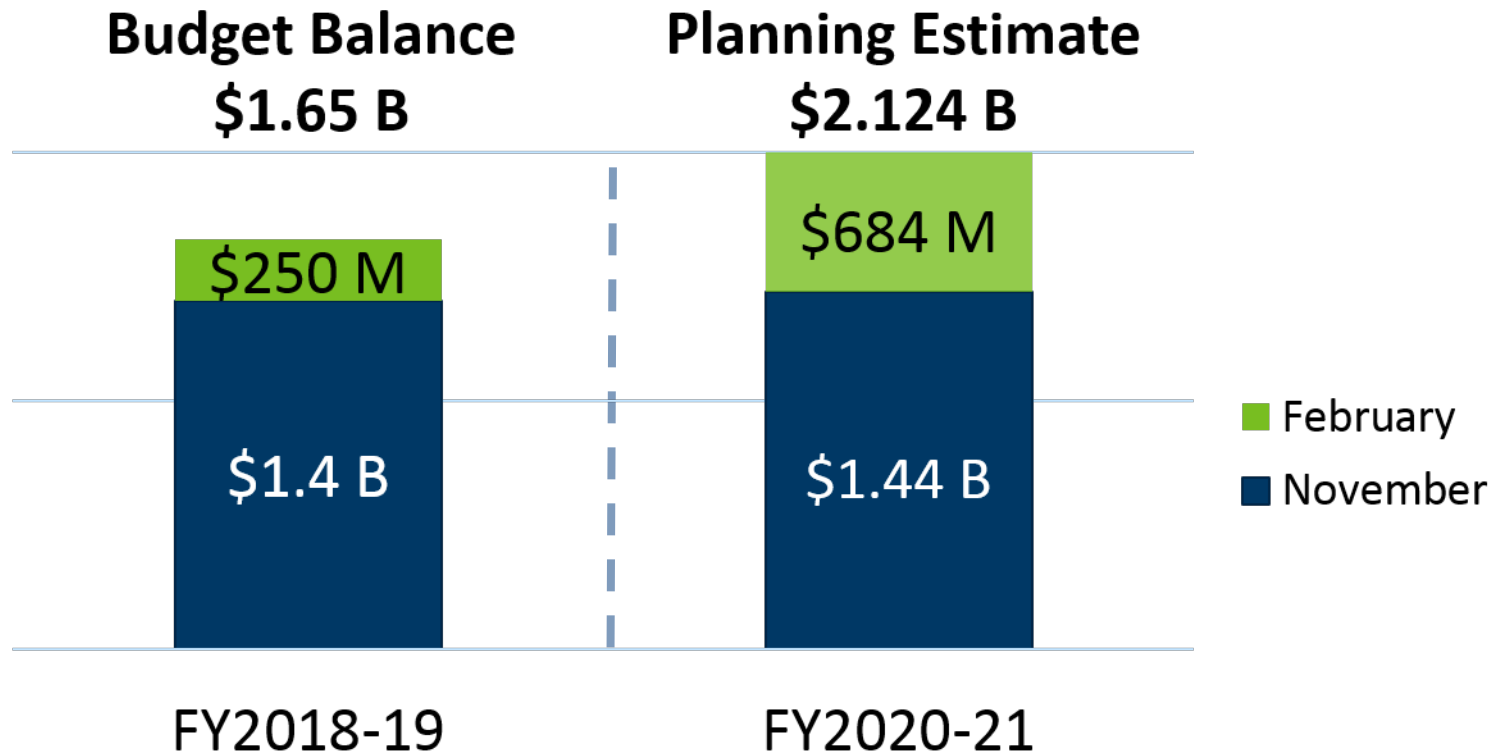


Budget and Economic Forecast

February 28, 2017

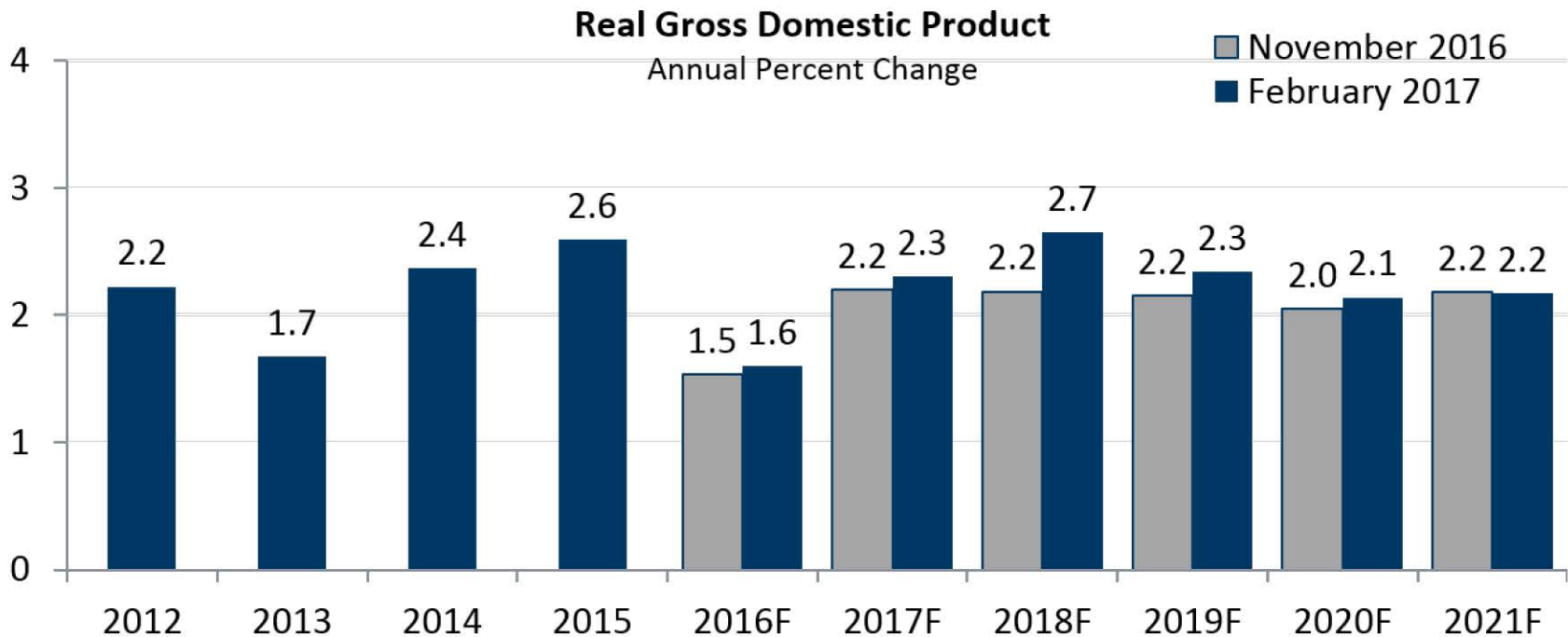
