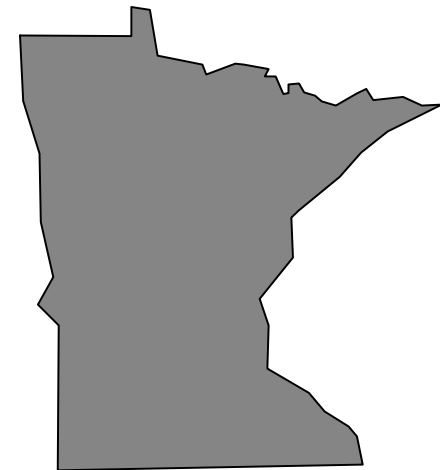


# Minnesota Budget Forecast

**November 2008**

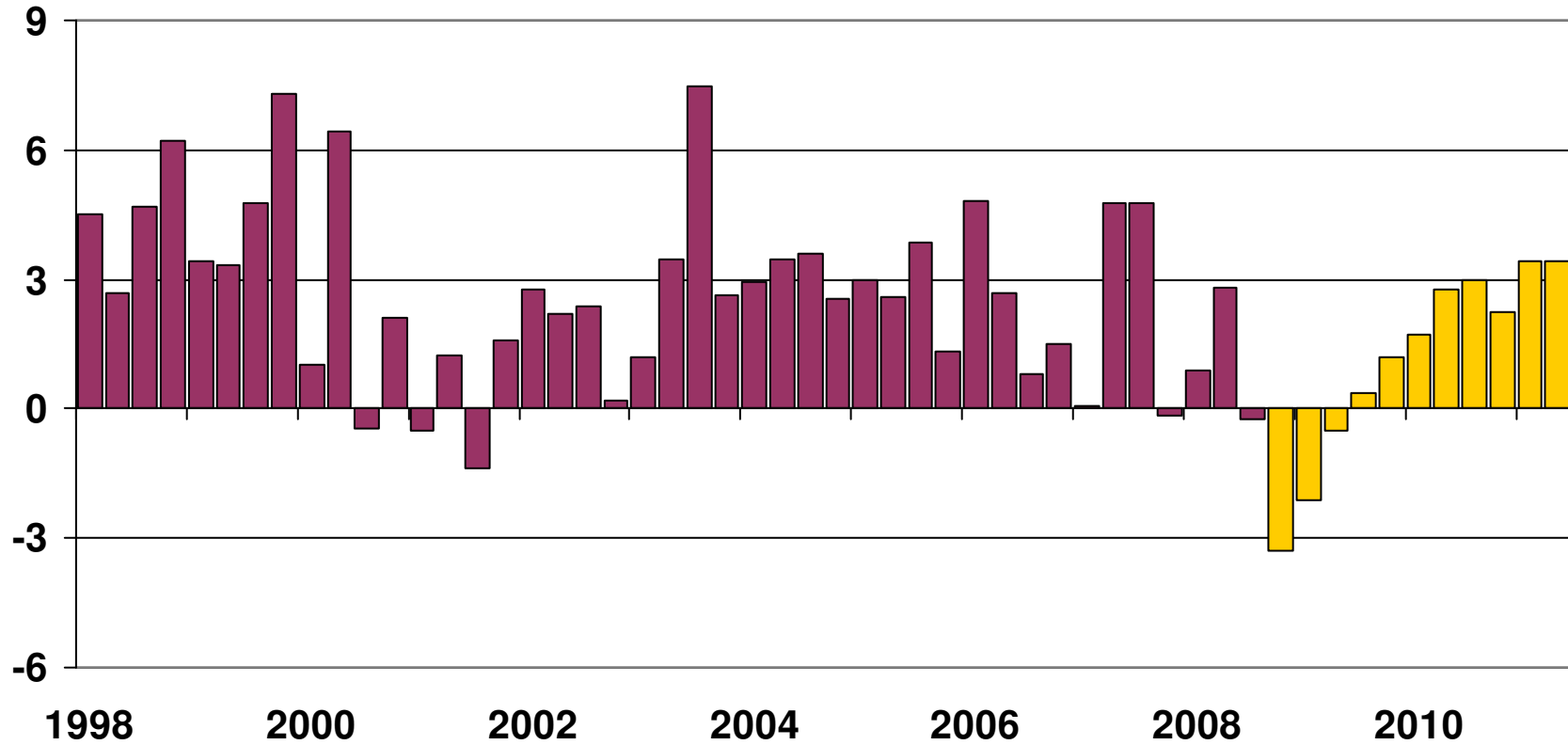


# **November's Forecast Showed Minnesota's Budget Outlook Had Deteriorated**

- **Budget deficit of \$426 million projected for end of FY 2009**
  - Revenues down \$412 million from end-of-session
- **Projected FY 2010-11 budget shortfall grows from \$946 million to \$4.8 billion**
  - Revenues down \$3.3 billion from end-of-session
  - Expenditures up \$580 million from end-of-session
- **Recession began late 2007 and is expected to be longer and deeper than previously anticipated**

