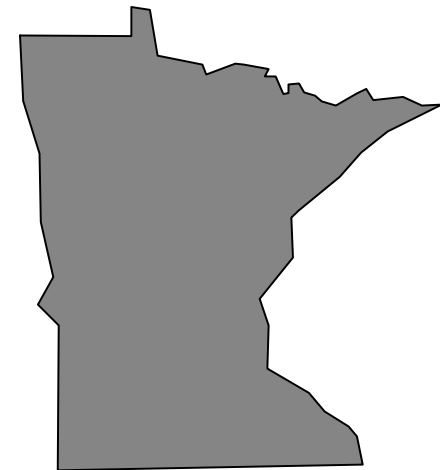


Minnesota Budget and Economic Outlook



January 29, 2008

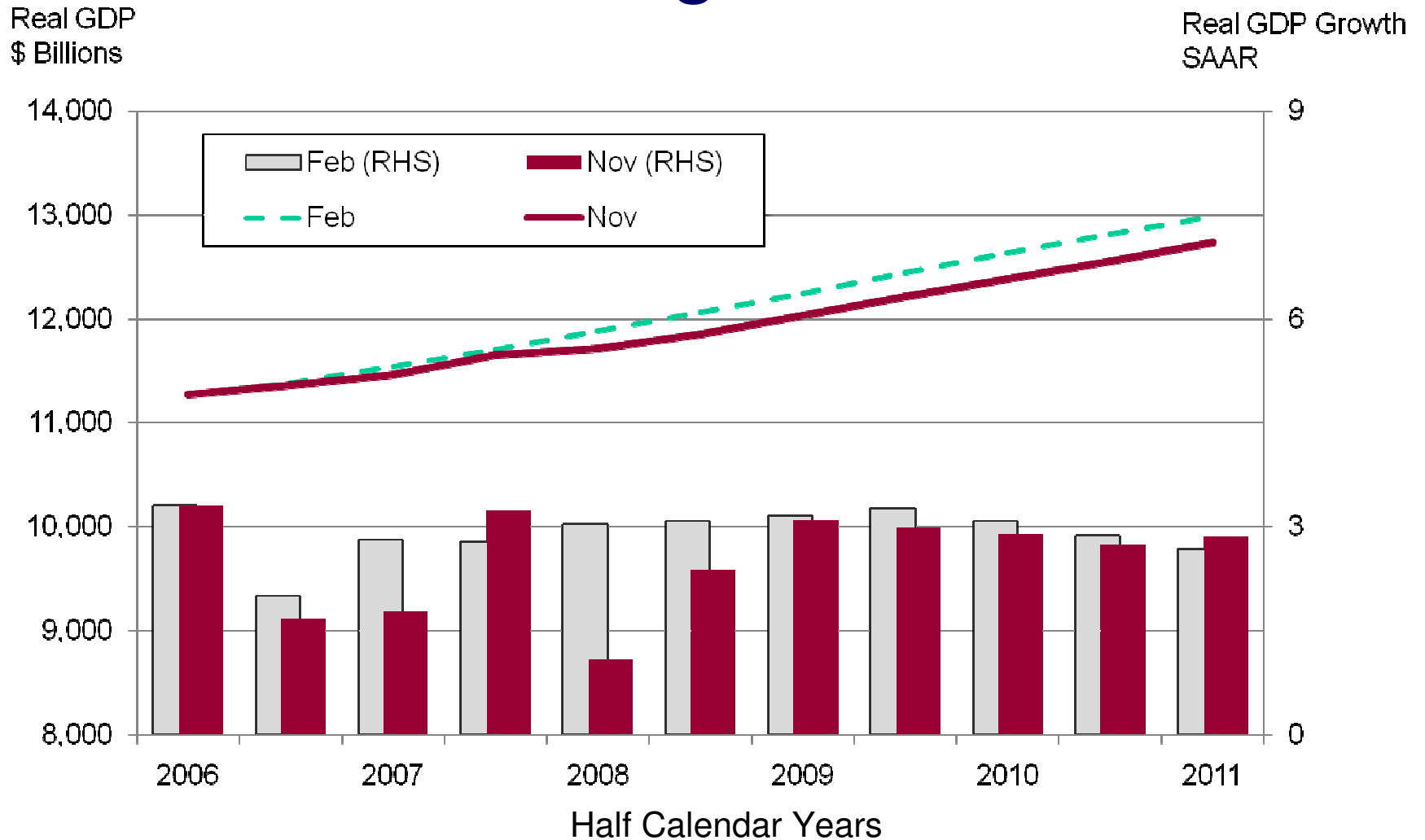
\$373 Million Deficit Projected for FY 2008-09

(\$ millions)	<u>End of Session</u>	<u>Nov</u>
Beginning Balance	\$2,106	\$2,245
Revenues	33,812	33,072
Spending	34,588	34,654
Reserves	<u>1,036</u>	<u>1,036</u>
<i>Ending Balance</i>	\$294	<i>(\$373)</i>

