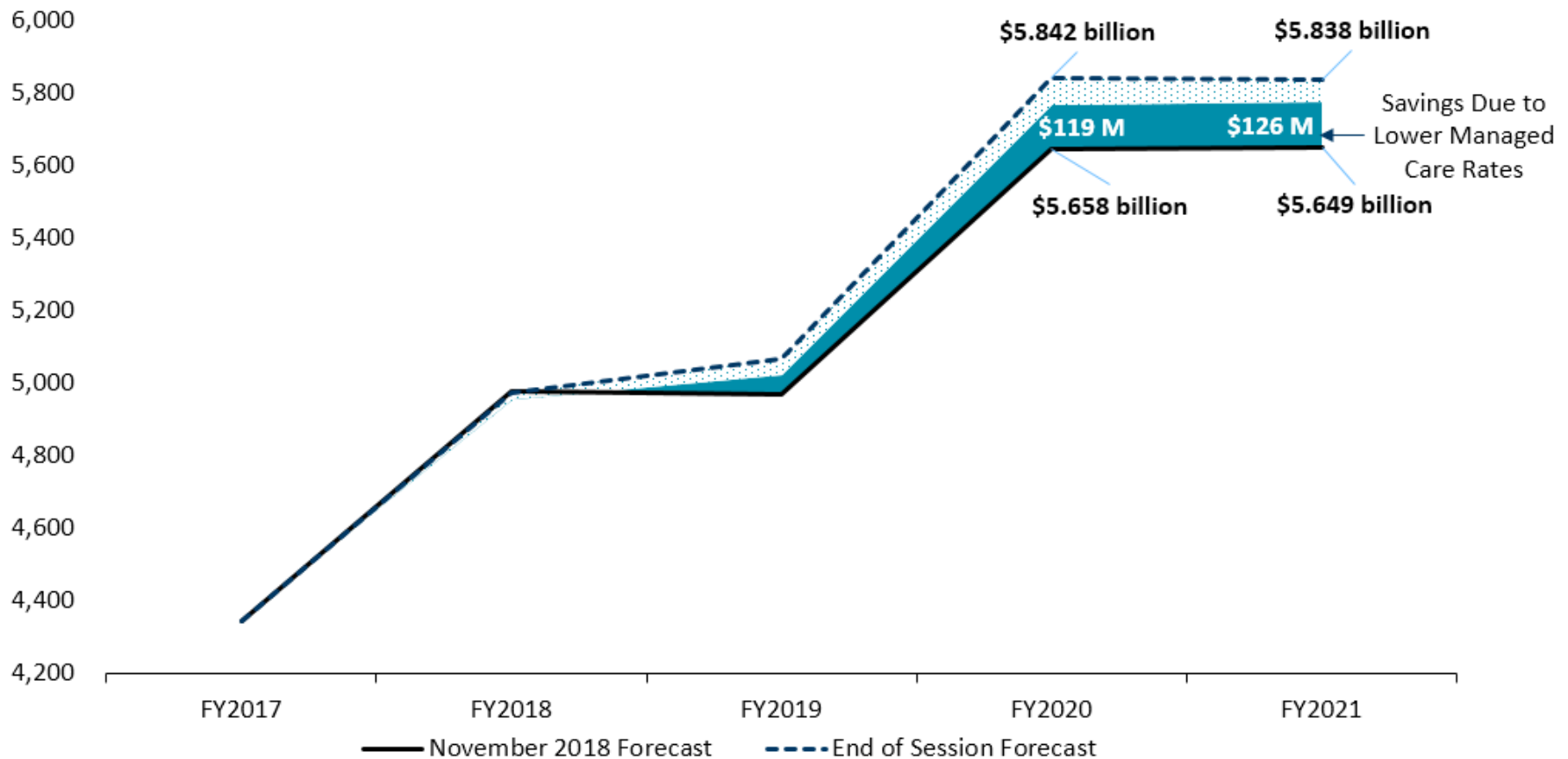
- Trade policy uncertainty
- Stock market volatility
- Taxpayer response to federal tax law changes
- 30 months remain until the end of FY 2020-21

Slower Health Care Growth Drives Expenditure Savings

(\$ in millions)	FY 2018-19		FY 2020-21	
	Nov. 2018 Forecast	Forecast Change	Nov. 2018 Forecast	Forecast Change
E-12 Education	\$18,845	\$(1)	\$19,601	\$(14)
Property Tax Aids & Credits	3,664	11	3,710	64
Health & Human Services	13,403	(216)	14,905	(517)
Debt Service	1,113	(26)	1,199	18
All Other	8,524	(74)	8,040	(40)
Total Spending	\$45,549	\$(306)	\$47,454	\$(489)

Lower Health Care Rates Create HHS Savings

Changes in General Fund Medical Assistance Spending (\$ - millions)



Long Term Budget Outlook Shows Weakening

(\$ in millions)	FY 2020-21	FY 2022-23	Biennial Growth	Annualized % Growth
Forecast Revenues	\$48,327	\$50,735	\$2,408	2.5%
Projected Spending	47,454	50,279	2,825	2.9%
Structural Balance	\$873	\$456		
<i>Estimated Inflation</i>	<i>\$1,162</i>	<i>\$2,907</i>		

BUDGET AND ECONOMIC FORECAST



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