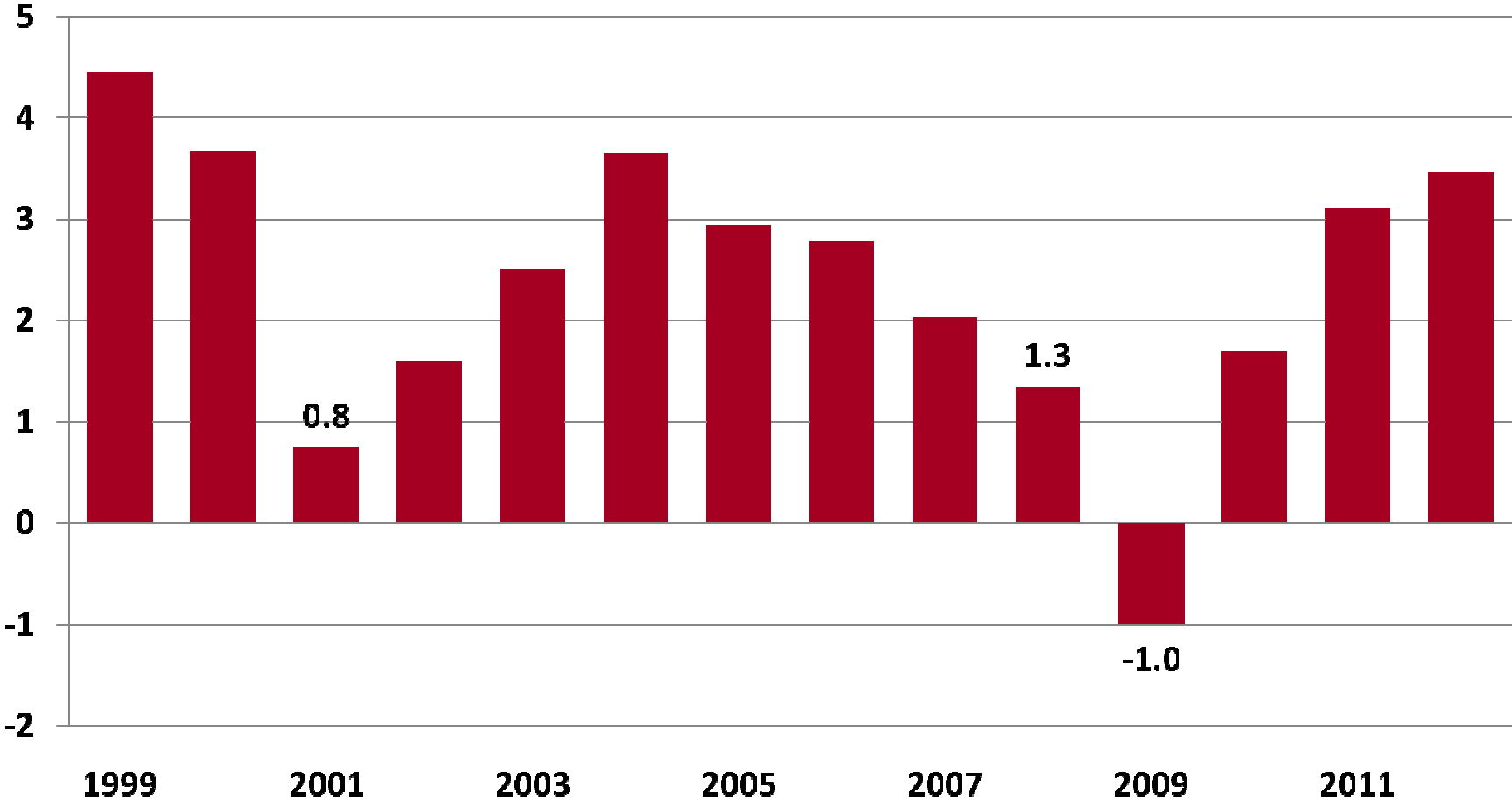
# The U.S. Economy Is in a Recession

% Change Real GDP  
SAAR

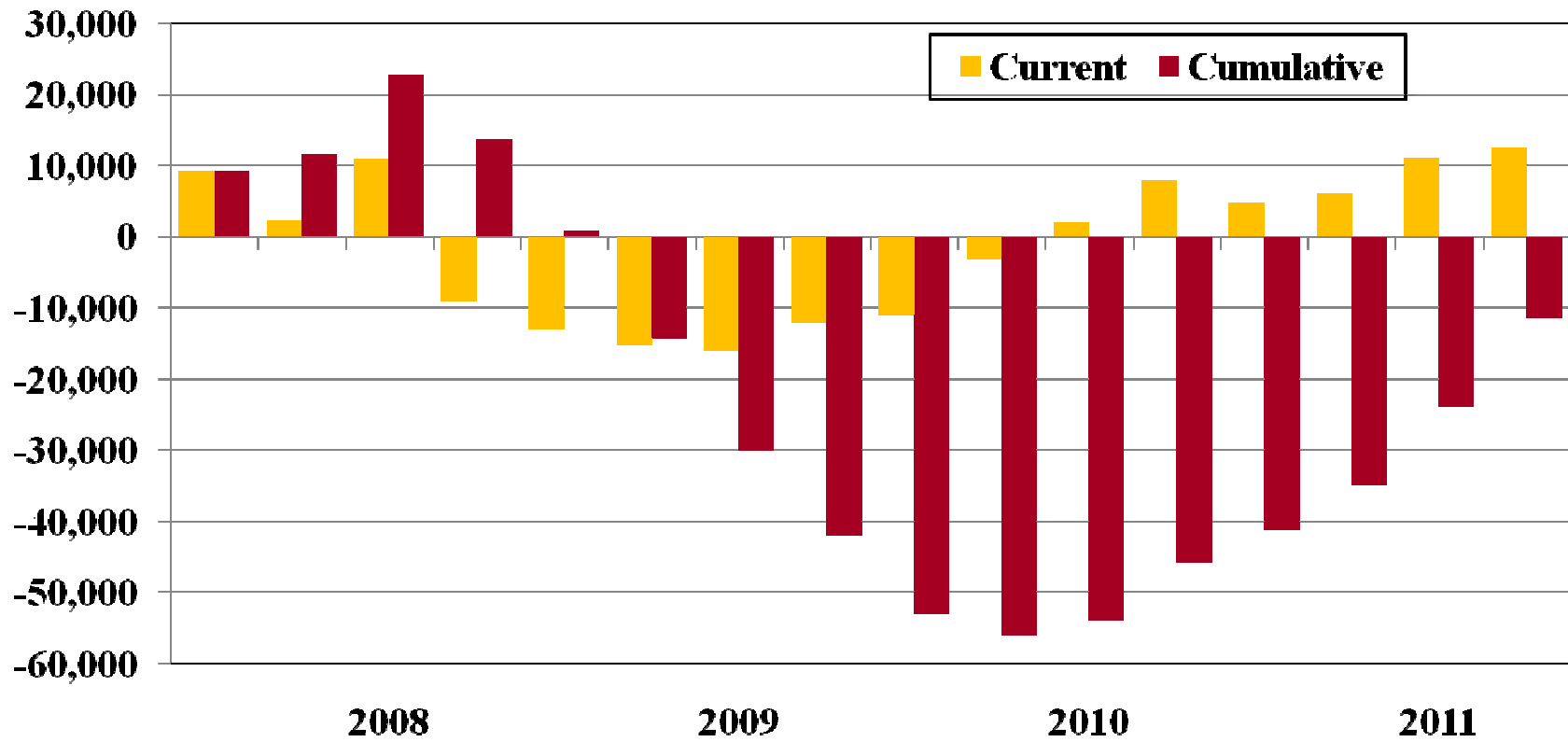


# Global Insight Forecasts U.S. Output Will Shrink by One Percent in 