Understanding This Forecast

- ▶ **FY 2007 closed *up \$139M*; year-to-date receipts on target**
- ▶ **Weaker economy expected**
- ▶ **FY 2008-09 revenues *down \$739M***
- ▶ **FY 2008-09 spending *up \$66M***
- ▶ **Structural shortfall projected for FY 2010-11**

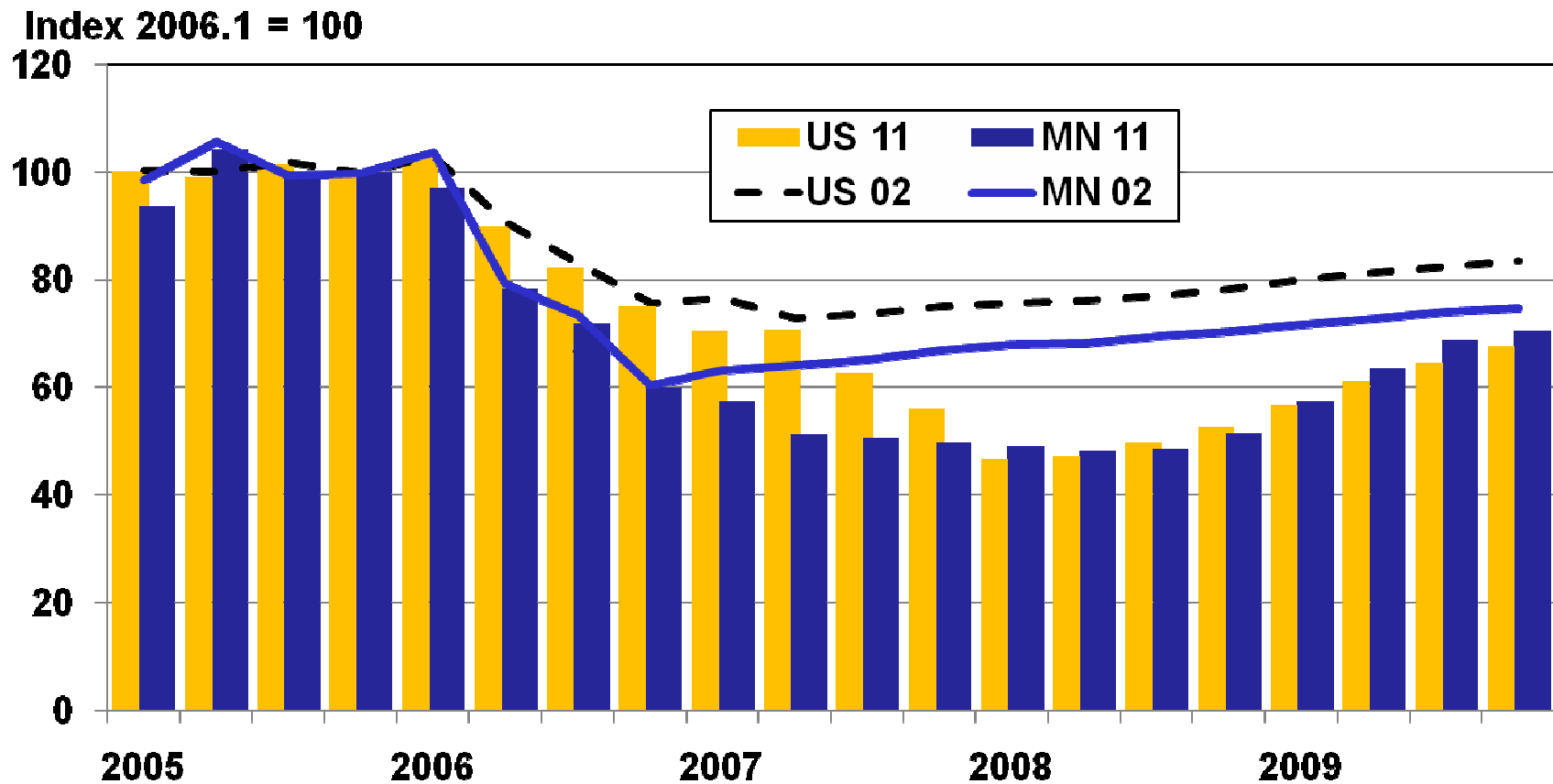
U.S. Economic Growth Expected to Slow Through Mid-2008



