



# FEBRUARY 2014

MINNESOTA MANAGEMENT & BUDGET

[MIMB.STATE.MN.US](http://MIMB.STATE.MN.US)



February 28, 2014

Budget & Economic Forecast

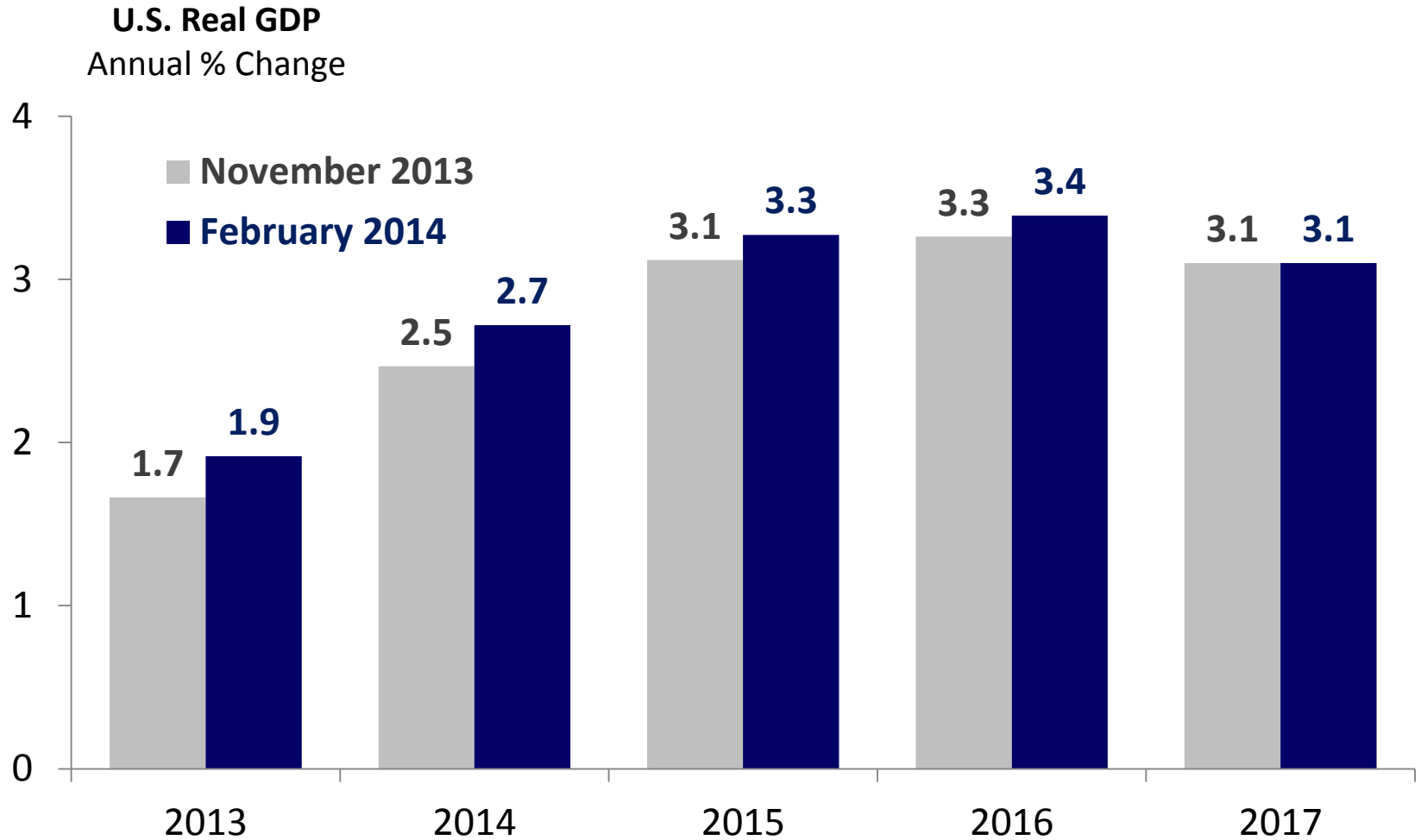
## February Forecast Summary

- \$825 million budget balance grows to \$1.233 billion for FY 2014-15
- Growth in income and sales tax collections contribute to revenue forecast
- U.S. economic outlook improves
- Long term budget outlook remains positive

