General Fund Revenue and Expenditure Forecasts

Changes from Previous Forecast

2014 Update

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This publication summarizes the changes in the projected general fund balance from one state budget forecast to the next. The first page provides background and explanatory information, the second and third pages show the forecast variances in chart and graph format, and the final section provides more explanation for changes at each forecast.

Fiscal Analysis Department
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Any forecast of state revenues and formula driven expenditures for a specific time period is likely to vary from the final data for that time period. The goal of state budget forecasters is to present the most likely scenario given current economic data, the state economic situation, current law, and other data affecting the forecast. Subsequent forecasts for the same time period are based on more recent data and are very likely to project different revenue and expenditure numbers.

Minnesota law requires the Commissioner of the Minnesota Management and Budget Department to prepare forecasts of state revenues and expenditures twice each year. These forecasts must be presented in February and November. The November forecast usually shows a greater variance from the previous forecast than does the February forecast. This is logical since the November forecast variance occurs over a nine month period, the February forecast occurs only three months after the November forecast.

Each subsequent forecast highlights the variance from the previous forecast. A forecast also takes into account any intervening legislative action. For a long period in the mid and late 1990s, forecast variances were positive. Forecast variances in 2001, 2002 and 2003 were negative. Variances in 2004-2006 were positive but then were negative again in the late 2000s. The last nine forecasts beginning in February 2010 have shown positive variances.

These forecast variances, for the most part, represent what becomes called a “surplus” or “deficit” once the forecast is released. A surplus could be larger than the forecast variance if the laws enacted in the previous legislative session left an available balance or money “on the bottom line.” A surplus could be less than the forecast variance if the enacted laws put into place a mechanism to use some of a potential surplus. As an example, legislation enacted in 1999 made a $50 per pupil unit increase in the K-12 general education formula contingent on the November 1999 forecast indicating that adequate resources were available. This used $43 million of the positive variance projected by the November 1999 forecast. The 2001 legislature left $235 million unspent – that amount reduced the deficit projected by the November 2001 forecast.

Current law (Minnesota Statutes, Section 16A.152, Subdivision 2) provides for automatic appropriations to reserves and to repay delays in education aid payments at the time of a forecast if that forecast determines there is a “surplus” and reserves are not at specified levels or education aid payments have been delayed.