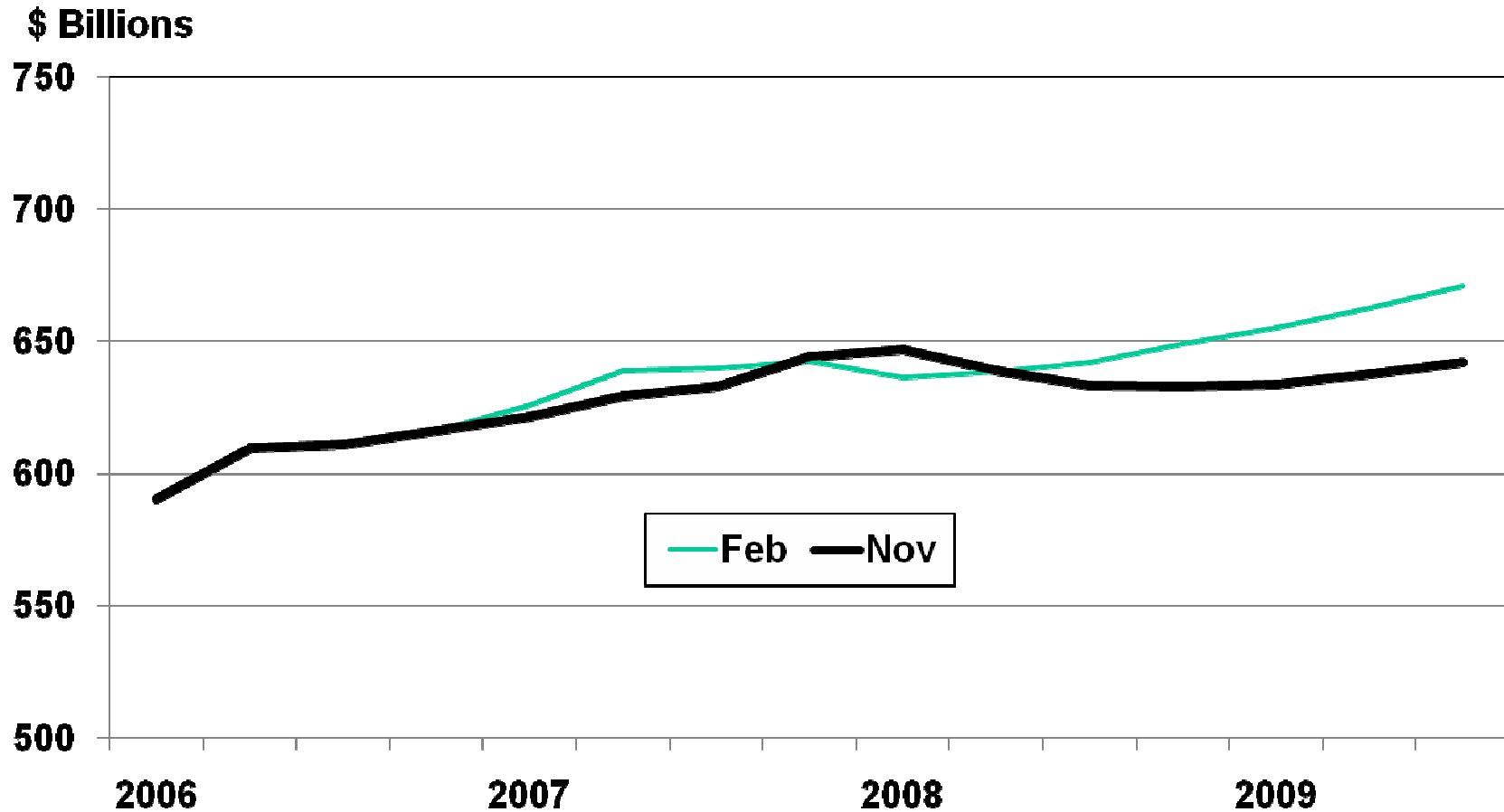
Revenues Down \$739 Million in 2008-09

(\$ millions)	November <u>Forecast</u>	Change <u>2008-09</u>
Individual Income	\$15,659	\$31
Sales Tax	9,158	(309)
Corp. Inc. Tax	1,899	(318)
All Other	<u>6,356</u>	<u>(143)</u>
Total Change	\$33,072	\$(739)