# Revenue Gain, Lower Spending Add to Forecast Balance

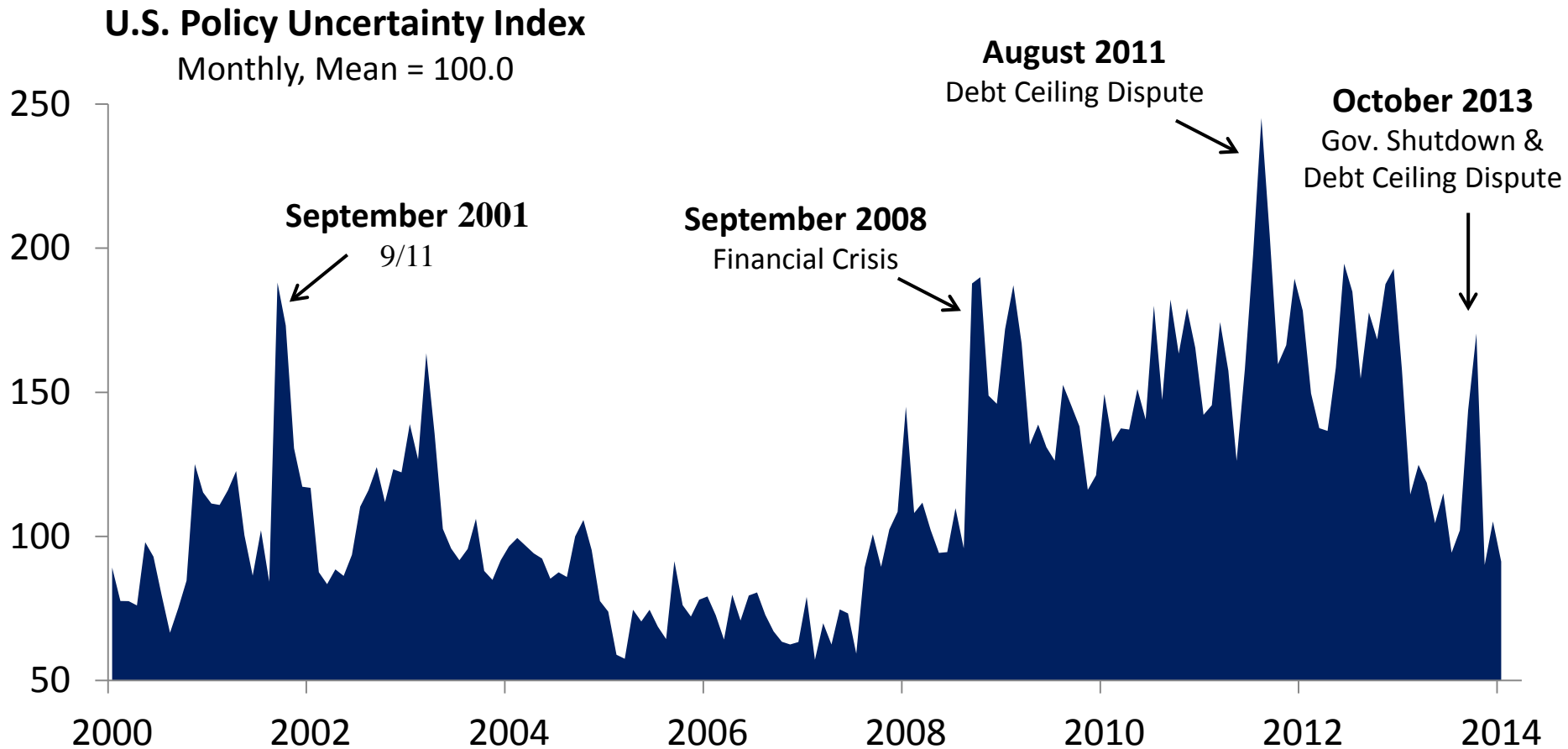
| (\$ in millions)         | <b>February</b>        | <b>\$</b>            |
|--------------------------|------------------------|----------------------|
|                          | <b><u>Forecast</u></b> | <b><u>Change</u></b> |
| <b>Beginning Balance</b> | \$1,712                | -0-                  |
| Revenues                 | 39,575                 | 366                  |
| Spending                 | 39,019                 | (48)                 |
| Reserves                 | 1,011                  | -0-                  |
| Stadium Reserve          | <u>23</u>              | <u>6</u>             |
| <b>Forecast Balance</b>  | <b>\$1,233</b>         | <b>\$408</b>         |

