

HIGHLIGHTS

Budget Outlook Improves -- \$1.086 Billion Balance Projected for FY 2014-15

Changes in forecast general fund revenue and expenditures for the current biennium have increased the projected balance for FY 2014-15 from \$47 million to \$1.086 billion. Forecast revenues have increased \$787 million (2.0 percent), while projected spending is \$247 million (0.6 percent) lower. A net reduction in general fund reserves added an additional \$5 million to the bottom line.

K-12 Shifts Completely Repaid, \$825 Million Balance Remains

As in recent forecasts, current law requires any forecast balance be used to repay K-12 shifts. The first \$246 million of the balance will be used to complete repayment of the K-12 school property tax recognition shift. Additionally, \$15 million is transferred to the state airports fund, restoring money originally borrowed in 2008. This forecast completes repayment of accounting shifts from prior budget solutions, reducing the forecast balance to \$825 million.

Minnesota's Economy Remains Strong, State Revenues Benefit

Stronger employment and income growth continue to contribute to forecast revenue growth in FY 2014-15. Higher income and corporate tax estimates are the source of almost all of the additional forecast revenue. This improvement, however, is not without risk. To date, only four months of revenues have been collected out of the twenty-four months of the current budget period.

U.S. Economic Outlook is Slightly Weaker

Global Insight expects moderate economic growth to extend through the biennium. Real GDP growth is now expected to be 1.7 percent in 2013, 2.5 percent in 2014 and 3.1 percent in 2015. February's baseline forecast had called for 1.9 percent growth in 2013, followed by 2.8 percent and 3.3 percent growth in 2014 and 2015 respectively. Uncertainty surrounding federal budget and debt ceiling discussions and possible revisions to recent positive economic reports are the most significant near-term threats to the U.S. outlook.

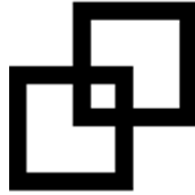
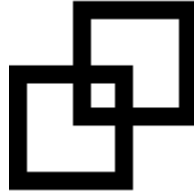


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EXECUTIVE SUMMARY

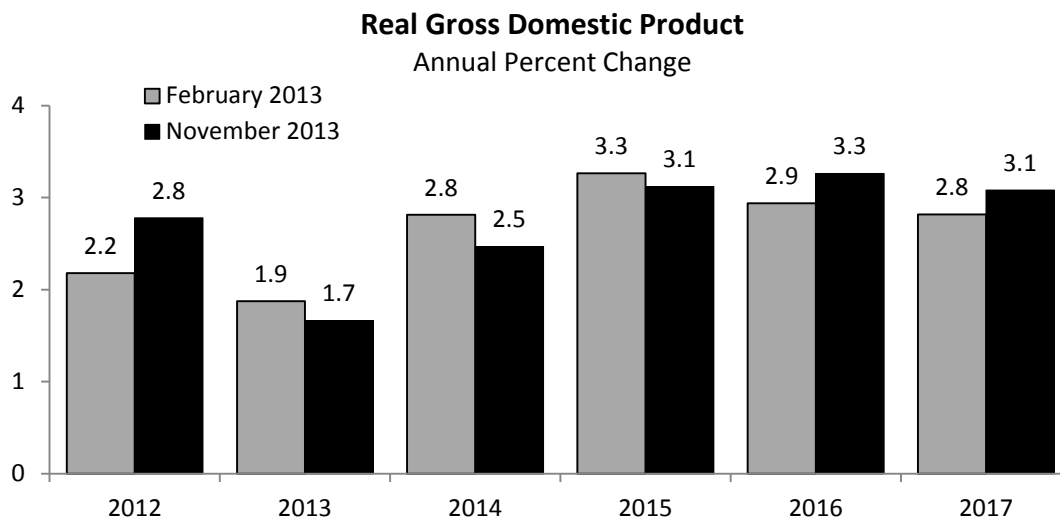
Minnesota's economic and budget picture remains strong despite a slightly weaker U.S. economic outlook. Typically, it would be expected that slightly lower estimates of U.S. economic growth would lead to a reduction or little change in the state budget forecast. This time, this is not the case. Minnesota's economy continues to make solid gains. Stronger employment and income growth in 2013 are contributing to a \$787 million increase in forecast revenue in the current biennium due to projected increases in income and corporate tax collections. Forecast spending is down \$247 million due in part to lower health and human services spending. Combined forecast changes, after completing repayment of prior accounting shifts, leave a projected \$825 million balance for the current biennium.

U.S. Economic Outlook: The U.S. economic outlook has slightly weakened. Since the February *Budget and Economic Forecast*, the across-the-board federal government spending sequester was allowed to take effect without modifications, the Federal Reserve began to float the idea of "tapering" the pace of its bond purchases, and the federal government shut down for 16-days in October after Congress failed to break a partisan deadlock over the FY 2014 budget. That additional fiscal restraint and policy uncertainty has taken a toll on consumer and business confidence. That has dampened spending, investment, and hiring decisions in 2013.

Nevertheless, fundamentals for solid growth in the U.S. economy remain firm. Household balance sheets have markedly improved, payroll jobs growth has been running at a solid pace of 150,000 to 200,000 net new jobs each month, and demand for the traditional drivers of recovery, vehicles and housing, remains relatively strong. The impact of fiscal tightening is dissipating, and global growth is strengthening. Home builders are still reporting strong buyer traffic, and business survey results point toward steady expansion in manufacturing.

Global Insight (GI), Minnesota's macroeconomic consultant, expects growth to accelerate over the course of 2014, led by an upturn in consumer spending, improved housing and equipment investment, and the easing of federal fiscal drag. The improved pace of economic growth is expected to spur faster job creation, reducing the unemployment rate to less than 7 percent by the end of next year. The GI November baseline forecasts real GDP growth to accelerate from 1.7 percent in 2013 to 2.5 percent in 2014 and 3.1 percent in 2015. The February baseline forecast called for slightly stronger growth of 1.9 percent in 2013, followed by 2.8 percent growth in 2014 and 3.3 percent growth in 2015. Global Insight's November baseline forecast for 2013 through 2015 is very similar to the Blue Chip Consensus, the median of 50 business and academic

forecasts. The Blue Chip forecast is for 1.7 percent growth in 2013, followed by 2.5 percent growth in 2014 and 2.9 percent growth in 2015. Inflation continues to be of little concern. November's baseline anticipates CPI increases of 1.4 percent in 2013, 1.4 percent in 2014 and 1.5 percent in 2015. February's inflation outlook was similarly subdued.



Source: U.S. Bureau of Economic Analysis (BEA), Global Insight (GI)

The forecast for U.S. economic growth has slightly weakened since February, partly due to ongoing fiscal policy uncertainty. Nevertheless, GI expects growth to accelerate over the course of 2014, led by consumer spending, housing and equipment investment, and the easing of federal fiscal drag.

Global Insight believes the most significant near-term threats facing the U.S. economy are political uncertainty surrounding budget and debt-ceiling discussions and possible revisions to recent positive reports on GDP and employment. As in February, GI assigns a 60 percent probability to November's baseline and 20 percent probabilities to more pessimistic and optimistic alternative scenarios. In the pessimistic scenario, the U.S. economy suffers from the combination of unwarranted fiscal tightening and a deteriorating global economic outlook, including a worsening Eurozone crisis. The private sector retrenches, housing activity slows, and the recovery stalls in late 2013 and early 2014, barely avoiding recession. In the optimistic scenario, the scheduled automatic spending cuts are replaced with a credible long term deficit reduction plan, while a stronger housing recovery and faster employment growth reignite the recovery.

Minnesota Economic Outlook: Minnesota's economy continues to make solid gains. The Bureau of Economic Analysis (BEA) reports the state's real GDP rose 3.5 percent in 2012, ranking among the six fastest-growing state economies during that year. Minnesota's unemployment rate fell to 4.8 percent in October, the lowest level since the recession began in December 2007 and a full two and a half percentage points lower than the nation. First time claims for jobless benefits have fallen to levels not observed in more than a decade. Leading indicators, such as temporary help employment, average hours worked, job vacancies, and the number of unemployed remain strong. Withholding collections indicate that Minnesota's wage and salary income growth is outperforming previous expectations, and gains in non-farm employment payrolls are occurring across every major industry, with the exception of manufacturing and federal government employment. That diverse economic revival has helped Minnesota recover from recession faster than the nation. As of August 2013, the state has now recovered all of the approximately 150,000 jobs lost during the Great Recession that began in December 2007. Nationally, about 82 percent of the 8 million jobs lost during the recession have come back.

Forecasts for state employment and wages have been revised based on recent Minnesota specific information and GI's November 2013 baseline. Economists at Minnesota Management & Budget (MMB) believe Minnesota's labor market is still improving, but the drag from federal fiscal restraint and political uncertainty are weighing on growth. In MMB's November 2013 economic forecast, Minnesota employment and income growth remain modest in 2014, reflecting stronger consumer and business fundamentals in the broader U.S. economy, rising demand for new home construction, and improving global growth.

The forecast for Minnesota's economy assumes that GI's November 2013 baseline materializes. Any unanticipated adverse developments in the U.S. economy, such as more political gridlock in Washington or weaker global growth than GI assumes, will have unfavorable effects on Minnesota's economy.

Budget Outlook: The forecast yields a \$1.086 billion balance, but shift buybacks reduce it to \$825 million. Compared to October revised estimates, Minnesota's budget outlook continues to improve. Forecast revenues are now expected to be \$39.209 billion, \$787 million higher than previous estimates that were based on February's forecast adjusted for tax changes enacted in the 2013 session. Revised spending for the biennium is expected to be \$38.806 billion, \$247 million below earlier estimates.

The resulting forecast balance is reduced by required repayment of the final portions of accounting shifts originally enacted in the 2008-11 legislative sessions as part of budget solutions. The cost of completing these final payments is \$261 million.

FY 2014-15 General Fund Forecast

(\$ in millions)

	<u>October</u> <u>Estimate</u>	<u>November</u> <u>Forecast</u>	<u>\$</u> <u>Change</u>
Beginning Balance	\$ 1,712	\$ 1,712	\$ 0
Forecast Revenues	38,422	39,209	787
Forecast Expenditures	39,054	38,807	(247)
Cash Flow & Budget Reserves	1,006	1,011	5
Stadium Reserve	<u>27</u>	<u>18</u>	<u>(9)</u>
Balance before Allocation	\$47	\$1,086	\$1,038
School Shift Buyback		246	-
Repay Airports Fund	<u> </u>	<u>15</u>	<u> </u>
Revised Forecast Balance	\$47	\$825	\$778

There are small changes to general fund reserves. The budget reserve (“rainy day fund”) increased \$5 million, due to a deposit from the excess balance in the assigned risk fund. The stadium reserve was reduced \$9 million reflecting changes in estimates for stadium-financing revenue and expenditures and a short delay in the timing of the initial bond sale.

Revenues: Higher revenues contribute \$787 million to forecast balance. Stronger employment and income growth in 2013 have contributed to forecast revenue. Tax revenues for FY 2014-15 are projected to be \$37.451 billion, \$824 million (2.2 percent) more than the February estimate adjusted for tax law changes. Transfers and all other revenues are expected to be \$1.758 billion, \$37 million (2.1 percent) below the prior forecast.

This is the first forecast of FY 2014-15 revenues since the biennium began on July 1. After four months of collections, fiscal year-to-date receipts are \$5.686 billion, or about 15 percent of the total expected over the entire biennium. With 19 months left in the two-year budget, 85 percent of the forecast receipts are yet to be collected.

Higher income and corporate tax estimates are the source of 95 percent of the increase in tax revenue. The individual income tax showed the largest dollar amount increase over prior estimates, up \$496 million (2.6 percent), followed by the corporate income tax with an increase of \$254 million (10.5 percent). Expected sales tax revenue rose by \$64 million (0.6 percent).

FY 2014-15 Forecast Revenues

(\$ in millions)

	<u>October</u> <u>Estimate</u>	<u>November</u> <u>Forecast</u>	<u>\$</u> <u>Change</u>
Individual Income Tax	\$ 18,876	\$ 19,372	\$ 496
Sales Tax	10,130	10,194	64
Corporate	2,422	2,675	254
Statewide Property Tax	1,685	1,670	(16)
Other Taxes	<u>3,514</u>	<u>3,541</u>	<u>27</u>
Total Tax Revenues	36,627	37,451	824
All Other Revenues Transfers	<u>1,785</u>	<u>1,758</u>	<u>(37)</u>
Total Revenues	\$ 38,422	\$ 39,209	\$ 787

The change in the income tax forecast since February is primarily due to an increase in MMB's estimate of tax liability for 2012, the base year for this forecast, and increased growth projections for some underlying economic variables, including wages and salaries and business income. The increase in projected corporate tax revenues reflects increased expectations for corporate profits growth.

Much of the tax on non-wage income is paid through estimated tax or through discretionary withholding. These payments are more difficult to predict than prescribed withholding on wages and salaries. Because taxpayers affected by Minnesota's new fourth income tax bracket report a higher share of income from non-wage sources, a larger share of total income tax receipts now are being collected through payment streams that are harder to forecast.

Spending: Forecast spending declined \$247 million, but was offset by shift buybacks. General fund spending for the 2014-15 biennium was forecast to be \$38.807 billion, down \$247 million (0.6 percent) from previous estimates. After the required shift repayments are reflected, net general fund spending remains largely unchanged, increasing by \$13 million.

Forecast health and human services spending is \$117 million (1.0 percent) below previous estimates, and accounts for nearly one-half of the total change in forecast spending. Health care program enrollment and cost assumptions remained largely unchanged, but for a notable reduction in cost growth in the Community Alternatives for Disabled Individuals waiver. The remaining savings reflects reduced payments to the federal government and the recognition of inter-governmental reimbursements based upon recent federal approval. Previous assumptions regarding the impact of federal and state health care reform remain constant in the general fund forecast.

FY 2014-15 Forecast Expenditures

(\$ in millions)

	<u>October</u>	<u>November</u>	<u>\$</u>
	<u>Estimate</u>	<u>Forecast</u>	<u>Change</u>
K-12 Education	\$16,419	\$16,409	\$(10)
Property Tax Aids & Credits	3,017	2,946	(70)
Health & Human Services	11,445	11,327	(117)
Debt Service	1,280	1,252	(28)
All Other	<u>6,893</u>	<u>6,872</u>	<u>(21)</u>
Forecast Spending	\$39,054	\$38,806	\$(247)
School Shift Buyback		246	246
Repay Airports Fund		<u>15</u>	<u>15</u>
Total Spending (after buybacks)		\$39,067	\$13

Savings in other spending areas were modest. Forecast K-12 education aids declined \$10 million prior to the shift buyback. A small increase in pupil units was more than offset by minor changes in other general education and categorical aid factors. Reduced property tax refund estimates, due to lower participation and lower average refunds, contributed to a \$70 million decline in property tax aids. Forecast debt service was reduced \$28 million, due to multiple factors affecting the calculation of debt service costs.

Planning Estimates: The FY 2016-17 long-term planning outlook improves. A significant \$1.521 billion improvement in the revenue planning estimates for FY 2016-17 results in a \$2.197 billion structural balance for the upcoming biennium. This compares with the \$722 billion balance projected at the end the 2013 legislative session.

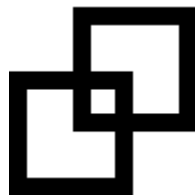
Expenditure projections do not include any adjustment for projected inflation. Inflation, based on the Consumer Price Index (CPI), is expected to be 1.9 percent in FY 2016 and 1.9 percent in FY 2017. At these levels, simply adjusting spending for the general impact of inflation would add nearly \$1.2 billion to the planning estimates.

The planning estimates display structural balance - excluding reserves and any balance forecast for the current biennium. If the \$825 million forecast balance for the current biennium is not modified within the next year, it would carry-forward into FY 2016-17 budget planning resources.

FY 2016-17 Planning Estimates

(\$ in millions)

	<u>End of Session</u>	<u>November Forecast</u>	<u>\$ Change</u>
Resources	\$41,460	\$42,981	\$1,521
Spending	<u>40,738</u>	<u>40,783</u>	<u>45</u>
Difference	\$722	\$2,197	\$1,476
<i>Inflation</i>	<i>\$1,027</i>	<i>\$1,174</i>	<i>\$47</i>

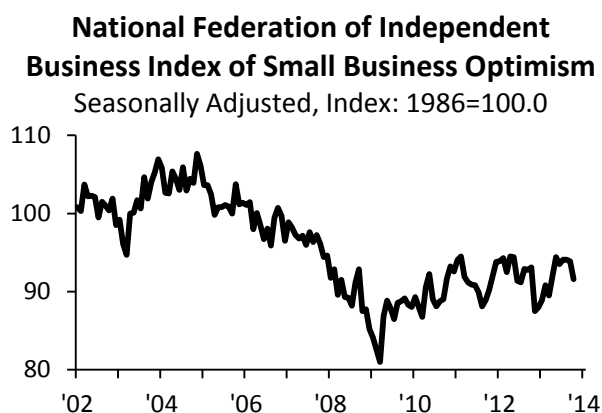


ECONOMIC OUTLOOK

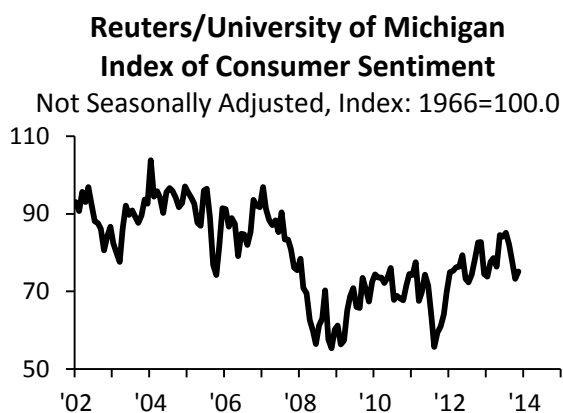
U.S. Economic Outlook

The forecast for U.S. economic growth has slightly weakened since Minnesota's *Budget and Economic Forecast* was last prepared in February. Since that time, the across-the-board federal government spending sequester was allowed to take effect without modifications, the Federal Reserve began to float the idea of "tapering" the pace of its bond purchases, and the federal government shut down for 16-days in October after Congress failed to break a partisan deadlock over the FY 2014 budget. That added fiscal restraint and policy uncertainty has taken a toll on consumer and business confidence and has weighed on spending, investment, and hiring decisions in 2013.

Beneath the political dysfunction in Washington, however, fundamentals for solid growth in the U.S. economy remain firm. Household balance sheets have markedly improved, payroll jobs growth has been running at a solid pace of 150,000 to 200,000 net new jobs each month, and demand for the traditional drivers of recovery, vehicles and housing, remains relatively strong. On top of that, the impact of fiscal tightening is dissipating, global growth is strengthening, home builders are still reporting strong buyer traffic, and business survey results point toward steady expansion in manufacturing.



Source: National Federation of Independent Business;
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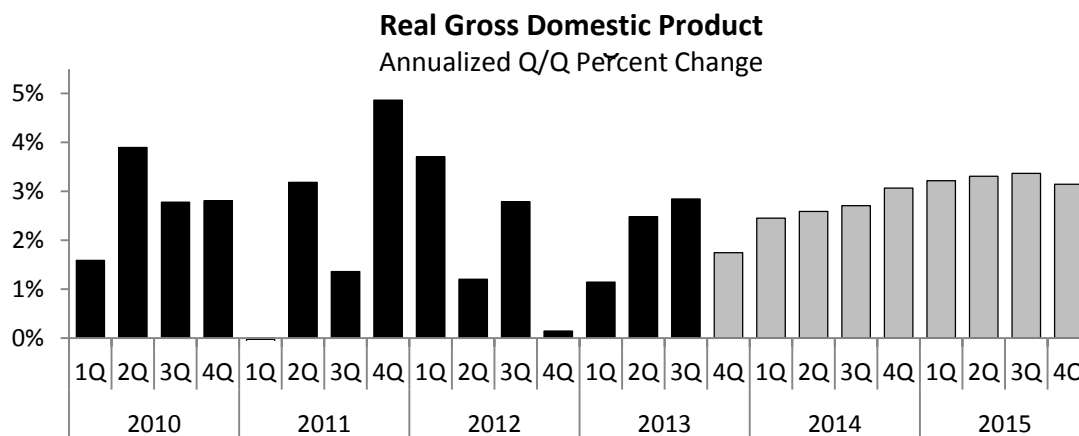


Source: Reuters/University of Michigan

Political dysfunction in Washington has increased uncertainty. That added fiscal and monetary policy uncertainty has taken a toll on consumer and business confidence and has weighed on spending, investment, and hiring decisions in 2013.

Recent indicators signal modest near-term economic growth. A sharp jump in inventory accumulation helped raise preliminary third quarter 2013 real GDP growth to a 2.8 percent annual rate, up from 2.5 percent growth in the second quarter. However, real final sales, which exclude inventories, grew a more modest 2.0 percent, following a similar increase of 2.1 percent in the second quarter. Moving into the fourth quarter, Global Insight (GI), MMB's macroeconomic consultant, expects real GDP growth to slow to 1.7 percent, due almost entirely to less government spending during October's partial government shutdown and drawdown of private inventories.

Once the fourth quarter's short-term issues are resolved, GI expects growth to accelerate over the course of 2014, led by an upturn in consumer spending, improved housing and equipment investment, and the easing of federal fiscal drag. The improved pace of economic growth is expected to generate faster job creation, reducing the unemployment rate to less than 7 percent by the end of next year. Global Insight's November baseline forecasts real GDP growth to accelerate from 1.7 percent in 2013, to 2.5 percent in 2014 and 3.1 percent in 2015. The February baseline forecast called for slightly stronger growth of 1.9 percent in 2013, followed by increases of 2.8 percent in 2014 and 3.3 percent in 2015. Global Insight's November baseline forecast for 2013 through 2015 is very similar to the Blue Chip Consensus, the median of 50 business and academic forecasts. The Blue Chip forecast is for 1.7 percent growth in 2013, followed by increases of 2.5 percent in 2014 and 2.9 percent in 2015. Inflation continues to be of little concern. November's baseline anticipates CPI increases of 1.4 percent in 2013, 1.4 percent in 2014 and 1.5 percent in 2015. February's inflation outlook was similarly subdued.



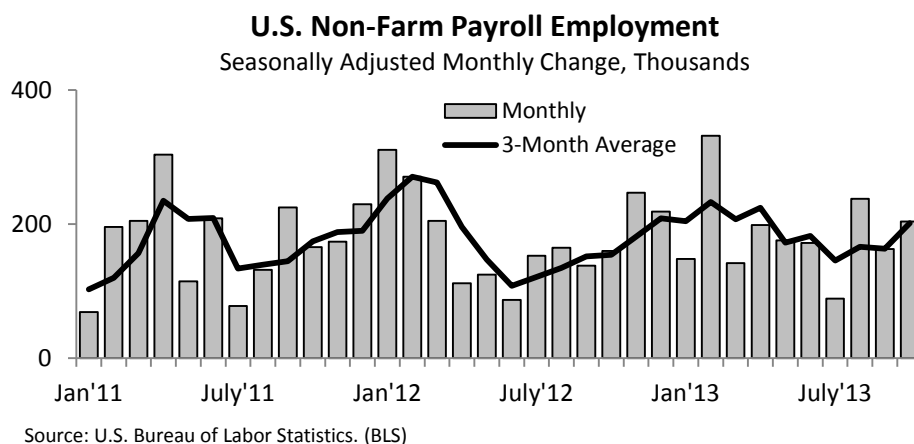
Source: U.S. Bureau of Economic Analysis (BEA). Global Insight (GI)

Global Insight expects growth to accelerate over the course of 2014, led by an upturn in consumer spending, improved housing and equipment investment, and easing of federal fiscal drag.

Global Insight believes the most significant near-term threats facing the U.S. economy are political uncertainty surrounding budget and debt-ceiling discussions as well as potential short-term payback after recent positive reports on GDP and employment. As in February, GI assigns a 60 percent probability to November's baseline and 20 percent probabilities to more pessimistic and optimistic alternative scenarios. In the pessimistic

scenario, the U.S. economy suffers from the combination of unwarranted fiscal tightening and a deteriorating global economic outlook, including a worsening Eurozone crisis. The private sector retrenches, housing activity slows, and the recovery stalls in late 2013 and early 2014, barely avoiding recession. In the optimistic scenario, the scheduled automatic spending cuts are replaced with a credible long term deficit reduction plan, while a stronger housing recovery and faster employment growth reignite the recovery.

Consumer Spending Limp Forward. Stronger economic fundamentals are providing welcome momentum. But consumers still face a slew of persistent headwinds. Fiscal policy restraint and political uncertainty continue to weigh on confidence. And high debt burdens, low home values, reduced wealth (adjusted for inflation and population growth), high unemployment, and weak income growth remain barriers to stronger growth in consumer spending.



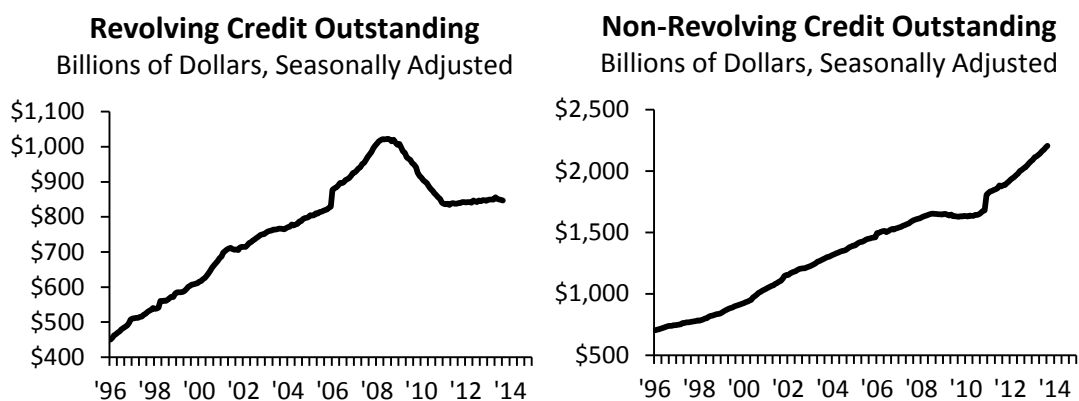
Beneath the political dysfunction in Washington fundamentals for solid growth in the U.S. economy remain firm. Payroll jobs growth has been running at a solid pace of 150,000 to 200,000 net new jobs each month.

This past summer, separate measures released by the Conference Board and the Reuters/University of Michigan showed that confidence among U.S. consumers was at six-year highs. A long-awaited housing recovery was finally underway, helping push home prices higher. Equities were performing strongly, with all major U.S. indexes up nearly 20 percent or more year-to-date. Gasoline prices had eased from late-February highs. And most importantly, payroll employment gains were beating expectations. That resiliency, however, was severely tested in October amid the federal government shutdown and impending debt-ceiling crisis. Consumer confidence dropped back sharply to a near two-year low and is unlikely to rebound quickly given the risk of another federal budget stalemate in mid-January. That suggests more consumers may trim spending this holiday season. Global Insight expects holiday retail sales to rise 3.2 percent above last year, the weakest growth since 2009.

U.S. household finances are improving. Mortgage debt has been shrinking for nearly five years and consumers are taking on more non-mortgage debt, mainly in the form of lower-

interest big-ticket items such as auto and student loans. But consumers are still hesitant to run up large credit card bills for smaller discretionary purchases. Revolving credit outstanding, mostly credit card loans, was about \$850 billion in the third quarter of 2013, down nearly \$175 billion (17 percent) from its mid-2008 peak and virtually unchanged since late 2010. Household deleveraging is ongoing. Mortgage and non-mortgage consumer debt peaked at nearly 130 percent of disposable income near the end of 2007. It has since fallen to 102 percent, the lowest since mid-2002. While household balance sheets are much improved, GI expects growth in household debt to remain limited.

A long-awaited housing recovery is finally underway, as sales of both new and existing homes have picked up. The decline in inventory has helped propel home prices higher. The S&P/Case Shiller 20-city home price index rose 13.3 percent this past September from a year earlier, the biggest gain since February 2006. But home prices remain low compared to pre-recession peaks. Average house prices are still down more than 11 percent from their early 2007 peak as measured by the Federal Housing Finance Agency (FHFA) purchase-only index. Consumers are expected to remain cautious until further progress is made in the housing recovery.



Source: Federal Reserve

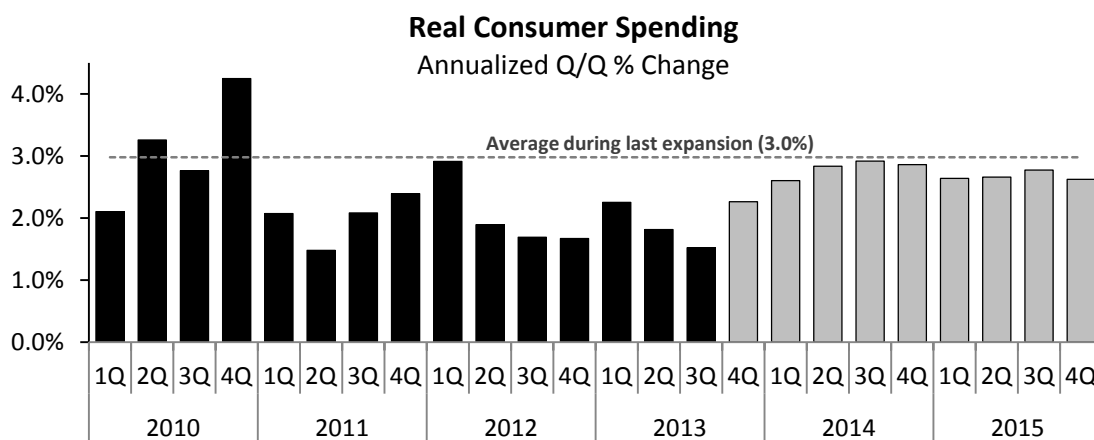
U.S. household finances are improving. Consumers are taking on more non-mortgage debt, mainly in the form of lower-interest big-ticket items such as auto and student loans, but are still hesitant to run up large credit card bills for smaller discretionary purchases.

Households have made significant progress toward rebuilding the wealth lost during the recession. The Federal Reserve's flow of funds report shows that household net worth (the value of assets like homes, bank accounts and stocks, minus debts like mortgages and credit cards) surpassed its pre-recession peak in early 2013, thanks in large part to strong gains in the value of real estate and equity assets. However, after adjusting for inflation and population growth, real net worth per capita is still more than 6 percent less than it was just before nationwide home prices began to unravel in early 2007. Hence, despite a sharp turnaround in home and stock prices, consumers remain cautious.

Finally, high unemployment and slow income growth continue to dampen consumer spending. The U.S. jobless rate (at 7.3 percent) is still well above pre-recession levels and slumping business confidence has kept hiring plans on hold. The economy has added an

average of 186,000 jobs per month in 2013, almost indistinguishable from the average gains recorded in 2011 and 2012. The resulting labor market slack is limiting upward pressure on wages. At the same time, steep government spending cuts that took effect earlier this year have reduced federal workers' salaries and higher payroll taxes have cut into workers' take-home pay. After accounting for the bigger tax bite and inflation, real disposable income rose just 0.9 percent during the first 9 months of 2013 from a year earlier, compared with a 1.9 percent average rate since mid-2010. Both figures represent a clear downshift from the 3.0 percent pace experienced during the last expansion, likely forcing consumers to cut back discretionary purchases.

Despite high unemployment, slow wage growth, and low confidence consumers are still managing to modestly increase spending. Real consumer spending grew at a 1.5 percent annualized rate in the third quarter of 2013, below the 2.3 percent average rate since early 2010 and well below the 3.0 percent average during the last expansion. Global Insight believes it will be difficult for consumers to sustain current rates of spending without strong and sustainable increases in employment and real income. Employment growth is expected to accelerate during the second half of next year, with average monthly gains rising to 215,000 by 2015. And real disposable income growth is expected to pick up to 3.2 percent in 2014, from a tax-restrained increase of just 0.7 percent in 2013. With job and wage growth rising, real consumer spending growth is expected to accelerate from 1.9 percent in 2013, to 2.5 percent in 2014 and 2.7 percent in 2015.