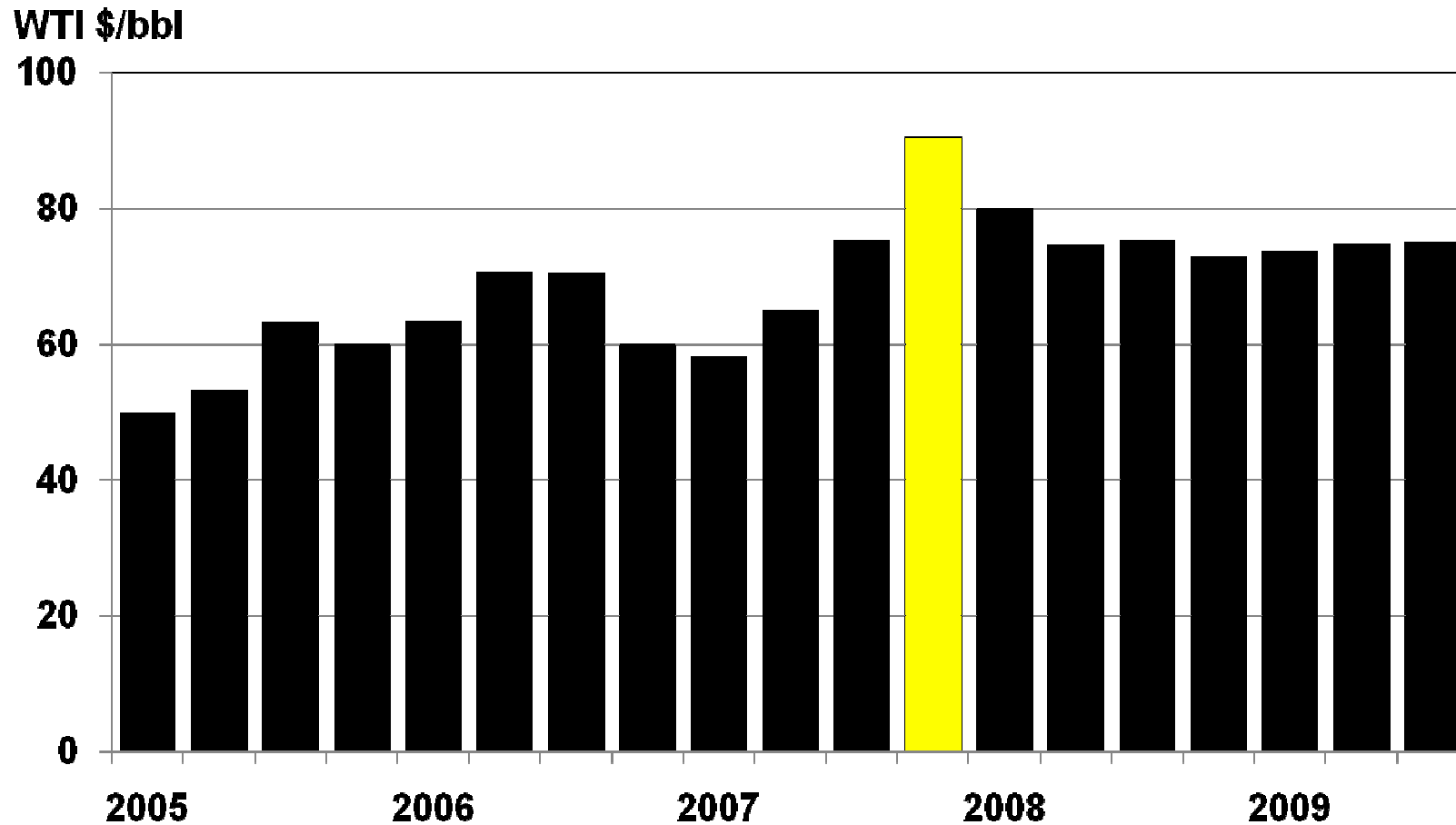
Housing Starts and Permits Remain Weak Through 2008