# U.S. Economic Outlook has Improved



Source: IHS Global Insight

# Near-term Federal Policy Uncertainty is Reduced



Source: Baker, Bloom, & Davis

# Consumer Confidence is Improving

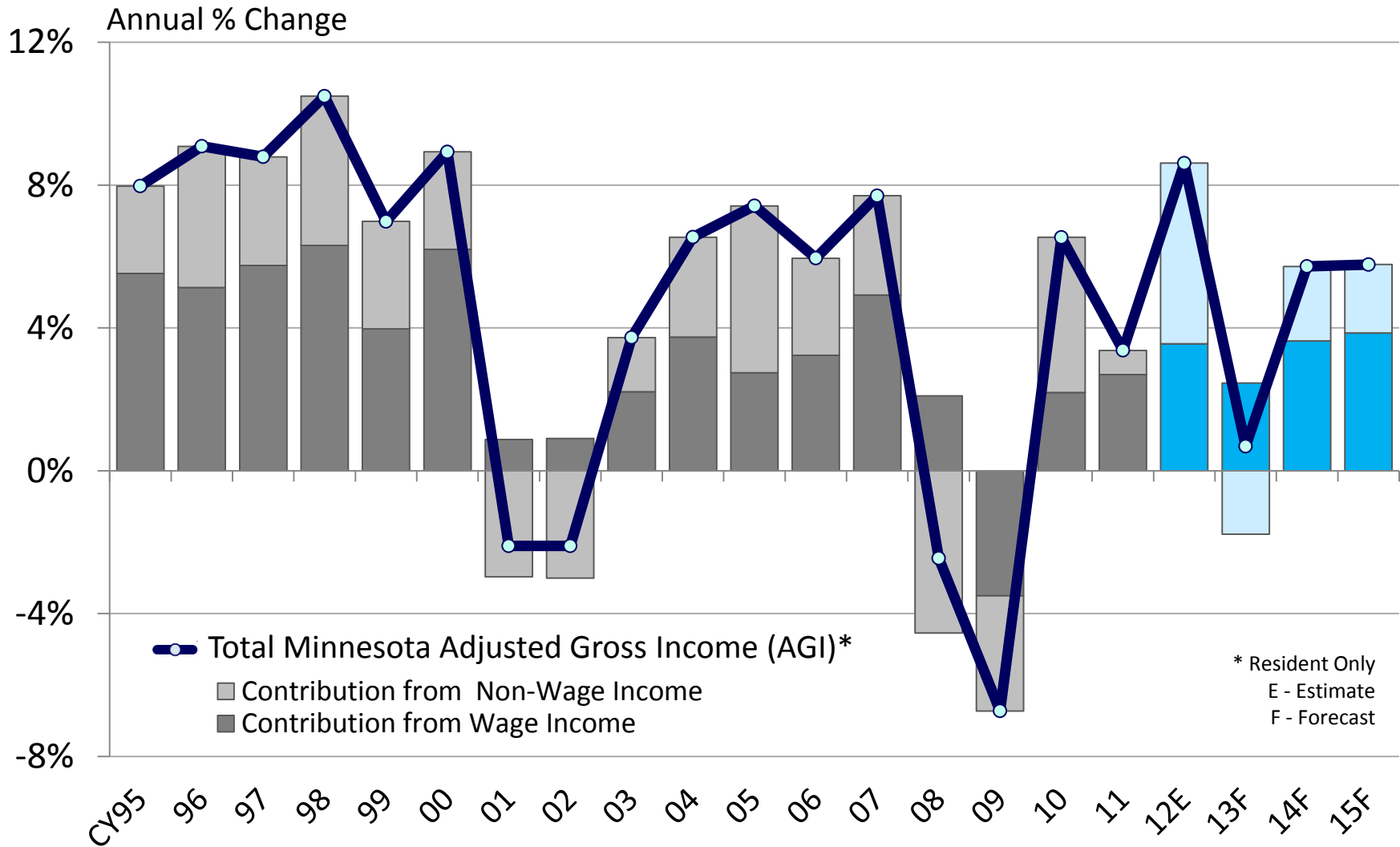
## U of Michigan Consumer Sentiment Index