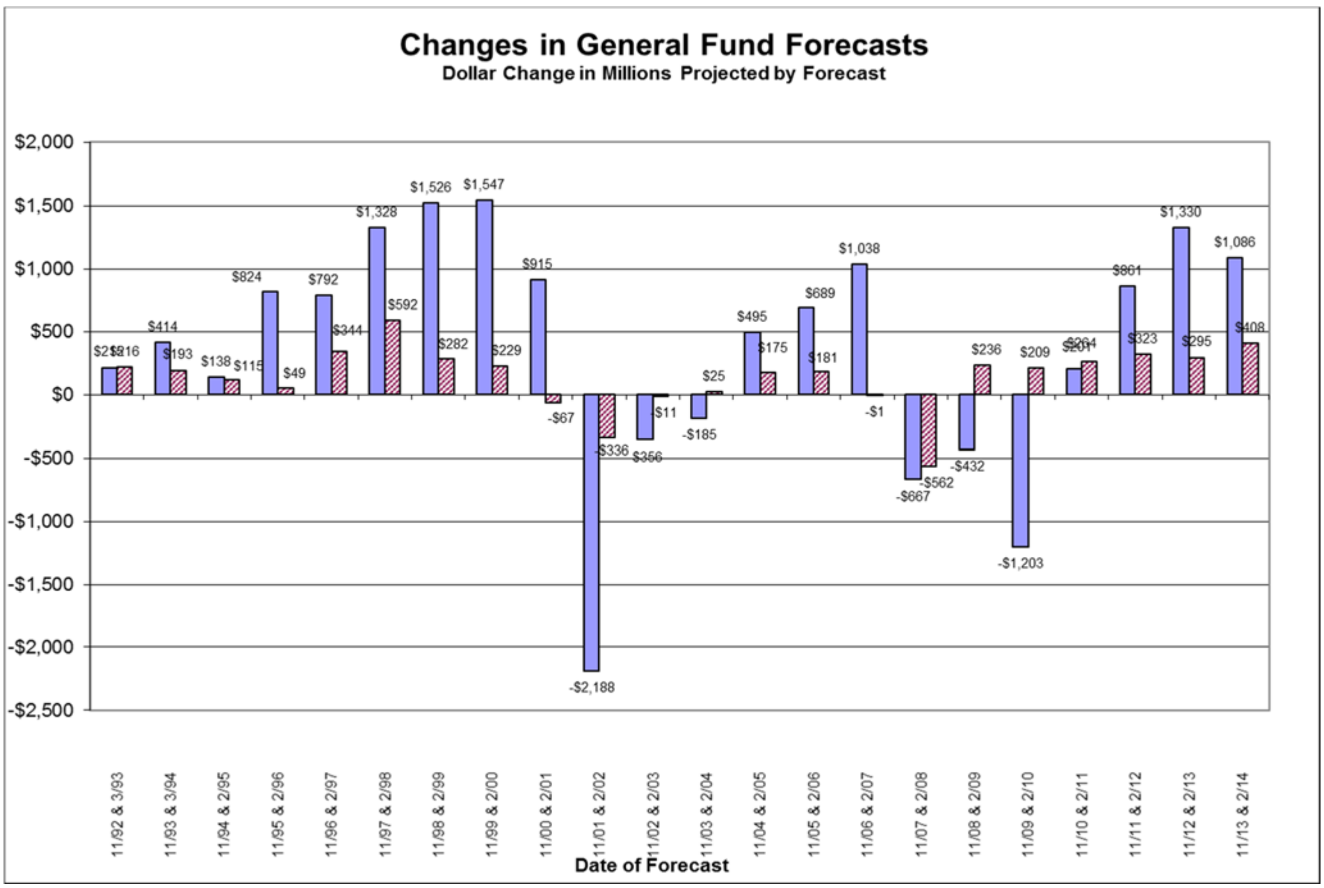
The chart and information on the following pages shows changes in the general fund revenue and expenditure forecasts. Changes are compared to the previous forecast. Legislation enacted between forecasts may also impact the revenues and expenditures being forecast. These forecast variances represent changes within a biennium once the budget has been enacted for that biennium. (As an example, the number shown for the November 2012 forecast is the change for the FY 2012-13 biennium and does not include the FY 2014-15 biennium.)

The first forecast completed after the previous biennium is closed out includes any unrestricted balance carried over from that previous biennium. For example, the November 1999 forecast for FY 2000-01 included a $453 million balance carried forward from the close of FY 1999. In some cases there may be no balance forward because current law directs that balance elsewhere. For example, the balances for the biennia ending June 30, 2001 and June 30, 2005 were directed to a tax relief account, a reserve account in the general fund.

The graph on the next page illustrates the forecast variances since November 1992.
The following chart presents the forecast variances since January 1988.

