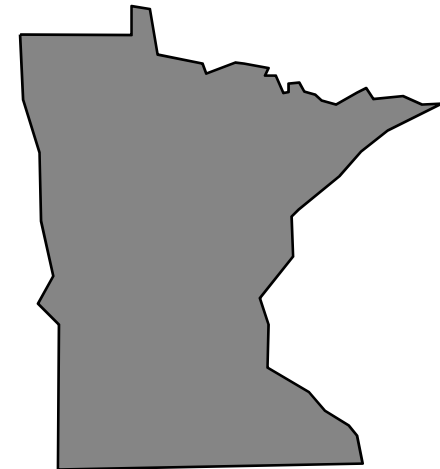


Minnesota Budget Forecast

February 2009



March 3, 2009

FY 2010-11 Gap Would Have Been Much Larger Without Federal Stimulus

(\$ in millions)

FY 2010-11 Shortfall	(\$4,570)
Savings Due to Federal Stimulus	<u>(1,823)</u>
What Gap Would Have Been	(\$6,393)

Projected FY 2010-11 Budget Gap Falls from \$4.8 Billion to \$4.6 Billion

(\$ in millions)

November Estimate	\$(4,847)
Lower Revenues	(1,166)
Higher Spending	(152)
Federal Stimulus Package	1,359
FY 2009 Balance	236
<i>Revised Estimate</i>	<i>\$(4,570)</i>

\$4.6 Billion Shortfall for FY 2010-11

\$236 Million Balance for FY 2009

<i>(\$ in millions)</i>	<u>FY 2008-09</u>	<u>FY 2010-11</u>
November Shortfall	(\$426)	(\$4,847)
Changes:		
Unallotment & Budget Reserve	426	
Underlying Forecast Changes	(228)	(1,318)
Federal Stimulus	464	1,359
February Forecast Balance	\$236	(\$4,806)
<i>Budget Deficit (FY 2009-11)</i>		<i>(\$4,570)</i>

Federal Stimulus Bill Provides Broad Relief to Minnesota

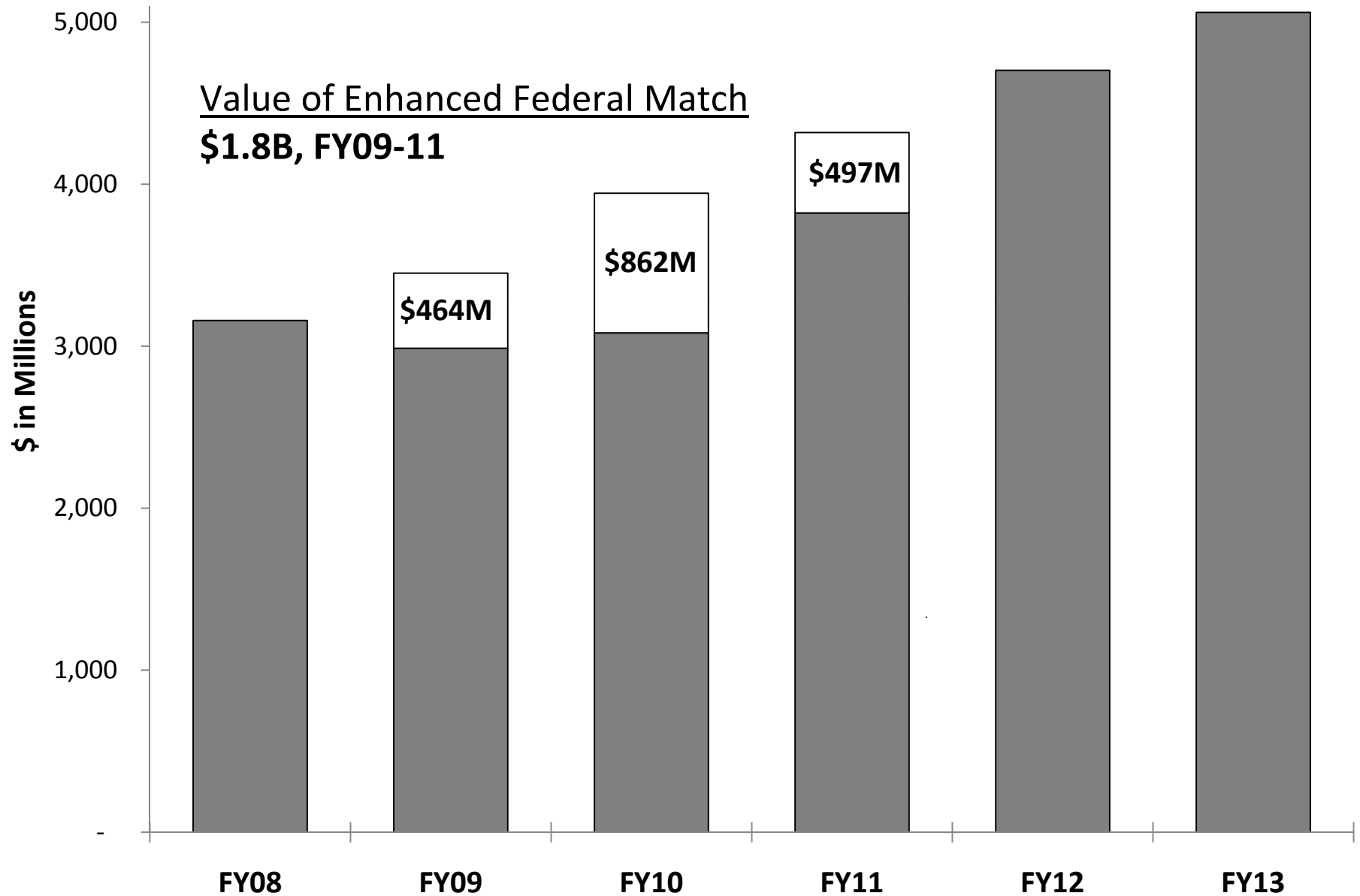
- **State and local governments eligible for an estimated \$4.6 billion in aid**
- **Much of this total is dedicated to specific purposes and projects and doesn't directly impact budget outlook**
- **Forecast impact limited to enhanced federal match for Medical Assistance**
 - Results in lower spending of \$464 million in FY 2009, \$1.4 billion in FY 2010-11