Monthly, Seasonally Adjusted



Source: IHS Global Insight (GI); Reuters/University of Michigan

# Moderate Income Growth Expected



Source: Minnesota Department of Revenue; Minnesota Management & Budget (MMB)

# Revenues Up Slightly From Previous Estimates

| (\$ in millions)             | <u>FY 2014-15</u>      | <u>\$ Change</u>    |
|------------------------------|------------------------|---------------------|
| Income                       | \$19,560               | \$188               |
| Sales                        | 10,361                 | 167                 |
| Corporate                    | 2,714                  | 38                  |
| Statewide Property Tax       | 1,665                  | (4)                 |
| Other Tax Revenue            | <u>3,513</u>           | <u>(27)</u>         |
| <b><i>Taxes Subtotal</i></b> | <b><i>\$37,813</i></b> | <b><i>\$362</i></b> |
| Non-tax Revenues             | 1,432                  | 5                   |
| Other Resources              | <u>330</u>             | <u>(1)</u>          |
| <b>Total Revenues</b>        | <b>\$39,575</b>        | <b>\$366</b>        |



# Uncertainties Remain

- Harsh weather clouds economic signals
  - Jobs
  - Manufacturing
  - Construction
- Non-wage income adds revenue volatility
- Recent higher-than-expected tax payments

# Small Decrease in Projected Spending

(\$ in millions)

|                             | <u>FY 2014-15</u> | <u>\$ Change</u> |
|-----------------------------|-------------------|------------------|
| K-12 Education              | \$16,625          | \$(29)           |
| Property Tax Aids & Credits | 2,923             | (24)             |
| Health & Human Services     | 11,343            | 16               |
| Debt Service                | 1,253             | 1                |
| All Other                   | <u>6,875</u>      | <u>(12)</u>      |
| <b>Total Spending</b>       | <b>\$ 39,019</b>  | <b>\$(48)</b>    |

# Planning Estimates Improve Slightly

| (\$ in millions)       | <u>FY 2016</u> | <u>FY 2017</u> | <u>FY 16-17</u> |
|------------------------|----------------|----------------|-----------------|
| Revenues               | \$21,155       | \$22,128       | \$43,284        |
| Spending               | <u>20,133</u>  | <u>20,551</u>  | <u>40,685</u>   |
| <b>Difference</b>      | <b>\$1,022</b> | <b>\$1,577</b> | <b>\$2,599</b>  |
| <i>Forecast Change</i> | <i>\$167</i>   | <i>\$234</i>   | <i>\$401</i>    |

\* Spending not adjusted for general inflation (CPI) – adjusting for inflation would increase spending by \$1.068 billion (\$342 million in 2016 and \$726 million in 2017)