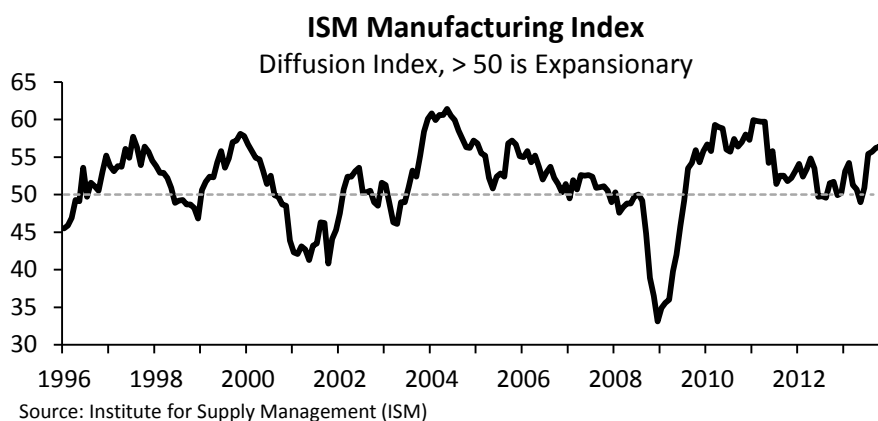


Source: U.S. Bureau of Economic Analysis (BEA). Global Insight (GI)

Real consumer spending grew at a 1.5 percent annualized rate in the third quarter of 2013, below the 2.3 percent average rate since early 2010 and well below the 3.0 percent average during the last expansion.

Business Investment Creeps Higher. Manufacturing output remains an important source of economic strength. Recent survey results from the Institute for Supply Management (ISM) strongly suggest that the manufacturing sector is in an expansionary phase. In October of this year, despite the federal government shutdown, ISM's manufacturing index was at its highest level since early 2011, the new orders index was well above neutral, and both the export and import indices signaled expansion for the 11th consecutive month, reflecting stronger economic conditions in Europe as well as an

upturn in inventories. But other measures such as industrial production and factory orders have failed to show similar strength. The Federal Reserve's manufacturing output index expanded at a 1.3 percent annual pace during the third quarter of 2013, an improvement from stagnation in the second quarter, but well below the 3.9 percent annual growth recorded in 2012. And the Commerce Department reports that factory orders of core capital goods (nondefense capital goods excluding aircraft), a leading indicator for future capital expenditure growth, posted double digit annualized declines in the three months ending this past September, a near repeat of last year's third quarter slump. Global Insight believes the ISM numbers may be running ahead of the other indicators, and expects manufacturing growth to pick up through the end of the year and into 2014. Overall, manufacturing output is expected to increase only 2.0 percent this year before accelerating to 2.5 percent growth in 2014. In 2015, output is expected to expand at a much more rapid pace of 3.8 percent.

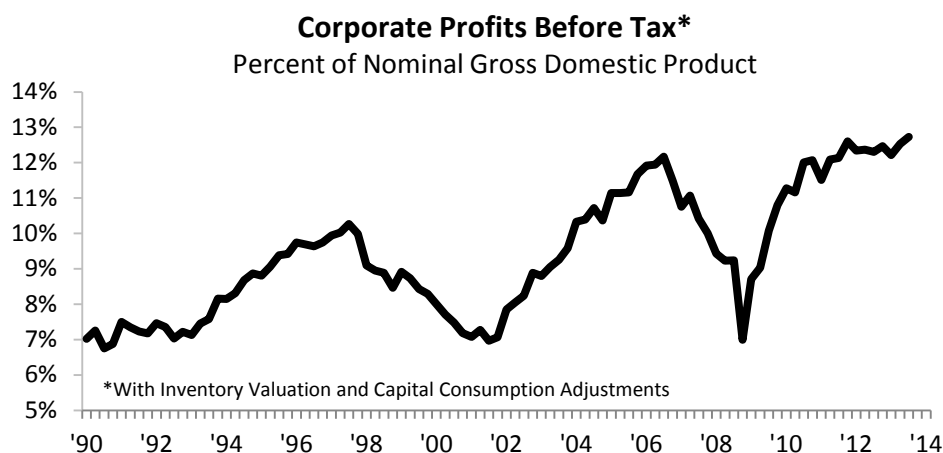


Manufacturing output remains an important source of economic strength. Recent survey results from the Institute for Supply Management (ISM) strongly suggest that the manufacturing sector is an expansionary phase.

One of the main factors behind the stronger forecast for output growth is the nation's housing recovery. Single-family housing starts and new home sales lost momentum over the summer, largely due to higher interest rates earlier this year. But GI believes these setbacks are only temporary. Mortgage rates are still low relative to historic norms, tight credit for builders has eased, ultralow inventories are fueling more competition among buyers, and rising home prices suggest that demand is rising faster than supply, supporting growth in both single-family and multi-family structures. Global Insight expects the 30-year mortgage rate will close 2013 around 4.2 percent, and then rise to 4.7 percent at the end of 2014. Home prices, as measured by the FHFA purchase only index, are forecast to increase 11.4 percent in 2013 (fourth-quarter to fourth-quarter), following a 5.5 percent increase in 2012, and begin to lose steam in 2014 as inventories pick up. Existing home sales are forecast to grow 9.8 percent in 2013 and 6.1 percent in 2014. Housing starts are forecast to increase by 17 percent in 2013 (to 910,000), then by 25 percent in 2014 (to 1.14 million), and by 29 percent in 2015 (to 1.47 million). With the rise in housing starts, GI estimates that investment in residential construction will climb

13.7 percent in 2013, up from 13.1 percent in 2012, and then 14.9 percent and 16.4 percent, respectively, in the following two years.

Another important driver of output growth is business investment. U.S. corporate profits and margins are still at all-time highs, many producers have very strong cash positions, and borrowing costs remain low. The fundamentals exist for solid gains in capital spending, but companies are not expanding due in part to persistent short-term political uncertainty. At the end of 2012, a pull-back in business-spending was attributed to a growing concern over the fiscal cliff and anticipated expiry of bonus depreciation. Last spring, concerns about the threat of sequestration were weighing on orders and production. And more recently, the economic stress caused by the federal government shutdown and the threat of a default took a significant toll on business confidence. Global Insight “ardently” believes that the political brinkmanship occurring in Washington is exacerbating policy uncertainty in the U.S. economy. As a result, businesses are expected to proceed cautiously with construction plans until early 2015. Real spending growth on business structures is forecast to rise 1.7 percent in 2013 and 1.9 percent in 2014, before modestly accelerating to 3.7 percent growth in 2015. As businesses confidence recovers next year, real investment in equipment should advance from 2.6 percent growth in 2013, to 7.1 percent in 2014 and 8.0 percent in 2015. Real investment in intellectual property is forecast to rise 2.7 percent in 2013, and then increase 3.6 percent in 2014 and 4.7 percent in 2015.



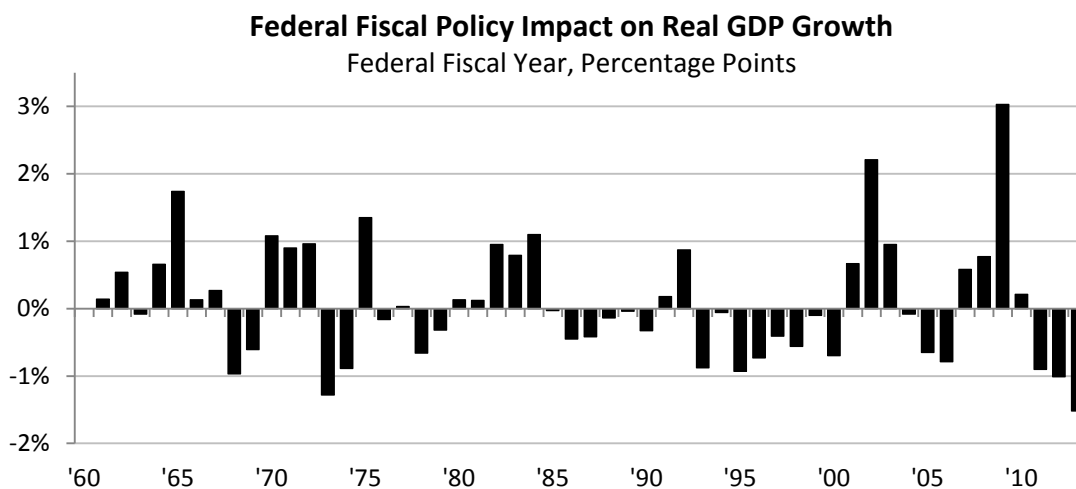
Source: U.S. Bureau of Economic Analysis (BEA)

U.S. corporate profits and margins are still at all-time highs, many producers have very strong cash positions, and borrowing costs remain low. The fundamentals exist for solid gains in capital spending, but companies are not expanding.

Another Fiscal Crisis Averted; See You in January. Federal fiscal policymakers have failed to reach agreement on a sustainable and comprehensive solution to the nation’s long-term debt challenges. Instead, short-sighted policies, emerging from chronic political dysfunction, have undeniably saddled the weak economy with ill-timed and arbitrary spending cuts and abrupt tax increases. Such crisis-driven policies are undermining economic growth, largely because heated partisan budget battles have

heightened political uncertainty, placed misguided focus on the near-term deficit, and distracted lawmakers from enacting measures in support of growth. Recently that political brinksmanship resulted in a 16-day partial shutdown of the federal government and near breach of its borrowing limit. As long as federal budget negotiations remain gridlocked over the short-term budget and policymakers defer action on clear and credible long-term deficit reduction plans, political uncertainty will continue to weigh heavily on private sector confidence and the economy will struggle to gain momentum.

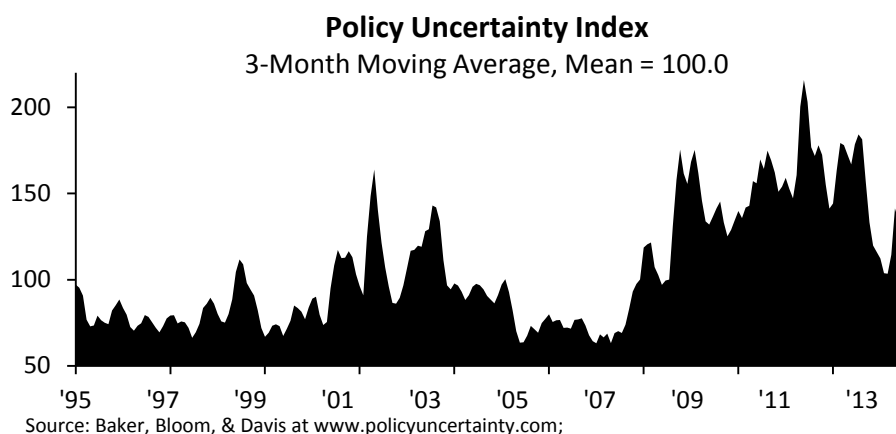
Federal tax increases and government spending cuts that took effect earlier this year are exerting a continuing drag on an already fragile economy. The eleventh-hour deal on New Year's Day to resolve the fiscal cliff crisis allowed a temporary cut in payroll taxes to expire and increased tax rates on wealthy earners. Two months later, on March 1, automatic across-the-board spending cuts that came about following the 2011 standoff over the U.S. debt ceiling, known as sequestration, took effect. Since that time lawmakers have been unable to reach a compromise on a plan to replace the sharp and abrupt cuts to defense and domestic discretionary spending required by the sequestration. Moody's Analytics estimates that fiscal austerity in 2013 will reduce economic growth by up to 1.5 percentage points, more than any other year since World War II. In other words, if not for fiscal tightening, real GDP growth this year would be closer to 3.0 percent. So far programs have largely been able to absorb the lower spending levels from sequester by employing accounting shifts and one-time adjustments, such as temporary furloughs. But a second round of sequestration cuts set to kick in on January 15 is more likely to result in permanent reductions to operating budgets, and could lead to more fiscal drag early next year.



Source: Moody's Analytics

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The 16-day federal government shutdown in the first half of October and political brinksmanship over raising the Treasury debt ceiling was also harmful to the economy. Global Insight estimates the total cost of the federal government shutdown to be about \$12 to \$15 billion, or about 0.3 percent from real GDP growth in the fourth quarter. And Washington's last minute agreement to avert default and reopen the government offers only temporary reprieve from political uncertainty. The deal restores funding for operations through January 15, the same day the next new round of sequester reductions are set to go into effect, and suspends the nation's debt limit until February 7. Thus political uncertainty remains over whether policymakers can replace the additional sequester cuts scheduled for early next year with longer-term fiscal solutions. Lawmakers will also need to pass another continuing resolution to extend funding for operations through the remainder federal fiscal 2014, or again risk shutting down the federal government. Finally, Congress will need to raise the statutory borrowing limit again likely sometime in March, after the Treasury is expected to exhaust "extraordinary measures" meant to carry out its legal obligations. A bipartisan negotiating committee is currently meeting to discuss solutions to these wide-ranging fiscal threats. The committee has a December 13 deadline to report its recommendations back to Congress.

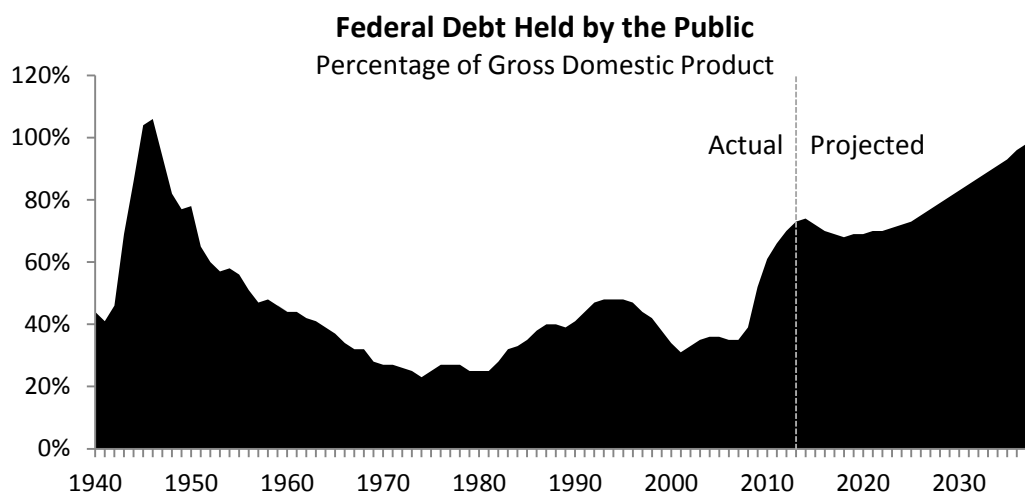


Researchers at Macroeconomic Advisors, Moody's Analytics, and the San Francisco Fed have all concluded that increased political uncertainty since the recovery began in 2009 has lowered real GDP by at least \$150 billion and raised the unemployment rate by 0.6 percentage points or more, the equivalent of about 1 million jobs lost.

The federal government shutdown has shaken confidence. The University of Michigan's consumer sentiment index fell this past October and November to levels not observed since the end of last year, when consumers were mulling over the prospect of higher taxes associated with the fiscal cliff. The heightened political uncertainty created by a federal fiscal policy that lurches from one short-term crisis to another is having measurable economic consequences. Businesses are more reluctant to invest and consumers are more cautious about spending. The result is reduced hiring and slower economic growth. Researchers at Macroeconomic Advisors, Moody's Analytics, and the San Francisco Fed have all concluded that increased political uncertainty since the recovery began in 2009 has lowered real GDP by at least \$150 billion and raised the unemployment rate by 0.6 percentage points or more, the equivalent of about 1 million jobs lost.

In addition to looming budget deadlines, Washington lawmakers still face a long-term fiscal imbalance. The near term-fiscal outlook has improved, largely due to an improving economy and a mix of fiscal tightening. The U.S. Treasury Department reports that the federal government deficit shrank to \$680 billion in fiscal year 2013, a meaningful improvement after four straight years of \$1 trillion-plus deficits. And CBO projects that the federal deficit will continue to narrow over the next several years. But rising healthcare costs, an aging population, and an expansion of federal subsidies for health insurance are expected to increase budgetary pressures in coming decades. Without broad-based structural changes to entitlement programs and the tax code, CBO projects that the budget gap between spending and revenues will steadily widen after 2015. Higher annual deficits will lead to large and growing federal debt relative to the size of the economy, a path that CBO warns would have significant negative economic consequences and ultimately be unsustainable.

Global Insight assumes that sequestration will continue through the end of calendar year 2013, but a reduced amount of spending will be sequestered in federal fiscal 2014. Spending levels passed by the House and the Senate will largely make it through to any compromise, thus the fiscal drag experienced over the past three years will largely diminish in calendar year 2014. Overall, federal government spending will grow, but contributions to real GDP growth are slightly negative throughout much of the forecast period.

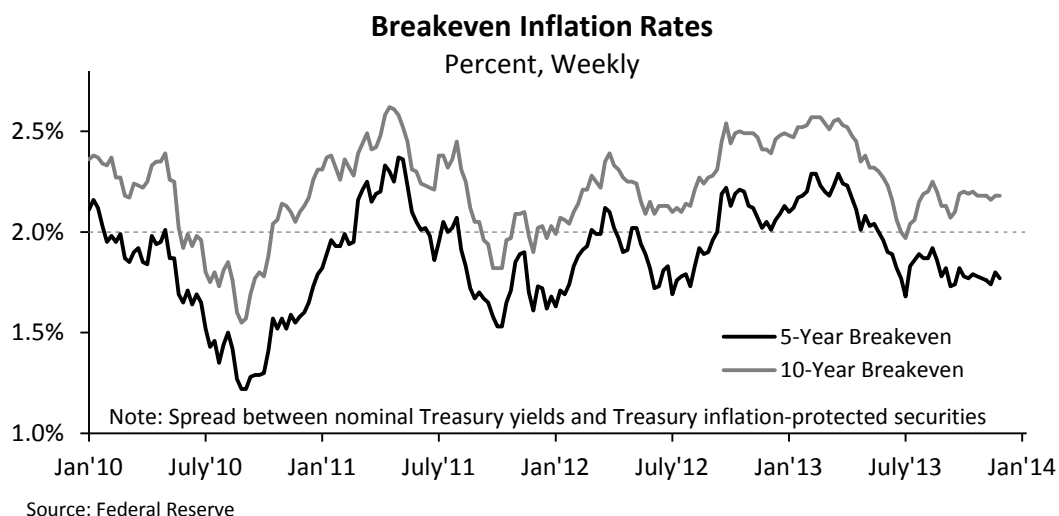


Source: Congressional Budget Office (CBO)

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Federal Reserve Maintains Highly Accommodative Policies. Speaking at a news conference following a two-day Federal Open Market Committee (FOMC) meeting in mid-September, Federal Reserve Board Chairman Ben Bernanke reiterated that rate of inflation is low and stable, while unemployment remains high. Indeed, the five and ten-year breakeven inflation rates, which projects the pace of consumer price increases using

the yield spreads between nominal Treasury bonds and Treasury inflation-protected securities, were near 1.8 and 2.2 percent respectively in late-November, very close to the Federal Reserve's long-term objective of 2 percent. Likewise, at 7.3 percent, the unemployment rate is still well above normal levels, long-term unemployment and underemployment remain high, and the labor force participation rate continues to fall.



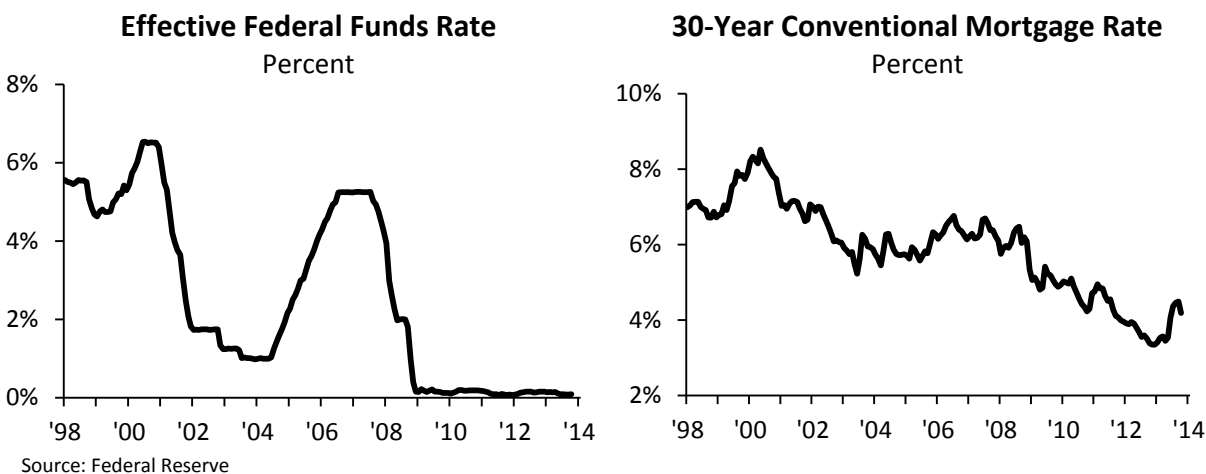
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The combination of low inflation and high unemployment has allowed the Fed to maintain highly accommodative monetary policies. Under normal circumstances, the FOMC eases monetary policy by reducing its target for the federal funds rate, thus putting downward pressure on other short-term interest rates. But the federal funds rate has been close to zero since late 2008, so the FOMC is using two alternative policy measures to encourage a stronger recovery. The first is to provide forward guidance about the economic conditions under which the FOMC is likely to start raising short-term interest rates. Under its current threshold-based forward guidance, Federal Reserve policymakers have said that they will keep the federal funds rate low as long as the unemployment rate is above 6.5 percent and inflation expectations do not rise above 2.5 percent. The second alternative policy tool has been to purchase and hold long-term securities, which puts downward pressure on long-term interest rates, including mortgage rates. The Fed is currently buying \$85 billion in long-term securities each month until it sees "substantial improvement" in the job market, a phrase left undefined.

Labor market conditions have improved since the Fed launched its latest bond-buying program back in September 2012. During that time, the unemployment rate has declined from 8.1 percent to 7.3 percent this past October, nearing its lowest level in almost 5 years. Slightly more upbeat on the economic outlook, policymakers concluded at the June FOMC meeting earlier this year that the criterion of substantial improvement in the labor market might well be met over the coming year. Likewise, the Fed began to float the idea of winding down, or tapering, the pace of asset purchases by the end of 2013, and even

ending the program entirely by mid-2014 if economic conditions were sufficiently strong. That tentative timetable rattled investors, triggering a sharp selloff of stocks and bonds, which sent long-term bond yields and mortgage rates soaring. Mortgage rates for a 30-year fixed loan increased from 3.35 percent in early May to 4.57 percent by the end of August. The plan also led financial markets to believe the FOMC might begin tapering after their September meeting. But the FOMC surprised financial markets when it left its asset purchases and forward guidance unchanged, citing the tightening of financial conditions in recent months. According to the minutes of the two-day meeting, policymakers decided to “await more evidence that progress will be sustained,” specifically noting concerns about higher mortgage rates and the potential for further fiscal cuts later this year.

Global Insight believes that the testimony Janet Yellen gave during her confirmation hearing for Federal Reserve chairperson in mid-November suggests she will take a “slow and cautious” approach to winding down the bond-buying program. As a result, GI does not expect tapering to begin until March, contingent on the outcome of fiscal policy debates and labor market data, and that bond-buying begins and ends entirely in 2014. In the November baseline, the unemployment rate reaches 6.5 percent in early-to-mid 2015, and based on current forward guidance the Fed begins to raise the federal funds rate at that time. Nonetheless, GI believes interest rates are moving higher.

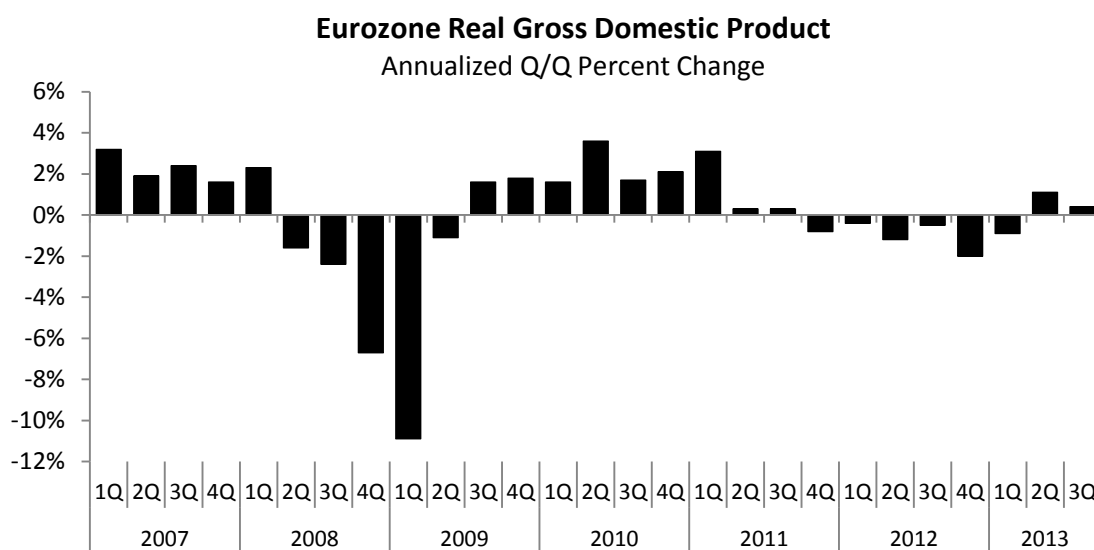


At its June meeting earlier this year, the Federal Reserve began to float the idea of winding down, or tapering, the pace of asset purchases by the end of 2013. That tentative timetable rattled investors and swiftly sent mortgage rates higher.

Global Economy is in Transition. Global economic growth is weak. According to the International Monetary Fund (IMF), world real GDP averaged just 2.5 percent during the first half of 2013. Advanced economies are gradually strengthening, as core economies in the Eurozone are beginning to crawl out of recession and radical stimulus measures underpin a revival in Japan. At the same time, growth in emerging market economies, which continue to account for the bulk of global growth, has slowed sharply after the boom of the past decade. The slowdown in emerging market economies is largely a

reflection of sluggish demand from advanced economies, tighter financial conditions, and domestic policy tightening.

In Europe, the risks of a major financial crisis have diminished considerably. The combination of debt write-downs, austerity programs, the establishment of a permanent bailout fund, and the European Central Bank's (ECB) commitment to do "whatever it takes" to keep the Eurozone together has helped calm markets and stabilize the continent's slow-moving sovereign debt crisis. High borrowing costs of troubled nations in Europe's southern periphery have steadily improved since mid-2012 and economic activity appears to be expanding again. After six consecutive quarters of contraction, real GDP in the Eurozone grew at a 1.1 percent annual rate in the second quarter of 2013, followed by 0.4 percent growth in the third quarter.



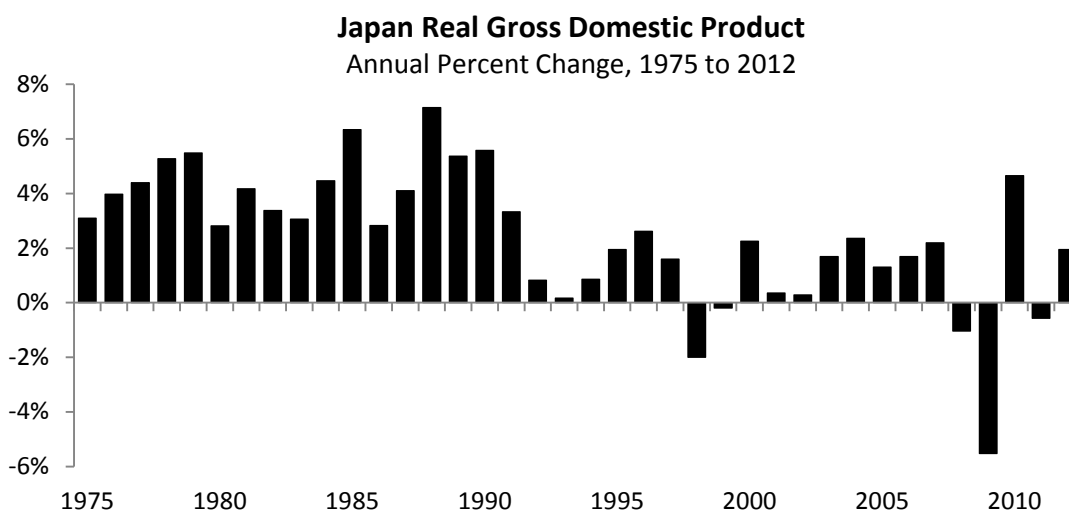
Source: Eurostat, European Commission

After six consecutive quarters of contraction, real GDP in the Eurozone grew at a 1.1 percent annual rate in the second quarter of 2013, followed by 0.4 percent growth in the third quarter.

Nevertheless, progress toward dealing with the structural challenges that face the Eurozone has been limited, as meaningful political decisions to establish a greater banking and fiscal union continue to be postponed. And economic growth in the Eurozone remains very weak. German-led fiscal discipline meant to curb deficits and restore growth is instead suppressing demand and stifling the recovery, particularly in the southern periphery where economies remain mired in austerity-driven recession. Deficits are declining, debt continues to rise and price deflation is threatening to destabilize already very high debt-to-GDP ratios. Add to this record high unemployment, and the Eurozone's economic recovery looks to be slow and unspectacular.

In Japan, the government that was elected in late 2012 promised to embrace a bold policy mix of massive fiscal stimulus, aggressive monetary easing, and growth-oriented structural reforms in an attempt to reverse more than a decade of economic malaise and

break the back of chronic deflation. The Bank of Japan responded in April 2013 by unveiling a massive monetary stimulus, pledging to double the supply of money to meet its 2 percent inflation goal in roughly two years. Thus far, Prime Minister Shinzo Abe's new economic strategy, known as “Abenomics”, has helped weaken the Japanese yen, strengthen exports, revive business sentiment, and boost private consumption, capital expenditures, and prices. Japan’s inflation has accelerated to the fastest pace since 2008 and real GDP grew at an average annual rate of 3.3 percent during the first 9 months of 2013, compared to 2.1 percent in the U.S. and 0.2 percent for the Eurozone during the same period. Global Insight believes the Japanese economy will continue to accelerate until a scheduled increase in its sales tax takes effect in April 2014. The longer-term outlook will depend on progress with the government’s structural reforms, mainly embracing free-trade and reversing the declining labor force.



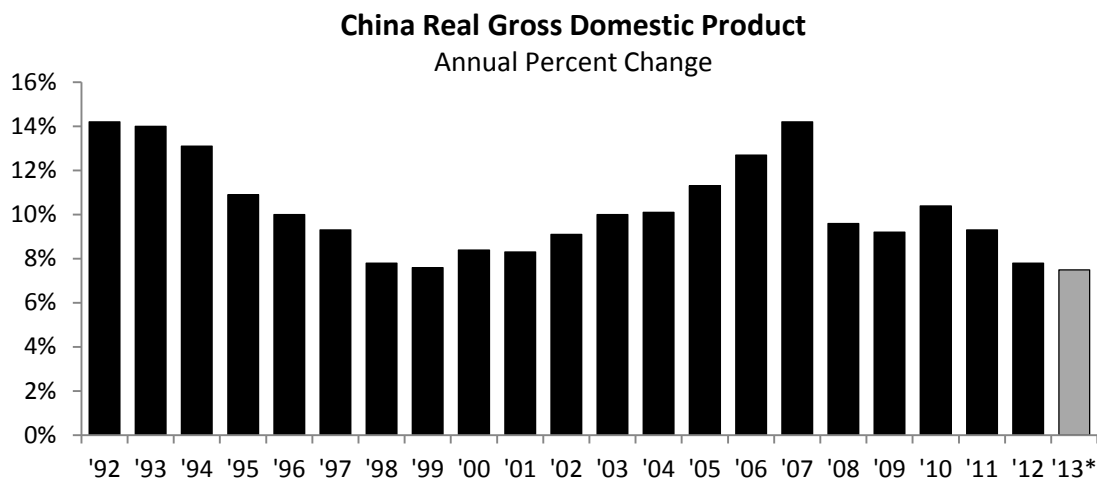
Source: The World Bank; International Monetary Fund (IMF)

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In China and other major emerging market economies, the pace of economic growth has cooled. China’s real GDP rose 7.7 percent in 2012, much faster than any advanced economy, but well below the often double-digit growth seen in the past two decades. In 2013, the Chinese government has set an economic growth target of 7.5 percent. Chinese policymakers are attempting to reduce the risk of a sharp and prolonged slowdown, or hard landing, by deliberately steering the economy away from its heavy reliance on exports and credit-fueled infrastructure investment toward more balanced and sustainable consumer-led growth. The IMF believes this shift will require structural reforms to the financial, fiscal, and real estate sectors, as well as a more market-based exchange rate system. This tradeoff may result in slower economic growth rates in the medium term. In mid-November, the Chinese government issued a restructuring outline and announced the establishment of a working-group to lead a bold set of reforms that include doing away

with re-education through labor camps, relaxing its one-child policy, and currency liberalization.