2009

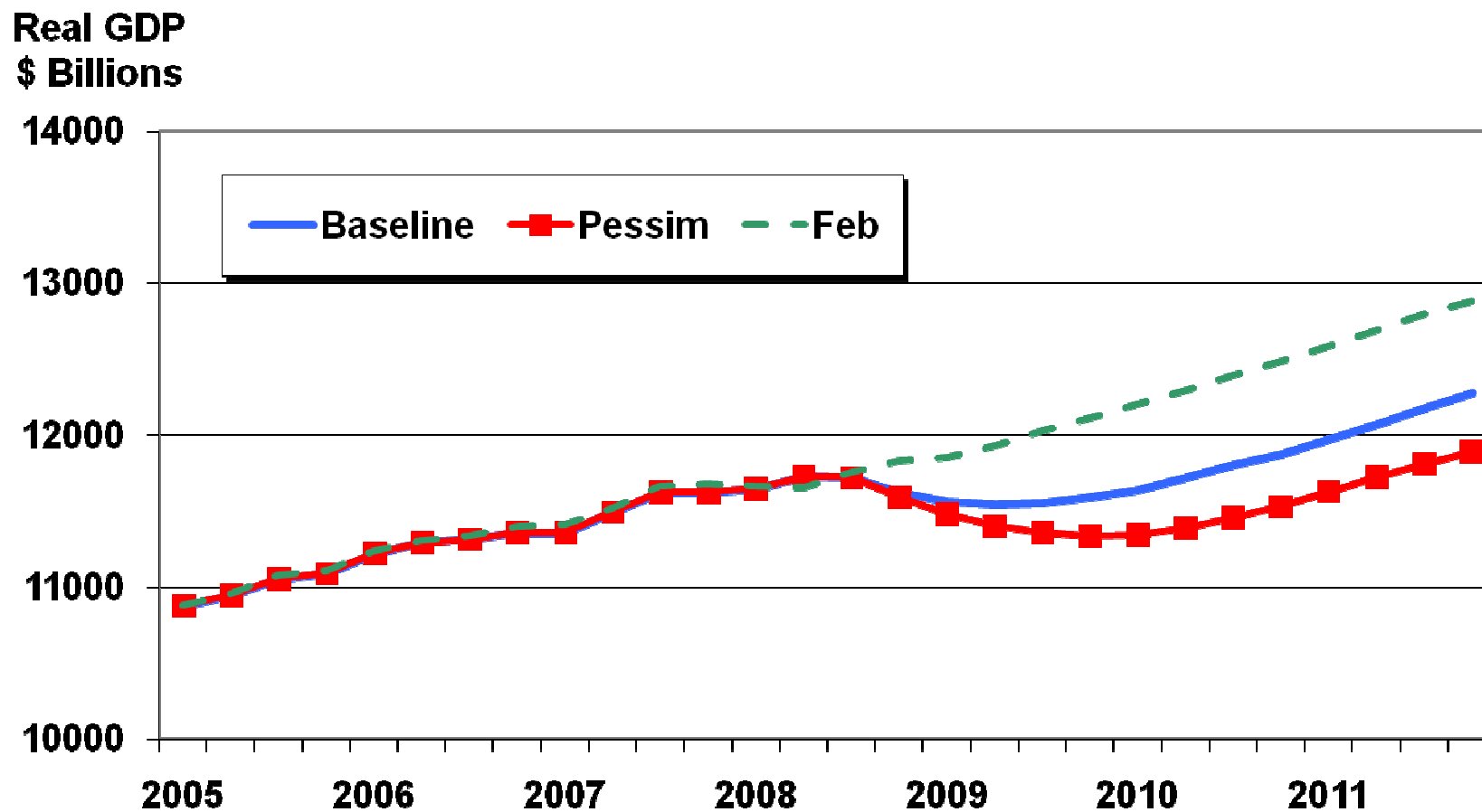
Annual Percent Change



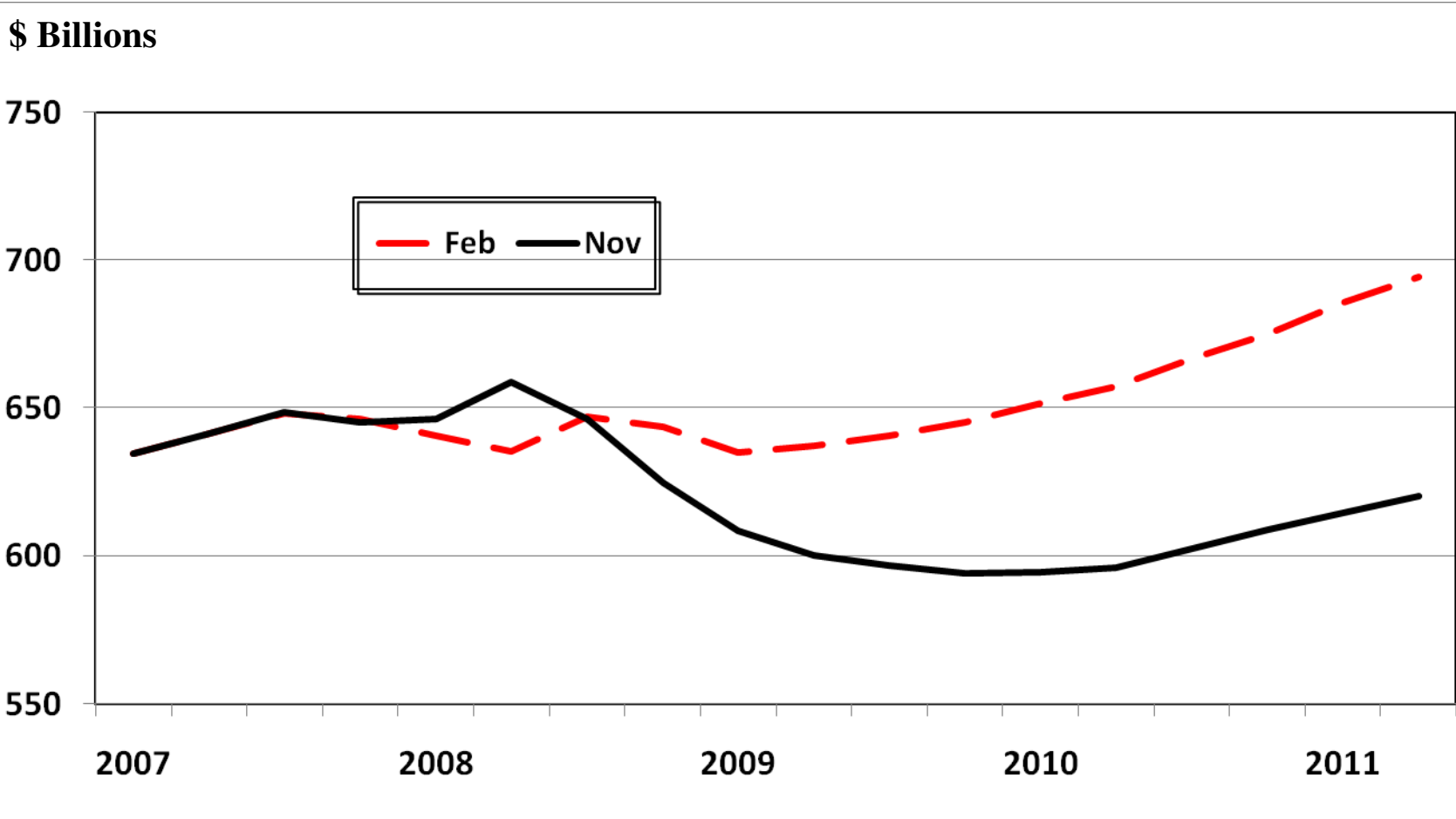
# Minnesota Will Lose Jobs in 2009



# The Recession Could Be Worse Than Forecast in November

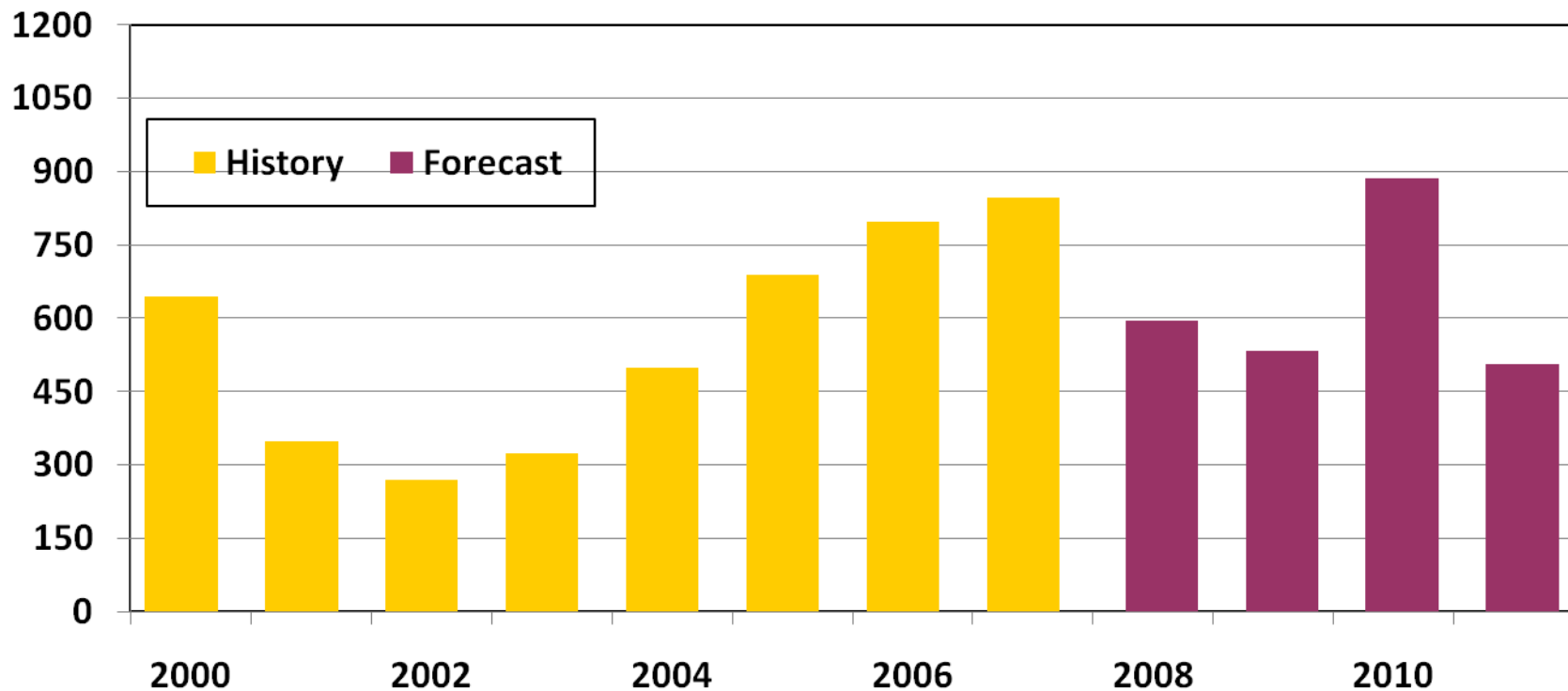


# Consumer Non-auto Durable Spending Falls Below February Forecast



# Capital Gains Realizations Are Expected to Fall in 2008 and 2009

U. S. Capital Gains



## **Budget Deficit of \$426 Million Projected for End of FY 2009**

- **Income taxes down \$291 million (1.9%)**
- **Sales taxes down \$145 million (1.6%)**
- **Corporate taxes down \$57 million (3.1%)**
- **Other revenues up \$80 million (1.3%)**