Consumer Durable Spending Forecast to Slow in 2008 and 2009



GII Expects Oil Prices to Fall to \$75 Per Barrel



Small Changes in Spending Estimates

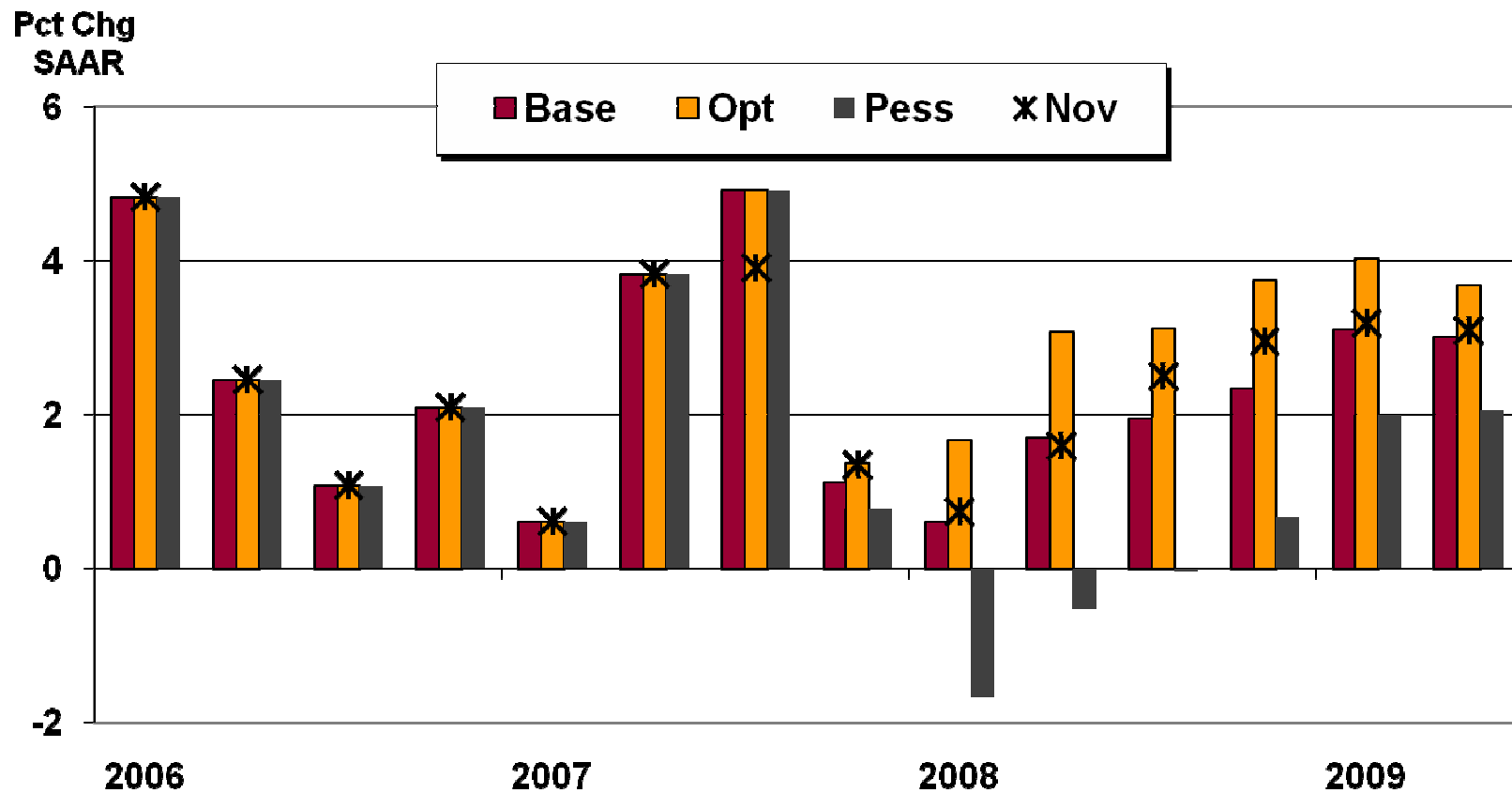
(\$ millions)	November <u>Forecast</u>	Change <u>2008-09</u>
K-12 Education	\$13,788	\$7
Aids and Credits	3,154	45
Health & Human Svcs	9,718	23
Debt Service	876	(37)
All Other	<u>7,119</u>	<u>29</u>
Total Spending	\$34,654	\$66

FY 2010-11 Planning Estimates Show Structural Shortfall

(\$ millions)	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 10-11</u>
Revenues	\$17,341	\$18,372	\$35,713
Spending	<u>17,763</u>	<u>18,161</u>	<u>35,924</u>
<i>Difference</i>	<i>\$(422)</i>	<i>211</i>	<i>\$(211)</i>
Inflation (1.9%/year)	337	697	1,034