Meanwhile, in Brazil and India, the slowdown in emerging markets is reflected in depreciating currency values. Normalization of U.S. monetary policy will effectively reverse a period of ultralow U.S. interest rates beginning shortly after the financial crisis of 2008 that has sent an extraordinary inflow of cheap financial capital into emerging markets offering higher yields. Now U.S. interest rates are rising and Europe is showing signs of recovery, which in emerging economies is lowering the relative return on asset values, raising current account deficits, slowing foreign capital inflows, and causing the value of currencies to depreciate. Brazil and India have seen their currencies fall by more than 10 percent against the U.S. dollar since May. A weaker currency also threatens to fan inflation by making the price of imported goods more expensive. Thus Brazil and India have responded to higher prices with a series of interest rate hikes, which also constrains economic activity. The recent delay in tapering of the Federal Reserve's stimulus provides emerging economies a temporary respite from selling pressures, giving policymakers an opportunity to undertake the necessary structural reforms to minimize shocks. But tapering is inevitable, thus currencies remain vulnerable to further sell-offs.



* Chinese Government's official 2013 growth target: 7.5%

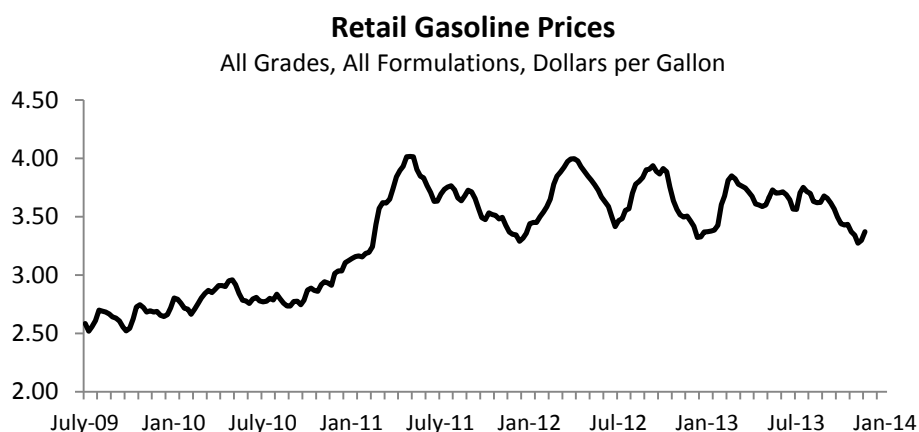
Source: The World Bank; International Monetary Fund (IMF)

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Global Insight expects economic growth of the United States' major-currency trading partners is to pick up in 2014 and 2015, on stronger growth in the U.S. and Europe. The economies of other important trading partners, like China, Brazil and India, are also expected to grow faster over the next two years. Global Insight assumes world real GDP will increase 2.4 percent in 2013, before accelerating to 3.3 percent in 2014 and 3.8 percent in 2015. Likewise, U.S. export growth is expected to accelerate from 2.4 percent growth in 2013, to 4.5 percent growth in 2014 and 5.6 percent growth in 2015. Net trade,

however, will continue to be a drag on growth as imports pickup from an improving U.S. economy.

Inflation Outlook Remains Quiet. The Bureau of Labor Statistics (BLS) reports its headline inflation measure, the Consumer Price Index (CPI), rose just 1.5 percent during the first 9 months of 2013 from a year earlier, compared to an average rate of 2.6 percent the previous two years. Much of the slump in headline inflation can be explained by a recent pullback in energy and food prices. Sluggish global demand and increasing supplies in the U.S. has put downward pressure on oil prices, as retail gasoline prices in particular are almost \$0.50/gallon lower than last year and about a dime below two years ago. Food prices spiked higher after the 2012 drought, but both corn and wheat prices have since fallen back to or below pre-drought levels. That is enabling farmers to restore animal herds to normal levels, which should result in ample supplies of meat and dairy products in 2014.

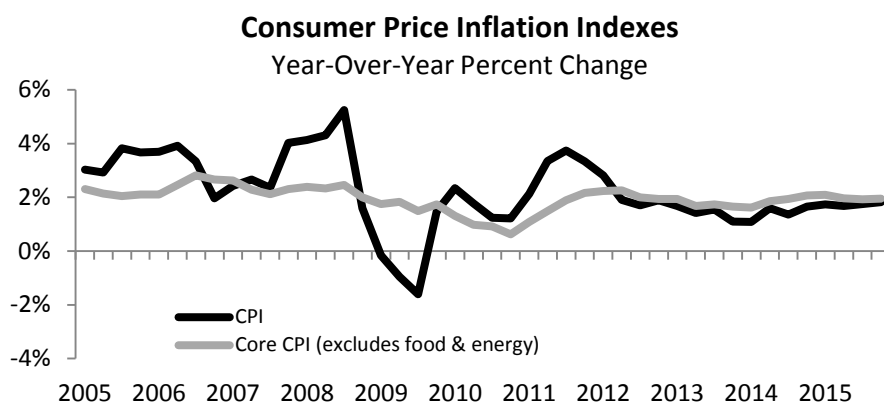


Source: U.S. Department of Energy

Sluggish global demand and increasing supplies in the U.S. has put downward pressure on oil prices, as retail gasoline prices in particular are almost \$0.50/gallon lower than last year and about a dime below two years ago.

Underlying inflation pressures have also been cooling this year. Core CPI, which excludes more volatile prices of food and energy, rose 1.8 percent during the first 9 months of 2013 from a year earlier, compared to an average rate of 2.1 percent in 2012. Rents have continued to climb at a stronger pace. The cost of shelter, which includes rents, extended its steady ascent, rising 2.3 percent in the three quarters of 2013 from a year earlier, compared to 2.1 percent during the same period the previous year. But an easing of other services, such as medical care, and goods prices helped more than offset the acceleration in rents. The CPI for medical care services eased to 3.2 percent in the first 9 months of 2013 compared to a year earlier, after increasing 3.9 percent the previous year. The CPI for apparel increased 1.2 percent during the first 9 months of 2013 from a year ago, compared to 3.8 percent the previous year. And finally, the BLS index for new and used motor vehicles rose just 0.1 percent during the first three quarters of 2013 from a year earlier, compared to 1.2 percent the previous year.

Overall, the near-term outlook for consumer prices remains quiet. Global Insight believes there is still little to ignite inflation. Food and oil prices are always subject to supply disruptions from a geopolitical crisis or a disastrous harvest, but are currently not a source of concern. In fact, GI believes oil prices are more likely to go down than up due to booming U.S. oil production. Oil demand is stagnant in the developed world and growing sluggishly in China and India. Brent crude prices are expected to fall from \$105/barrel at the end of 2013, to \$102/barrel in late 2014 and \$99/barrel in 2015. In the November baseline, GI expects the headline CPI to increase 1.1 percent (measured fourth-quarter to fourth-quarter) in 2013, 1.7 percent in 2014, and 1.8 percent in 2015. Core CPI inflation should experience some modest acceleration as Europe begins to climb out of recession. Global Insight expects it to grow 1.7 percent in 2013, 2.1 percent in 2014, and 1.9 percent in 2015, or near the Federal Reserve's 2 percent longer run objective.



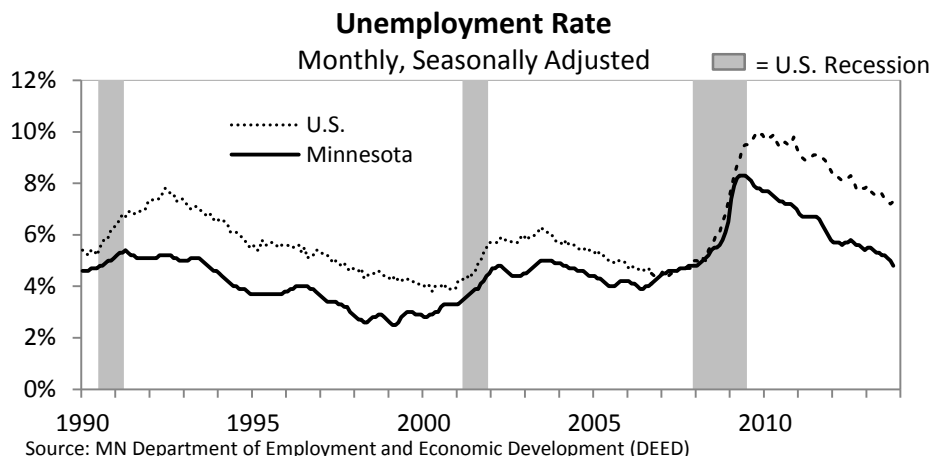
Source: U.S. Bureau of Labor Statistics (BLS)

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Minnesota Economic Outlook

Minnesota's economy continues to make solid gains. The Bureau of Economic Analysis (BEA) reports the state's real GDP rose 3.5 percent in 2012, ranking among the six fastest-growing state economies during that year. Minnesota's unemployment rate fell to 4.8 percent in October, the lowest level since the recession began in December 2007 and a full two and a half percentage points lower than the nation. First time claims for jobless benefits have fallen to levels not observed in more than a decade. And leading indicators, such as temporary help employment, average hours worked, job vacancies, and the number of unemployed remain strong. On top of that, preliminary income tax withholding collections during the first 10 months of 2013 suggest that Minnesota's growth in wage and salary income is outperforming previous expectations, non-farm employment payrolls have increased by an average of 3,400 jobs each month during the first 10 months of 2013, about the same modest pace as the last two years, and gains are occurring across every major industry, with the exception of manufacturing and federal government employment. That diverse economic revival has helped Minnesota recover from recession faster than the nation. As of August 2013, the state has now recovered all of the approximately 150,000 jobs lost during the Great Recession that began in December 2007. Nationally, about 82 percent of the 8 million jobs lost during the recession have been recovered.

Still, uncertainty surrounding federal fiscal policy remains. Arbitrary spending cuts from federal sequestration and disruption from the 16-day government shutdown have been costly to Minnesota's economy, and a second round of sequestration cuts is set to go into effect early next year unless a deal is made to replace them by January 15. Federal lawmakers will also need to pass another continuing resolution to extend funding for the remainder of federal FY 2014 by that date, or again risk shutting down the government. The impact of this continuing policy uncertainty on the broader U.S. economy presents the most significant threat to Minnesota's near-term economic outlook.



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Forecast Comparison: Minnesota & U.S.

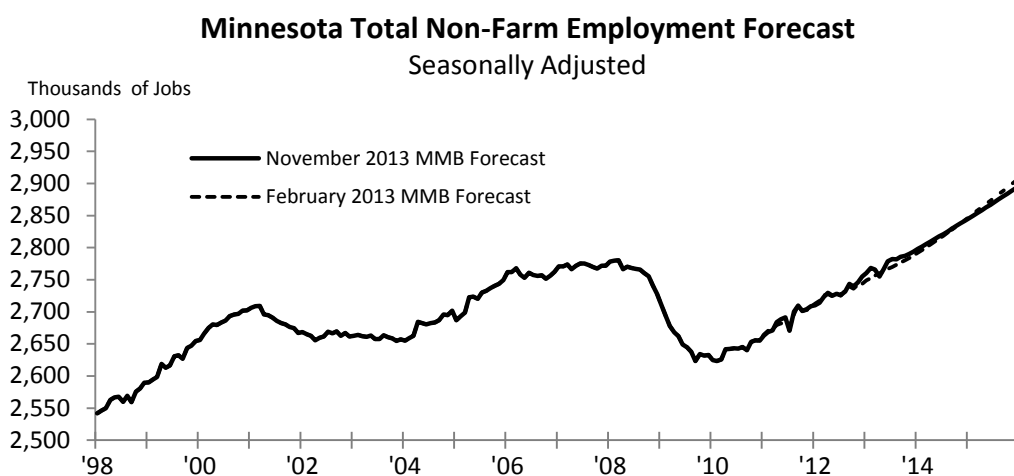
Calendar Years

	2010	2011	2012	2013	2014	2015	2016	2017
Total Non-Farm Payroll Employment (Thousands)								
Minnesota								
November 2013	2,641.1	2,688.3	2,731.0	2,776.0	2,819.6	2,869.2	2,921.1	2,969.0
%Chg	-0.5	1.8	1.6	1.6	1.6	1.8	1.8	1.6
February 2013	2,641.0	2,686.8	2,729.6	2,768.3	2,816.7	2,876.0	2,933.1	2,975.5
%Chg	-0.5	1.7	1.6	1.4	1.8	2.1	2.0	1.4
U.S.								
November 2013	129,911	131,500	133,737	135,915	138,087	140,540	143,198	145,498
%Chg	-0.7	1.2	1.7	1.6	1.6	1.8	1.9	1.6
February 2013	129,911	131,500	133,735	135,719	138,055	140,757	143,359	145,356
%Chg	-0.7	1.2	1.7	1.5	1.7	2.0	1.8	1.4
Wage and Salary Disbursements (Billions of Current Dollars)								
Minnesota								
November 2013	124.3	129.2	135.4	141.1	147.2	154.3	161.9	169.6
%Chg	2.6	4.0	4.8	4.2	4.3	4.9	4.9	4.7
February 2013	124.8	129.7	136.2	139.1	146.8	154.0	161.2	168.1
%Chg	2.7	3.9	5.0	2.1	5.5	4.9	4.7	4.3
U.S.								
November 2013	6,377.5	6,638.7	6,926.8	7,122.7	7,428.5	7,803.7	8,204.4	8,606.8
%Chg	2.0	4.1	4.3	2.8	4.3	5.1	5.1	4.9
February 2013	6,404.6	6,661.3	6,875.1	7,114.8	7,442.7	7,795.7	8,152.9	8,501.7
%Chg	2.1	4.0	3.2	3.5	4.6	4.7	4.6	4.3
Non-Wage Personal Income (Billions of Current Dollars)								
Minnesota								
November 2013	102.1	112.2	117.0	118.1	122.5	127.9	134.4	141.8
%Chg	5.8	9.9	4.3	1.0	3.7	4.4	5.1	5.5
February 2013	101.1	108.5	113.5	114.9	120.3	126.5	133.0	139.8
%Chg	6.7	7.3	4.6	1.3	4.7	5.1	5.1	5.2
U.S.								
November 2013	6,057.7	6,552.6	6,817.0	7,010.2	7,354.6	7,690.4	8,102.6	8,587.5
%Chg	3.9	8.2	4.0	2.8	4.9	4.6	5.4	6.0
February 2013	5,917.3	6,286.0	6,527.3	6,629.3	7,018.0	7,382.2	7,773.5	8,186.4
%Chg	5.7	6.2	3.8	1.6	5.9	5.2	5.3	5.3
Total Personal Income (Billions of Current Dollars)								
Minnesota								
November 2013	226.3	241.4	252.4	259.2	269.6	282.2	296.3	311.4
%Chg	4.0	6.6	4.6	2.7	4.0	4.7	5.0	5.1
February 2013	225.9	238.2	249.6	254.0	267.1	280.4	294.2	307.9
%Chg	4.4	5.5	4.8	1.7	5.2	5.0	4.9	4.7
U.S.								
November 2013	12,435	13,191	13,744	14,133	14,783	15,494	16,307	17,194
%Chg	2.9	6.1	4.2	2.8	4.6	4.8	5.2	5.4
February 2013	12,322	12,947	13,402	13,744	14,461	15,178	15,926	16,688
%Chg	3.8	5.1	3.5	2.5	5.2	5.0	4.9	4.8

Source: IHS Global Insight (GI) and Minnesota Management and Budget (MMB)

Forecasts for state employment and wages have been revised based on recent Minnesota specific information and Global Insight's (GI) November 2013 baseline. The November baseline was used to drive a newly re-estimated Minnesota Management and Budget (MMB) model of the Minnesota economy. That model has incorporated preliminary information on revisions to Minnesota's non-farm payroll employment and income tax withholding collections. Economists at MMB believe Minnesota's labor market is still improving, but the drag from federal fiscal restraint and political uncertainty are weighing on growth. In MMB's November 2013 economic forecast, employment and income growth remain modest in 2014, reflecting stronger consumer and business fundamentals in the broader U.S. economy, rising demand for new home construction, and improving global growth.

Minnesota total non-farm employment rose 1.6 percent in 2012, after a 1.7 percent increase in 2011. In MMB's November 2013 economic forecast, Minnesota employment growth is forecast to maintain the same modest pace of 1.6 percent in 2013 and 2014, before accelerating to 1.8 percent growth in 2015. In February 2013, MMB's forecast called for slightly weaker job growth of 1.4 percent in 2013, followed up by stronger gains of 1.8 percent in 2014 and 2.1 percent in 2015. MMB's employment forecast for 2013 through 2015 is very similar to GI's baseline forecast for U.S. job growth. Global Insight's November baseline forecast also calls for 1.6 percent growth in 2013 and 2014, followed by 1.8 percent growth in 2015.



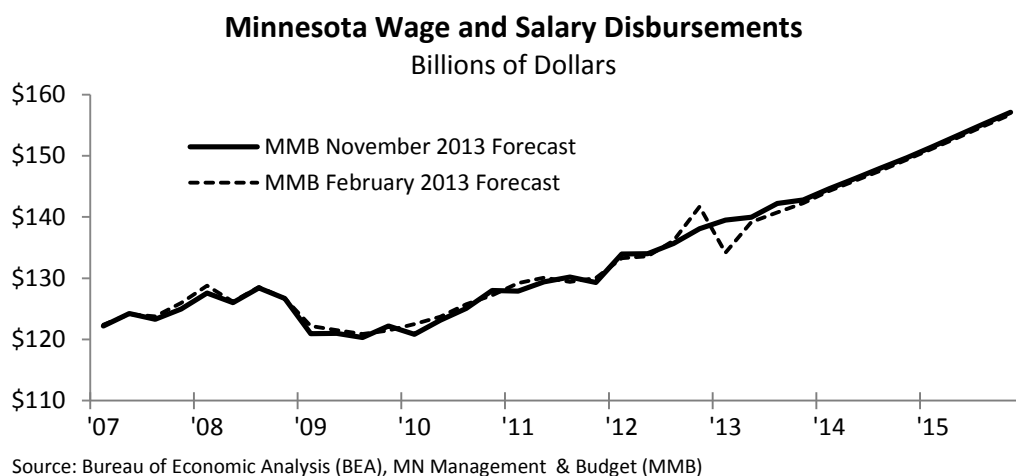
Source: MN Department of Employment and Economic Development (DEED), MN Management & Budget (MMB)

Minnesota total non-farm employment rose 1.6 percent in 2012, after a 1.7 percent increase in 2011. In MMB's November 2013 economic forecast, Minnesota employment growth is forecast to maintain the same modest pace of 1.6 percent in 2013 and 2014, before accelerating to 1.8 percent growth in 2015.

Nominal wage income grew 4.8 percent in 2012, boosted by what appears to be an accelerated payout of bonuses and exercising of options at the end of the year ahead of anticipated federal tax increases. Payback for that accelerated wage income is assumed to have largely occurred in the first quarter of 2013. As a result, preliminary labor market data and income tax withholding collections suggests wage growth partially slowed

during the year, albeit not to the degree estimated in February. In the November 2013 economic forecast, MMB economists expect wage income to rise 4.2 percent in 2013, much stronger than the 2.1 percent growth expected in February. New information from the Quarterly Census of Employment and Wages (QCEW) suggests a larger share of extremely high withholding observed in late 2012 was instead due to prepayments on non-wage sources of income, such as business income and capital gains. Wage income is now expected to grow 4.3 percent in 2014, followed by 4.9 percent growth in 2015. In February 2013, MMB's forecast called for stronger growth of 5.5 percent in 2014, largely offsetting weaker growth in 2013 due to one-time wage acceleration, and similar growth of 4.9 percent in 2015. Global Insight's November baseline forecast for U.S. wage income calls for growth of 2.8 percent in 2013, followed by 4.6 percent growth in 2014 and 4.8 percent growth in 2015.

The forecast assumes that GI's November 2013 baseline materializes. Any unanticipated adverse developments in the U.S. economy, however, such as more political gridlock in Washington or weaker global growth than GI assumes, will have unfavorable effects on the Minnesota economy.

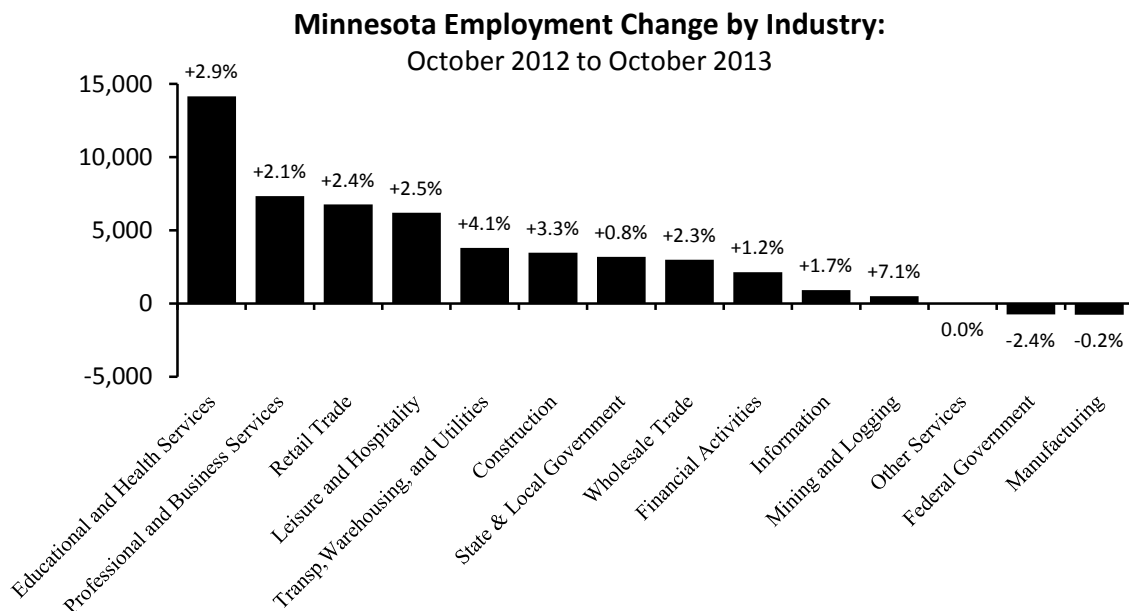


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Employment Recovery continues to be Broad Based. The latest news on Minnesota's labor market remains encouraging. According to October's employer survey released by the Minnesota Department of Employment and Economic Development (DEED), the state added 50,000 net new jobs, or 1.8 percent, in the past year, slightly stronger than the national rate of 1.7 percent. The private sector has added about 48,000 jobs, or 2.0 percent, in the past year, just short of the national rate of 2.1 percent. Those employment gains continue to be broad based, with healthcare, trade, professional and business services, and leisure and hospitality all gaining over the past year. The long-suffering construction sector is recovering, as pent-up demand for housing is reviving and construction firms are beginning to hire again. And state and local government payrolls

are expanding once more, as school districts are hiring at the fastest pace since 2000. The obvious weaknesses are in manufacturing, which pulled back over the summer due in part to the slowdown in the global economy, and federal government, which is being dragged down by the automatic sequester cuts that began in March.

Despite recent weakness in manufacturing and federal government employment, the state’s unemployment rate has continued to trend down over the past year, to 4.8 percent in October 2013 from 5.6 percent a year earlier. While faster job creation is a contributing factor, much of that decline has been driven by a sharp decline in labor force participation. The state’s participation rate fell to 70.1 percent in October, the lowest since mid-1981 and down from 70.8 percent a year earlier. People generally leave the labor force for two reasons: because they have retired or grown increasingly discouraged with employment prospects and stopped looking for work. In August, DEED reported that the number of discouraged workers in Minnesota had fallen to a 12-month moving average of 6,900, from 10,900 a year earlier, suggesting much of the drop in labor force participation is a result demographic forces related to Minnesota’s aging population. In the November 2013 economic forecast, Minnesota’s labor force participation rate continues to drop throughout the forecast horizon, albeit at a slower pace than experienced during the past few years.



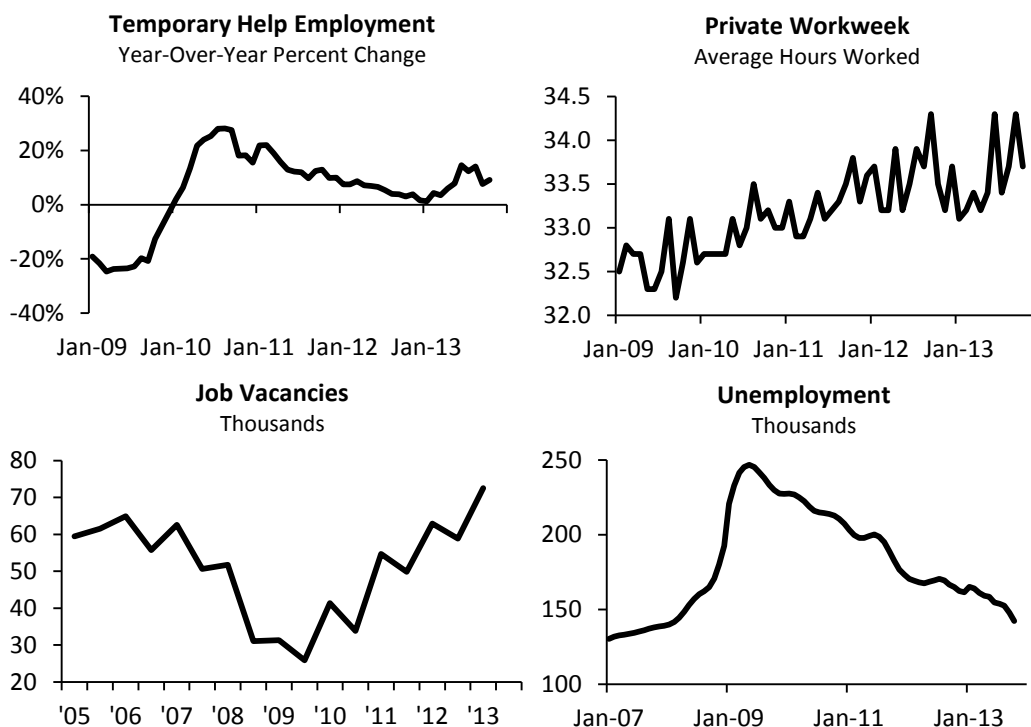
Source: MN Department of Employment and Economic Development (DEED)

Minnesota’s employers have added 50,000 net new jobs, or 1.8 percent, in the past year, slightly stronger than the national rate of 1.7 percent. Those employment gains continue to be broad based, with healthcare, trade, professional and business services, and leisure and hospitality all gaining over the past year.

Minnesota Management and Budget’s November 2013 economic forecast assumes overall labor market conditions will continue to improve into 2014, albeit at about the same modest pace as 2013. The number of jobs Minnesota employers add to their payrolls is forecast to average 3,900 a month in the first part of 2014 before picking up to over 4,200 a month by early 2015, aided by gains in construction and a turnaround in manufacturing. When combined with modest labor force growth and improving perceptions of growing job opportunities, that outlook should be enough to continue to slowly bring down the state’s unemployment rate in 2014 and 2015.

Leading Employment Indicators Remain Strong. According to DEED, the average workweek in the private sector is holding steady in the first 10 months of 2013 at a more normal level of 33.6 hours, about the same as in 2012 and up from 32.6 hours in 2009. Temporary help jobs topped 70,000 in August for the first time ever, and unemployment has fallen to about the same levels as when the U.S. recession began in December 2007. Finally, in early September, DEED reported that the number of job vacancies in Minnesota hit a 12-year high during the second quarter of 2013. Employers registered 72,560 openings, up more than 15 percent from a year earlier. That equates to about 2.2 unemployed people for each vacancy, down from 2.7 a year earlier and the lowest ratio observed since early 2007.

Minnesota Leading Indicators



Source: Minnesota Department of Employment and Economic Development (DEED)

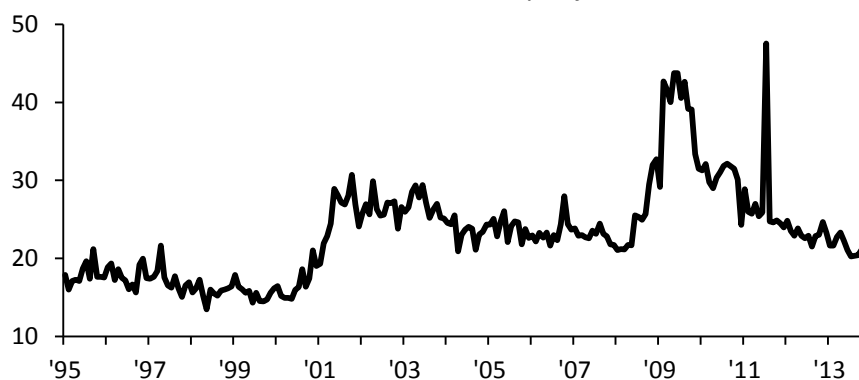
Minnesota’s leading indicators, such as temporary help employment, average hours worked, job vacancies, and the number of unemployed remain strong. DEED reports that the number of job vacancies in the state hit a 12-year high in the second quarter of 2013.

Minnesota's initial jobless claims also serve as a useful barometer of Minnesota's short-term labor market trends. According to DEED, after adjusting for furloughed federal government workers in October, the number of seasonally adjusted first time filers for unemployment insurance benefits has held below 21,000 since July, down from a recessionary peak of nearly 44,000 during the summer of 2009 and back to levels not seen in more than a decade.

Historical evidence suggests that once Minnesota's seasonally adjusted monthly initial claims drop to near 28,000 following recession unemployment begins to stabilize and consistent month-to-month job losses fade. When this indicator falls below 25,000 for an extended period, it suggests employer confidence is improving and hiring and investment in the state are turning up. Furthermore, levels in the 20,000 to 22,000 range are statistically linked to fairly strong job growth. Thus MMB economists view the current health of Minnesota initial claims for unemployment insurance as a strong sign that Minnesota's labor market continues to build momentum.

Minnesota Initial Claims for Unemployment Insurance

Thousands, Seasonally Adjusted



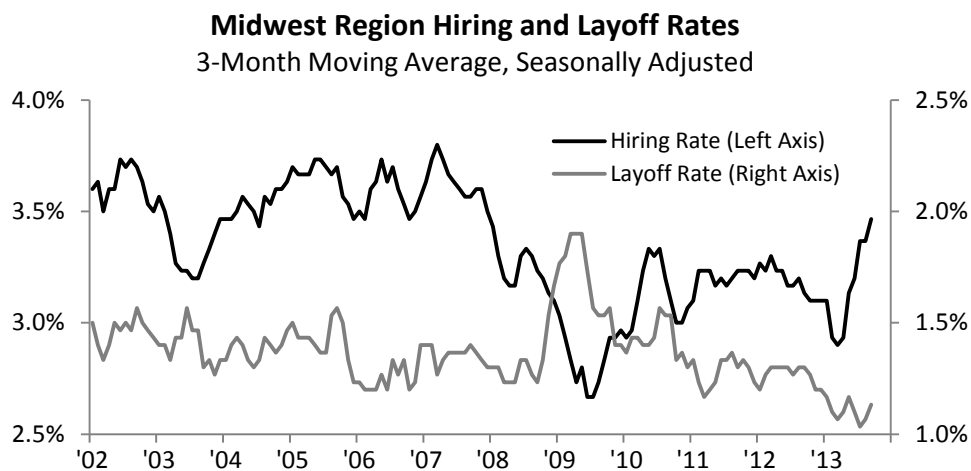
Source: Minnesota Employment and Economic Development (DEED)

First time claims for jobless benefits have fallen to levels not observed in more than a decade. Levels in the 20,000 to 22,000 range are statistically linked with fairly strong job growth.

