

# Budget & Economic Forecast

Forecast Flash

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FOR IMMEDIATE RELEASE

## Minnesota's Budget Outlook Stable, Despite Slower Growth

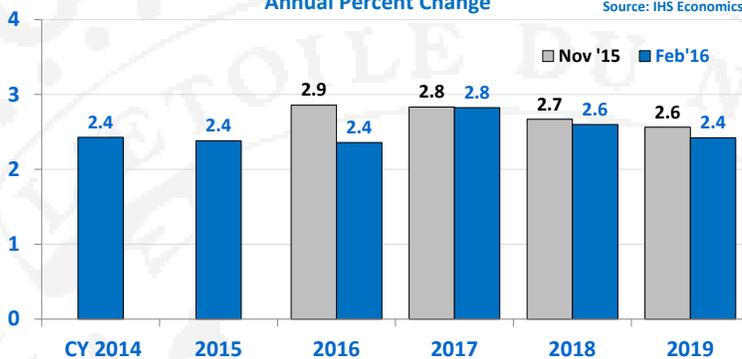
*FY 2016-17 Forecast Balance Now \$900 Million*

**Reduced Revenues Lower Expected FY 2016-17 Balance to \$900 Million.** FY 2016-17 revenues are now forecast to be \$42.298 billion, a \$427 million decrease (1.0 percent) compared to November 2015 estimates. Current law spending is forecast to be \$41.523 billion, \$129 million (0.3 percent) lower than prior estimates. Total general fund reserves increased by \$8 million. As a result, the projected budgetary balance in the current biennium is now \$900 million, \$306 million lower than estimates last November.

### FY 2016-17 General Fund Budget Forecast

(\$ in millions)	February	\$ Change
<b>Beginning Balance</b>	<b>\$2,103</b>	<b>\$0</b>
Revenues	42,289	(427)
Spending	41,524	(129)
Cash & Budget Reserve	1,947	0
Stadium Reserve	21	8
<b>Budgetary Balance</b>	<b>\$900</b>	<b>\$(306)</b>

**U.S. Real GDP**  
Annual Percent Change  
Source: IHS Economics



**U.S. Economic Outlook Weakens.** Less momentum at the end of 2015 contributes to a weaker U.S. economic outlook. Consumer spending and homebuilding activity were a positive force for the economy last year. There were three negative influences: a glut of business inventories, depressed oil-related investment, and the drag on global trade from the stronger dollar. Of these, only the headwind from a widening trade gap is expected to persist beyond this year. IHS Economics has lowered their forecast for 2016 real GDP growth to 2.4 percent—the same as the past two years—in February's outlook from 2.9 percent in November. The growth forecast for 2017 is unchanged at 2.8 percent.

**Slower Expected Economic Growth Lowers Tax Revenue Forecast.** FY 2016-17 tax revenues are now forecast to be \$466 million (1.1 percent) less than the prior estimate. Lower expected income growth reduces forecast individual income tax receipts for the current biennium by \$95 million. Lower expected taxable sales growth combines with higher projected refunds to reduce the general sales tax forecast by \$311 million. Slower forecast corporate profit growth takes \$93 million out of the corporate tax forecast.

### FY 2016-17 General Fund Revenue Forecast

(\$ in millions)	February	\$ Change
Individual Income	\$21,862	\$(95)
General Sales	10,719	(311)
Corporate Franchise	2,551	(93)
Statewide Property	1,688	(1)
All Other Revenues	3,619	35
<b>Total Tax Revenues</b>	<b>\$40,439</b>	<b>\$(466)</b>
All Other Revenues, Transfers	1,850	38
<b>Total Revenues</b>	<b>\$42,289</b>	<b>\$(427)</b>

### Higher Federal Health Care Match Reduces Overall Spending.

Spending in FY 2016-17 is now forecast to be \$41.524 billion, \$129 million (0.3 percent) lower compared to November estimates. Driving the change are lower projections in the health and human services budget area due to a higher allotment of federal Children's Health Insurance Program funding which results in lower state obligations for medical assistance.

### Long Term Budget Outlook Tightens.

A reduced revenue forecast continues into FY 2018-19. Projected revenues are now estimated to exceed current law spending by \$1.184 billion, less than the \$2.045 billion projected in November. Economic changes as well as the nature and timing of any budget changes may materially affect both revenue and expenditure projections for the next biennium.

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Complete Forecast & Supporting Budget Documents: [MN.GOV/MMB](http://MN.GOV/MMB)