Looking Toward February's Forecast

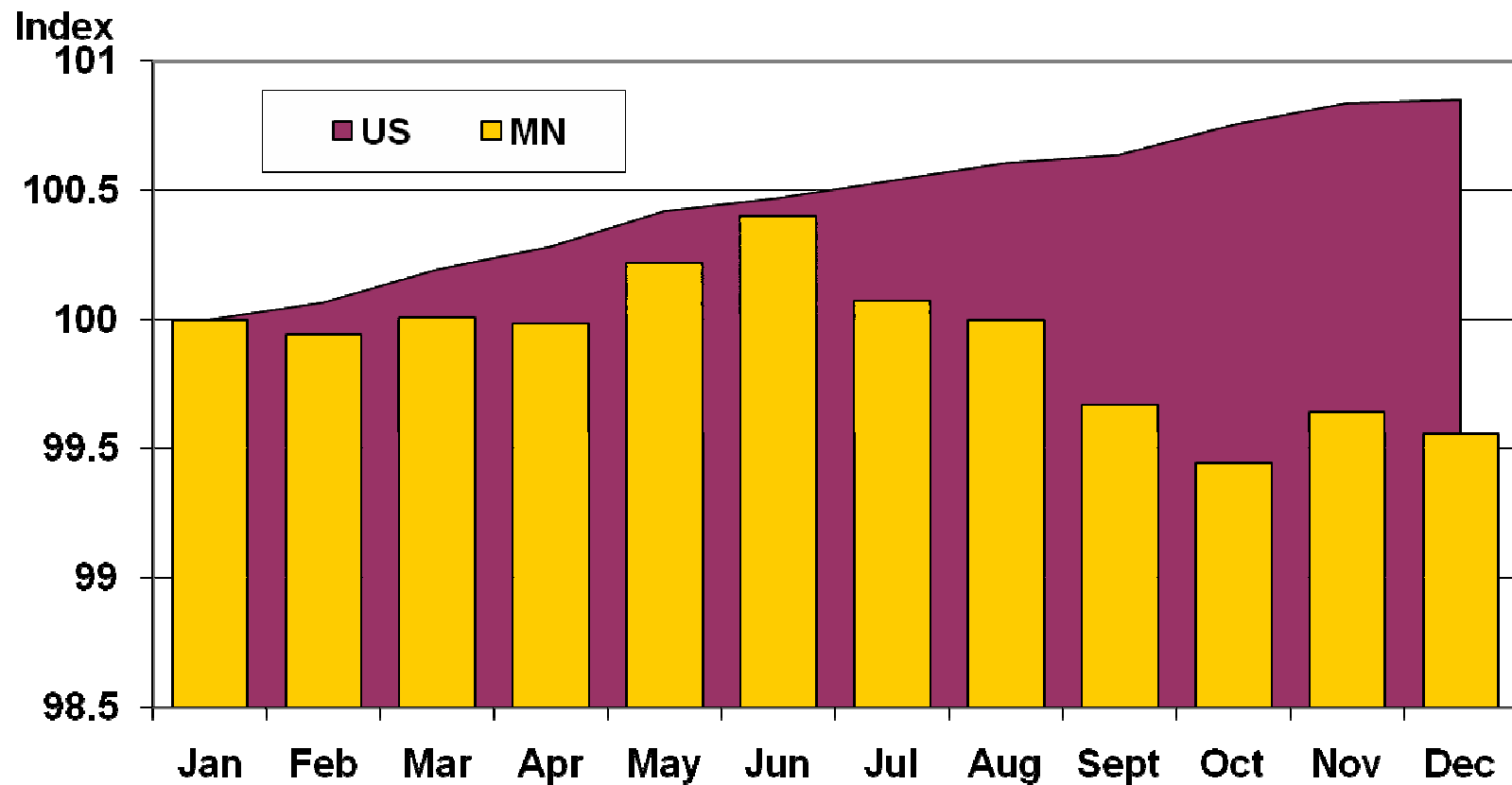
GII January Outlook Is Less Optimistic than November



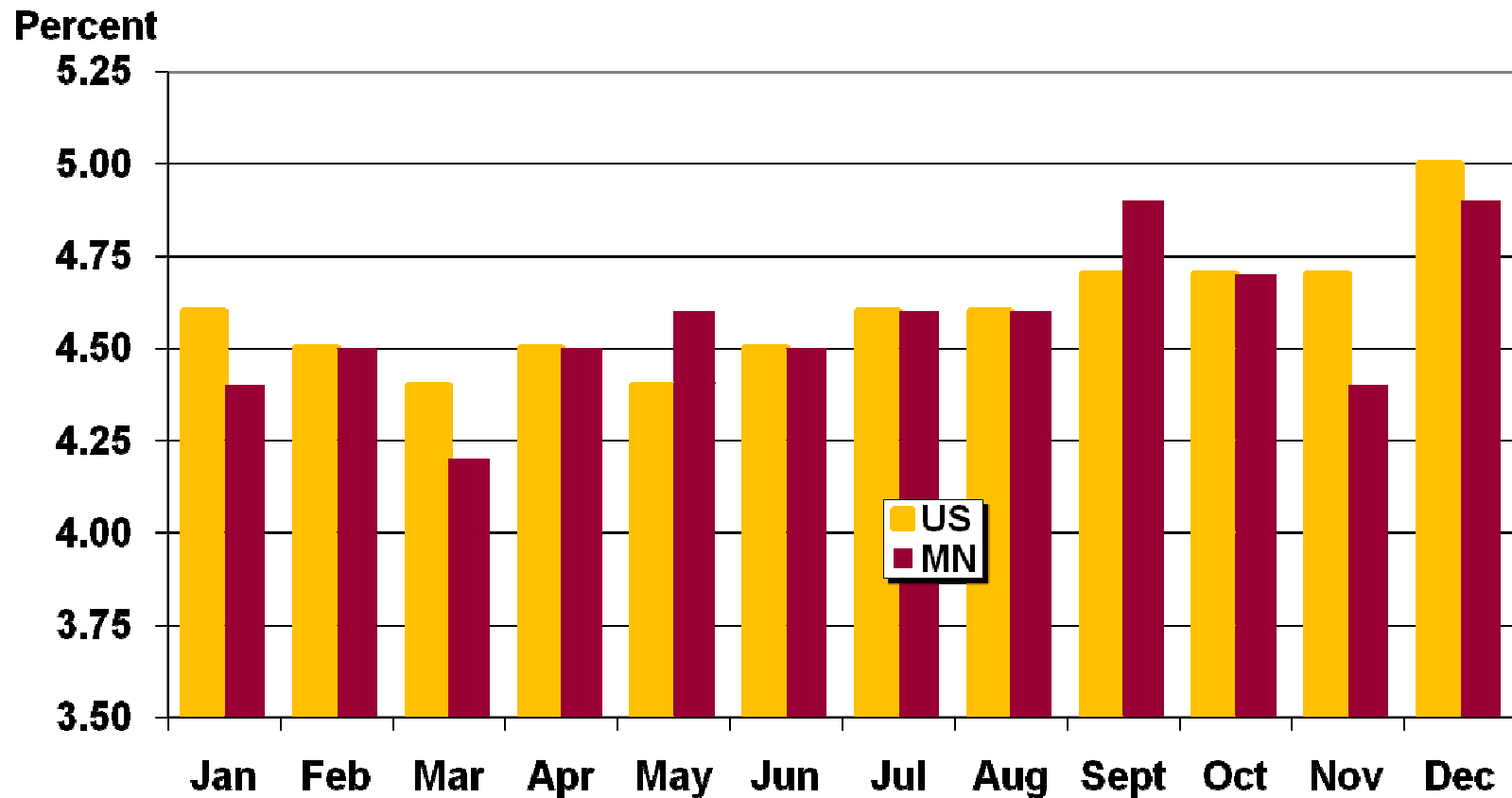
January Economic Update Shows Revenues Tracking Forecast