Forecast Date	Change	Biennium
Jan. 1988	Forecast up $223 million	FY 1988-89
Nov. 1988	Forecast up $547 million	FY 1988-89
Mar. 1989	Forecast up $63 million	FY 1988-89
Nov. 1989	Forecast down $178 million	FY 1990-91
Feb. 1990	Forecast up $16 million	FY 1990-91
Nov. 1990	Forecast down $179 million	FY 1990-91
Mar. 1991	Forecast up $23 million	FY 1990-91
Nov. 1991	Forecast down $394 million	FY 1992-93
Feb. 1992	Forecast down $225 million	FY 1992-93
Nov. 1992	Forecast up $215 million	FY 1992-93
Mar. 1993	Forecast up 216 million	FY 1992-93
Nov. 1993	Forecast up $414 million	FY 1994-95
Mar. 1994	Forecast up $193 million	FY 1994-95
Nov. 1994	Forecast up $138 million	FY 1994-95
Feb. 1995	Forecast up $115 million	FY 1994-95
Nov. 1995	Forecast up $824 million	FY 1996-97
Feb. 1996	Forecast up $49 million	FY 1996-97
Nov. 1996	Forecast up $792 million	FY 1996-97
Feb. 1997	Forecast up $344 million	FY 1996-97
Nov. 1997	Forecast up $1,328 million	FY 1998-99
Feb. 1998	Forecast up $592 million	FY 1998-99
Nov. 1998	Forecast up $1,526 million	FY 1998-99
Feb. 1999	Forecast up $282 million	FY 1998-99
Nov. 1999	Forecast up $1,547 million	FY 2000-01
Feb. 2000	Forecast up $229 million	FY 2000-01
Nov. 2000	Forecast up $915 million	FY 2000-01
Feb. 2001	Forecast down $67 million	FY 2000-01
Nov. 2001	Forecast down $2,188 million	FY 2002-03
Feb. 2002	Forecast down $336 million	FY 2002-03
Nov. 2002	Forecast down $356 million	FY 2002-03
Feb. 2003	Forecast down $11 million	FY 2002-03
Nov. 2003	Forecast down $185 million	FY 2004-05
Feb. 2004	Forecast up $25 million	FY 2004-05
Nov. 2004	Forecast up $495 million	FY 2004-05
Feb. 2005	Forecast up $175 million	FY 2004-05

Nov. 2005	Forecast up $689 million	FY 2006-07
Feb. 2006	Forecast up $181 million	FY 2006-07
Nov. 2006	Forecast up $1,038 million	FY 2006-07
Feb. 2007	Forecast down $1 million	FY 2006-07
Nov. 2007	Forecast down $667 million	FY 2008-09
Feb. 2008	Forecast down $562 million	FY 2008-09
Nov. 2008	Forecast down $432 million	FY 2008-09
Feb. 2009	Forecast up $236 million	FY 2008-09
Nov. 2009	Forecast down $1,203 million	FY 2010-11
Feb. 2010	Forecast up $209 million	FY 2010-11
Nov. 2010	Forecast up $202 million	FY 2010-11
Feb. 2011	Forecast up $264 million	FY 2010-11
Nov. 2011	Forecast up $861 million	FY 2012-13
Feb. 2012	Forecast up $323 million	FY 2102-13
Nov. 2012	Forecast up $1,331 million	FY 2012-13
Feb. 2013	Forecast up $295 million	FY 2012-13
Nov. 2014	Forecast up $1,086 million	FY 2014-15
Feb. 2014	Forecast up $408 million	FY 2014-15



Revenue and Expenditure Changes and Other Related Information

This section provides a summary of the revenue and expenditure changes that lead to the forecast variance for each forecast since January 1988. It also summarizes allocations of surpluses when a law required that a balance be used in a certain manner.

Jan. 1988 forecast for FY 1988-89: Revenue up $83 million, spending down $9 million, positive balance forward from FY 1987 of $149 million for a net of $223 million up. Statutory allocations reduce the school district property tax revenue recognition shift from 27% to 24% and any remaining positive balance is appropriated 50% to the Greater Minnesota Corporation (not to exceed $120 million) and 50% to the budget reserve (until the reserve equals $550 million. As a result, $32 million is used to reduce the school district property tax revenue recognition shift, $95.5 million is allocated to each the Greater Minnesota Corporation and budget reserve.

Nov. 1988 Forecast for FY 1988-89: Revenue up $535 million, spending down $11.7 million for a net of $547 million up.

Mar. 1989 Forecast for FY 1988-89: Revenue up $70 million, spending up $7 million for a net change of $63 million.

Nov. 1989 Forecast for FY 1990-91: Revenue down $92 million, spending up $86 million for a net change of -$178 million.

Feb. 1990 Forecast for FY 1990-91: Revenue up $44 million, spending up $28 million for a net change of $16 million.