Hiring Remains Key to a Stronger Employment Outlook. The most significant barrier to stronger job growth has not been layoffs, but reduced hiring. During the recession, Minnesota businesses responded to a sharp decline in demand by aggressively cutting back payrolls. Between the early part of 2008 and the end of 2009, for example, payroll employment in the state fell by about 150,000 jobs, or 5.4 percent. But in this recovery, employers have largely remained reluctant to commit to new hiring. Persistent uncertainty about political and economic conditions and the future of employee healthcare costs appears to be a major part of the explanation. Without a clear and sustainable outlook for final demand, hiring plans have been postponed as more output is squeezed from the existing workforce by increasing hours of existing staff or turning to more affordable temporary workers. In fact, the percentage of temporary help jobs

relative to total employment in Minnesota has surged to record highs of over 2.4 percent in mid-2013.

To put the recovery's hiring deficit into perspective, the Minnesota economy is now estimated to be producing 6 to 7 percent more goods and services on a real basis than it did prior to the recession, but with the same number of workers. The hiring shortfall has been evident in the Bureau of Labor Statistics' (BLS) Job Openings and Labor Turnover Survey (JOLTS), where both the layoff and hiring rates in the Midwest has remained low. (Note: JOLTS data are not available at the state level.) After falling in the first part of the year, likely due to employers postponing hiring decisions at the time of the fiscal cliff and sequestration negotiations, the Midwest hiring rate has picked up sharply in the second part of 2013. This will be an indicator MMB economists will be watching closely for signs of stronger job creation in 2014.



Source: U.S. Bureau of Labor Statistics. (BLS)

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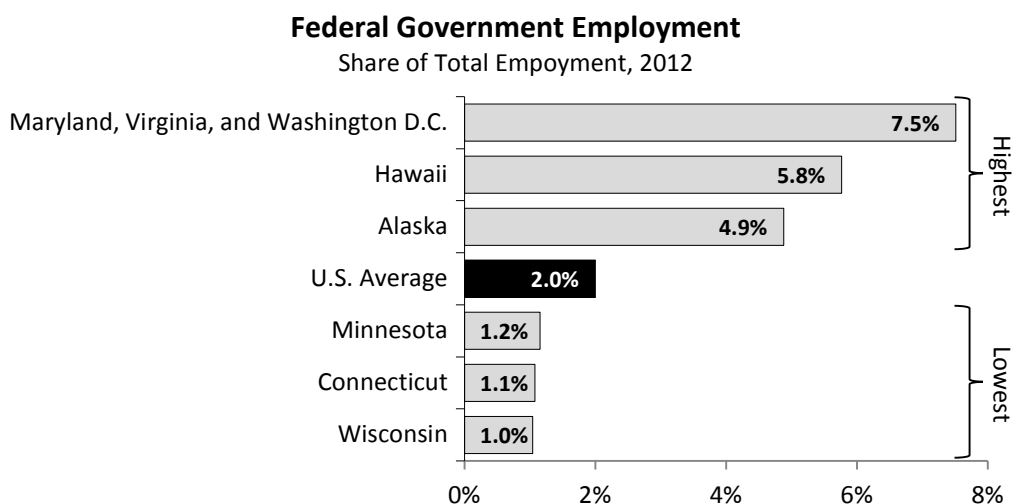
Federal Fiscal Restraint and Minnesota's Economy. Federal fiscal restraint from sequestration and the 16-day government shutdown has been harmful to Minnesota's economy in 2013. Nonetheless, the state's direct exposure to these abrupt federal government spending cuts has been small and is among the lowest of all states.

The harmful impacts of federal sequester cuts and government spending disruptions due to the shutdown are not uniform across states. Their consequences depend on the concentration of federal employment and spending in each state. The largest impacts have occurred where exposure to federal employment and spending is greatest, such as the around the greater Washington D.C. area. Minnesota has been affected to a lesser extent, as federal employment and spending are not major components of the state's economy. According to data from the Bureau of Labor Statistics (BLS), federal employment in Minnesota during 2012 made up just 1.2 percent of total employment (rank 48th), compared to a 2.0 percent national average. By contrast, federal employment

was nearly 5 percent of the total in Alaska, 6 percent in Hawaii, and 7.5 percent in the Maryland, Virginia, and Washington D.C. area. Likewise, the Pew Center on the States estimates that total federal spending on procurement, wages, and salaries accounted for just 1.8 percent of state GDP in Minnesota during 2010 (rank 49th), compared to a 5.3 percent national average. By contrast, that federal spending was over 13 percent of the total in Alaska, nearly 16 percent in Hawaii, and almost 20 percent in the Maryland, Virginia, and Washington D.C. area.

Economists at MMB believe the adverse economic impacts from sequestration on the overall Minnesota economy have not been significant. As in February, the federal spending cuts to defense and non-defense programs are estimated to reduce the level of employment by no more than 5,000 jobs by the end of the year, or just 0.2 percent. By comparison, the state lost 150,000 jobs during the Great Recession. A second round of sequestration cuts will have similar marginal consequences.

The reduction in federal payments to Minnesota residents during the 16-day federal government shutdown in October is also believed to have not materially impacted the state's economy or tax revenues, largely because federal workers received retroactive back pay after the shutdown ended. If the federal government shuts down again for an extended period in late January, more federal payments to Minnesota residents may be foregone, but the resulting impacts are likely to be similar.



Source: U.S. Bureau of Labor Statistics (BLS)

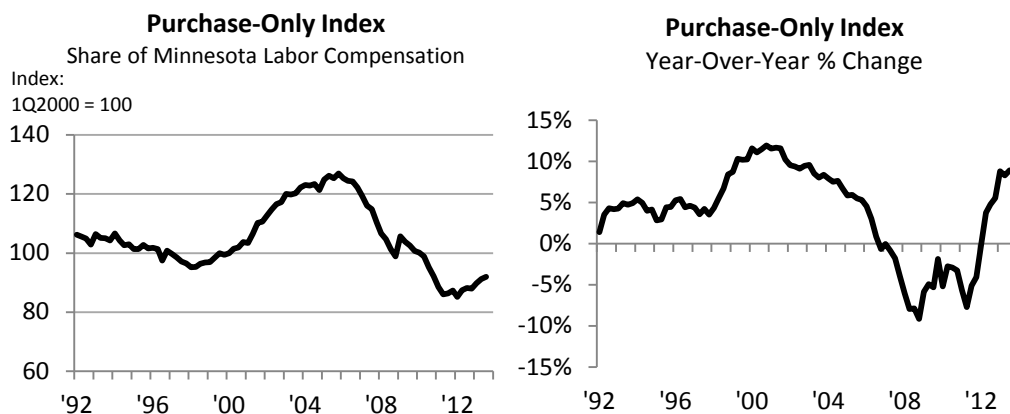
*The harmful impacts of federal sequester cuts and government spending disruptions due to the shutdown are not uniform across states. Their consequences depend on the concentration of federal employment and spending in each state. *

Minnesota's Housing Recovery is Ramping Up. Minnesota's housing market continues to show widespread improvement in 2013. Home sales lost some momentum earlier in the year, largely because of a reduction in disposable income due to the expiration of the payroll tax and higher mortgage rates. But MMB economists believe these setbacks are only temporary. Stronger fundamentals and a pickup in household formation are releasing

pent-up demand built up during the recession and weak recovery. New buyers are taking advantage of historically low mortgage rates and more homes are selling. In the Twin Cities area, for example, the Minneapolis Area Association of Realtors (MAAR) reports closed sales are up 11 percent during the first 10 months of 2013 relative to the same period a year earlier. Stronger demand is rapidly absorbing excess units created during the housing boom. Inventories are still at or near record lows, which along with a falloff in distressed sales, are fuelling more competition among buyers. In the past year, the average time a property was on the market until sale has fallen from about 100 to near 70 days, and sellers in the metro area have gone from receiving 94.5 percent of their asking price to 96.0 percent, the highest since late 2006. That is helping to boost selling prices and construction starts.

After nearly seven years of severe housing market correction, MMB economists estimate improving job growth and strengthening household formation rates have helped absorb most, if not all, of the excess homes into the market in 2013. This has already played out in data collected by MAAR, where the inventory of homes available for sale in the metro area are down almost 16 percent during the first 10 months of 2013 compared to a year earlier, and more than 36 percent from two years earlier. The last time inventories were this low was more than a decade ago.

Federal Housing Finance Agency (FHFA) Minnesota Home Price Index



Source: Federal Housing Finance Agency (FHFA)

Minnesota's housing market continued to show widespread improvement in 2013. Inventories are still at or near record lows, which along with a falloff in distressed sales, are fuelling more competition among buyers. That is helping to boost selling prices.

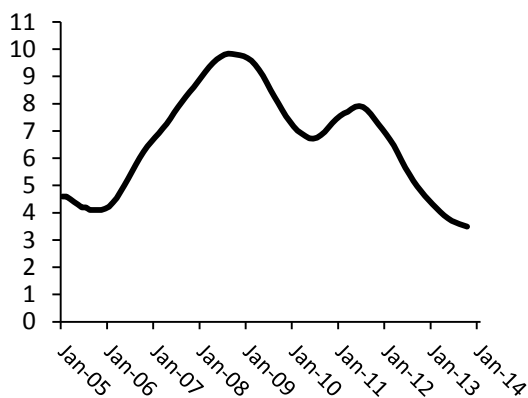
Falling inventories are one reason selling prices have continued to improve in 2013. According to the Federal Housing Finance Agency (FHFA) purchase-only index for conventional, conforming mortgages, Minnesota home values rose 8.7 percent in the third quarter of 2013 from a year earlier, the largest over-the-year gain since early 2003. Likewise, the S&P/Case-Shiller Home Price Index (HPI) reports that nominal home

prices in the Minneapolis/St Paul area were up 10.1 percent in September from a year before. Both measures have regained close to half of their losses from the housing crash since mid-2011.

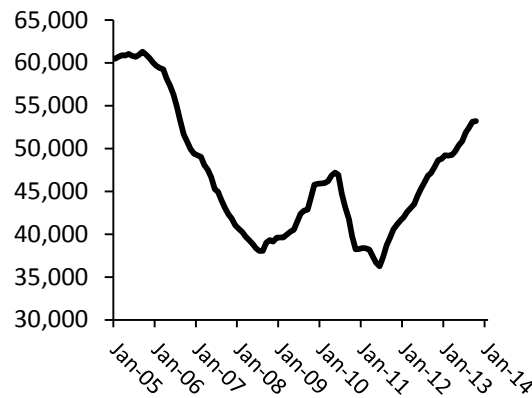
The share of distressed sales, where properties sell at a large price discount relative to traditional listings, is also falling. The median price of a foreclosure property in the Twin Cities, according to MAAR, was \$131,000 in in the past year, significantly less than the \$219,900 median price for a traditional listing. About 28 percent of the closed sales this year have been foreclosures and short sales. Although still high, that rate is the lowest level in more than six years and down from 40 percent in 2012 and 50 percent in 2011.

Low inventories are also a reason growth in the total number of authorized residential building permits in Minnesota is showing signs of recovery. Only 8,300 building permits were authorized for new home construction in the state during 2011, a record low. In 2012, however, the number of authorized permits improved by 80 percent, to a five year high of 15,000. With inventories at historic lows and demand for new home construction improving in 2013, permits are expected to continue strengthening. MMB forecasts permits to grow by another 13 percent in 2013, to 18,000, and then rise 34 percent in 2014, to 25,000. By 2015, permits are expected to near 30,000, a level consistent with normal underlying demand. In February 2013, housing permits were forecast to rise at a slightly slower pace, to 17,000 in 2013, followed by 23,000 in 2014 and 29,000 in 2015.

Twin Cities Months Supply of Inventory
12-Month Moving Average



Twin Cities Closed Sales
12-Month Moving Sum



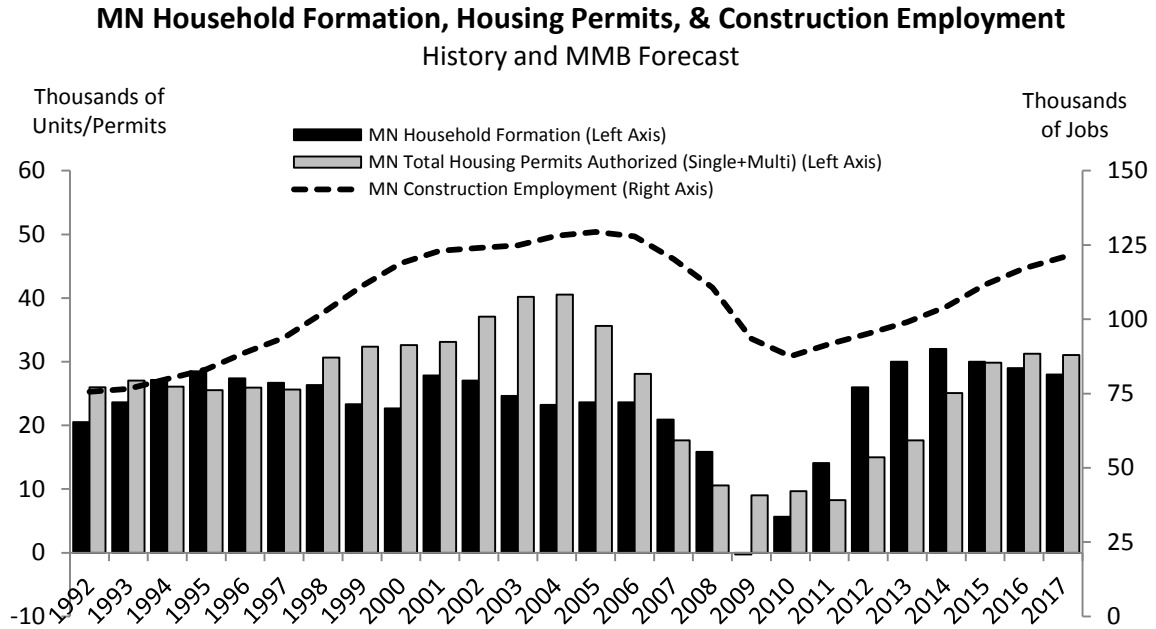
Source: Minneapolis Area Association of Realtors (MAAR)

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The employment rebound in construction will lag the recovery in building permits by between 6 and 9 months, thus a “catch up” period is assumed in the forecast. In the November 2013 forecast, the construction industry is forecast to add about 4,900 jobs (or 5.2 percent) in 2013 measured fourth quarter to fourth quarter, before growth accelerates to 6,100 (6.1 percent) in 2014 and 8,300 (7.8 percent) in 2015. In February 2013, construction employment growth was forecast to be slightly weaker, rising 3.3 percent in

2013 (measured fourth quarter to fourth quarter), 5.5 percent in 2014, and 6.9 percent in 2015.

Economists at MMB believe that if the housing recovery stalls during the first half of 2014 or household formation rates slow during the year as a result of weaker labor market conditions, Minnesota’s economy is unlikely to perform as forecast.



Source: MN Department of Employment and Economic Development (DEED), MN State Demographic Center, MN Management & Budget (MMB)

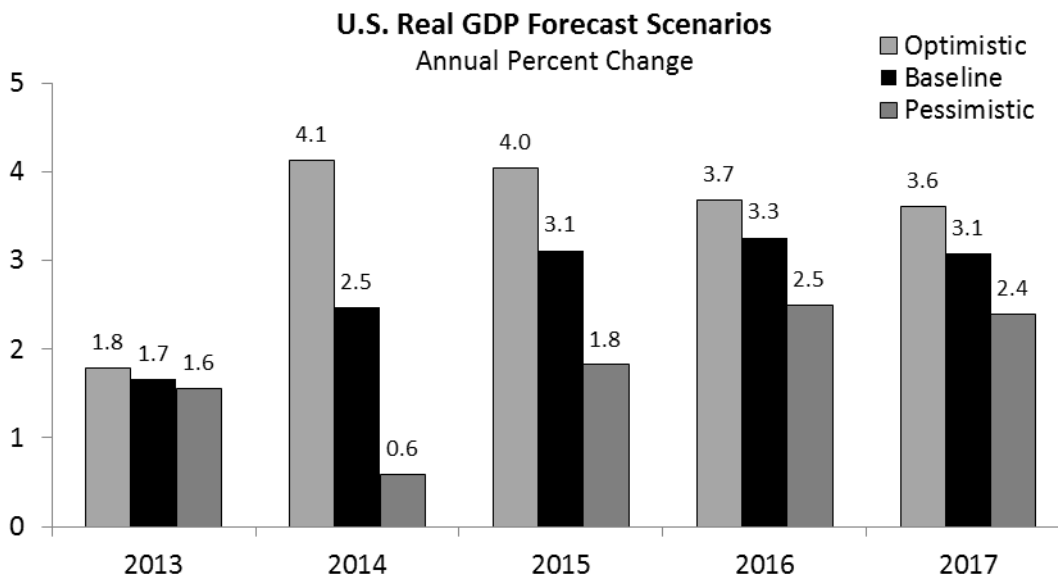
MMB economists estimate improving job growth and strengthening household formation rates have helped absorb most, if not all, of the excess homes into the market in 2013. These are principle assumptions behind the November 2013 outlook for residential building permits and construction employment.

Council of Economic Advisors' Statement

Minnesota's Council of Economic Advisors (CEA) has reviewed IHS Global Insight's (GI's) projections for economic growth between 2013 and 2017. They noted that since February, GI and other forecasters have slightly lowered their expectations for 2013 and 2014 growth. In February, GI's baseline did not expect the across-the-board federal government spending sequester to take effect un-modified for the full year or the federal government to shut down in October. Both ultimately occurred.

Some CEA members felt that, given the disruption from the shutdown and ongoing fiscal policy uncertainty, GI might justifiably have reduced their baseline growth projections for 2013 and 2014 a bit more than they did. Several members cautioned that GI's baseline expectations for real GDP growth between 2015 and 2017, which are above the Blue Chip Consensus forecast from October 2013, may be overly optimistic. One member suggested that the United States is closer to the next recession than the last, which officially ended four years ago. All members agreed that it is appropriate for the state to use GI's November baseline forecast, with the stipulation that the forecasts for 2016 and 2017 be used with caution due to the downside risk in those years.

All of the members of Minnesota's Council of Economic Advisors agreed that it is appropriate for the state to use Global Insight's November baseline forecast. Several members urged that the forecasts for 2016 and 2017 be used with caution due to the downside risk, such as the next U.S. recession, in those years.



Source: Global Insight (GI)

All of the members of Minnesota's Council of Economic Advisors agreed that it is appropriate for the state to use Global Insight's November baseline forecast. Several members urged that the forecasts for 2016 and 2017 be used with caution due to the downside risk, such as the next U.S. recession, in those years.

Council members noted that federal fiscal policy uncertainty continues to negatively impact the U.S. economy. Global Insight's optimistic scenario has Congress agreeing to a long-term deficit reduction plan that replaces the automatic spending cuts, passes a FY 2014 budget, adopts revenue-raising tax and entitlement reform, and increases the debt ceiling in advance of the early 2014 deadlines. Council members see little reason to anticipate a plan of that scope.

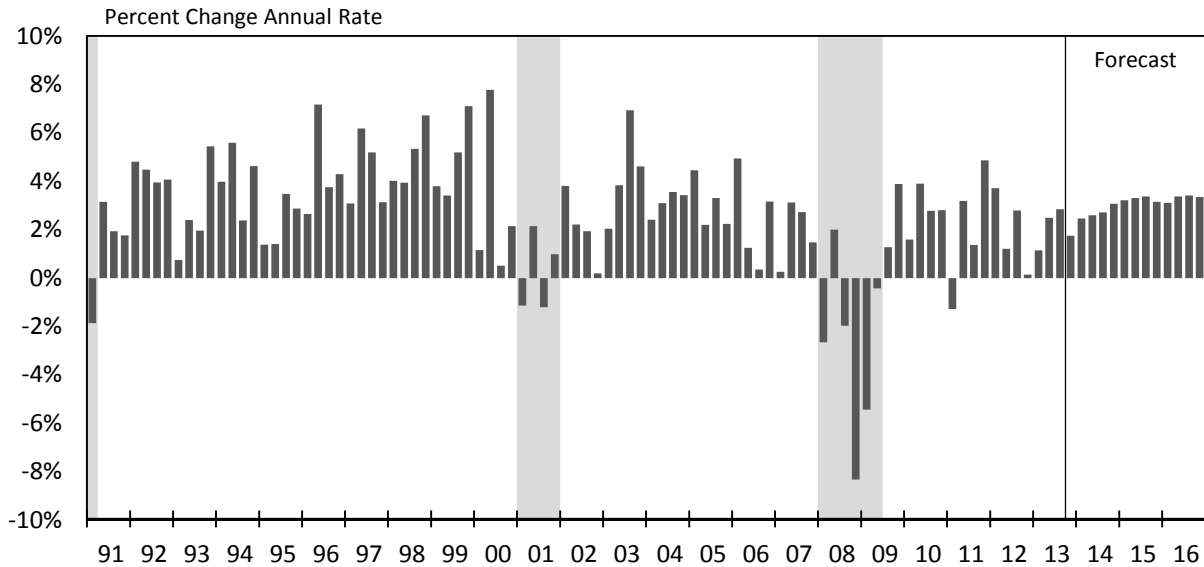
Minnesota Management and Budget (MMB) economists noted that between now and February material changes in the individual income tax forecast for both FY 2014-15 and FY 2016-17 are possible. In February, MMB economists expect to have the first information about the composition of Minnesota non-wage income in tax year 2012, a year in which taxpayers accelerated income in anticipation of higher federal tax rates. This will help identify income growth arising from sources that are unlikely to carry over to subsequent years. Late January should bring new information about final estimated tax payments and the final quarter of withholding for 2013. Finally, MMB economists will learn how much sales tax revenue was generated during the important holiday season in early 2014.

In addition to urging caution when using longer-term economic forecasts, CEA members discussed ways the state can manage the risk arising from uncertainty about future economic conditions. Members observed that while Minnesota's financial position has improved substantially, the state's formal budget reserve remains well below the level bond rating agencies expect from AAA-rated credits. State bond ratings depend on a number of factors, but both Standard and Poor's and Moody's specifically include a measure of the adequacy of statutory budget reserves in their credit analyses. In Standard and Poor's analytical framework, states with statutory reserve levels of 8 percent or more of annual general fund revenue or spending receive top marks. Moody's ratings guidelines indicate that Aaa-rated states should have statutory reserves of at least 10 percent of current revenue. Minnesota's current \$661 million budget reserve is about 3.4 percent of fiscal year 2014 spending. If the cash flow account is included, reserves are about 5.2 percent of annual spending.

The CEA continues to recommend that budget planning estimates for future biennia include an adjustment of future spending to reflect expected inflation. The current practice of including inflation in projected revenues but not in spending projections is misleading and inconsistent with both sound business practice and CBO methods. With current relatively low inflation rates, failure to incorporate inflation in expenditure projections understates expected spending for FY 2016-17 by more than \$1 billion. That systematic distortion will grow larger if and when inflation accelerates. The CEA has made similar recommendations in each of its written statements since the current practice was required by statute in 2003.

Select Economic Indicators

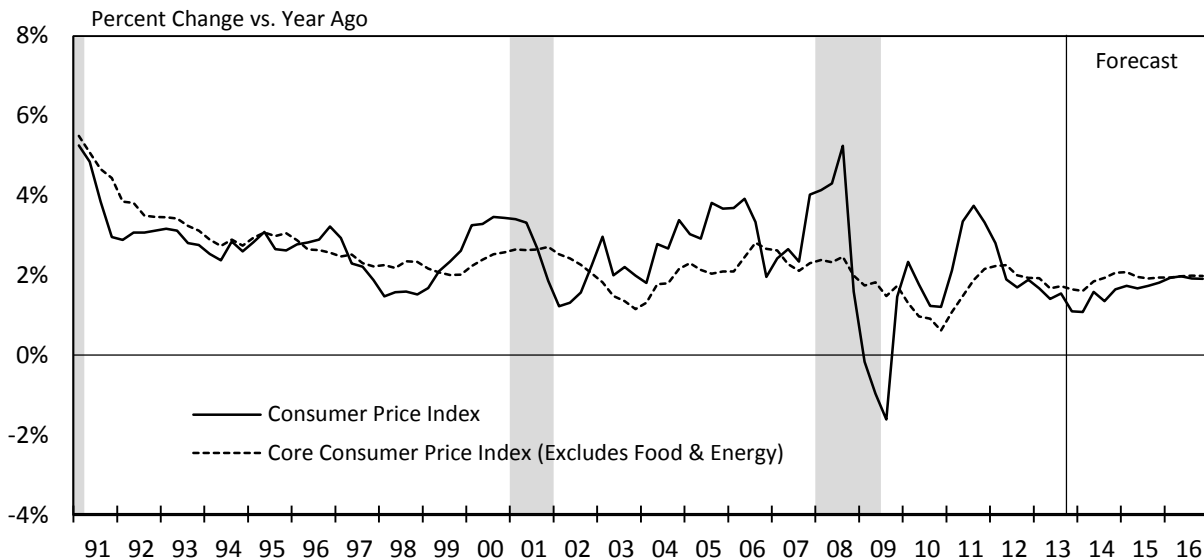
Real Gross Domestic Product



Source: Bureau of Economic Analysis, National Bureau of Economic Research, and Global Insight

The economy's underlying fundamentals remain firm. Global Insight (GI) expects U.S. real GDP growth to accelerate to 2.5 percent in 2014, from 1.7 percent in 2013, due to less federal fiscal drag and modest gains in consumer spending.

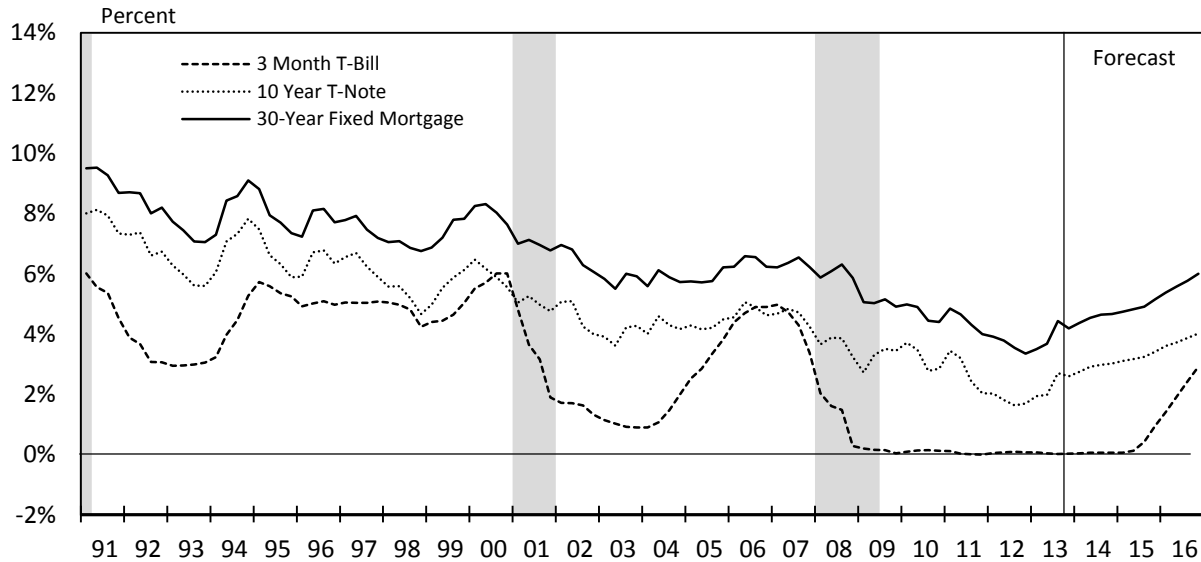
Consumer Price Indexes



Source: Bureau of Labor Statistics, National Bureau of Economic Research, and Global Insight

Inflation remains quiet. Food and oil prices are always subject to supply disruptions from a geopolitical crisis or a disastrous harvest, but are currently not a source of concern. GI expects consumer prices to rise 1.4 percent in both 2013 and 2014, and increase 1.7 percent in 2015.

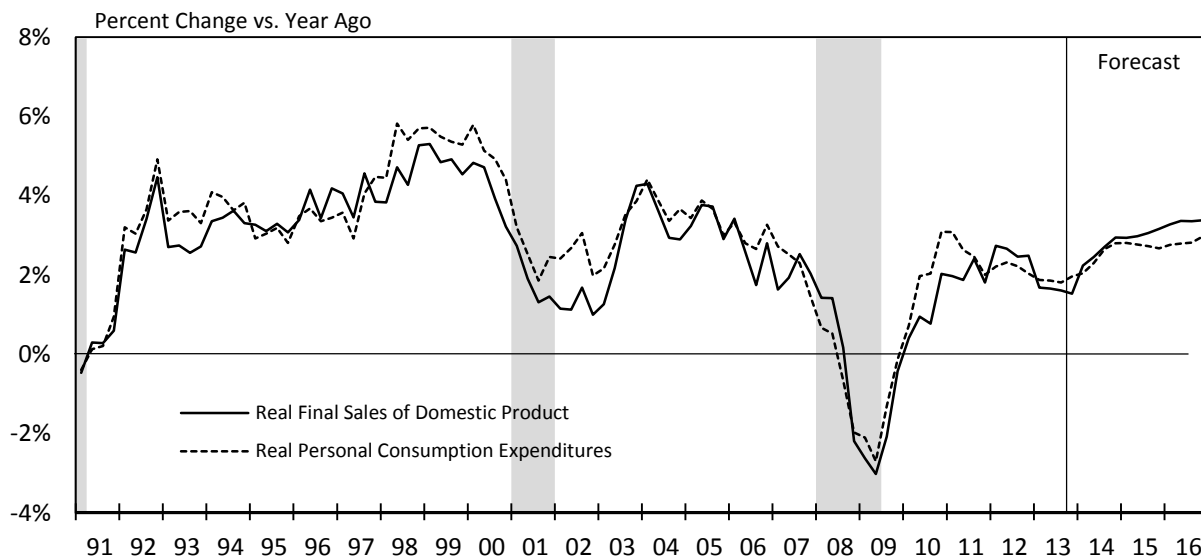
Interest Rates



Source: Federal Reserve Board, Freddie Mac, National Bureau of Economic Research, and Global Insight

IN June of this year, the Federal Reserve began to float the idea of winding down, or tapering, the pace of asset purchases by the end of the year. GI believes the Fed will begin to taper in March 2014. The process is expected to put upward pressure on interest rates.

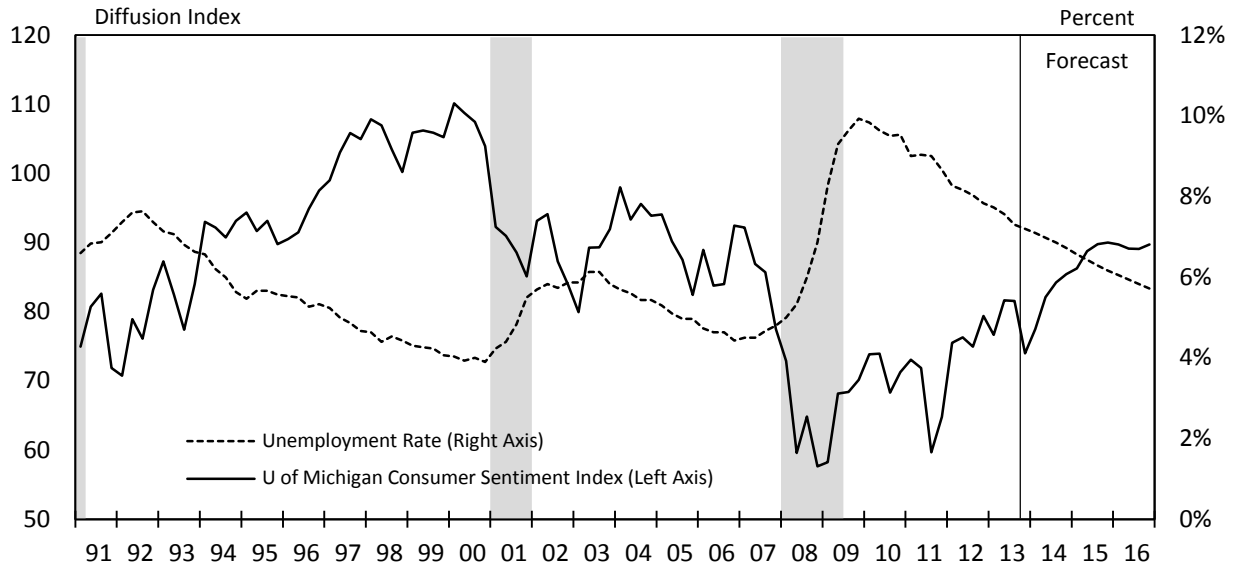
Real Final Sales & Consumption



Source: Bureau of Economic Analysis, National Bureau of Economic Research, and Global Insight

Stronger economic fundamentals are providing welcome momentum, but consumers still face a slew of persistent headwinds. GI expects real consumer spending growth of 1.9 percent in 2013, down from 2.2 percent in 2012, but faster spending growth of 2.5 percent in 2014.