- **November - December positive variance
\$105 million (3.6%)**
- **Withholding +\$38 million**
- **Sales gross -\$443,000**

Minnesota Payroll Employment Has Fallen Since June

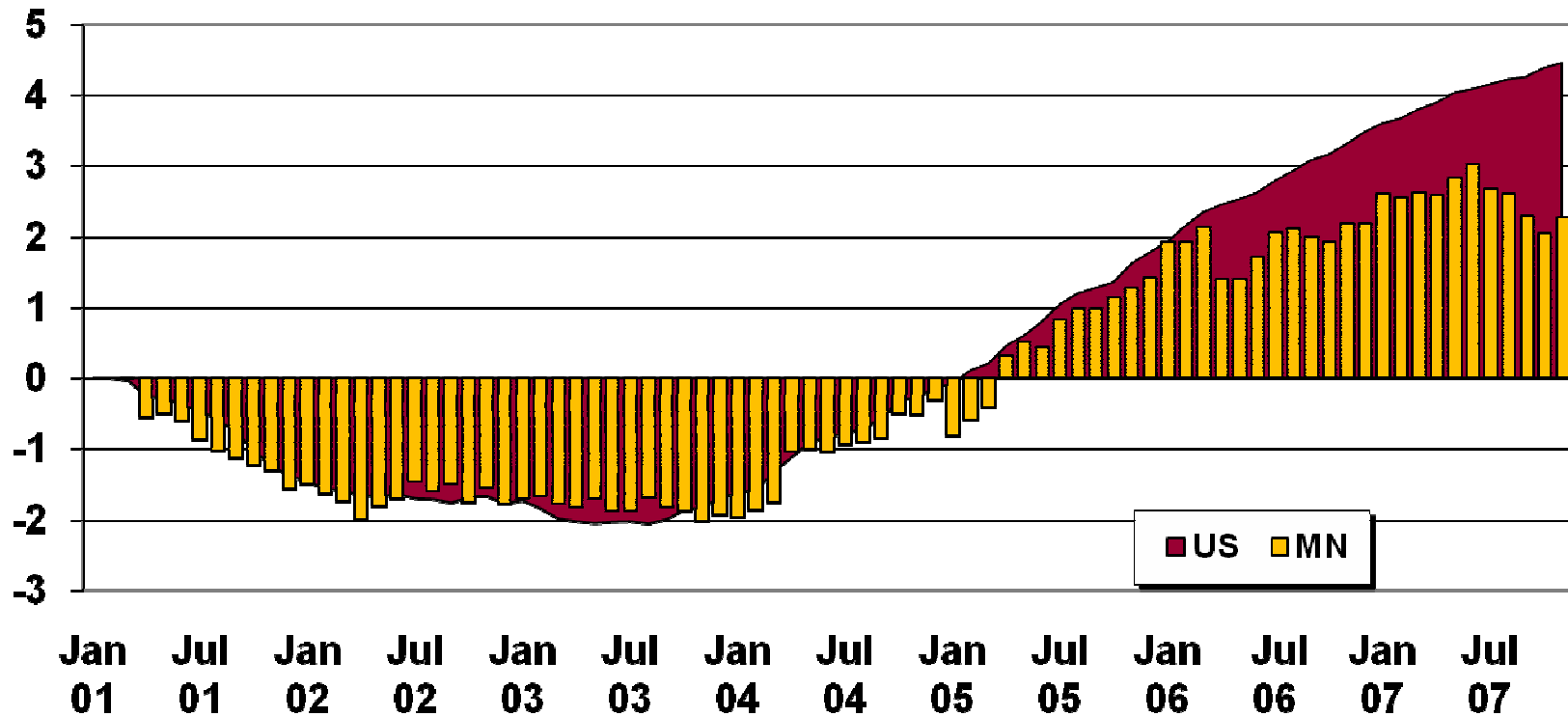


Minnesota's Unemployment Rate Has Been Near the U.S. Average