Nov. 1990 Forecast for FY 1990-91: Revenue down $22 million, spending up $146 million, for a net change of -$179 million.

Mar. 1991 Forecast for FY 1990-91: Revenue up $17 million, spending down $6 million for a net change of $23 million.

Nov. 1991 Forecast for FY 1992-93: Revenue down $435 million, spending down $10 million and a FY 1991 positive carry forward of $31 million for a net change of -$394 million.

Feb. 1992 Forecast for FY 1992-93: Revenue down $143 million, spending up $82 million for a net change of -$225 million. In addition, $49 million of court overturned vetoes and $3 million of legislative tax changes were not previously accounted for increasing the change in this forecast to $277 million.

Nov. 1992 Forecast for FY 1992-93: Revenue up $254 million, spending up $39 million for a net change of $215 million.

Mar. 1993 Forecast for FY 1992-93: Revenue up $198 million, spending down $18 million for a net change of $216 million.

Nov. 1993 Forecast for FY 1994-95: Revenue up $170 million, spending down $24 million, and a $220 million positive carry forward from FY 1993 for a net change of $414 million.

Mar. 1994 Forecast for FY 1994-95: Revenue up $235 million, spending up $42 million for a net change of $193 million.

Nov. 1994 Forecast for FY 1994-95: Revenue up $134 million, spending down $4 million for a net change of $138 million.

Feb. 1995 Forecast for FY 1994-95: Revenue up $94 million and spending down $21 million for a net change of $115 million.

Nov. 1995 Forecast for FY 1996-97: Revenue up $490 million, spending down $199 million and FY 1995 positive carry forward of $135 million for a net change of $824 million. Existing law requires that $15 million of the projected balance be transferred to the budget reserve and that $794 million be appropriated to reduce the school district property tax revenue recognition shift from 48 percent to zero percent.

Feb. 1996 Forecast for FY 1996-97: Revenue up $104 million, spending up $19 million and the FY 1995 carry forward down $36 million for a net change of $49 million.

Nov. 1996 Forecast for FY 1996-97: Revenue up $646 million, spending down $209 million, and other adjustments of -$63 million for a net change of $792 million. Existing law required that $114 million of the projected balance be transferred to the budget reserve and $157 million be appropriated to change the schedule for state aid payments to school districts from 85 percent current year/15 percent next year to 90 percent current year/10 percent next year.

Feb. 1997 Forecast for FY 1996-97: Revenue up $235 million, spending down $108 million for a net change of $343 million.

Nov. 1997 Forecast for FY 1998-99: Revenue up $729 million, $364 million carried forward from FY 1997, spending down $256 million and reserves up $21 million for a net change of $1,328 million. Of the $1,328 million, $81 million is allocated for education tax credits and deductions and $826 million is transferred to the property tax reform account.

Feb. 1998 Forecast for FY 1998-99: Revenue up $507 million, spending down $90 million and reserves up $5 million for a net change of $592 million.

Nov. 1998 Forecast for FY 1998-99: Revenue up $1,264 million, spending down $262 million for a net change of $1,526 million. The $1,526 million was allocated as follows: $400 million to replace bonding for capital projects, $200 million to a tax reform account and $9 million to the budget reserve.

Feb. 1999 Forecast for FY 1998-99: Revenue up $285 million, spending down $3 million for a net change of $282 million.

Nov. 1999 Forecast for FY 2000-01: Revenue up $1,154 million, transfers up $118 million, $453 million carried forward from FY 1999, and spending up $166 million, reserves up $12 million for net forecast change of $1,547 million. An end of 1999 session balance of $80 million resulted in a total balance of $1,627 million. Of this amount, $43 million is allocated to increase the K-12 Education general education formula by $50, $1,013 million is allocated to the property tax reform account and $571 million left as an unrestricted balance.

Feb. 2000 Forecast for FY 2000-01: Revenue is up $222 million, spending down $12 million and reserves up $5 million for a net change of $229 million.