# Projected FY 2010-11 Budget Gap Grows from \$946 Million to \$4.8 Billion

*(\$ in millions)*

<b>End of 2008 Session Estimate</b>	<b>\$(946)</b>
<hr/>	
9.4% Lower Revenues	<b>(3,321)</b>
1.6% Higher Spending	<b>580</b>
<hr/>	
<b><i>FY 2010-11 Shortfall</i></b>	<b><i>\$(4,847)</i></b>

## **Forecast for FY 2010-11 Revenues Down \$3.3 Billion from End-of-Session**

- **Income taxes down \$1,748 million (10.1%)**
- **Sales taxes down \$826 million (8.7%)**
- **Corporate taxes down \$640 million (31.3%)**
- **Motor vehicle taxes down \$10 million (9.0%)**
- **Other revenues down \$97 million (1.5%)**

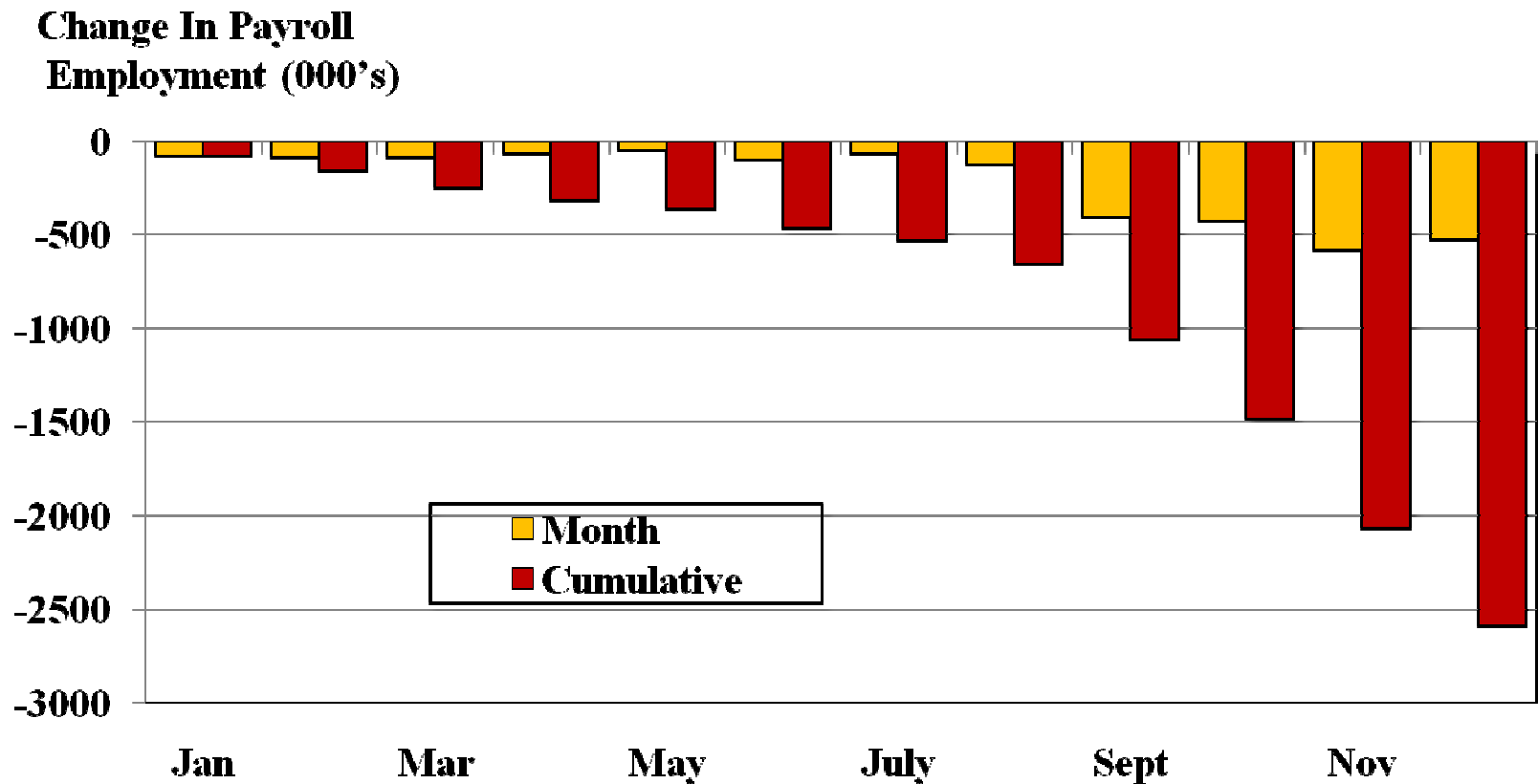
# Falling Revenues and Higher Spending Drive Overall Budget Outlook