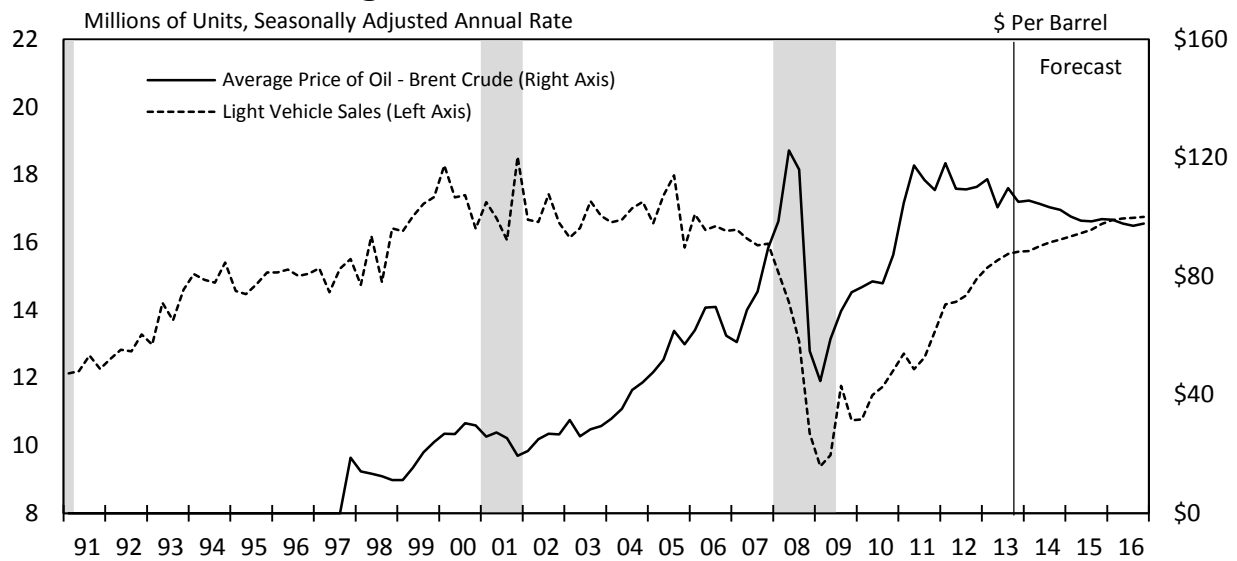
Consumer Sentiment and Unemployment Rate



Source: University of Michigan, Bureau of Labor Statistics, National Bureau of Economic Research, and Global Insight

Consumer sentiment has dipped in recent months due to the federal government shutdown, the debt-ceiling crisis, and a loss of faith in the government’s effectiveness. The loss in confidence signals a potential setback for holiday retail sales.

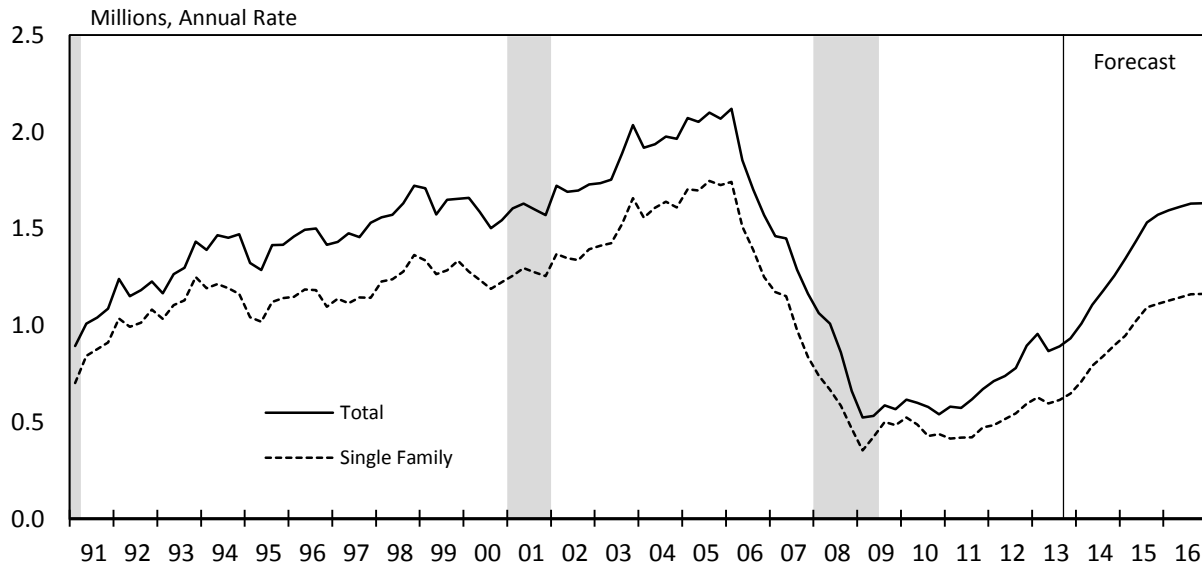
Light Vehicle Sales and Oil Prices



Source: Bureau of Economic Analysis, Investors’ Business Daily, National Bureau of Economic Research, and Global Insight

Oil prices have stalled in the last 18 months due to sluggish global demand and increasing supplies in the U.S. Going forward, GI believes oil prices are more likely to go down than up, as oil markets are less stressed than in the past due to stronger U.S. output gains.

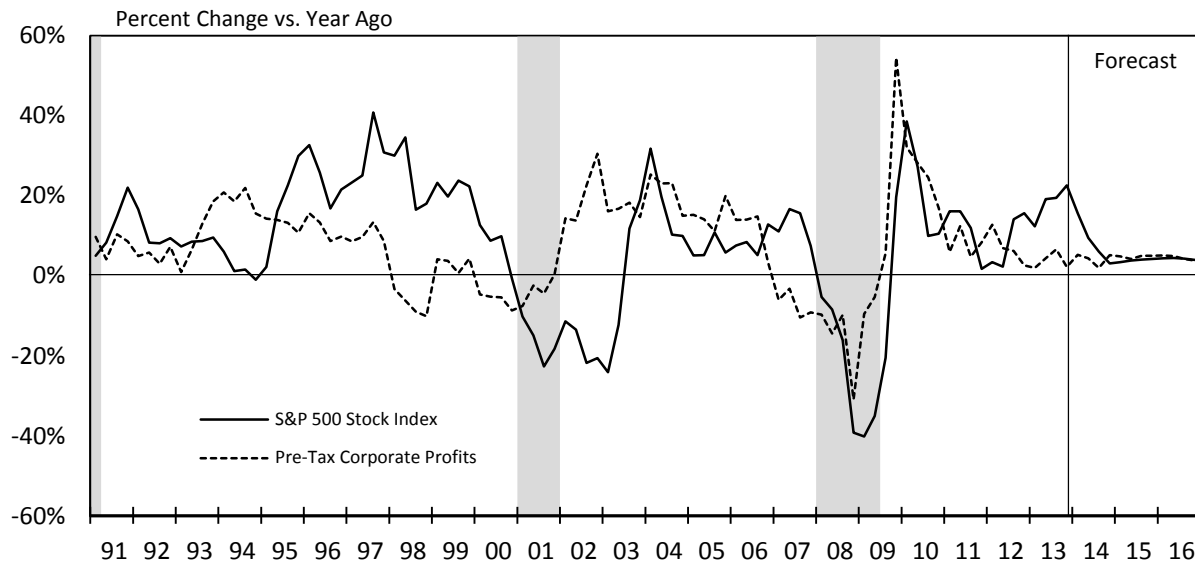
Housing Starts



Source: U.S. Census Bureau, National Bureau of Economic Research, and Global Insight

GI believes the recent softness in the housing recovery is only temporary. Mortgage rates are still low relative to historic norms, ultralow inventories are fueling more competition, and rising home prices suggest that demand is rising faster than supply, which supports growth in housing starts.

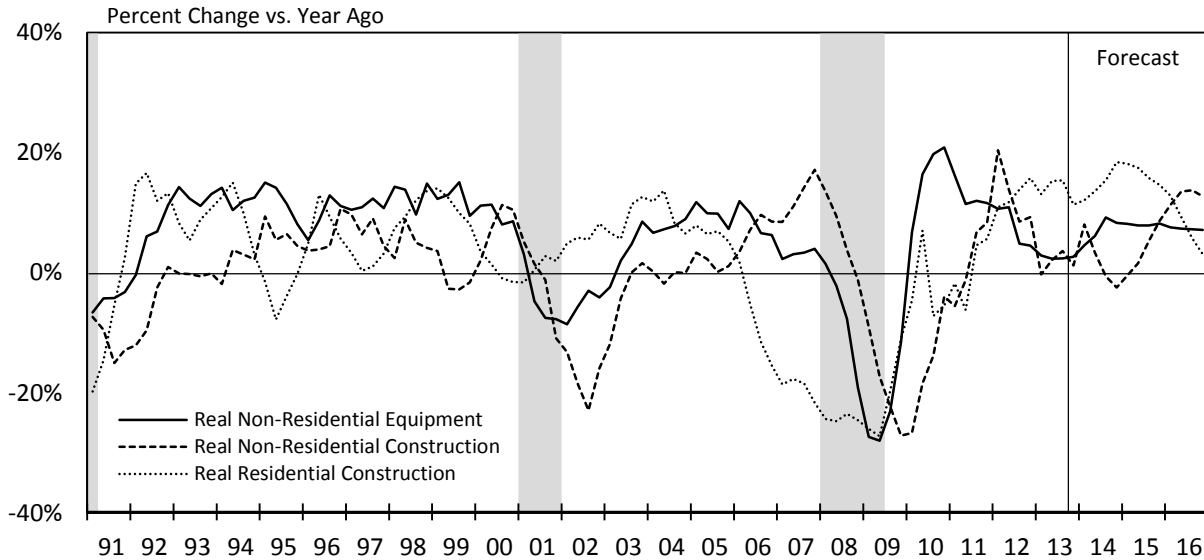
S&P 500 Stock Index and Pre-Tax Corporate Profits



Source: Standard and Poor's, National Bureau of Economic Analysis, National Bureau of Economic Research, and Global Insight

The Federal Reserve reports that household net worth (the value of assets like homes, bank accounts and stocks, minus debts like mortgages and credit cards) surpassed its precession peak in early 2013, thanks in large part to strong gains in the value of real estate and equity assets.

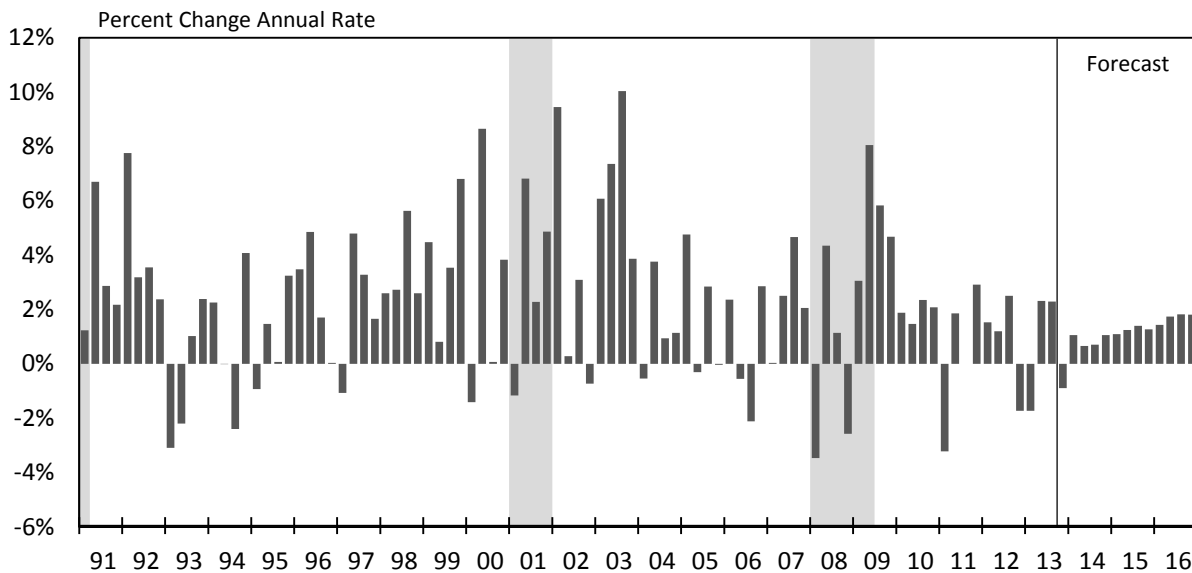
Real Private Investment



Source: Bureau of Economic Analysis, National Bureau of Economic Research, and Global Insight

GI “ardently” believes that the political brinksmanship occurring in Washington is exacerbating policy uncertainty in the U.S. economy. As a result, businesses are expected to proceed cautiously with construction plans until early 2015.

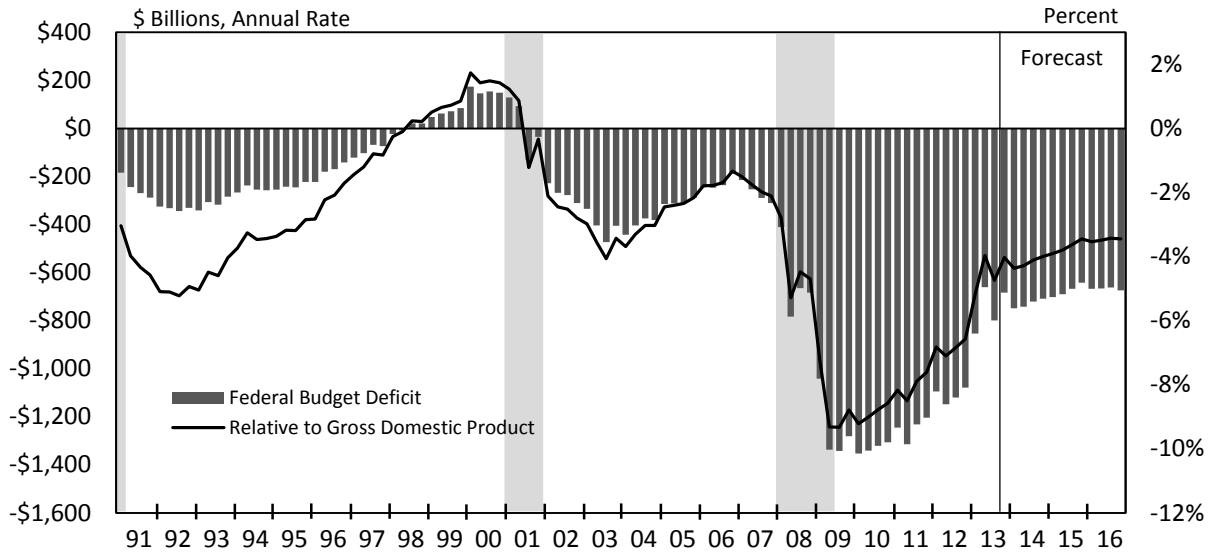
Total Non-Farm Productivity



Source: Bureau of Labor Statistics, National Bureau of Economic Research, and Global Insight

Nonfarm business productivity has been muted this year as the labor market gains momentum. GI expects productivity to grow just 0.3 percent in 2013, before drifting up slowly. Productivity increases 0.8 percent in 2014 and 1.1 percent in 2015.

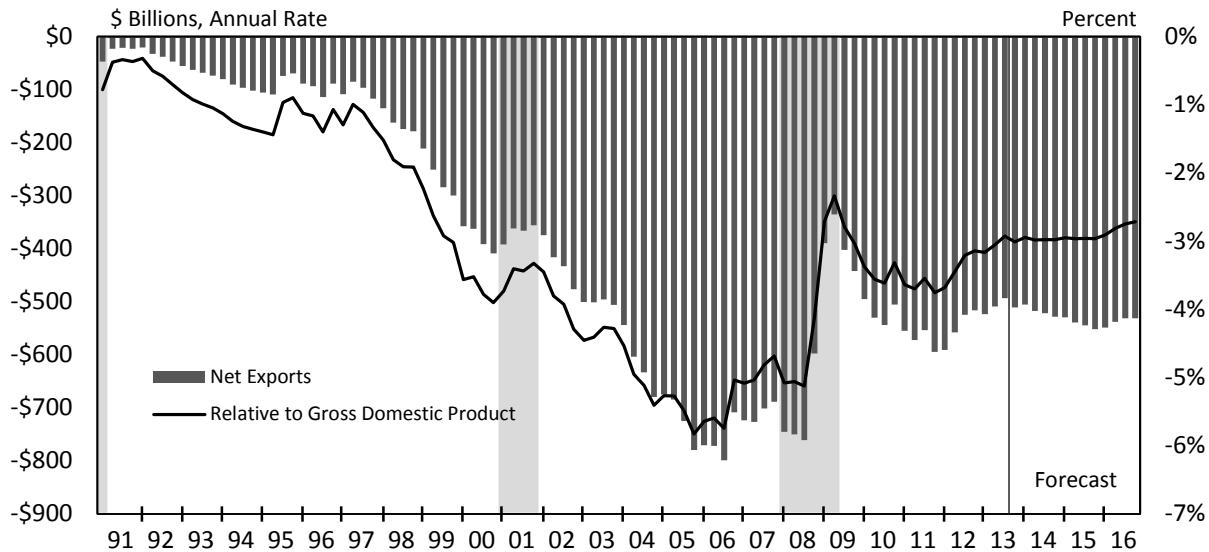
Federal Budget Deficit (NIPA Basis)



Source: Bureau of Economic Analysis, National Bureau of Economic Research, and Global Insight

The U.S. Treasury Department reports that the federal government deficit shrank to \$680 billion in fiscal year 2013, or 4.1 percent of GDP, a meaningful improvement after four straight years of \$1 trillion-plus deficits. GI expects the deficit to fall toward 3.0 percent of GDP by 2016.

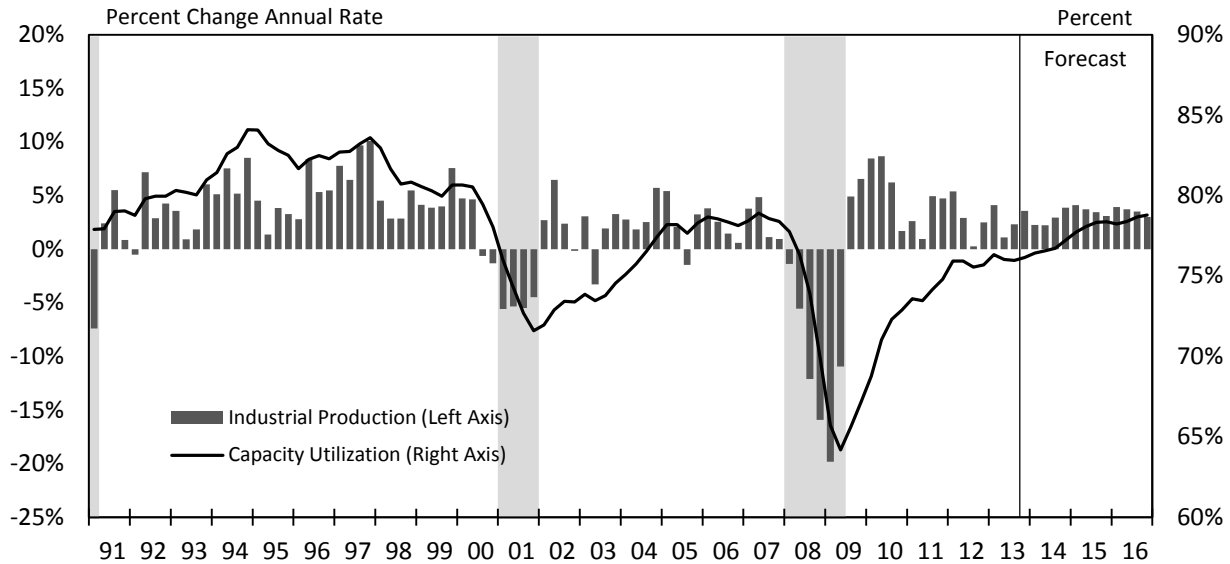
Balance of Trade (Net Exports)



Source: Bureau of Economic Analysis, National Bureau of Economic Research, and Global Insight

Slower growth around the world has created headwinds for U.S. export growth. GI expects only modest export growth in 2013, at 2.4 percent, down slightly from 3.5 percent in 2012. Export growth is expected to accelerate in 2014 on sustained economic growth in Europe and Japan.

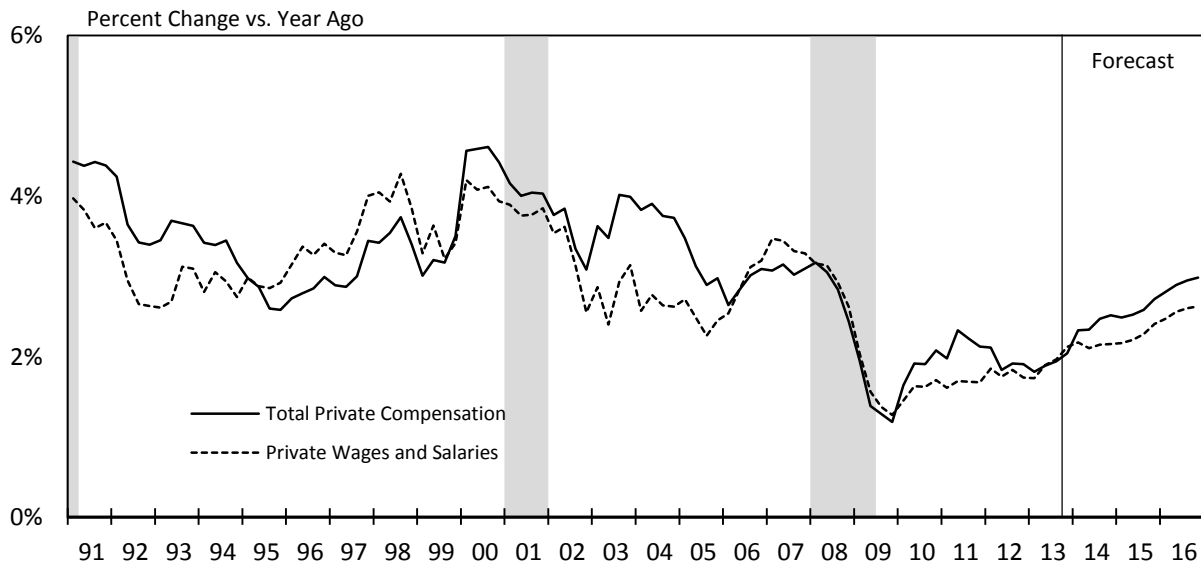
Industrial Production and Factory Operating Rate



Source: Federal Reserve Board, National Bureau of Economic Research, and Global Insight

Survey results strongly suggest that the manufacturing sector is in an expansionary phase. But other measures such as industrial production, have failed to show similar strength. GI expects industrial output to rise 2.4 percent this year before accelerating to 2.6 percent growth in 2014.

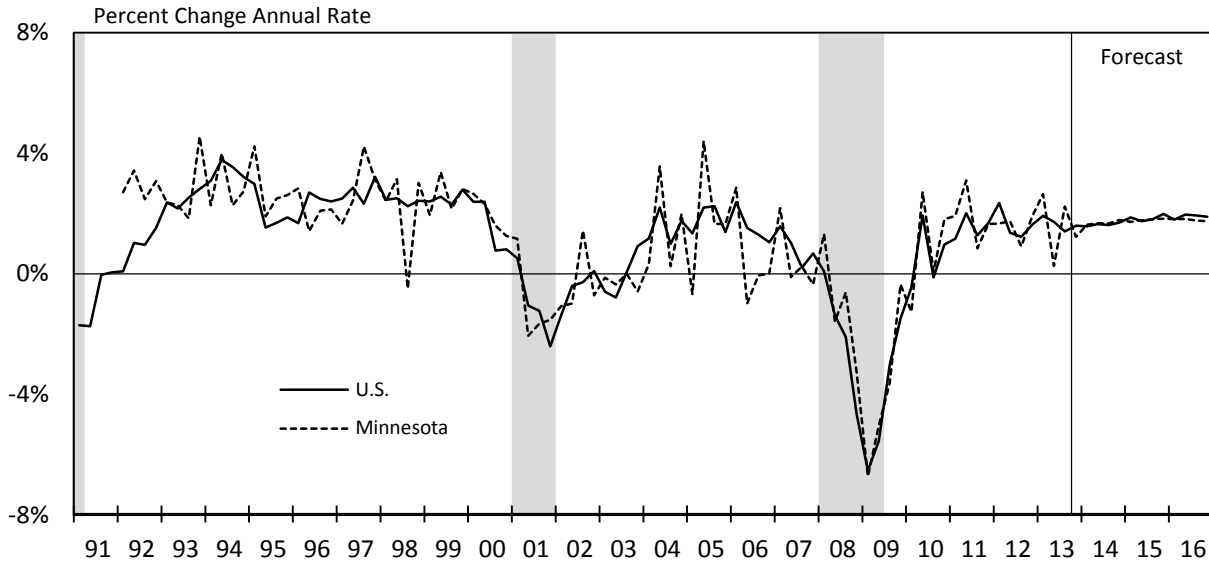
Employment Cost Index



Source: Bureau of Labor Statistics, National Bureau of Economic Research, and Global Insight

Wage inflation is still not a concern. The employment cost index (ECI) continues to show very modest compensation inflation in 2013. This is good news for employers, but not so good news for workers. GI expects private-sector wages and salaries to remain very much under control in 2014.

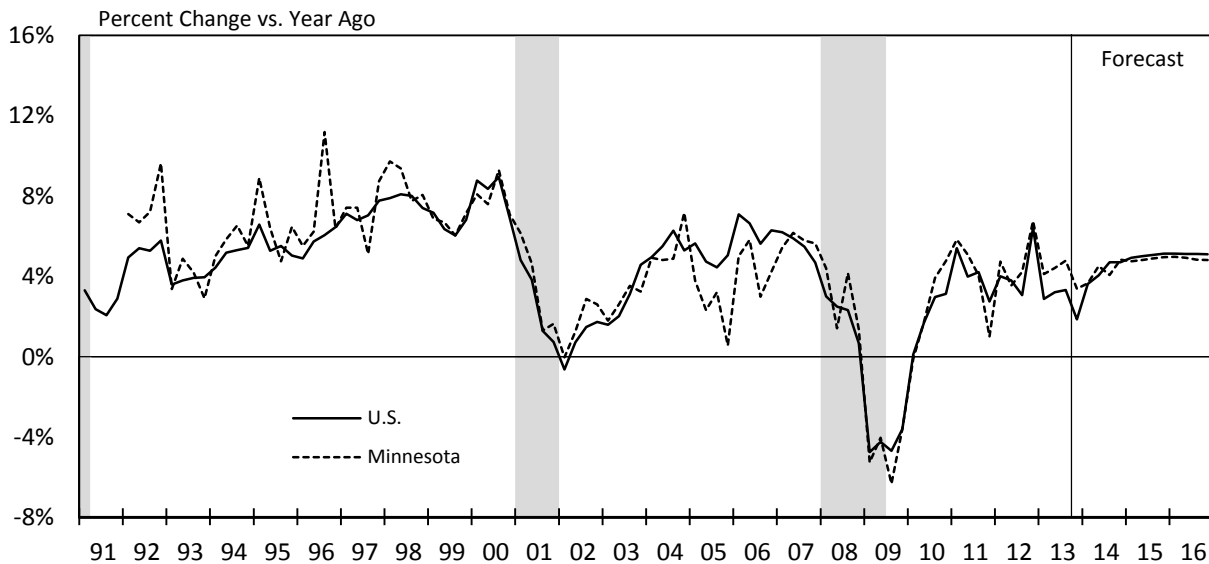
Total Non-Farm Employment



Source: Bureau of Labor Statistics, National Bureau of Economic Research, Global Insight, and MN Management & Budget

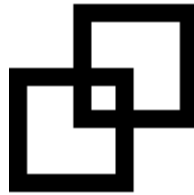
The November 2013 forecast for Minnesota’s economy expects job growth to remain modest. Minnesota employment is forecast to grow 1.6 percent in 2013 and 2014, the same as in 2012, before accelerating to 1.8 percent in 2015 and 2016.

Wage and Salary Disbursements



Source: Bureau of Economic Analysis, National Bureau of Economic Research, Global Insight, and MN Management & Budget

Preliminary labor market data and income tax withholding collections suggests Minnesota’s nominal wage and salary income rose 4.2 percent in 2013, down from 4.8 percent growth in 2012. The state’s wage income is forecast to rise 4.3 percent in 2014 and 2.9 percent in 2015.



BUDGET OUTLOOK

Budget Summary

FY 2014-15 Budget Improves -- \$825 Million Balance Projected. When the FY 2014-15 budget was enacted last May, a \$46 million unspent balance remained. Two subsequent events did not materially alter that balance. A September special session reallocated \$4.5 million for disaster relief and did not impact the bottom line. FY 2013 closing at the end of September produced a \$636 million balance. However, that balance was directed by law to repay a portion of the outstanding school shifts, increasing FY 2014 spending by a like amount. These interim changes, incorporated in mid-October, yielded a \$47 million balance for the current budget, only \$1 million higher than projected at the end of the 2013 legislative session.

Forecast revenues are now expected to be \$39.209 billion, \$787 million higher than previous estimates. This forecast initially estimated spending to be \$38.807 billion, down \$247 million from October's estimates. Spending and revenue changes, along with a small net decline in reserves, resulted in an initial forecast balance of \$1.086 billion. Current law (M.S. 16A.152) allocates a portion of the forecast balance to completing buy back of the K-12 property tax recognition shift and repaying \$15 million that was borrowed from the state airports fund in 2008. After adjusting for the buybacks, spending is now forecast to be \$39.067 billion, \$13 million more than previous estimates.

In October, general fund reserves were \$1.006 billion -- \$350 million in the cash flow account and \$656 million in the budget reserve. The budget reserve has increased slightly in this forecast. Under current law (M.S. 79.251 Subd. 1) any excess surplus in the workers' compensation assigned risk plan is deposited to the general fund and directed to the budget reserve. The total excess surplus was \$14 million; however, \$10 million was incorporated into the FY 2014-15 budget solution – adding just under \$5 million to the budget reserve.

In October, the stadium reserve had a balance of \$27 million. Based on expected stadium expenditures, the reserve is projected to be \$18 million at the end of FY 2015, down \$9 million from previous estimates. Overall the result of this forecast is a net decline in total general fund reserves of \$5 million for the current biennium.

FY 2014-15 Budget Summary
(\$ in millions)

	<u>October</u> <u>Estimate</u>	<u>November</u> <u>Forecast</u>	<u>\$</u> <u>Change</u>
Beginning Balance	\$ 1,712	\$ 1,712	\$ -
Individual Income Tax	18,876	19,372	496
Sales Tax	10,130	10,194	64
Corporate	2,422	2,675	254
Statewide Property Tax	1,685	1,670	(16)
Other Taxes	<u>3,514</u>	<u>3,541</u>	<u>27</u>
Subtotal Tax Revenues	36,627	37,451	824
All Other Revenues, Transfers	<u>1,785</u>	<u>1,758</u>	<u>(37)</u>
Total Revenues	\$ 38,422	\$ 39,209	\$ 787
K-12 Education	6,419	6,654	235
Property Tax Aids & Credits	3,017	2,946	(70)
Health & Human Services	11,445	11,327	(117)
Debt Service	1,280	1,252	(28)
All Other Expenditures	<u>6,893</u>	<u>6,887</u>	<u>(6)</u>
Total Expenditures	\$ 39,054	\$ 39,067	\$ 13
Cash Flow & Budget Reserves	1,006	1,011	5
Stadium Reserve	<u>27</u>	<u>18</u>	<u>(9)</u>
Budgetary Balance	\$ 47	\$ 825	\$ 778

FY 2016-17 Structural Balance Improves as Revenue Growth Exceeds Spending Growth. A \$1.521 billion increase in the longer term revenue projections is partially offset by a \$42 million increase in expected spending. The result is a \$2.197 billion structural balance projected for the 2016-17 biennium. This positive difference between ongoing revenues and spending has increased \$1.476 billion from a structural balance of \$722 million projected in October. If the \$825 million forecast balance for FY 2014-15 is not modified within the next year, it would carry forward into FY 2016-17 and add to budget planning resources.