Nov. 2000 Forecast for FY 2000-01: Revenue is up $865 million, spending down $41 million and reserves down $9 million for a net change of $915 million. For FY 202-03 a $2.086 billion balance is projected.

Feb. 2001 Forecast for FY 2000-01: Revenue down $99 million, spending down $33 million, reserves up $1 million for a net change of -$67 million.

Nov. 2001 Forecast for FY 2002-03: Revenues down $2,095 million, spending is up $85 million, and reserves adjusted up $8 million for a net change of negative $2,188 million. (The end of session bottom line balance was $235 million leaving a net deficit of $1,953 million.)

Feb. 2002 Forecast for FY 2002-03: Revenues down $300 million and spending increased $36 million for a net change of -$336 million.

Nov. 2002 Forecast for FY 2002-03: Revenues down $574 million, spending increased $76 million and the budget reserve increased $24 million for a net change of -$674 million. (This $674 million deficit was offset by $318 million bottom line for a net deficit of $356 million.) For 2004-05 a $4.56 billion deficit is projected.

Feb. 2003 Forecast for FY 2002-03: (Includes effect of unallotment.) Revenue is down $30 million, spending is down $19 million for a net change of -$11 million.

Nov. 2003 Forecast for FY 2004-05: Revenues are down $407 million and expenditures are down $143 million. Changes in carry forwards and reserves offset $79 million for a net change of -$185 million. Because of the interaction of several laws, the budget reserve was also increased by $109.7 million as of June 30, 2003.

Feb. 2004 Forecast for FY 2004-05: Revenues are down $21 million, spending is down $46 million resulting in a $25 million improvement in a projected deficit. The projected deficit is now $160 million.

Nov. 2004 Forecast for FY 2004-05: Revenues are up $455 million, spending is down $34 million, reserves change $6 million resulting in a $495 million balance. The $495 million is allocated $27 million to the budget reserve, $350 million to the cash flow account and $118

million to reduce the education aid payment shift from 80 percent/20 percent to 82 percent/18 percent. For FY 2006-07, a $700 million deficit is projected.
Feb. 2005 for FY 2004-05: Revenues are up $157 million, spending is down $25 million. Those together with legislative changes in a deficiency bill result in a FY 2005 balance of $175 million. $25 million is allocated to the budget reserve, the remaining $150 million to reduce the education aid payment shift from 82 percent/18 percent to 84.3 percent/15.7 percent. For FY 2006-07, the projected deficit is reduced from $700 million to $234 million.

Nov. 2005 Forecast for FY 2006-07: Revenues are up $694 million, the balance forward from FY 2005 is up $73 million and expenditures are up $78 million for a balance of $689 million. That balance plus a $12 million end of 2005 session balance ($701 million) was allocated to reduction of education shifts. $370 million was used to return the education aid payment schedule to 90 percent/10 percent and $331 million reduced the property tax revenue recognition shift form 48.6 percent to 10.8 percent. Another $317 million from a FY 2005 balance was allocated to the tax relief account.

Feb. 2006 Forecast for FY 2006-07: Revenues are up $124 million and expenditures are down $57 million for a total positive change of $181 million. $93 million of this is allocated to eliminate the property tax revenue recognition shift leaving a projected balance of $88 million.

Nov. 2006 Forecast for FY 2006-07: Revenues are up $913 million and expenditures down $125 million for a total positive change of $1,038 million. For 2008-09 a $1.132 billion balance is projected.

Feb. 2007 Forecast for FY 2006-07: Revenues are down $34 million and expenditures are down $9 million for a net negative change of $25 million. However, $24 million of the revenue change was due to legislation passed early in the 2007 session dealing with federal tax conformity. After factoring out the legislation change, the net forecast change is -$1 million.

Nov. 2007 Forecast for FY 2008-09: Revenues are down $739 million for the current biennium but a balance forward from FY 2006-07 was $139 million greater than anticipated. Expenditures are up $66 million.