(\$ in millions)	<u>FY 2008-09</u>	<u>FY 2010-11</u>	<u>% Change</u>
<b>Beginning Balance</b>	<b>\$2,245</b>	<b>\$79</b>	
Revenues	32,445	31,866	(1.8%)
Spending	34,611	36,713	6.1%
Budget Reserve	155	155	
Cash Flow Account	350	350	
<b><i>Budget Balance</i></b>	<b><i>(\$426)</i></b>	<b><i>(\$5,273)</i></b>	
<b><i>Shortfall (excl. FY 2008-09)</i></b>	<b><i>---</i></b>	<b><i>(\$4,847)</i></b>	

# Planning Estimates Provide Outlook through FY 2013

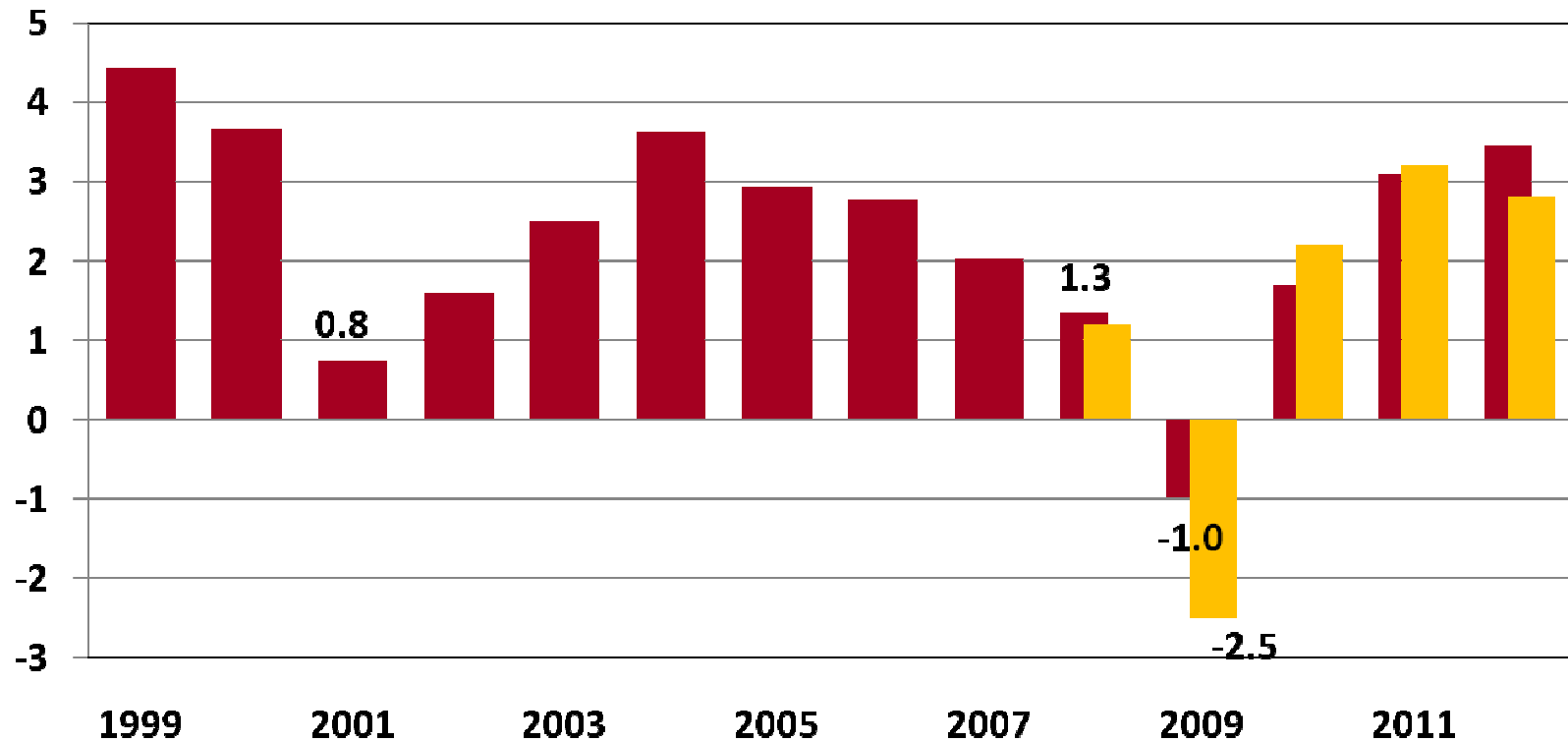
<b>(\$ in millions)</b>	<b><u>FY 2010-11</u></b>	<b><u>FY 2012-13</u></b>
Revenues	\$31,866	\$34,558
Spending	36,713	39,162
<b>Difference</b>	<b><i>(\$4,847)</i></b>	<b><i>(\$4,604)</i></b>
<i>Inflation (estimate)</i>	<i>\$650</i>	<i>\$1,500</i>