FY 2016-17 Planning Estimates
(\$ in millions)

	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2016-17</u>
Projected Revenues	\$21,057	\$21,924	\$42,981
Estimated Spending	<u>20,202</u>	<u>20,581</u>	<u>40,783</u>
Difference	854	1,343	2,197
<i>Forecast Change</i>	682	794	1,476
Estimated Inflation CPI	\$ 384	\$ 790	\$ 1,173

The expenditure projections do not include any adjustment for projected inflation. Inflation, based on the Consumer Price Index (CPI), is expected to be 1.9 percent annually for both FY 2016 and FY 2017. At these levels, simply adjusting projected spending for inflation would cost an additional \$1.173 billion in the next biennium.

Projected Growth in Revenues is Expected to Outpace Spending Growth. Projected revenues for FY 2016-17 are now expected to reach \$42.981 billion, \$3.771 billion (9.6 percent) higher than current FY 2014-15 estimates. In the long term planning scenario, over 90 percent of the growth in revenues is attributed to the projected growth in income and sales tax collections that are anticipated to grow by \$2.719 billion (14.0 percent) and \$895 million (8.8 percent) respectively.

Spending for FY 2016-17 is anticipated to be \$40.783 billion, up \$1.716 billion (4.4 percent) from current biennium estimates. Two areas of the budget, health and human services and property tax aids and credits account for over 90 percent of the growth. Health and human services spending is estimated to be \$1.240 billion (10.9 percent) above FY 2014-15 levels, while property tax aids and credits is expected to be \$343 million (11.7 percent) higher.

FY 2016-17 Planning Estimates: Comparison to Current Biennium
(\$ in millions)

	<u>FY 2014-15</u>	<u>FY 2016-17</u>	\$ <u>Change</u>	% <u>Change</u>
Projected Revenues	39,209	42,981	3,771	9.6
Estimated Spending	39,067	40,783	1,716	4.4

The expenditure and revenue planning estimates make no assumptions about any actions that might be taken in the 2014 legislative session. The planning estimates are simply a benchmark to determine if ongoing spending exceeds revenues in succeeding budget periods. Economic changes as well as the nature and timing of any budget actions will likely materially affect both revenue and expenditure projections for the 2016-17 biennium.

Five Successive Positive Forecasts Complete Repayment of Accounting Shifts. Since November 2011, there have been five successive positive forecasts that have added slightly more than \$4.5 billion to the general fund bottom line from net increases in forecast revenues and decreases in forecast spending. Until this forecast, the positive balances did not impact the available general fund balance due to the automatic allocation to restore reserves and buy back accounting shifts enacted in the 2008-11 legislative sessions.

Allocations of Forecast Balances

(\$ in millions)

	<u>Cash</u> <u>Flow</u>	<u>Budget</u> <u>Reserve</u>	<u>K-12 Shift</u> <u>Buyback</u>	<u>Airports</u> <u>Fund</u>	<u>Total</u> <u>Allocated</u>
November 2011	\$255	\$621	-	-	\$876
February 2012	-	10	313	-	323
November 2012	-	6	1,324	-	1,330
February 2013	-	13	282	-	295
October 2013 Close	-	-	636	-	636
November 2013	-	-	246	15	261
Totals	\$255	\$650	2,801	\$15	\$3,721

In October, a FY 2013 closing balance of \$636 million was allocated to repay K-12 education shifts. \$292 million of the balance was used to fully repay the aid payment shift, returning payments to school districts to a 90/10 schedule. The remaining \$344 million was used to reduce the property tax recognition shift percentage from 48.6 percent to 23.1 percent. In this forecast \$246 million of the forecast balance reduced the K-12 property tax recognition shift from 23.1 percent to zero and \$15 million was used to repay a loan from the state airports fund.

Over the past five forecasts slightly over \$3.7 billion has been used to restore reserves and undo accounting shifts: \$905 million to restore budget and cash reserves to the maximum set in state law; \$2.8 billion to buy back K-12 aid payment and property tax recognition shifts; and, \$15 million to repay a 2008 loan from the state airports fund.

Gambling Revenues Lower and Stadium Reserve Reduced. Lawful gambling tax receipts are now forecast to be \$83 million in FY 2014–15, \$52 million lower than previous estimates for the biennium. FY 2016–17 receipts are expected to be \$88 million, \$64 million below prior estimates. Year-to-year growth in lawful gambling tax collections is now expected to be significantly lower than previous estimates and is based on observed trends for both paper and electronic games, for which there is now more than a full year's experience. Of the total lawful gambling receipts, \$9 million in FY 2014–15 and \$14 million in FY 2016–17 is available for stadium financing.

Debt service payments for stadium appropriation bonds are now projected to be \$9 million in FY 2014 and \$34 million per year in FY 2015 through FY 2043; this is a \$10 million reduction from previous estimates for the current biennium. Previous estimates

assumed that the initial bond sale would occur in August 2013. The bond sale will now occur in January 2014 with an interest-only payment in FY 2014. Annual debt service costs in FY 2015 and following years are slightly higher than earlier estimates due to spreading the FY 2014 principal payments across the rest of the bond repayment schedule as well as a slight increase in interest rates based on market conditions.

In 2013, the legislature directed that \$26.5 million from the one-time cigarette floor stocks tax be deposited into the stadium reserve, and authorized use of up to \$20 million from corporate unitary sales tax receipts each year for stadium uses beginning in FY 2014. It is now projected that in each year of the forecast period, the full \$20 million from corporate tax revenues will be used for stadium purposes.

The balance in the stadium reserve is expected to be \$36 million at the end of FY 2014, an increase of \$9 million from previous estimates. This change is based on the 2013 legislative changes, along with the changes in debt service costs. However, it is expected that \$18 million per year in withdrawals from the reserve for expected stadium expenditures will reduce the stadium reserve balance to \$18 million at the end of FY 2015, and to zero by FY 2016.

Revenue Outlook

Revenue Forecast: FY 2014-15. Total revenues for FY 2014-15 are now forecast to be \$39.209 billion, \$787 million (2.0 percent) more than forecast in February after adjusting for changes to income, corporate and sales taxes enacted in the 2013 legislative session. Revenues are now expected to exceed their FY 2012-13 levels by \$3.467 billion (9.7 percent). Total tax revenues for FY 2014-15 are projected to be \$37.451 billion, \$824 million (2.2 percent) more than the February estimate adjusted for tax law changes. Transfers and all other revenues are expected to be \$37 million (2.1 percent) below the prior forecast and \$1.186 billion (40.3 percent) less than FY 2012-13 levels.

This is the first forecast of FY 2014-15 revenues since FY 2014 began on July 1. After four months, fiscal year-to-date receipts are \$5.686 billion, or about 15 percent of the total expected over the entire biennium. With 19 months left in FY 2014-15, 85 percent of the forecast receipts remain outstanding.

Higher income and corporate tax estimates are the source of 95 percent of the increase in tax revenue. The individual income tax showed the largest dollar amount increase over prior estimates, up \$496 million (2.6 percent), followed by the corporate income tax with an increase of \$254 million (10.5 percent). Expected sales tax revenue rose by \$64 million (0.6 percent). Other taxes are expected to bring in \$27 million (0.8 percent) more than was forecast earlier, and the statewide property tax forecast was reduced \$16 million (0.9 percent).

FY 2014-15 Revenue Summary (\$ in millions)

	<u>October</u> <u>Estimate</u>	<u>November</u> <u>Forecast</u>	<u>\$</u> <u>Change</u>	<u>%</u> <u>Change</u>
Individual Income Tax	\$ 18,876	\$ 19,372	\$ 496	2.6
General Sales Tax	10,130	10,194	64	0.6
Corporate Franchise Tax	2,422	2,675	254	10.5
Statewide Property Tax	1,685	1,670	(16)	(0.9)
Other Tax Revenue	<u>3,514</u>	<u>3,541</u>	<u>27</u>	<u>0.8</u>
Total Tax Revenues	36,627	37,451	824	2.2
Non-Tax Revenues	1,449	1,427	(22)	(1.5)
Other Resources	<u>346</u>	<u>331</u>	<u>(15)</u>	<u>(4.4)</u>
Total Revenues	\$ 38,422	\$ 39,209	\$ 787	2.0

Including approximately \$2.609 billion that is expected to arise from tax law changes enacted by the 2013 legislature, total tax revenues in FY 2014-15 are now expected to exceed FY 2012-13 levels by \$4.653 billion (14.2 percent). More than half of that change is due to the individual income tax, which is projected to bring in \$2.387 billion (14.1 percent) more than in FY 2012-13. Other taxes are expected to bring in \$1.093 billion more than in the prior biennium, accounting for 24 percent of the total tax revenue change. In FY 2014-15, corporate and sales taxes are expected to grow by 15.1 and 8.1

percent, respectively. Statewide property tax revenues are forecast to be \$3.541 billion, exceeding the FY2012-13 level by \$59 million (3.6 percent).

Revenue Comparison: FY 2012-13 to FY 2014-15
(\$ in millions)

	November	November	\$	%
	<u>FY 2012-13</u>	<u>FY 2014-15</u>	<u>Change</u>	<u>Change</u>
Individual Income Tax	\$ 16,985	\$ 19,372	\$ 2,387	14.1
General Sales Tax	9,429	10,194	765	8.1
Corporate Franchise Tax	2,325	2,675	350	15.1
Statewide Property Tax	1,611	1,670	59	3.6
Other Tax Revenue	<u>2,448</u>	<u>3,541</u>	<u>1,093</u>	<u>44.6</u>
Total Tax Revenues	32,798	37,451	4,653	14.2
Non-Tax Revenues	1,573	1,427	(146)	(9.3)
Other Resources	<u>1,371</u>	<u>331</u>	<u>(1,040)</u>	<u>(75.9)</u>
Total Revenues	\$ 35,742	\$ 39,209	\$ 3,467	9.7

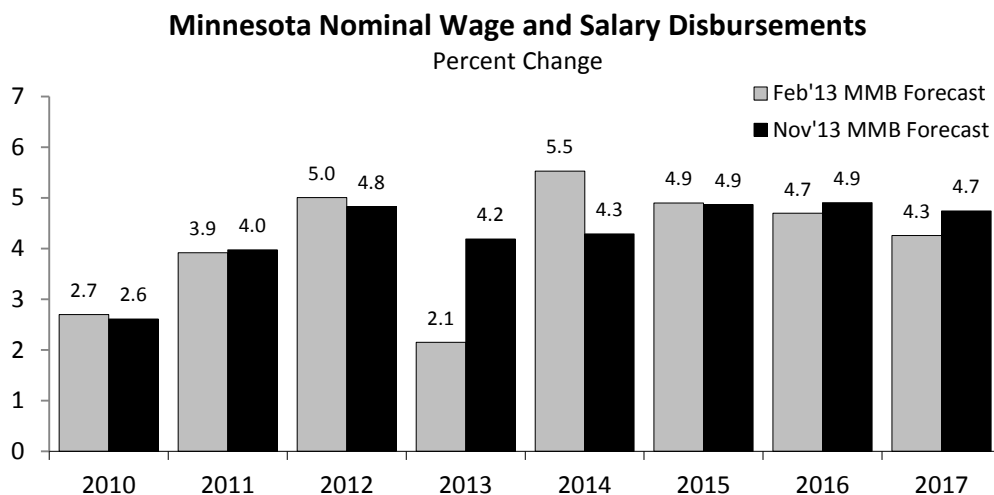
Individual Income Tax: Individual income tax revenues for FY 2014-15 are now forecast to total \$19.372 billion, \$496 million (2.6 percent) more than February estimates adjusted for law changes.

The change in the income tax forecast since February is due to several factors. First, this forecast builds from MMB's estimate of final 2012 income tax liability. Final income tax liability for tax year 2012 is not yet known. Using information about returns filed to date, revenues in the state accounting system, returns in process and returns expected to be received by December 31, MMB economists estimate final 2012 liability will be \$8.286 billion, \$165 million (2.0 percent) more than projected in February.

Second, calibrating the individual income tax model to produce MMB's projected tax year 2012 final liability required making assumptions about growth rates for particular income types. Capital gains reported by Minnesota residents in 2012 are now assumed to have grown by 94.6 percent. In February's forecast, growth of 82.6 percent was projected. Assumed growth in Minnesota business income was raised from 5.2 percent to 12.1 percent. Because the outlook for proprietors' income anticipates steady growth, most of the growth in business income is assumed to carry forward to future years. Finally, based on information about tax returns filed for tax year 2012, the assumed cumulative growth in the number of Minnesota income tax filers was lowered by about .38 percent. For a given expected level of income, a smaller number of filers will raise average income per return. With graduated income tax rates, higher per return income will raise expected tax revenue. In this case, the change increased forecast income tax revenue by roughly \$21 million in FY 2014-15.

Third, the income tax forecast increased because growth projections for some underlying economic variables were raised since February. Preliminary income tax withholding collections during the first 10 months of 2013 suggest that Minnesota's growth in wage

and salary income has been outperforming previous expectations. This led to an increase in the Minnesota wage and salary growth forecast of a total of 0.8 percentage points between 2013 and 2015. In this forecast the cumulative growth in business income is higher in each year than was assumed in February. A higher forecast for the S&P 500 stock index results in taxable IRA distributions to Minnesota residents growing 13.7 percent in 2014 compared to 4.8 percent in the earlier estimates.



Source: U.S. Bureau of Economic Analysis; Global Insight (GI) Minnesota Management and Budget (MMB)

Preliminary income tax withholding collections during the first 10 months of 2013 suggest that Minnesota's growth in wage and salary income has been outperforming previous expectations.

In addition to these changes, the income tax forecast was affected by several one-time changes and technical adjustments. Unusually strong growth in partnership taxes caused a one-time \$12 million revenue increase in FY 2014-15. Technical adjustments related to partnerships and fiduciaries increased the current biennium forecast by \$49 million. The forecast was reduced by \$30 million per biennium due to a technical adjustment related to returns filed without payment.

This is the first forecast since enactment of a new 9.85 percent bracket in Minnesota's income tax. This change introduces some challenges to forecasting income tax revenues. Income taxes paid through prescribed withholding are relatively predictable. In contrast, much of the tax on non-wage income, such as portfolio and business income, is paid through estimated tax or through discretionary withholding. These payments are more difficult to predict, because the income is more variable than wages and salaries, and because taxpayers time their payments in response to safe harbor provisions in ways that are not easily foreseen. Because taxpayers affected by the new tax rate report a higher share of income from non-wage sources, a larger share of total income tax receipts are now being collected through payment streams that are harder to forecast.

New information that is expected to become available between now and February, may significantly change the individual income tax forecast for FY 2014-15. In early January, MMB economists expect to learn actual tax liability for 2012, the year on which this

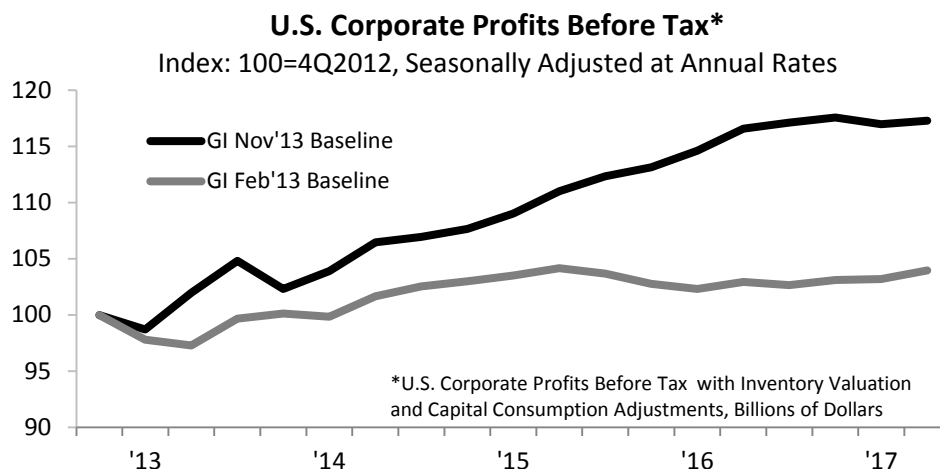
forecast is based. A significant variance between actual and estimated 2012 liability will change the forecast. Late January should bring new information about final estimated tax payments and the final quarter of withholding for 2013. This may help clarify how taxpayers adjusted payments to account for the new top income tax rate. Finally, in February, MMB economists expect to have the first information about the composition of Minnesota non-wage income from a preliminary sample of tax returns for 2012, a year in which taxpayers accelerated income in anticipation of higher federal tax rates. This will help identify income growth arising from sources that are unlikely to carry over to subsequent years.

General Sales Tax: Net sales tax revenues for FY 2014-15 are projected to be \$10.194 billion, \$64 million (0.6 percent) more than February's estimate adjusted for tax law changes. Of that change, \$30 million arises from expected growth in economic activity. The remaining \$34 million is due to changes in sales tax refunds and re-estimates of the impact of law changes.

Including approximately \$74 million that is expected to arise from tax law changes enacted by the 2013 legislature, net sales tax revenues in FY 2014-15 are now expected to exceed FY 2012-13 levels by \$765 million (8.1 percent).

Projected 2013-15 growth rates for one major national component of Minnesota's sales tax base rose between February and November. Expenditures for non-auto durable goods are now projected to grow 4.7 percent in 2013, up from 4.6 percent in February. The forecast for 2014 was raised from 3.0 to 5.1 percent, and the projection for 2015 increased from 3.0 to 4.0 percent. The synthetic sales tax base, a proxy for the actual Minnesota sales tax base, is forecast to grow 3.1 percent in FY 2014, down from 3.5 percent forecast in February. However, expected growth for FY 2015 has been increased to 4.9 percent from 3.7 percent in February.

Corporate Franchise Tax: Corporate tax revenues for FY2014-15 are forecast to total \$2.675 billion, \$254 million (10.5 percent) more than forecast in February. Including \$421 million that is expected to arise from tax law changes enacted by the 2013 legislature, net corporate tax revenues in FY 2014-15 are now expected to exceed FY 2012-13 levels by \$351 million (15.1 percent). So far in FY 2014, net corporate tax revenues are \$9.9 million short of February's forecast. MMB economists believe the shortfall is due to a misallocation of estimated revenues from recent tax changes among the months of FY 2014, rather than any slowdown in corporate activity. In fact, this forecast of corporate tax revenues reflects GI's increased expectations for corporate profits growth. GI's November baseline has corporate profits growing by 3.3 percent in 2013, 4.3 percent in 2014 and 5.3 percent in 2015. In February, GI projected corporate profits adjusted for capital consumption to fall by 5.3 percent in 2013 and then grow by 2.8 and 2.4 percent in 2014 and 2015, respectively.



Source: U.S. Bureau of Economic Analysis (BEA); Global Insight (GI)

The November 2013 forecast of corporate tax revenues reflects GI's increased expectations for corporate profits growth. GI's November baseline has corporate profits growing by 3.3 percent in 2013, 4.3 percent in 2014 and 5.3 percent in 2015.

Other Taxes, Transfers and All Other Revenues: Other taxes, transfers, and non-tax revenues for 2014-15 are expected to total \$5.299 billion, \$9.9 million (0.2 percent) less than was anticipated in February. A \$27 million increase in the forecast for other taxes partially offsets a \$37 million reduction in projected transfers and all other revenues.

Cigarette and tobacco taxes revenues are forecast to total \$1.160 billion in FY 2014-15, \$25 million (2.0 percent) short of February's estimate adjusted for recent tax law changes.

The insurance gross receipts tax is now expected to bring in \$67 million more than was projected in February. This change is due to an increase in the forecast of spending on property and casualty insurance. Spending is now expected to grow 2.9 percent in 2013, up from 0.4 percent in February. Growth is now projected to be 4.7 percent in each of 2014 and 2015; in February the expected growth rates were 4.4 percent in 2014 and 4.3 percent in 2015.

Lawful gambling revenues are expected to be \$83 million in FY 2014-15, \$52 million (38.4 percent) less than the prior estimate. This reduction is due to basing the estimate on actual trends for both paper and electronic games, for which there is now more than a full year's experience.

Revenue Planning Estimates: FY 2016-17. Total revenues for FY 2016-17 are now estimated to be \$42.981 billion, \$1.521 billion (3.7 percent) more than February's estimate after adjusting for tax law changes. Revenues are now expected to exceed their FY 2014-15 levels by \$3.772 billion (9.6 percent).

Total tax revenues for FY 2016-17 are projected to be \$41.321 billion, \$1.630 billion (4.1 percent) more than the February planning estimate adjusted for tax law changes. The individual income tax showed the largest dollar amount increase, up \$826 (3.9 percent)

over the previous estimate. The corporate income tax planning estimate was increased by \$442 million (19.5 percent), while other taxes are expected to bring in \$56 million (1.5 percent) more than was estimated earlier.

FY 2016-17 Revenue Summary

(\$ in millions)

	October Estimate	November Forecast	\$ Change	% Change
Individual Income Tax	\$ 21,265	\$ 22,091	\$ 826	3.9
General Sales Tax	10,758	11,089	331	3.1
Corporate Franchise Tax	2,270	2,712	442	19.5
Statewide Property Tax	1,755	1,731	(24)	(1.4)
Other Tax Revenue	<u>3,643</u>	<u>3,699</u>	<u>56</u>	<u>1.5</u>
Total Tax Revenues	39,691	41,321	1,630	4.1
Non-Tax Revenues	1,429	1,414	(15)	(1.0)
Other Resources	<u>340</u>	<u>245</u>	<u>(95)</u>	<u>(27.9)</u>
Total Revenues	\$ 41,460	\$ 42,981	\$ 1,521	3.7

The estimate for FY 2017-17 sales tax receipts was increased by \$331 million (3.1 percent) over the February estimate. About \$281 million of that change arose from increases in forecast economic activity. The remainder was due to adjustments of expected refunds and re-estimations of law change impacts. The statewide property tax is expected to generate \$24 million less revenue than forecast in February.

The tax revenue planning estimate for FY 2016-17 includes approximately \$2.534 billion that is expected to arise from tax law changes enacted by the 2013 legislature. Tax revenues in FY 2016-17 are now expected to exceed FY 2014-15 levels by \$3.870 billion (10.3 percent). About 70 percent of that change is due to the individual income tax, which is projected to bring in \$2.719 billion (14.0 percent) more than in FY 2014-15. The sales tax is expected to bring in \$895 billion more than in the prior biennium, accounting for 23 percent of the total tax revenue change. In FY 2016-17, corporate and other taxes are expected to grow by 0.9 and 4.1 percent, respectively.

Included in other taxes are revenues arising from lawful gambling taxes, which are expected to be \$88 million in FY 2016-17, \$64 million (42.2 percent) less than the prior estimate. As with the FY 2014-15 gambling revenue forecast, this reduction is due to basing the estimate on actual trends for both paper and electronic games, for which there is now more than a full year's experience.

The revenue planning estimates are not explicit forecasts; they are extrapolations from projected trends in the economy. They are based on GI's baseline forecast, which now assumes that U.S. real GDP will grow 3.3 percent in 2016 and 3.1 percent in 2017. These expectations have increased since February, when projected growth rates of 2.9 percent in 2016 and 3.1 percent in 2017.

For the individual income tax estimates, assumed Minnesota filer growth was consistent with average national employment growth for 2016 and 2017. All elements of income and all itemized deductions were assumed to grow at the GI's projected growth rate of taxable personal income, comprised of wages and salaries, proprietors' income, dividend, interest, and rents. GI now expects that income measure to grow at 5.3 percent in 2016 and 5.8 percent in 2017, compared to their February projections of 4.9 and 4.7 percent, respectively.

Revenue Comparison: FY 2014-15 to FY 2016-17

(\$ in millions)

	<u>November FY 2014-15</u>	<u>November FY 2016-17</u>	<u>\$ Change</u>	<u>% Change</u>
Individual Income Tax	\$ 19,372	\$ 22,091	\$ 2,719	14.0
General Sales Tax	10,194	11,089	895	8.8
Corporate Franchise Tax	2,675	2,712	36	1.4
Statewide Property Tax	1,670	1,731	61	3.7
Other Tax Revenue	<u>3,541</u>	<u>3,699</u>	<u>158</u>	<u>4.5</u>
Total Tax Revenues	37,451	41,321	3,870	10.3
Non-Tax Revenues	1,427	1,414	(13)	(0.9)
Other Resources	<u>331</u>	<u>245</u>	<u>(85)</u>	<u>(25.8)</u>
Total Revenues	\$ 39,209	\$ 42,981	\$ 3,771	9.6

MMB's complete sales tax model was used to prepare the sales tax revenue planning estimates. Each component of the sales tax was assumed to grow at the national average rate for that group of goods or services. Minnesota corporate tax revenues were estimated using a model driven by before tax corporate profits on a national income accounts basis. The deed and mortgage taxes were forecast based on the projected growth in the value of new and existing home sales and refinance originations.

The revenue planning estimates for 2016-17 should be used with caution. Even small deviations from the assumed trend over four years will compound and produce sizeable changes in revenues. In addition, due to the way the estimates are constructed, any change in the base level of revenues for FY 2013 through FY 2015 will change the revenue planning estimates for FY 2016-2017. Other things equal, stronger than anticipated revenue growth through FY 2015 will carry forward and add significantly to revenues in FY 2016-17. Should the economy grow more slowly than forecast, or should some volatile income item, such as capital gains or corporate profits, fall well below forecast, the revenue outlook for FY 2016-17 will deteriorate. Additionally, Minnesota's Council of Economic Advisors cautioned that the possibility of a U.S. recession beginning within the planning estimate period adds to the forecast's downside risk.

Expenditure Outlook

Little Change in FY 2014-15 General Fund Spending. Initial forecast spending prior to the shift buybacks was \$38.807 billion, \$247 million (0.6 percent) less than previous estimates. The additional spending for K-12 property tax recognition shift buyback and repaying the state airports fund, brings total general fund spending to \$39.067 billion, \$13 million higher than previous estimates.

Health and human services spending is down 1.0 percent from previous estimates, which accounts for almost half the overall pre-buyback savings in the current biennium. The lower estimates are driven by lower spending in the Medical Assistance (MA) program. Lower property tax refund payments, due to lower participation and smaller than forecast refund payments, contribute to the overall savings of \$70 million in property tax aids and credits. Debt service costs are down \$28 million (2.2 percent) largely due to multiple factors effecting the calculation of debt service costs. A delay in the bond sale related to the Vikings Stadium contributed \$10 million of the \$21 million (0.3 percent) savings in 'all other' spending.

November Forecast Spending (\$ in millions)

	<u>November</u> <u>FY 2014-15</u>	<u>\$</u> <u>Change</u>	<u>November</u> <u>FY 2016-17</u>	<u>\$</u> <u>Change</u>
K-12 Education	\$ 16,409	\$ (10)	\$ 16,765	\$ 28
Property Tax Aids & Credits	2,946	(70)	3,290	(95)
Health & Human Services	11,327	(117)	12,568	212
Debt Service	1,252	(28)	1,267	(145)
All Other Expenditures	<u>6,872</u>	<u>(21)</u>	<u>6,867</u>	<u>18</u>
Total Expenditures	38,806	(247)	40,756	17
K-12 Shift Buyback	246		27	
Repay State Airports Fund	<u>15</u>		<u>-</u>	
Total After Buyback	\$ 39,067	\$ 13	\$ 40,783	\$ 44

FY 2016-17 Estimated Spending Remains Largely Unchanged. General fund spending for FY 2016-17 prior to the buybacks was forecast to be \$40.756 billion, \$17 million (0.04 percent) more than previously forecast. The additional spending related to the K-12 shift buyback added \$27 million to spending estimates for FY 2016-17, increasing spending estimates to \$41 million, \$44 million (0.1 percent) higher than previous estimates.

Overall spending for FY 2016-17 remains flat compared to previous estimates; however, lower estimates in property tax aids and credits and debt service were offset by an increase in health and human services spending. Debt service spending is down \$145 million from previous estimates due mostly to a one-time technical correction that

overstated FY 2016-17 debt service obligations. Property tax aids and credits spending is down \$95 million for the biennium as a result of lower property tax refunds. In compliance with federal law, a recognition of state payments in FY 2016-17 related to Medicare Part D contributes to a \$212 million increase in health and human services spending. Total spending in FY 2016-17 would have been \$234 million below forecast had these payments been included in previous forecasts.

Education Finance is the Largest Category of State General Fund Spending. It consists of aid programs for general education, special education, early childhood and family education, charter schools, nonpublic pupil programs, and desegregation programs.

E-12 aids can be divided into two major funding streams: 1) general education, the primary source of basic operating funds for schools, and 2) categorical aid, tied to specific activities or categories of funding.

E-12 aids are usually discussed in two ways: 1) school year aid entitlements, the state aid share of school district revenue that is promised to school districts through Minnesota's school finance formulas, and 2) state fiscal year spending, the amount paid to school districts by the state during each fiscal year, sometimes referred to as the "payment" or the "appropriation." In a typical year, a school district receives 90 percent of their current school year entitlement and 10 percent of their prior school year entitlement – this makes up the state fiscal year spending amount, or the payment to districts.

In the remainder of FY 2014, school districts will receive 90 percent of their current year entitlement and 13.6 percent of their prior year entitlement, as a result of the October 2013 payment shift buyback authorized in law. In FY 2015 and beyond, schools will return to a regular payment schedule: 90 percent of their current year entitlement and 10 percent of their prior year entitlement.

School year aid entitlement amounts change from forecast to forecast as a result of demographic and program cost changes or law changes. State fiscal year spending amounts can be impacted both by entitlement changes, and by payment shifts and/or property tax recognition shifts.

School Shifts are Fully Repaid. For the current biennium, E-12 spending amounts are estimated to be \$16.654 billion, an increase of \$235 million from previous estimates. This increase is primarily due to the \$246 million buyback of the property tax recognition shift.

The shifts remaining after the February forecast have been repaid in two stages. The 2013 legislative session required that any FY 2013 year-end closing balance be used to accelerate the repayment of the school shifts (Laws of 2013, Chapter 116). In October, the aid payment shift was fully restored and a partial repayment of the property tax recognition shift was made at that time. With this forecast, the remaining balance on the property tax recognition shift is repaid, completing the restoration of all school shifts.

Prior to Shift Buybacks, Little Change in Education Spending. Education spending remains largely unchanged from previous estimates; appropriations are down only \$10 million in FY 2014-15, a decrease of 0.06 percent compared to previous estimates. Very small growth in pupil unit estimates and minor changes in categorical aids contribute to the reduction in spending.

The general education appropriation is forecast to decrease just \$495 thousand (0.004 percent), compared to previous estimates. Pupil growth is up 867 in FY 2014 and 1,485 in FY15, and overall growth for the forecast period of FY 2012–2017 is up 2,197 since February. This change represents a 0.2 percent increase compared to previous estimates and results in roughly \$10 million of increased spending. In addition to pupil growth, there was a minor downward adjustment to the forecast model. After the end of the 2013 legislative session, Department of Education modeling showed the appropriation for general education was inadvertently overstated by roughly \$10 million. Since these two factors largely offset one another, there is virtually no change in general education spending in FY 2014-15.

Looking ahead to the next biennium, pupil growth drives a forecast increase in FY 2016-17 relative to previous estimates. Total appropriations are projected to increase \$28 million (0.16 percent), with \$26 million of the change coming in general education as a result of more students.