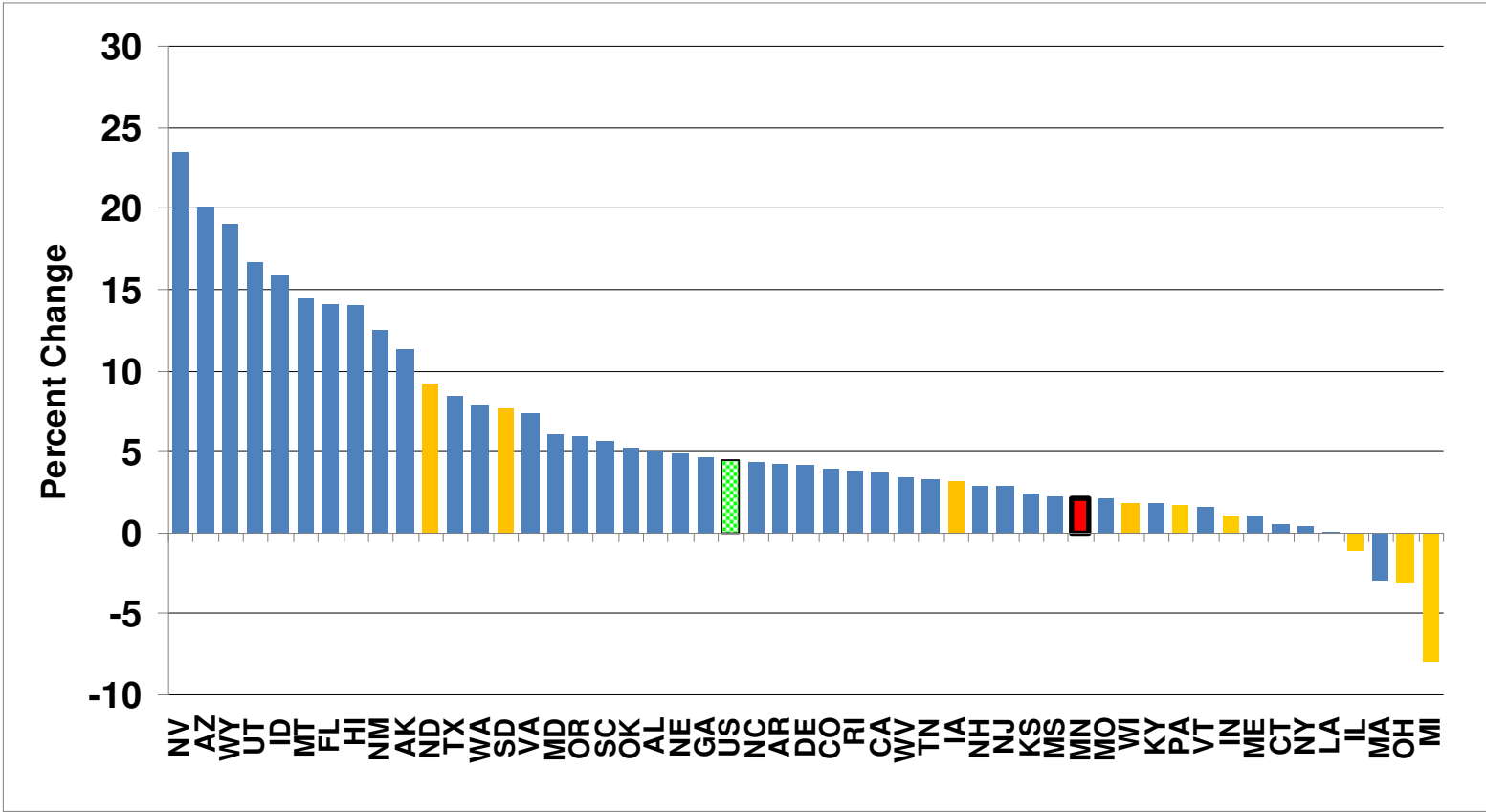


Minnesota Job Growth Has Been Weak Since 2001

Percent Ch Since
February 2001



Minnesota Ranks 36th in Job Growth 2001-07



Employment Ratios for Young and Seniors Have Fallen More than U.S. Averages