# Extremely Large Recent U.S. Job Losses Indicate Further Economic Weakness



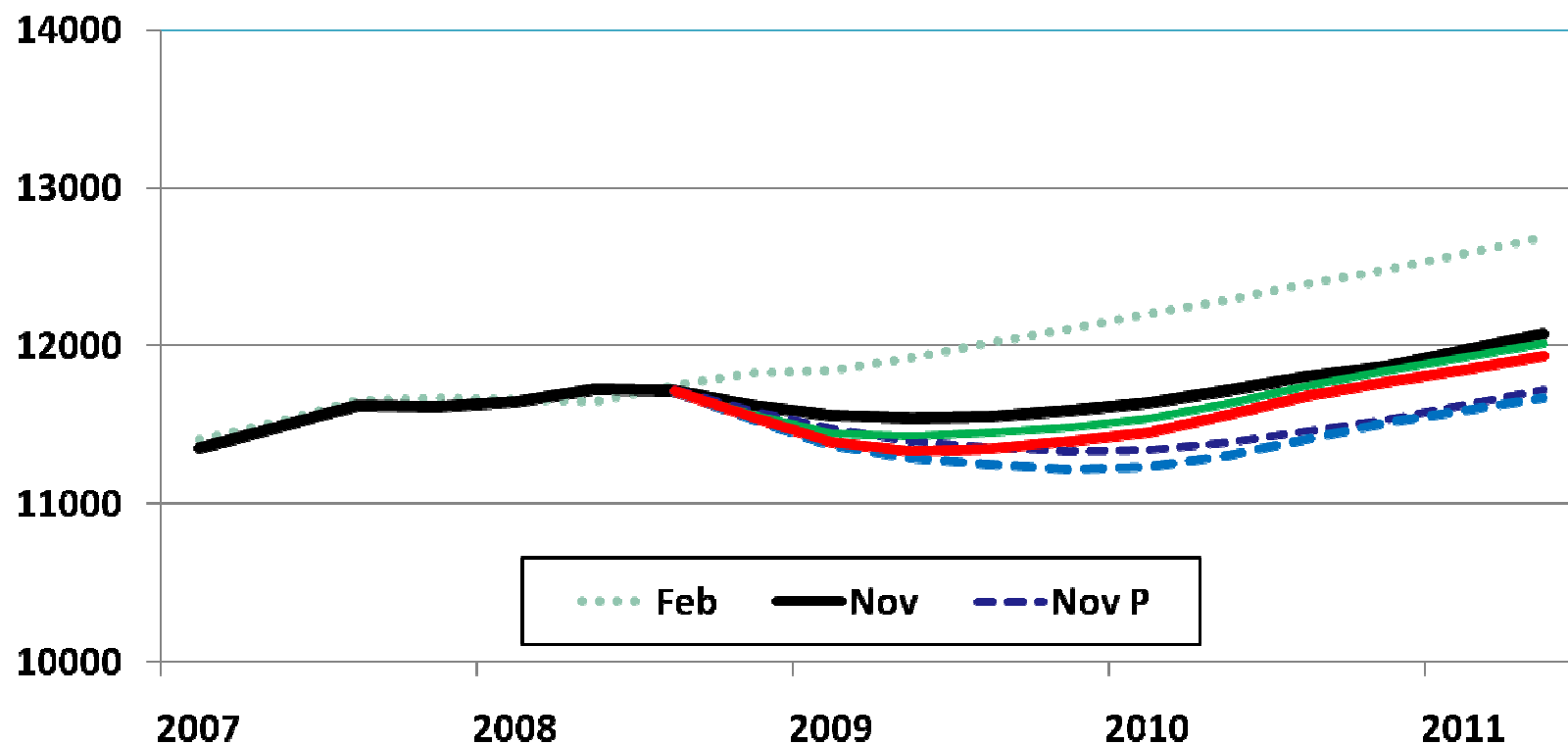
# The January Baseline Calls For a 2.5 Percent Decline in Real GDP in 2009

Annual Percent Change



# January's Baseline Shows Slower Growth through 2009 than November Pessim

Real GDP \$ Billions



## State Revenues Below Forecast Since November

<i>\$ millions</i>	<u>Estimate</u>	<u>Actual</u>	<u>Variance</u>	<u>Pct</u>
Income	\$1,161	\$1,122	\$(39)	(3.3)
Sales	736	704	(33)	(4.4)
Corporate	136	79	(57)	(42.0)
Motor Veh.	16	15	(1)	(4.7)
Other	<u>888</u>	<u>886</u>	<u>(2)</u>	(0.2)
Total	\$2,937	\$2,806	\$(131)	(4.5)