<u>Pupil Projections</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>
February Forecast	831,506	838,080	844,132	847,935	851,038
November Forecast	<u>831,910</u>	<u>838,947</u>	<u>845,617</u>	<u>849,533</u>	<u>853,235</u>
Difference	404	867	1,485	1,598	2,197
Pupil Growth Over Prior Year	6,988	7,037	6,670	3,916	3,702

Student growth drives increases in various funding formulas including general education. The table indicates a pattern of pupil growth on both an annual basis and compared to February forecast projections.

Categorical program appropriations also show very little change this biennium with projected spending down just \$10 million compared to previous estimates. The decrease comes primarily as a result of lower literacy incentive aid (\$10 million or 9 percent) and school nutrition programs aid (\$2 million or 5.9 percent).

Literacy incentive aid is based on students' grade 3 reading proficiency and grade 4 reading growth, as indicated by the Minnesota Comprehensive Assessments (MCA) test. The MCA reading test was changed substantially between 2012 and 2013, and as a result it became more difficult. After the new assessments were administered, the portion of third graders meeting the criterion for reading proficiency fell from 80.5 percent in 2012 to 57.3 percent in 2013, and the portion of fourth graders meeting the criterion for reading growth fell from 79.4 percent in 2012 to 72.3 percent in 2013. Previous estimates did not anticipate there would be an effect on proficiency and growth due to the new test.

This change has caused a corresponding decrease in projected literacy incentive aid in this forecast.

School nutrition program aid estimates for the forecast period are based on actual FY 2013 data. Actual FY 2013 data show the number of meals served was lower than previous estimates along with a trend of reduced cost per meal due to the USDA meal pattern changes enacted at the start of the FY 2013 school year.

Offsetting these reductions in the current biennium is an increase in Alternative Compensation, or QComp. The QComp appropriation is projected to increase \$8 million (13.2 percent) in FY 2014-15. The increase is primarily due to the addition of Minneapolis Public Schools in the program in FY 2014, which adds \$6 million each year to the QComp aid entitlement.

School Shifts

There are two types of school shifts that have been used in tough budget times to balance the budget.

- **School Aid Payment Shift** – The typical payment schedule of 90 percent current year payments/10 percent prior year payments is adjusted to make a smaller current year payment, generating savings on a one-time basis.
- **Property Tax Recognition Shifts** – Schools are required to recognize a portion of local property tax revenues in an earlier fiscal year in order to offset state spending on a one-time basis.

Both types of shifts were used in 2002 and 2003 to generate additional budgetary savings and help balance the budget. Forecast surplus was used to buy back the shifts starting with the November 2004 forecast, with both shifts fully restored by February 2006.

School shifts were used again starting in FY 2010. The total value of school shifts implemented since the beginning of FY 2010 is \$2.7 billion. This forecast includes a buyback of \$245 million of that shift, in addition to the \$634.985 million that was bought back in October 2013. This forecast completes repayment of both the school aid payment and property tax recognition shifts.

Recent School Aid Payment Shift History

Time Period	Changes in Aid Payment Percentages	(Savings)/Costs ¹ \$ in millions
2002 Legislative Session	90/10 to 83/17	(\$438.0)
2003 Legislative Session	83/17 to 80/20	(\$191.1)
November 2004 Forecast	80/20 to 81.9/18.1	\$117.9
February 2005 Forecast	81.9/18.1 to 84.3/17.4	\$150.1
November 2005 Forecast	84.3/17.4 to 90/10	\$370.4
2010 Legislative Session (FY10)	90/10 to 73/27	(\$1,072.9)
2010 Legislative Session (FY11)	73/27 to 70/30	(\$311.4)
2011 Legislative Session (FY12)	70/30 to 60/40	(710.0)
February 2012 Forecast	60/40 to 64.3/35.7	\$318.1
November 2012 Forecast	64.3/35.7 to 82.5/17.5	\$1,323.8
February 2013 Forecast	82.5/17.5 to 86.4/13.6	\$289.0
October 2013 Close Buyback	86.4/13.6 to 90/10	\$291.5

Recent Property Tax Recognition Shift History

Time Period	Changes in Early Recognition Percentages	(Savings)/Costs ² \$ in millions
2003 Legislative Session	0 to 48.6	(\$251.5)
November 2005 Forecast	48.6 to 10.8	\$330.7
February 2006 Forecast	10.8 to 0	\$93.5
2010 Legislative Session (FY11)	0 to 48.6	(\$519.1)
October 2013 Buyback	48.6 to 23.1	\$343.5
November 2013 Forecast	23.1 to 0	\$245.4

¹ Savings do not equal costs because underlying funding formulas were increased beginning in FY 2006. This made the aid payment shift buy back more expensive.

² Savings do not equal costs because property values grew significantly while the shift was in place. This generated additional savings for the state, but also increased the cost of the property tax recognition shift buy back.

Health and Human Services is One-Third of Total State General Fund Spending.

The majority of these expenditures (86 percent) are forecast programs including Medical Assistance (MA), Chemical Dependency (CD), the Minnesota Family Investment Program (MFIP), MFIP Child Care, General Assistance, Group Residential Housing, and Minnesota Supplemental Aid.

General fund forecast changes are generally driven by changes to the MA forecast, since it accounts for the largest portion of forecasted program expenditures. MA is a state-federal, means-tested entitlement program for low-income families, persons with physical or developmental disabilities, and the low-income elderly. MA costs are split between the state and federal government, though only the state share of expenditures is reflected as part of the general fund forecast.

Health and Human Services Spending is Down FY 2014-15 but Up in FY 2016-17.

Health and human services spending for FY 2014-15 is expected to be \$11.3 billion, a decrease of \$117 million (1.0 percent) from previous estimates. Forecast spending for FY 2016-17 is \$12.6 billion, an increase of \$212 million (1.7 percent) from previous estimates. Spending adjustments were made to all forecast programs but the most noteworthy changes occur in the Medical Assistance (MA) program. See the table below for a breakout of the most significant changes.

Spending Changes	FY 2014-15 Change (in millions)	FY 2016-17 Change (in millions)
Intergovernmental reimbursements	(\$50)	(\$52)
CADI caseload and average payments	(\$41)	(\$48)
Medicare Part D Clawback payments	(\$26)	\$278
Non-MA Changes (see below for detail)	--	\$34
Total Change	(\$117)	\$212

Medical Assistance Changes. This forecast recognizes a \$50 million decrease in MA expenditures reflecting payments from governmentally-owned hospitals and nursing facilities. Legislation passed in 2010 allowed for these facilities to receive higher rates if they reimbursed the state for its share of the increased rates. This legislative change was contingent on federal approval and therefore the fiscal impact was not tracked at that time. When approval was received in 2012, the higher rates started but the forecast did not correctly incorporate the offsetting payments. Reducing MA expenditures accurately values the impact of the inter-governmental transfer as neutral. This change also reduces expenditures in FY 2016-17 by \$52 million.

Forecast spending for the Community Alternatives for Disabled Individuals waiver (CADI) decreased by \$41 million (6.2 percent) in FY 2014-15. The CADI waiver provides in-home services so that disabled individuals can reside in the community instead of more costly facility care. The change relates to updating the forecast with the lower-than-expected actual expenditures. FY 2013 enrollment and average payment were

under forecast by 3 percent and 4 percent respectively. This also reduces projected CADI expenditures by \$48 million (6.6 percent) in FY 2016-17. Despite this forecast decrease, projected CADI expenditures grow 12 to 16 percent per year over the current and next biennium.

A 6 percent decline in Minnesota's 2014 Medicare Part D clawback payment accounts for a MA reduction of \$26 million in FY 2014-15. Medicare Part D is a prescription drug program offered by the federal government. Individuals who are dually-eligible for Medicare and Medicaid can enroll in Part D plans. Since this group's pharmacy coverage was previously provided by the states, the federal government established a cost-sharing plan that required states to pay a portion of the Part D costs. This payment is known as the "clawback." The reduced payment relates to a decline in average per capita Part D expenditures over the recent past. This is the first time that average per capita Part D expenditures have shown a declining trend, which is mostly a result of an increased use of generic drugs. This forecast also corrects a previous assumption that the clawback payments end after calendar year 2015. The forecast now accurately reflects that these payments continue into perpetuity unless changed by federal law. This correction increases MA expenditures by \$278 million in FY 2016-17.

Non-Medical Assistance Changes. In addition to the changes discussed above, FY 2016-17 spending estimates show increased expenditures in Chemical Dependency entitlement grants (CD) and MFIP child care assistance totaling \$39 million. CD entitlement grants increase by \$19 million (13 percent) due to higher room and board payments to managed care plans. MFIP child care assistance expenditures are up \$20 million in FY 2016-17, because MFIP families are increasingly choosing higher cost, higher quality center-based care.

Property Tax Aids and Credits are 8 Percent of General Fund Spending. They are paid to local governments, including cities, counties, towns, public schools, and special taxing districts. These aids and credits help offset costs of service delivery, defray costs of state mandates, and reduce local property taxes by substituting state funds for revenues that would otherwise need to be raised locally. Direct payments to individuals, like property tax refunds for homeowners and renters, are also included in this category because they reduce property tax burdens.

Property Tax Aids and Credits Spending Down in FY 2014-17. Forecast spending on Property Tax Aids and Credits is expected to be \$2.95 billion in FY 2014-15, a \$70 million (2.3 percent) reduction from previous estimates. In FY 2016-17 spending is expected to be \$3.29 billion, a \$95 million (2.8 percent) decrease from earlier projections. Smaller average refund values and lower program participation in 2013 is reducing forecast spending for FY 2014-17. Moderate income growth is outpacing property value growth among potential program participants – reducing the size of refund payments and the overall eligible program population.

Partially offsetting the \$83 million (6.9 percent) reduction in property tax refunds is a \$15 million (8.8 percent) increase in aid to police and fire spending due to higher than

expected insurance premium rates which determine aid payments. Similar to FY 2014-15, a reduced forecast for property tax refunds (\$102 million) in FY 2016-17 is partially offset by increased expected spending on aid to police and fire (\$17 million).

Debt Service Forecast Down in FY 2014-17. FY 2014-15 debt service costs are now projected to be \$1.252 billion, down \$28 million from the end of session estimate. The reduction in debt service costs is driven by several factors. Recently enacted legislation allows MMB to use premiums paid by bond buyers to lower the size of bond sales. This new provision contributed \$14 million in savings in this forecast. A technical correction to the debt model lowered costs by an additional \$14 million. Loan repayments (user-financing receipts) from the Department of Agriculture's Rural Finance Authority loan program were higher than previously estimated (\$9 million), as were investment earnings (\$5 million) and other receipts (\$4 million). Finally, a recent bond refunding by MMB lowered our debt service costs by \$4 million.

These savings were offset by adjustments in state agency anticipated spending that resulted in additional bonds being sold in FY 2014-15 and fewer bonds to be sold in FY 2016-17. The accelerated spending needs of state agencies resulted in an increase of \$23 million in debt service cost in FY 2014-15.

The FY 2016-17 costs are now projected to be \$145 million lower than previous estimates. The decrease is mainly due to a \$113 million technical correction in estimates for future bond sales. Other savings include the change in use of the bond premiums (\$19 million), a refunding bond sale (\$7 million), a reduction in anticipated state agency spending (\$3 million) and higher than forecast receipts (\$3 million).

The forecast continues to assume future capital budgets of \$775 million in each even-numbered legislative session and but now assumes \$220 million in each odd-numbered session.



APPENDIX TABLES

Minnesota Economic Forecast Summary

Forecast 2013 to 2017 - Calendar Years

	2010	2011	2012	2013	2014	2015	2016	2017
Current Dollar Income (Billions of Dollars)								
Personal Income	226.320	241.352	252.413	259.229	269.643	282.223	296.260	311.363
%Chg	4.0	6.6	4.6	2.7	4.0	4.7	5.0	5.1
Wage & Salary Disbursements	124.255	129.193	135.435	141.108	147.160	154.325	161.890	169.563
%Chg	2.6	4.0	4.8	4.2	4.3	4.9	4.9	4.7
Non-Wage Personal Income	102.065	112.159	116.978	118.126	122.483	127.900	134.370	141.803
%Chg	5.8	9.9	4.3	1.0	3.7	4.4	5.1	5.5
Supplements to Wages & Salaries	29.372	31.556	30.644	31.089	32.284	33.783	35.473	37.340
%Chg	5.1	7.4	-2.9	1.5	3.8	4.6	5.0	5.3
Dividends, Interest, & Rent Income	37.425	41.032	43.487	45.385	48.313	50.864	54.301	58.723
%Chg	1.4	9.6	6.0	4.4	6.5	5.3	6.8	8.1
Farm Proprietors Income	3.405	4.342	6.433	6.342	5.396	5.271	5.253	5.262
%Chg	60.0	27.5	48.2	-1.4	-14.9	-2.3	-0.3	0.2
Non-Farm Proprietors Income	14.573	16.294	17.405	18.465	19.508	20.619	21.681	22.684
%Chg	5.6	11.8	6.8	6.1	5.6	5.7	5.1	4.6
Personal Current Transfer Receipts	38.023	38.551	39.306	40.448	41.774	43.665	45.479	47.051
%Chg	5.4	1.4	2.0	2.9	3.3	4.5	4.2	3.5
Less: Contrib. for Gov. Social Ins.	19.602	18.362	19.096	22.427	23.620	25.130	26.643	28.086
%Chg	1.8	-6.3	4.0	17.4	5.3	6.4	6.0	5.4
Real Income (Billions of 2009 Dollars)								
Real Personal Income	222.624	231.877	238.097	241.840	248.353	255.895	263.933	272.515
%Chg	2.3	4.2	2.7	1.6	2.7	3.0	3.1	3.3
Real Wage & Salary Disbursements	122.226	124.123	127.754	131.642	135.540	139.928	144.225	148.410
%Chg	0.9	1.6	2.9	3.0	3.0	3.2	3.1	2.9
Employment (Thousands)								
Employment - Total Non-Farm Payrolls	2,641.1	2,688.3	2,731.0	2,776.0	2,819.6	2,869.2	2,921.1	2,969.0
%Chg	-0.5	1.8	1.6	1.6	1.6	1.8	1.8	1.6
Construction	87.5	91.6	95.1	99.0	104.2	111.7	117.1	120.9
%Chg	-6.4	4.7	3.8	4.1	5.3	7.1	4.9	3.2
Manufacturing	292.7	300.6	305.4	305.5	306.6	311.4	315.9	319.2
%Chg	-2.4	2.7	1.6	0.0	0.4	1.6	1.5	1.0
Private Service-Providing	1,838.4	1,879.0	1,910.8	1,949.3	1,984.1	2,018.3	2,056.6	2,093.5
%Chg	-0.1	2.2	1.7	2.0	1.8	1.7	1.9	1.8
Government	416.5	410.5	412.7	415.0	417.2	420.0	423.4	427.4
%Chg	-0.2	-1.5	0.5	0.6	0.5	0.7	0.8	0.9
Minnesota Civilian Labor Force	2,962.7	2,969.7	2,969.4	2,981.6	3,002.2	3,024.0	3,045.4	3,065.0
Employment - Household Survey	2,745.0	2,776.8	2,801.9	2,826.0	2,849.7	2,879.5	2,908.9	2,935.2
Unemployment Rate (%)	7.3	6.5	5.6	5.2	5.1	4.8	4.5	4.2
Demographic Indicators (Millions)								
Total Population	5.311	5.347	5.379	5.422	5.461	5.498	5.535	5.571
%Chg	0.6	0.7	0.6	0.8	0.7	0.7	0.7	0.7
Total Population Age 16 & Over	4.176	4.214	4.246	4.283	4.317	4.349	4.383	4.415
%Chg	0.7	0.9	0.8	0.9	0.8	0.8	0.8	0.7
Total Population Age 65 & Over	0.686	0.701	0.730	0.756	0.782	0.809	0.838	0.870
%Chg	2.1	2.2	4.1	3.6	3.4	3.5	3.6	3.8
Total Households	2.087	2.101	2.127	2.157	2.189	2.219	2.248	2.276
%Chg	0.3	0.7	1.2	1.4	1.5	1.4	1.3	1.2
Housing Indicators (Thousands)								
Total Housing Permits (Authorized)	9.668	8.249	14.995	17.659	25.079	29.837	31.259	31.074
%Chg	7.4	-14.7	81.8	17.8	42.0	19.0	4.8	-0.6
Single-Family	6.821	6.200	8.558	10.910	17.685	20.865	21.677	21.365
%Chg	2.8	-9.1	38.0	27.5	62.1	18.0	3.9	-1.4

Source: Minnesota Management & Budget (MMB) November 2013 Forecast

U.S. Economic Forecast Summary

Forecast 2013 to 2017, Calendar Years

	2010	2011	2012	2013	2014	2015	2016	2017
Real National Income Accounts (Billions of 2009 Dollars)								
Real Gross Domestic Product (GDP)	14,779.4	15,052.4	15,470.7	15,728.1	16,116.1	16,618.5	17,160.6	17,689.2
%Chg	2.5	1.8	2.8	1.7	2.5	3.1	3.3	3.1
Real Consumption	10,035.9	10,291.3	10,517.6	10,715.2	10,978.3	11,280.0	11,600.3	11,942.3
%Chg	2.0	2.5	2.2	1.9	2.5	2.7	2.8	2.9
Real Nonresidential Fixed Investment	1,673.8	1,800.4	1,931.8	1,978.4	2,072.7	2,197.2	2,367.4	2,511.7
%Chg	2.5	7.6	7.3	2.4	4.8	6.0	7.7	6.1
Real Residential Investment	382.4	384.3	433.8	492.8	565.7	657.5	707.0	699.6
%Chg	-2.5	0.5	12.9	13.6	14.8	16.2	7.5	-1.0
Real Personal Income	12,232.4	12,673.4	12,964.2	13,184.8	13,615.8	14,048.6	14,527.4	15,049.1
%Chg	1.2	3.6	2.3	1.7	3.3	3.2	3.4	3.6
Current Dollar National Income Accounts (Billions of Dollars)								
Gross Domestic Product (GDP)	14,958.3	15,533.8	16,244.6	16,755.0	17,435.3	18,290.7	19,220.1	20,150.0
%Chg	3.7	3.8	4.6	3.1	4.1	4.9	5.1	4.8
Personal Income	12,435.2	13,191.3	13,743.8	14,132.9	14,783.1	15,494.0	16,306.9	17,194.3
%Chg	2.9	6.1	4.2	2.8	4.6	4.8	5.2	5.4
Wage & Salary Disbursements	6,377.5	6,638.7	6,926.8	7,122.7	7,428.5	7,803.7	8,204.4	8,606.8
%Chg	2.0	4.1	4.3	2.8	4.3	5.1	5.1	4.9
Non-Wage Personal Income	6,057.7	6,552.6	6,817.0	7,010.2	7,354.6	7,690.4	8,102.6	8,587.5
%Chg	3.9	8.2	4.0	2.8	4.9	4.6	5.4	6.0
Price and Wage Indexes								
U.S. GDP Deflator (2005=1.0)	101.215	103.203	105.008	106.453	108.182	110.057	111.997	113.907
%Chg	1.2	2.0	1.7	1.4	1.6	1.7	1.8	1.7
U.S. Consumer Price Index (1982-84=1.0)	2.181	2.249	2.296	2.329	2.362	2.403	2.450	2.497
%Chg	1.6	3.1	2.1	1.4	1.4	1.7	1.9	1.9
Employment Cost Index (Dec 2005=1.0)	1.119	1.143	1.165	1.188	1.216	1.248	1.284	1.322
%Chg	1.9	2.2	1.9	1.9	2.4	2.6	2.9	3.0
Employment (Thousands)								
Employment - Total Non-Farm Payrolls	129.9	131.5	133.7	135.9	138.1	140.5	143.2	145.5
%Chg	-0.7	1.2	1.7	1.6	1.6	1.8	1.9	1.6
Construction	5.5	5.5	5.6	5.8	6.1	6.6	7.2	7.7
%Chg	-8.3	0.3	2.0	2.9	4.2	9.1	9.5	5.9
Manufacturing	11.5	11.7	11.9	12.0	12.2	12.4	12.6	12.7
%Chg	-2.7	1.7	1.7	0.5	1.9	1.9	1.3	0.6
Private Service-Providing	89.7	91.4	93.4	95.4	97.0	98.5	100.2	101.8
%Chg	-0.1	1.9	2.2	2.1	1.6	1.6	1.7	1.6
Government	22.5	22.1	21.9	21.9	22.0	22.1	22.2	22.4
%Chg	-0.3	-1.8	-0.8	-0.3	0.5	0.6	0.6	0.8
U.S. Civilian Labor Force	153.9	153.6	155.0	155.4	157.7	159.2	160.5	161.7
Employment - Household Survey	139.1	139.9	142.5	143.8	146.8	149.0	151.1	152.7
Unemployment Rate (%)	9.6	8.9	8.1	7.5	6.9	6.4	5.9	5.5
Other Key Measures								
Non-Farm Productivity (index, 2005=1.0)	1.032	1.037	1.053	1.056	1.064	1.076	1.092	1.111
%Chg	3.2	0.5	1.5	0.3	0.8	1.1	1.5	1.7
Total Ind. Production (index, 2007=100)	90.592	93.637	97.041	99.398	102.002	105.653	109.408	112.485
%Chg	5.7	3.4	3.6	2.4	2.6	3.6	3.6	2.8
Manhours in Private Non-Farm Estab.								
Billions of Hours	180.3	184.7	188.8	192.3	196.0	200.3	204.3	207.5
%Chg	0.2	2.5	2.2	1.9	1.9	2.2	2.0	1.6
Average Weekly Hours	32.3	32.4	32.5	32.5	32.6	32.7	32.6	32.6
Manufacturing Workweek	41.1	41.4	41.7	41.8	41.5	41.5	41.5	41.4

Source: IHS Global Insight (GI); November 2013 Baseline

Alternative Forecast Comparison

Calendar Years

	13Q1	13Q2	13Q3	13Q4	14Q1	14Q2	2012	2013	2014	2015
Real Gross Domestic Product (GDP), Percent Change, Seasonally Adjusted at Annual Rate										
Global Insight Baseline (11-13)	1.1	2.5	2.8	1.7	2.5	2.6	2.8	1.7	2.5	3.1
Blue Chip Concensus (11-13)	1.1	2.5	2.8	1.8	2.6	2.8	2.8	1.7	2.5	2.9
Moody's Analytics (11-13)	1.1	2.5	2.0	2.2	3.0	3.9	2.8	1.6	3.1	4.1
Standard & Poors (10-13)	1.2	2.5	2.2	2.3	-	-	2.8	1.6	2.5	3.2
Wells Fargo (11-13)	1.1	2.5	2.8	1.8	1.8	2.4	2.8	1.7	2.3	2.8
UBS (11-13)	1.1	2.5	2.8	2.3	-	-	2.8	1.7	3.0	3.0
Consumer Price Index (CPI), Percent Change, Seasonally Adjusted at Annual Rate (except where noted)										
Global Insight Baseline (11-13)	1.4	0.0	2.6	0.4	1.4	2.0	2.1	1.4	1.4	1.7
Blue Chip Concensus (11-13)	1.4	0.0	2.6	1.4	1.8	1.9	2.1	1.5	1.8	2.2
Moody's Analytics (11-13)	1.4	0.0	2.6	1.1	1.9	2.1	2.1	1.5	1.8	-
Standard & Poors (10-13)	1.4	0.0	2.6	1.1	-	-	2.1	1.5	1.7	1.7
Wells Fargo (11-13)*	1.7	1.4	1.6	1.5	1.6	2.1	2.1	1.5	1.9	2.2
UBS (11-13)	1.4	0.0	2.6	1.4	-	-	2.1	1.5	1.9	2.5

*Year-over-Year Percent Change

Global Insight Baseline Forecasts Comparison

Calendar Years

	2010	2011	2012	2013	2014	2015	2016	2017
Real Gross Domestic Product (GDP), Annual Percent Change								
November 2008	1.7	3.1	3.5	3.1	-	-	-	-
February 2009	2.0	3.5	3.3	2.9	-	-	-	-
November 2009	2.2	2.9	3.7	2.9	-	-	-	-
February 2010	3.0	2.8	3.7	2.9	-	-	-	-
November 2010	2.7	2.3	2.9	2.7	3.1	3.1	-	-
February 2011	2.9	3.2	2.9	3.1	3.3	2.9	-	-
November 2011	3.0	1.8	1.6	2.5	3.5	3.3	-	-
February 2012	3.0	1.7	2.1	2.3	3.3	3.2	-	-
November 2012	2.4	1.8	2.1	1.9	2.8	3.3	2.9	2.1
February 2013	2.4	1.8	2.2	1.9	2.8	3.3	2.9	2.8
November 2013	2.5	1.8	2.8	1.7	2.5	3.1	3.3	3.1
Consumer Price Index (CPI), Annual Percent Change								
November 2008	2.4	3.0	2.4	2.4	-	-	-	-
February 2009	1.7	2.2	2.3	2.6	-	-	-	-
November 2009	1.5	2.0	2.0	1.8	-	-	-	-
February 2010	1.9	1.7	2.0	1.9	-	-	-	-
November 2010	1.7	1.5	1.9	2.0	2.2	2.2	-	-
February 2011	1.6	1.9	1.7	1.9	2.2	2.2	-	-
November 2011	1.6	3.2	1.5	1.7	2.0	2.1	-	-
February 2012	1.6	3.1	2.0	1.8	1.9	1.9	-	-
November 2012	1.6	3.1	2.1	1.3	1.8	1.7	1.9	1.9
February 2013	1.6	3.1	2.1	1.4	1.7	1.6	1.7	1.8
November 2013	1.6	3.1	2.1	1.4	1.4	1.7	1.9	1.9

Source: IHS Global Insight (GI)

Minnesota and U.S. Economic Forecast Comparison

Calendar Years

	2010	2011	2012	2013	2014	2015	2016	2017
Personal Income (Billions of Current Dollars)								
Minnesota								
November 2013	226.3	241.4	252.4	259.2	269.6	282.2	296.3	311.4
%Chg	4.0	6.6	4.6	2.7	4.0	4.7	5.0	5.1
February 2013	225.9	238.2	249.6	254.0	267.1	280.4	294.2	307.9
%Chg	4.4	5.5	4.8	1.7	5.2	5.0	4.9	4.7
U.S.								
November 2013	12,435.2	13,191.3	13,743.8	14,132.9	14,783.1	15,494.0	16,306.9	17,194.3
%Chg	2.9	6.1	4.2	2.8	4.6	4.8	5.2	5.4
February 2013	12,321.9	12,947.3	13,402.4	13,744.2	14,460.6	15,177.9	15,926.4	16,688.2
%Chg	3.8	5.1	3.5	2.5	5.2	5.0	4.9	4.8
Wage and Salary Disbursements (Billions of Current Dollars)								
Minnesota								
November 2013	124.3	129.2	135.4	141.1	147.2	154.3	161.9	169.6
%Chg	2.6	4.0	4.8	4.2	4.3	4.9	4.9	4.7
February 2013	124.8	129.7	136.2	139.1	146.8	154.0	161.2	168.1
%Chg	2.7	3.9	5.0	2.1	5.5	4.9	4.7	4.3
U.S.								
November 2013	6,377.5	6,638.7	6,926.8	7,122.7	7,428.5	7,803.7	8,204.4	8,606.8
%Chg	2.0	4.1	4.3	2.8	4.3	5.1	5.1	4.9
February 2013	6,404.6	6,661.3	6,875.1	7,114.8	7,442.7	7,795.7	8,152.9	8,501.7
%Chg	2.1	4.0	3.2	3.5	4.6	4.7	4.6	4.3
Total Non-Farm Payroll Employment (Thousands)								
Minnesota								
November 2013	2,641.1	2,688.3	2,731.0	2,776.0	2,819.6	2,869.2	2,921.1	2,969.0
%Chg	-0.5	1.8	1.6	1.6	1.6	1.8	1.8	1.6
February 2013	2,641.0	2,686.8	2,729.6	2,768.3	2,816.7	2,876.0	2,933.1	2,975.5
%Chg	-0.5	1.7	1.6	1.4	1.8	2.1	2.0	1.4
U.S.								
November 2013	129,911	131,500	133,737	135,915	138,087	140,540	143,198	145,498
%Chg	-0.7	1.2	1.7	1.6	1.6	1.8	1.9	1.6
February 2013	129,911	131,500	133,735	135,719	138,055	140,757	143,359	145,356
%Chg	-0.7	1.2	1.7	1.5	1.7	2.0	1.8	1.4
Average Annual Non-Farm Wage (Current Dollars)								
Minnesota								
November 2013	47,047	48,057	49,591	50,831	52,192	53,787	55,421	57,111
%Chg	3.2	2.1	3.2	2.5	2.7	3.1	3.0	3.0
February 2013	47,251	48,264	49,884	50,245	52,110	53,537	54,959	56,482
%Chg	3.3	2.1	3.4	0.7	3.7	2.7	2.7	2.8
U.S.								
November 2013	49,091	50,485	51,794	52,405	53,796	55,526	57,294	59,154
%Chg	2.7	2.8	2.6	1.2	2.7	3.2	3.2	3.2
February 2013	49,299	50,656	51,409	52,423	53,911	55,384	56,871	58,489
%Chg	2.9	2.8	1.5	2.0	2.8	2.7	2.7	2.8

Source: IHS Global Insight (GI) and Minnesota Management and Budget (MMB)

Factors Affecting Tax Revenue

Billions of Current Dollars, Calendar Years

	2010	2011	2012	2013	2014	2015	2016	2017
Individual Income Tax (Calendar Years)								
Minnesota Non-Farm Tax Base								
February 2011	180.193	187.398	196.463	206.145	-	-	-	-
%Chg	3.1	4.0	4.8	4.9				
November 2011	178.433	187.762	194.610	202.278	212.810	224.754	-	-
%Chg	3.8	5.2	3.6	3.9	5.2	5.6		
February 2012	178.435	187.074	194.943	203.230	212.858	223.563	-	-
%Chg	3.8	4.8	4.2	4.3	4.7	5.0		
November 2012	176.360	184.406	192.573	199.658	209.583	220.465	231.453	241.653
%Chg	3.4	4.6	4.4	3.7	5.0	5.2	5.0	4.4
February 2013	176.360	184.406	193.802	198.765	210.048	220.613	231.408	242.315
%Chg	3.4	4.6	5.1	2.6	5.7	5.0	4.9	4.7
November 2013	176.253	186.519	196.327	204.957	214.980	225.805	237.873	250.970
%Chg	2.6	5.8	5.3	4.4	4.9	5.0	5.3	5.5
Minnesota Wage and Salary Disbursements								
February 2011	126.202	131.010	137.183	143.608	-	-	-	-
%Chg	3.9	3.8	4.7	4.7				
November 2011	125.211	131.254	136.156	141.758	148.908	156.550	-	-
%Chg	3.0	4.8	3.7	4.1	5.0	5.1		
February 2012	125.214	130.664	136.133	141.815	148.405	155.550	-	-
%Chg	3.0	4.4	4.2	4.2	4.6	4.8		
November 2012	124.789	129.676	135.623	140.065	146.545	153.708	160.825	167.530
%Chg	2.7	3.9	4.6	3.3	4.6	4.9	4.6	4.2
February 2013	124.789	129.676	136.166	139.090	146.780	153.973	161.200	168.063
%Chg	2.7	3.9	5.0	2.1	5.5	4.9	4.7	4.3
November 2013	124.255	129.193	135.435	141.108	147.160	154.325	161.890	169.563
%Chg	2.6	4.0	4.8	4.2	4.3	4.9	4.9	4.7
Minnesota Dividends, Interest, & Rental Income								
February 2011	40.312	41.875	43.817	46.363	-	-	-	-
%Chg	0.5	3.9	4.6	5.8				
November 2011	38.386	40.661	41.734	42.887	45.053	48.292	-	-
%Chg	3.5	5.9	2.6	2.8	5.1	7.2		
February 2012	38.386	40.647	42.292	43.922	45.755	48.044	-	-
%Chg	3.5	5.9	4.0	3.9	4.2	5.0		
November 2012	36.271	38.934	40.582	42.526	44.862	47.427	50.393	53.241
%Chg	2.4	7.3	4.2	4.8	5.5	5.7	6.3	5.7
February 2013	36.271	38.934	41.010	42.685	44.949	47.103	49.620	52.949
%Chg	2.4	7.3	5.3	4.1	5.3	4.8	5.3	6.7
November 2013	37.425	41.032	43.487	45.385	48.313	50.864	54.301	58.723
%Chg	1.4	9.6	6.0	4.4	6.5	5.3	6.8	8.1
Minnesota Non-Farm Proprietors' Income								
February 2011	13.679	14.559	15.463	16.172	-	-	-	-
%Chg	3.4	6.4	6.2	4.6				
November 2011	14.835	15.846	16.723	17.635	18.850	19.947	-	-
12.1								
February 2012	14.835	15.765	16.518	17.496	18.698	19.970	-	-
%Chg	12.1	6.3	4.8	5.9	6.9	6.8		
November 2012	15.301	15.796	16.367	17.064	18.176	19.337	20.238	20.881
%Chg	12.4	3.2	3.6	4.3	6.5	6.4	4.7	3.2
February 2013	15.301	15.796	16.625	16.989	18.320	19.540	20.587	21.300
%Chg	12.4	3.2	5.2	2.2	7.8	6.7	5.4	3.5
November 2013	14.573	16.294	17.405	18.465	19.508	20.619	21.681	22.684
%Chg	5.6	11.8	6.8	6.1	5.6	5.7	5.1	4.6