Eighth Forecast with a Positive Balance



\$2 B cash and budget reserves

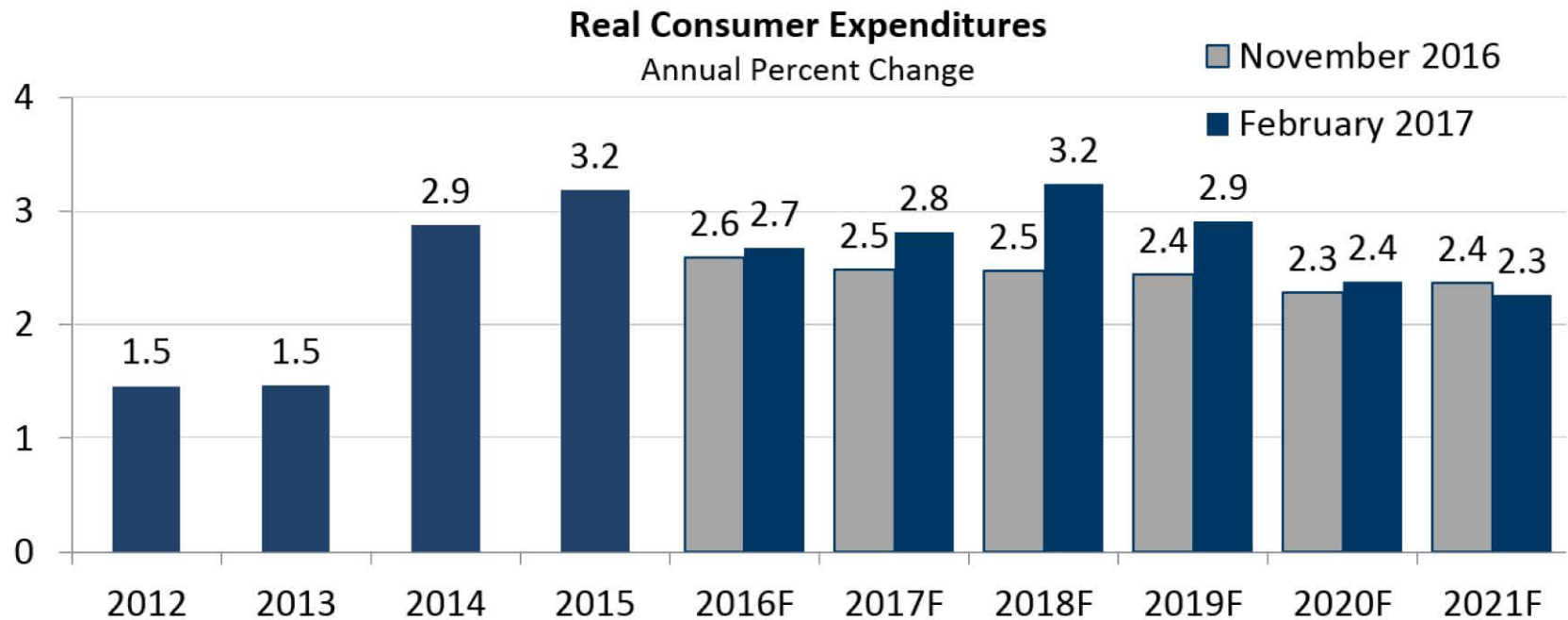
Significant forecast risks