Feb. 2008 Forecast for FY 2008-09: Revenues are down $530 million. Expenditures are up $64 million but the net expenditure impact was $31 million because $33 million had been tracked in a reserve to support that much spending.

Nov. 2008 Forecast for FY 2008-09: Revenues are down $412 million. Expenditures are up $18 million. An additional $2 million is an increase in reserves due to a statutory transfer from another fund. For FY 2010-11 a $4.847 billion deficit is projected.

Feb. 2009 Forecast for FY 2008-09: Following the November 2008 forecast, the Governor took actions under the unallotment law (M.S. 16A.152, Subd. 4) to balance the FY 2008-09 budget. The $154 million in the budget reserve was transferred to the general fund. Then spending of $271 million was unallotted to bring the projected budget balance to $0. Following those actions, in the February forecast revenues are down $212 million. Expenditures are down $449 million.

Within that number, regular expenditures are up $15 million but the enhanced FMAP available under the federal ARRA reduced state general fund medical assistance spending by $464 million.

Nov. 2009 Forecast for FY 2010-11: Revenues are down $1,156 million. Expenditures are down $44 million. The end of session balance was achieved through 2009 legislative actions and a Governor's unallotment.

Feb. 2010 Forecast for FY 2010-11: Revenues are up $25 million. Expenditures are down $184 million.

Nov. 2010 Forecast for FY 2010-11: Revenues are down $44 million. Expenditures are down $254 million. The budget reserve increases $9 million due to a statutory transfer from another fund. These comparisons are to the end of the second special session, that special session occurred in mid-October. At the end of the second special session the general fund balance was projected at $197 million. At the end of the 2010 regular session the balance was projected at $6 million. The major changes accounted for in the second special session were spending of $39 million for disaster relief and net reduced general fund spending of $230 million as a result of the receipt of additional federal medical assistance percentage (FMAP) funding. For FY 2012-13 a $6.188 billion deficit is projected.

Feb. 2011 Forecast for FY 2010-11: Revenues are up $97 million. Expenditures are down $167 million.

Nov. 2011 Forecast for FY 2012-13: $563 million carried forward from FY 2011, $538 million in higher revenues, $205 million in lower spending. For FY 2012-13 revenues were down $24 million and expenditures down $348 million. $27 million of increased revenue was dedicated to the budget reserve. The end of 2011 session balance was $15 million. The $876 million was allocated under current law as follows: $255 million to restore the cash flow account to $350 million and $621 million to the budget reserve.

Feb. 2012 Forecast for FY 2012-13: Revenues are up $93 million. Expenditures are down $230 million. The $323 million is allocated under current law as follows: $5 million to bring the budget reserve to $653 million, $314 million to reduce the education aid payment shift and the remaining $4 million to the budget reserve (the aid payment shift is reduced to the nearest tenth of a percent).

Nov. 2012 Forecast for FY 2012-13: Revenues are up $1,076 million. Expenditures are down $262 million. The budget reserve is up $26 million, the stadium reserve is down $18 million for a net change of a positive $18 million in reserves prior to other allocations. That leaves $1,330 million, $1,324 million is used to change the education aid payment percentage from 64.3% to 82.5%. The residual $6 million was added to the budget reserve.

Feb. 2013 Forecast for FY 2012-13: Revenues are up $217 million. Expenditures are down $63 million. The stadium reserve is down $15 million. $290 million is used to change the education aid payment percentage from 82.5% to 86.4%. The residual $5 million is added to the budget reserve.

Nov. 2013 Forecast for FY 2014-15: Revenues are up $787 million. Expenditures are down $247 million. Reserves are down $5 million because of changes in the stadium reserve. The balance left by the 2013 Legislature was $47 million. These changes resulted in a budget balance of $1,086 million. $246 million was used to eliminate the property tax revenue recognition shift in education funding. $15 million was transferred to the Airports Fund. The remaining balance was $825 million.

Feb. 2014 Forecast for FY 2014-15: Revenues are up $366 million. Expenditures are down $8 million. Reserves are up $6 million. The resulting balance is $1,233 million.

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