Factors Affecting Tax Revenue (Continued)

Billions of Current Dollars, Fiscal Years

	2010	2011	2012	2013	2014	2015	2016	2017
General Sales Tax								
Minnesota Synthetic Sales Tax Base								
February 2011	66.659	70.862	74.606	77.027	-	-	-	-
%Chg	-2.3	6.3	5.3	3.2				
November 2011	66.277	70.523	74.604	76.674	-	-	-	-
%Chg	-2.7	6.4	5.8	2.8				
February 2012	66.213	70.456	74.383	77.000	-	-	-	-
%Chg	-2.7	6.4	5.6	3.5				
November 2012	66.161	69.056	72.768	75.755	78.287	81.516	84.151	86.583
%Chg	-3.2	4.4	5.4	4.1	3.3	4.1	3.2	2.9
February 2013	66.126	69.070	72.610	75.610	78.247	81.180	83.936	86.428
%Chg	-3.3	4.5	5.1	4.1	3.5	3.7	3.4	3.0
November 2013	65.300	68.321	71.869	74.932	77.285	81.086	84.764	88.492
%Chg	-3.8	4.6	5.2	4.3	3.1	4.9	4.5	4.4
Minnesota's Proxy Share of U.S. Consumer Durable Spending (Excluding Autos)								
February 2011	12.812	13.657	14.363	14.732	-	-	-	-
%Chg	1.0	6.6	5.2	2.6				
November 2011	12.838	13.523	14.165	14.636	-	-	-	-
%Chg	3.6	5.3	4.7	3.3				
February 2012	12.838	13.527	14.083	14.571	-	-	-	-
%Chg	3.6	5.4	4.1	3.5				
November 2012	12.771	13.313	14.011	14.756	15.215	15.636	15.999	16.292
%Chg	-1.3	4.2	5.2	5.3	3.1	2.8	2.3	1.8
February 2013	12.771	13.313	14.005	14.649	15.087	15.547	16.044	16.424
%Chg	-1.3	4.2	5.2	4.6	3.0	3.0	3.2	2.4
November 2013	12.609	13.151	13.866	14.519	15.253	15.862	16.467	17.091
%Chg	-2.0	4.3	5.4	4.7	5.1	4.0	3.8	3.8
Minnesota's Proxy Share of U.S. Capital Equipment Spending								
February 2011	11.179	12.833	14.372	14.936	-	-	-	-
%Chg	-3.6	14.8	12.0	3.9				
November 2011	11.147	12.600	13.769	14.415	-	-	-	-
%Chg	-2.7	13.0	9.3	4.7				
February 2012	11.147	12.543	13.626	14.602	-	-	-	-
%Chg	-2.7	12.5	8.6	7.2				
November 2012	10.523	11.263	12.283	12.896	13.805	15.122	16.402	17.397
%Chg	-8.2	7.0	9.1	5.0	7.0	9.5	8.5	6.1
February 2013	10.523	11.263	12.271	13.306	14.182	15.272	16.522	17.549
%Chg	-8.2	7.0	8.9	8.4	6.6	7.7	8.2	6.2
November 2013	10.804	11.894	12.827	13.602	14.293	15.653	17.022	18.358
%Chg	-6.7	10.1	7.8	6.0	5.1	9.5	8.7	7.8
Minnesota's Proxy Share of U.S. Construction Spending								
February 2011	4.808	4.632	4.848	5.507	-	-	-	-
%Chg	-13.7	-3.7	4.7	13.6				
November 2011	4.734	4.705	5.148	5.414	-	-	-	-
%Chg	-15.4	-0.6	9.4	5.2				
February 2012	4.738	4.745	5.184	5.539	-	-	-	-
%Chg	-15.4	0.1	9.3	6.8				
November 2012	4.771	4.739	5.327	5.815	6.372	7.021	-	-
%Chg	-15.0	-0.7	12.4	9.2	9.6	10.2		
February 2013	4.769	4.734	5.257	5.656	6.171	6.870	-	-
%Chg	-15.0	-0.7	11.0	7.6	9.1	11.3		
November 2013	4.938	4.878	5.441	5.944	6.693	7.396	8.196	8.869
%Chg	-13.0	-1.2	11.6	9.2	12.6	10.5	10.8	8.2

Factors Affecting Tax Revenue (Continued)

Billions of Current Dollars, Calendar Years

	2010	2011	2012	2013	2014	2015	2016	2017
Corporate Franchise Tax								
U.S. Corporate Profits (w/ capital consumption adjustment, less profits from Federal Reserve)								
February 2011	1,386.5	1,401.1	1,349.3	1,426.8	1,507.7	1,495.0	-	-
%Chg	36.7	1.1	-3.7	5.7	5.7	-0.8		
November 2011	1,385.7	1,518.5	1,492.7	1,571.1	1,673.2	1,689.1	-	-
%Chg	45.3	9.6	-1.7	5.3	6.5	1.0		
February 2012	1,385.7	1,499.4	1,418.7	1,406.6	1,499.4	1,539.6	-	-
%Chg	45.3	8.2	-5.4	-0.9	6.6	2.7		
November 2012	1,268.0	1,374.7	1,445.1	1,373.8	1,390.2	1,405.9	1,398.0	1,399.5
%Chg	35.0	8.4	5.1	-4.9	1.2	1.1	-0.6	0.1
February 2013	1,268.0	1,374.7	1,449.4	1,372.8	1,411.1	1,445.5	1,452.9	1,469.8
%Chg	35.0	8.4	5.4	-5.3	2.8	2.4	0.5	1.2
November 2013*	1,710.0	1,857.9	1,947.8	2,012.2	2,097.9	2,209.0	2,311.5	2,371.8
%Chg	27.7	8.6	4.8	3.3	4.3	5.3	4.6	2.6
Insurance Gross Premiums Tax								
Minnesota's Proxy Share of U.S. Consumer Spending on Insurance								
February 2011	5.305	5.394	5.642	5.900	6.195	6.497	-	-
%Chg	-0.1	1.7	4.6	4.6	5.0	4.9		
November 2011	4.541	4.634	4.800	4.993	5.305	5.547	-	-
%Chg	-0.6	2.0	3.6	4.0	6.2	4.5		
February 2012	4.546	4.632	4.795	4.996	5.314	5.551	-	-
%Chg	-0.5	1.9	3.5	4.2	6.4	4.5		
November 2012	4.860	4.944	4.966	5.105	5.351	5.573	5.783	6.034
%Chg	7.0	1.7	0.4	2.8	4.8	4.1	3.8	4.3
February 2013	4.860	4.947	4.961	4.982	5.198	5.424	5.647	5.916
%Chg	7.1	1.8	0.3	0.4	4.4	4.3	4.1	4.8
November 2013	4.966	5.320	5.557	5.718	5.986	6.269	6.532	6.825
%Chg	8.4	7.1	4.4	2.9	4.7	4.7	4.2	4.5
Deed & Mortgage Tax								
U.S. New and Existing Home Sales (Current \$ Value, Fiscal Year)								
February 2011	-	-	-	-	-	-	-	-
%Chg								
November 2011	-	-	-	-	-	-	-	-
%Chg								
February 2012	-	-	-	-	-	-	-	-
%Chg								
November 2012	-	-	-	-	-	-	-	-
%Chg								
February 2013	999.6	856.2	939.3	1,088.2	1,234.0	1,446.5	1,527.7	1,523.8
%Chg	9.8	-14.3	9.7	15.9	13.4	17.2	5.6	-0.3
November 2013	997.4	854.8	937.7	1,140.5	1,334.6	1,509.4	1,574.1	1,548.1
%Chg	0.1	-14.3	9.7	21.6	17.0	13.1	4.3	-1.7

* Beginning in November 2013, includes rest-of-world profits to account for change in the Minnesota tax base.

Budget vs. Actual: FY 2013 Close
(\$ in thousands)

	2-13 Fcst FY 2013	11-13 Fcst FY 2013	\$ Change
<u>Actual & Estimated Resources</u>			
Balance Forward From Prior Year	1,794,929	1,794,929	0
Current Resources:			
Tax Revenues	16,656,387	17,147,023	490,636
Non-Tax Revenues	800,020	798,464	(1,556)
Subtotal - Non-Dedicated Revenue	17,456,407	17,945,487	489,080
Dedicated Revenue	155	692	537
Transfers In	593,186	601,647	8,461
Prior Year Adjustments	25,000	108,636	83,636
Subtotal - Other Revenue	618,341	710,975	92,634
Subtotal-Current Resources	18,074,748	18,656,462	581,714
Total Resources Available	19,869,677	20,451,391	581,714
<u>Actual & Estimated Spending</u>			
K-12 Education	7,360,814	7,355,055	(5,759)
K-12 Ptx Rec Shift/Aid Payment Shift	1,514,457	1,514,457	0
K-12 Education	8,875,271	8,869,512	(5,759)
Higher Education	1,293,384	1,295,095	1,711
Property Tax Aids & Credits	1,337,462	1,320,179	(17,283)
Health & Human Services	5,269,365	5,207,568	(61,797)
Public Safety & Judiciary	972,820	957,734	(15,086)
Transportation	63,928	63,764	(164)
Environment & Agriculture	158,259	158,887	628
Jobs, Economic Development, Housing & Commerce	153,238	154,903	1,665
State Government & Veterans	495,956	460,167	(35,789)
Debt Service	222,584	223,000	416
Capital Projects & Grants	24,748	24,138	(610)
Deficiencies/Other	9,729	4,200	(5,529)
Estimated Cancellations	(15,000)	0	15,000
Subtotal Expenditures & Transfers	18,861,744	18,739,147	(122,597)
Dedicated Expenditures	155	329	174
Total Expenditures & Transfers	18,861,899	18,739,476	(122,423)
Balance Before Reserves	1,007,778	1,711,915	704,137
Cash Flow Account	350,000	350,000	0
Budget Reserve	656,471	656,471	0
Stadium Reserve	1,307	0	(1,307)
Appropriations Carried Forward	0	69,355	69,355
Budgetary Balance	0	636,089	636,089

February 2013 Revenue Forecast vs. Actual: FY 2014 Year-to-Date
(\$ in thousands)

	NON-RESTRICTED REVENUES FY 2014 Year-to-Date			NON-RESTRICTED REVENUES Oct 2013 – FY 2014		
	FORECAST REVENUES	ACTUAL REVENUES	VARIANCE ACT-FCST	FORECAST REVENUES	ACTUAL REVENUES	VARIANCE ACT-FCST
Individual Income Tax						
Withholding	\$2,371,361	\$2,356,324	(\$15,037)	\$634,437	644,703	\$10,266
Declarations	352,211	379,863	27,652	23,400	27,132	3,733
Miscellaneous	148,026	187,844	39,818	66,013	76,921	10,907
Gross	2,871,598	2,924,032	52,434	723,850	748,756	24,906
Refund	55,496	50,619	(4,876)	35,460	30,061	(5,399)
Net	2,816,103	2,873,412	57,310	688,390	718,695	30,305
Corporate & Bank Excise						
Declarations	347,132	347,797	665	46,716	46,201	(515)
Miscellaneous	99,741	76,348	(23,393)	30,015	23,056	(6,959)
Gross	446,873	424,145	(22,728)	76,731	69,256	(7,474)
Refund	31,149	18,286	(12,863)	13,803	5,373	(8,429)
Net	415,723	405,858	(9,865)	62,928	63,883	955
Sales Tax						
Gross	1,605,461	1,651,239	45,778	473,056	483,033	9,977
Refunds	67,582	63,184	(4,397)	22,020	27,585	5,565
Net	1,537,879	1,588,055	50,176	451,036	455,448	4,411
Other Revenues:						
Estate	63,635	70,835	7,200	15,909	12,986	(2,922)
Liquor/Wine/Beer	22,595	24,648	2,053	6,727	6,902	175
Cigarette/Tobacco/Cont Sub	192,332	174,192	(18,140)	55,144	65,931	10,787
Deed and Mortgage	51,629	61,483	9,854	13,864	16,894	3,029
Insurance Gross Earnings	73,862	79,857	5,995	876	215	(661)
Lawful Gambling	20,067	10,770	(9,296)	5,017	2,599	(2,417)
Health Care Surcharge	87,288	61,228	(26,060)	23,248	19,359	(3,889)
Other Taxes	240	241	0	57	59	2
Statewide Property Tax	190,027	196,156	6,129	173,503	175,259	1,756
DHS SOS Collections	17,364	18,004	640	4,341	4,286	(55)
Income Tax Reciprocity	0	0	0	0	0	0
Investment Income	1,000	2,213	1,213	333	2,213	1,879
Tobacco Settlement	100	100	0	0	100	100
Departmental Earnings	84,967	84,112	(855)	28,000	40,375	12,375
Fines and Surcharges	23,903	22,744	(1,159)	7,553	8,596	1,043
Lottery Revenues	12,678	14,092	1,415	4,226	9,363	5,137
Revenues yet to be allocated	0	121	121		(277)	(277)
Residual Revenues	30,151	26,368	(3,782)	7,745	4,893	(2,852)
County Nursing Home, Pub Hosp IGT	1,698	1,698	0	566	566	0
Other Subtotal	873,536	848,865	(24,671)	347,109	370,320	23,211
Other Refunds	11,192	30,374	19,182	5,247	8,349	3,102
Other Net	862,344	818,491	(43,853)	341,862	361,971	20,109
Total Gross	5,797,467	5,848,280	50,813	1,620,746	1,671,365	50,619
Total Refunds	165,418	162,464	(2,954)	76,529	71,369	(5,161)
Total Net	\$5,632,049	\$5,685,816	\$53,767	\$1,544,217	\$1,599,997	\$55,780

FY 2014-15 Comparison: End of Session vs. October 2013
November 2013 General Fund Forecast
(\$ in thousands)

	5-13 Enacted FY 2014-15	10-13 FY 2014-15	\$ Change
<u>Actual & Estimated Resources</u>			
Balance Forward From Prior Year	1,007,778	1,711,915	704,137
Current Resources:			
Tax Revenues	36,627,313	36,627,313	0
Non-Tax Revenues	1,449,152	1,449,152	0
Subtotal - Non-Dedicated Revenue	38,076,465	38,076,465	0
Dedicated Revenue	190	190	0
Transfers In	295,381	295,381	0
Prior Year Adjustments	50,000	50,000	0
Subtotal - Other Revenue	345,571	345,571	0
Subtotal-Current Resources	38,422,036	38,422,036	0
Total Resources Available	39,429,814	40,133,951	704,137
<u>Actual & Estimated Spending</u>			
K-12 Education	15,849,482	15,831,058	(18,424)
K-12 Ptx Rec Shift/Aid Payment Shift	(65,719)	587,866	653,585
K-12 Education	15,783,763	16,418,924	635,161
Higher Education	2,813,761	2,813,761	0
Property Tax Aids & Credits	3,015,977	3,016,501	524
Health & Human Services	11,440,266	11,444,746	4,480
Public Safety & Judiciary	1,932,313	1,949,150	16,837
Transportation	239,085	239,085	0
Environment & Agriculture	312,604	318,857	6,253
Jobs, Economic Development, Housing & Commerce	370,876	385,632	14,756
State Government & Veterans	947,427	973,807	26,380
Debt Service	1,280,165	1,280,165	0
Capital Projects & Grants	233,073	233,073	0
Estimated Cancellations	(20,110)	(20,110)	0
Subtotal Expenditures & Transfers	38,349,200	39,053,591	704,391
Dedicated Expenditures	190	190	0
Total Expenditures & Transfers	38,349,390	39,053,781	704,391
Balance Before Reserves	1,080,424	1,080,170	(254)
Cash Flow Account	350,000	350,000	0
Budget Reserve	656,471	656,471	0
Stadium Reserve	27,807	26,500	(1,307)
Budgetary Balance	46,146	47,199	1,053

FY 2014-15 Comparison: October 2013 vs. November 2013
- Before Statutory Allocations
(\$ in thousands)

	10-13 FY 2014-15	11-13 Fcst FY 2014-15	\$ Change
<u>Actual & Estimated Resources</u>			
Balance Forward From Prior Year	1,711,915	1,711,915	0
Current Resources:			
Tax Revenues	36,627,313	37,451,297	823,984
Non-Tax Revenues	1,449,152	1,427,332	(21,820)
Subtotal - Non-Dedicated Revenue	38,076,465	38,878,629	802,164
Dedicated Revenue	190	190	0
Transfers In	295,381	280,325	(15,056)
Prior Year Adjustments	50,000	50,000	0
Subtotal - Other Revenue	345,571	330,515	(15,056)
Subtotal-Current Resources	38,422,036	39,209,144	787,108
Total Resources Available	40,133,951	40,921,059	787,108
<u>Actual & Estimated Spending</u>			
K-12 Education	15,831,058	16,103,108	272,050
K-12 Ptx Rec Shift/Aid Payment Shift	587,866	305,657	(282,209)
K-12 Education	16,418,924	16,408,765	(10,159)
Higher Education	2,813,761	2,813,761	0
Property Tax Aids & Credits	3,016,501	2,946,229	(10,265)
Health & Human Services	11,444,746	11,327,458	(70,272)
Public Safety & Judiciary	1,949,150	1,949,150	0
Transportation	239,085	239,085	(2,171)
Environment & Agriculture	318,857	316,686	(117,288)
Jobs, Economic Development, Housing & Commerce	385,632	385,632	0
State Government & Veterans	973,807	963,542	0
Debt Service	1,280,165	1,252,078	(28,087)
Capital Projects & Grants	233,073	224,198	(8,875)
Estimated Cancellations	(20,110)	(20,110)	0
Subtotal Expenditures & Transfers	39,053,591	38,806,474	(247,117)
Dedicated Expenditures	190	190	0
Total Expenditures & Transfers	39,053,781	38,806,664	(247,117)
Balance Before Reserves	1,080,170	2,114,395	1,034,225
Cash Flow Account	350,000	350,000	0
Budget Reserve	656,471	660,992	4,521
Stadium Reserve	26,500	17,827	(8,673)
Budgetary Balance	47,199	1,085,576	1,038,377

FY 2014-15 Comparison: October 2013 vs. November 2013
- After Statutory Allocations
(\$ in thousands)

	10-13 FY 2014-15	11-13 Fcst FY 2014-15	\$ Change
<u>Actual & Estimated Resources</u>			
Balance Forward From Prior Year	1,711,915	1,711,915	0
Current Resources:			
Tax Revenues	36,627,313	37,451,297	823,984
Non-Tax Revenues	1,449,152	1,427,332	(21,820)
Subtotal - Non-Dedicated Revenue	38,076,465	38,878,629	802,164
Dedicated Revenue	190	190	0
Transfers In	295,381	280,325	(15,056)
Prior Year Adjustments	50,000	50,000	0
Subtotal - Other Revenue	345,571	330,515	(15,056)
Subtotal-Current Resources	38,422,036	39,209,144	787,108
Total Resources Available	40,133,951	40,921,059	787,108
<u>Actual & Estimated Spending</u>			
K-12 Education	15,831,058	15,841,594	10,536
K-12 Ptx Rec Shift/Aid Payment Shift	587,866	812,574	224,708
K-12 Education	16,418,924	16,654,168	235,244
Higher Education	2,813,761	2,813,761	0
Property Tax Aids & Credits	3,016,501	2,946,229	(70,272)
Health & Human Services	11,444,746	11,327,458	(117,288)
Public Safety & Judiciary	1,949,150	1,949,150	0
Transportation	239,085	254,085	15,000
Environment & Agriculture	318,857	316,686	(2,171)
Jobs, Economic Development, Housing & Commerce	385,632	385,632	0
State Government & Veterans	973,807	963,542	(10,265)
Debt Service	1,280,165	1,252,078	(28,087)
Capital Projects & Grants	233,073	224,198	(8,875)
Estimated Cancellations	(20,110)	(20,110)	0
Subtotal Expenditures & Transfers	39,053,591	39,066,877	13,286
Dedicated Expenditures	190	190	0
Total Expenditures & Transfers	39,053,781	39,067,067	13,286
Balance Before Reserves	1,080,170	1,853,992	773,822
Cash Flow Account	350,000	350,000	0
Budget Reserve	656,471	660,992	4,521
Stadium Reserve	26,500	17,827	(8,673)
Budgetary Balance	47,199	825,173	777,974

Current Budget Forecast by Fiscal Year: FY 2014-15

(\$ in thousands)

	11-13 Fcst FY 2014	11-13 Fcst FY 2015	Biennial Total
<u>Actual & Estimated Resources</u>			
Balance Forward From Prior Year	1,711,915	1,465,911	1,711,915
Current Resources:			
Tax Revenues	18,366,597	19,084,700	37,451,297
Non-Tax Revenues	720,151	707,181	1,427,332
Subtotal - Non-Dedicated Revenue	19,086,748	19,791,881	38,878,629
Dedicated Revenue	189	1	190
Transfers In	189,426	90,899	280,325
Prior Year Adjustments	25,000	25,000	50,000
Subtotal - Other Revenue	214,615	115,900	330,515
Subtotal-Current Resources	19,301,363	19,907,781	39,209,144
Total Resources Available	21,013,278	21,373,692	40,921,059
<u>Actual & Estimated Spending</u>			
K-12 Education	7,672,003	8,169,591	15,841,594
K-12 Ptx Rec Shift/Aid Payment Shift	812,574	0	812,574
K-12 Education	8,484,577	8,169,591	16,654,168
Higher Education	1,392,346	1,421,415	2,813,761
Property Tax Aids & Credits	1,339,337	1,606,892	2,946,229
Health & Human Services	5,633,486	5,693,972	11,327,458
Public Safety & Judiciary	974,280	974,870	1,949,150
Transportation	150,195	103,890	254,085
Environment & Agriculture	153,928	162,758	316,686
Jobs, Economic Development, Housing & Commerce	214,083	171,549	385,632
State Government & Veterans	500,096	463,446	963,542
Debt Service	619,935	632,143	1,252,078
Capital Projects & Grants	90,025	134,173	224,198
Estimated Cancellations	(5,110)	(15,000)	(20,110)
Subtotal Expenditures & Transfers	19,547,178	19,519,699	39,066,877
Dedicated Expenditures	189	1	190
Total Expenditures & Transfers	19,547,367	19,519,700	39,067,067
Balance Before Reserves	1,465,911	1,853,992	1,853,992
Cash Flow Account	350,000	350,000	350,000
Budget Reserve	660,992	660,992	660,992
Stadium Reserve	35,991	17,827	17,827
Budgetary Balance	418,928	825,173	825,173

FY 2016-17 Comparison: October 2013 vs. November 2013

(\$ in thousands)

	10-13 FY 2016-17	11-13 Plng Est FY 2016-17	\$ Change
<u>Actual & Estimated Resources</u>			
Balance Forward From Prior Year	1,080,170	1,853,992	773,822
Current Resources:			
Tax Revenues	39,691,485	41,321,494	1,630,009
Non-Tax Revenues	1,428,775	1,414,059	(14,716)
Subtotal - Non-Dedicated Revenue	41,120,260	42,735,553	1,615,293
Dedicated Revenue	2	2	0
Transfers In	289,873	195,086	(94,787)
Prior Year Adjustments	50,000	50,000	0
Subtotal - Other Revenue	339,875	245,088	(94,787)
Subtotal-Current Resources	41,460,135	42,980,641	1,520,506
Total Resources Available	42,540,305	44,834,633	2,294,328
<u>Actual & Estimated Spending</u>			
K-12 Education	16,757,696	16,792,140	34,444
K-12 Ptx Rec Shift/Aid Payment Shift	(20,765)	0	20,765
K-12 Education	16,736,931	16,792,140	55,209
Higher Education	2,849,330	2,849,330	0
Property Tax Aids & Credits	3,384,750	3,289,668	(95,082)
Health & Human Services	12,355,546	12,567,514	211,968
Public Safety & Judiciary	1,958,885	1,984,433	25,548
Transportation	207,306	207,306	0
Environment & Agriculture	332,456	329,716	(2,740)
Jobs, Economic Development, Housing & Commerce	346,327	346,327	0
State Government & Veterans	912,614	901,271	(11,343)
Debt Service	1,412,476	1,267,309	(145,167)
Capital Projects & Grants	261,859	268,141	6,282
Estimated Cancellations	(20,000)	(20,000)	0
Subtotal Expenditures & Transfers	40,738,480	40,783,155	44,675
Dedicated Expenditures	2	2	0
Total Expenditures & Transfers	40,738,482	40,783,157	44,675
Balance Before Reserves	1,801,823	4,051,476	2,249,653
Cash Flow Account	350,000	350,000	0
Budget Reserve	656,471	660,992	4,521
Stadium Reserve	26,500	0	(26,500)
Budgetary Balance	768,852	3,040,484	2,271,632
<u>Structural Balance</u>	721,653	2,197,484	1,475,831

FY 2012-17 Planning Horizon by Biennium

(\$ in thousands)

	11-13 Fcst FY 2012-13	11-13 Fcst FY 2014-15	11-13 Fcst FY 2016-17
<u>Actual & Estimated Resources</u>			
Balance Forward From Prior Year	1,288,673	1,711,915	1,853,992
Current Resources:			
Tax Revenues	32,798,446	37,451,297	41,321,494
Non-Tax Revenues	1,572,856	1,427,332	1,414,059
Subtotal - Non-Dedicated Revenue	34,371,302	38,878,629	42,735,553
Dedicated Revenue	1,013	190	2
Transfers In	1,087,367	280,325	195,086
Prior Year Adjustments	282,890	50,000	50,000
Subtotal - Other Revenue	1,371,270	330,515	245,088
Subtotal-Current Resources	35,742,573	39,209,144	42,980,641
Total Resources Available	37,031,246	40,921,059	44,834,633
<u>Actual & Estimated Spending</u>			
K-12 Education	14,417,171	15,841,594	16,792,140
K-12 Ptx Rec Shift/Aid Payment Shift	1,068,360	812,574	0
K-12 Education	15,485,531	16,654,168	16,792,140
Higher Education	2,570,541	2,813,761	2,849,330
Property Tax Aids & Credits	2,776,872	2,946,229	3,289,668
Health & Human Services	10,592,662	11,327,458	12,567,514
Public Safety & Judiciary	1,840,335	1,949,150	1,984,433
Transportation	125,961	254,085	207,306
Environment & Agriculture	306,311	316,686	329,716
Jobs, Economic Development, Housing & Commerce	279,304	385,632	346,327
State Government & Veterans	863,243	963,542	901,271
Debt Service	415,056	1,252,078	1,267,309
Capital Projects & Grants	44,552	224,198	268,141
Deficiencies/Other	18,313	0	0
Estimated Cancellations	0	(20,110)	(20,000)
Subtotal Expenditures & Transfers	35,318,681	39,066,877	40,783,155
Dedicated Expenditures	650	190	2
Total Expenditures & Transfers	35,319,331	39,067,067	40,783,157
Balance Before Reserves	1,711,915	1,853,992	4,051,476
Cash Flow Account	350,000	350,000	350,000
Budget Reserve	656,471	660,992	660,992
Stadium Reserve	0	17,827	0
Appropriations Carried Forward	69,355	0	0
Budgetary Balance	636,089	825,173	3,040,484

Historical and Projected Revenue Growth
November 2013 Forecast
(\$ in millions)

	<u>Actual FY 2010</u>	<u>Actual FY 2011</u>	<u>Actual FY 2012</u>	<u>Closing FY 2013</u>	<u>Estimated FY 2014</u>	<u>Estimated FY 2015</u>	<u>Average Annual</u>
Individual Income Tax	\$6,531	\$7,529	\$7,972	\$9,013	\$9,445	\$9,926	
\$ change		998	443	1,041	432	481	
% change		15.3%	5.9%	13.1%	4.8%	5.1%	8.7%
Sales Tax	4,177	4,403	4,678	4,774	5,017	5,177	
\$ change		226	275	96	243	160	
% change		5.4%	6.2%	2.1%	5.1%	3.2%	4.4%
Corporate Tax	664	925	1,044	1,281	1,355	1,321	
\$ change		261	119	237	74	(34)	
% change		39.3%	12.9%	22.7%	5.8%	-2.5%	14.7%
Statewide Property Tax	767	767	799	811	832	837	
\$ change		0	32	12	21	5	
% change		0.0%	4.2%	1.5%	2.6%	0.6%	1.8%
Other Tax Revenue	1,227	1,231	1,158	1,268	1,718	1,824	
\$ change		4	(73)	110	450	106	
% change		0.3%	-5.9%	9.5%	35.5%	6.2%	8.3%
Total Tax Revenue	\$13,366	\$14,855	\$15,651	\$17,147	\$18,367	\$19,085	
\$ change		1,489	796	1,496	1,220	718	
% change		11.1%	5.4%	9.6%	7.1%	3.9%	7.4%
Non-Tax Revenues	805	808	774	798	720	707	
\$ change		3	(34)	24	(78)	(13)	
% change		0.4%	-4.2%	3.1%	-9.8%	-1.8%	-2.6%
Transfers, All Other	448	521	661	711	214	116	
\$ change		73	140	50	(497)	(98)	
% change		16.3%	26.9%	7.6%	-69.9%	-45.8%	-23.7%
Total Revenue	\$14,619	\$16,184	\$17,086	\$18,656	\$19,301	\$19,908	
\$ change		1,565	902	1,570	645	607	
% change		10.7%	5.6%	9.2%	3.5%	3.1%	6.4%

Historical and Projected Spending Growth
November 2013 Forecast
(\$ in millions)

	<u>Actual FY 2010</u>	<u>Actual FY 2011</u>	<u>Actual FY 2012</u>	<u>Closing FY 2013</u>	<u>Estimated FY 2014</u>	<u>Estimated FY 2015</u>	<u>Average Annual</u>
K-12 Education	\$5,338	\$6,078	\$6,616	\$8,870	\$8,485	\$8,170	
\$ change		740	538	2,254	(385)	(315)	
% change		13.9%	8.9%	34.1%	-4.3%	-3.7%	8.9%
Higher Education	1,456	1,357	1,275	1,295	1,392	1,421	
\$ change		(99)	(82)	20	97	29	
% change		-6.8%	-6.0%	1.6%	7.5%	2.1%	-0.5%
Prop. Tax Aids & Credits	1,614	1,401	1,457	1,320	1,339	1,607	
\$ change		(213)	56	(137)	19	268	
% change		-13.2%	4.0%	-9.4%	1.4%	20.0%	-0.1%
Health & Human Services	4,104	4,323	5,385	5,208	5,633	5,694	
\$ change		219	1,062	(177)	425	61	
% change		5.3%	24.6%	-3.3%	8.2%	1.1%	6.8%
Public Safety	856	946	883	958	974	975	
\$ change		90	(63)	75	16	1	
% change		10.5%	-6.7%	8.5%	1.7%	0.1%	2.6%
Debt Service	429	401	192	223	620	632	
\$ change		(28)	(209)	31	397	12	
% change		-6.5%	-52.1%	16.1%	178.0%	1.9%	8.1%
All Other	830	829	772	865	1,104	1,021	
\$ change		(1)	(57)	93	239	(83)	
% change		-0.1%	-6.9%	12.0%	27.6%	-7.5%	4.2%
Total Spending	\$14,627	\$15,335	\$16,580	\$18,739	\$19,547	\$19,520	
\$ change		708	1,245	2,159	808	(27)	
% change		4.8%	8.1%	13.0%	4.3%	-0.1%	5.9%