U.S. Economic Outlook Improves



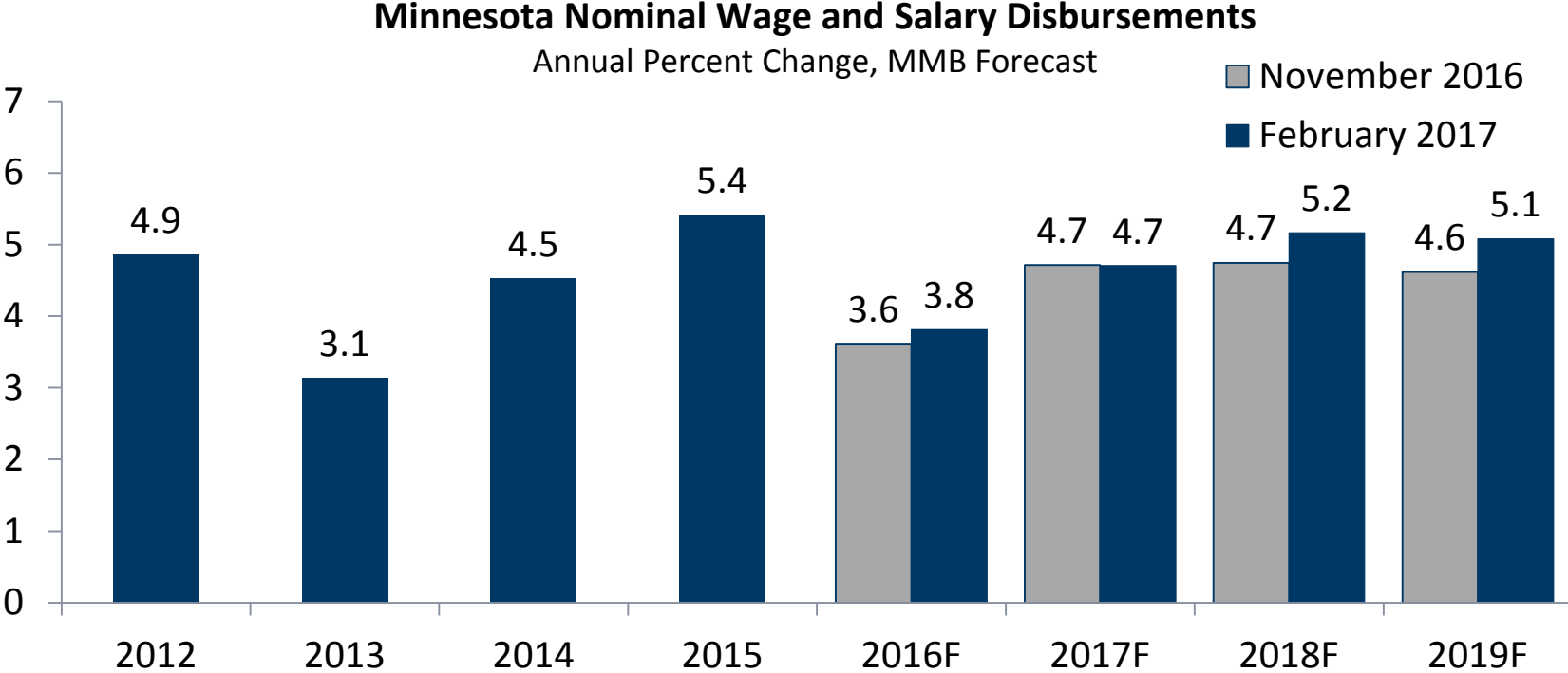
Source: U.S. Bureau of Economic Analysis (BEA), IHS Economics (IHS)

U.S. Fiscal Policy Expected to Boost Consumer Spending



Source: U.S. Bureau of Economic Analysis (BEA), IHS Economics (IHS)

Higher Growth in Minnesota Wage Income Expected



Source: U.S. Bureau of Economic Analysis (BEA), Minnesota Management & Budget (MMB)

Forecast Revenues for Current and Next Biennium

	FY 2016-17		FY 2018-19	
(\$ in millions)	Feb 2017 Forecast	Forecast Change	Feb 2017 Forecast	Forecast Change
Individual Income Tax	\$21,927	\$133	\$24,401	\$274
General Sales Tax	10,581	(31)	11,466	48
Corporate Franchise Tax	2,615	4	2,623	69
Statewide Property Tax	1,692	(2)	1,742	(2)
All Other Revenue	5,621	(28)	5,431	(67)
Total Revenues	\$42,435	\$75	\$45,663	\$321

Significant Risks with this Forecast

- U.S. policy uncertainty
- International trade
- Inflation
- Long, slow-growth expansion
- 28 months remain until end of FY 2018-19

Education Spending Increases in Both Biennia

(\$ in millions)	FY 2016-17		FY 2018-19	
	Feb 2017 Forecast	Forecast Change	Feb 2017 Forecast	Forecast Change
E-12 Education	\$17,427	\$24	\$18,272	\$95
Property Tax Aids & Credits	3,338	(4)	3,452	(15)
Health & Human Services	11,766	(42)	14,324	73
Debt Service	1,139	-	1,143	-
All Other	8,148	11	7,550	3
Total Spending	\$41,817	\$(12)	\$44,741	\$156

Current Biennium's Balance Increases

Current biennium's balance increases (\$ in millions)	FY2016-17		
	Nov Forecast Adjusted	February Forecast	Forecast Change
Beginning Balance	\$2,103	\$2,103	\$ -
Revenues	42,360	42,435	75
Spending	41,829	41,817	(12)
Cash & Budget Reserves	1,953	1,953	-
Stadium Reserve	24	25	1
Forecast Balance	\$656	\$743	\$87

Next Biennium's Balance Increases

Current biennium's balance increases

(\$ in millions)	FY 2018-19		Forecast Change
	Nov Forecast Adjusted	February Forecast	
Beginning Balance	\$2,634	\$2,721	\$88
Revenues	45,342	45,663	321
Spending	44,585	44,741	156
Cash & Budget Reserves	1,953	1,953	-
Stadium Reserve	38	40	3
Forecast Balance	\$1,400	\$1,650	\$250

Long Term Budget Outlook Remains Stable

(\$ in millions)	FY 2018-19	fiscal year FY 2020-21	Biennial Growth	Annualized % Growth
Forecast Revenues	\$45,663	\$49,357	\$3,694	4.0%
Projected Spending	\$44,741	\$47,233	\$2,492	2.7%
Structural Balance	\$922	\$2,124		
<i>Estimated Inflation (CPI from 2.1 to 2.7%)</i>	<i>\$1,109</i>	<i>\$3,084</i>		

Sound Fiscal Management and Structural Balance

#3 Best State

U.S. News & World
Report

AAA

Fitch Ratings

**#2 Best-Run
State**

24/7 Wall St.

**Best State for
Job Creation**

Gallup