Types of State Stimulus Funding

Category	Program	MN Total
Forecast impact	Medicaid Match	\$1.8 B
Potential budget impact	State Stabilization	\$0.8 B
Dedicated funding	e.g. Highways & Bridges; Drinking Water	All programs estimated at \$2.0 B
Competitive Grants	e.g. Health IT; Green Jobs	No state allocation

Complete listing at mmb.state.mn.us/stimulus

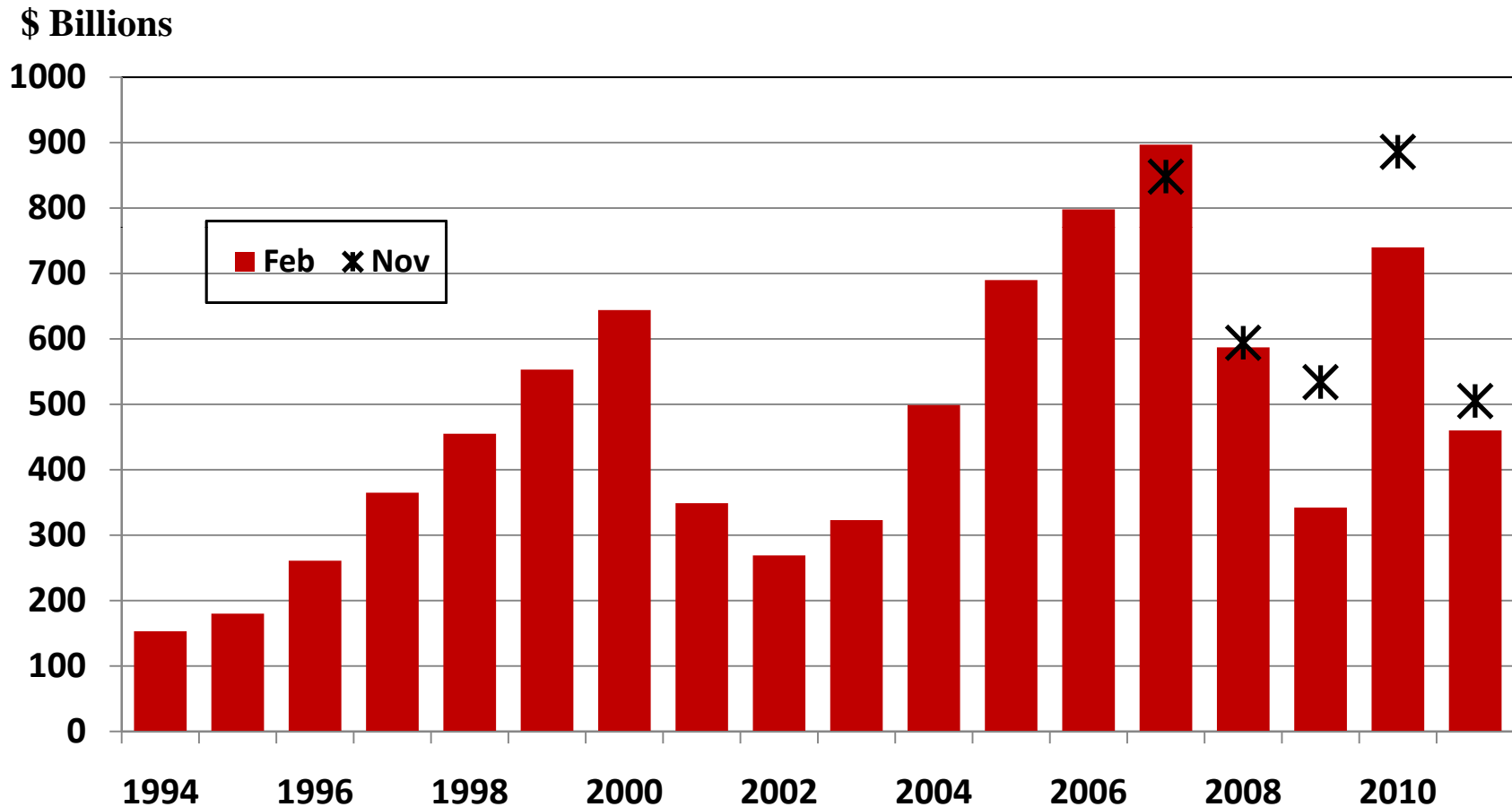
State Medical Assistance Spending



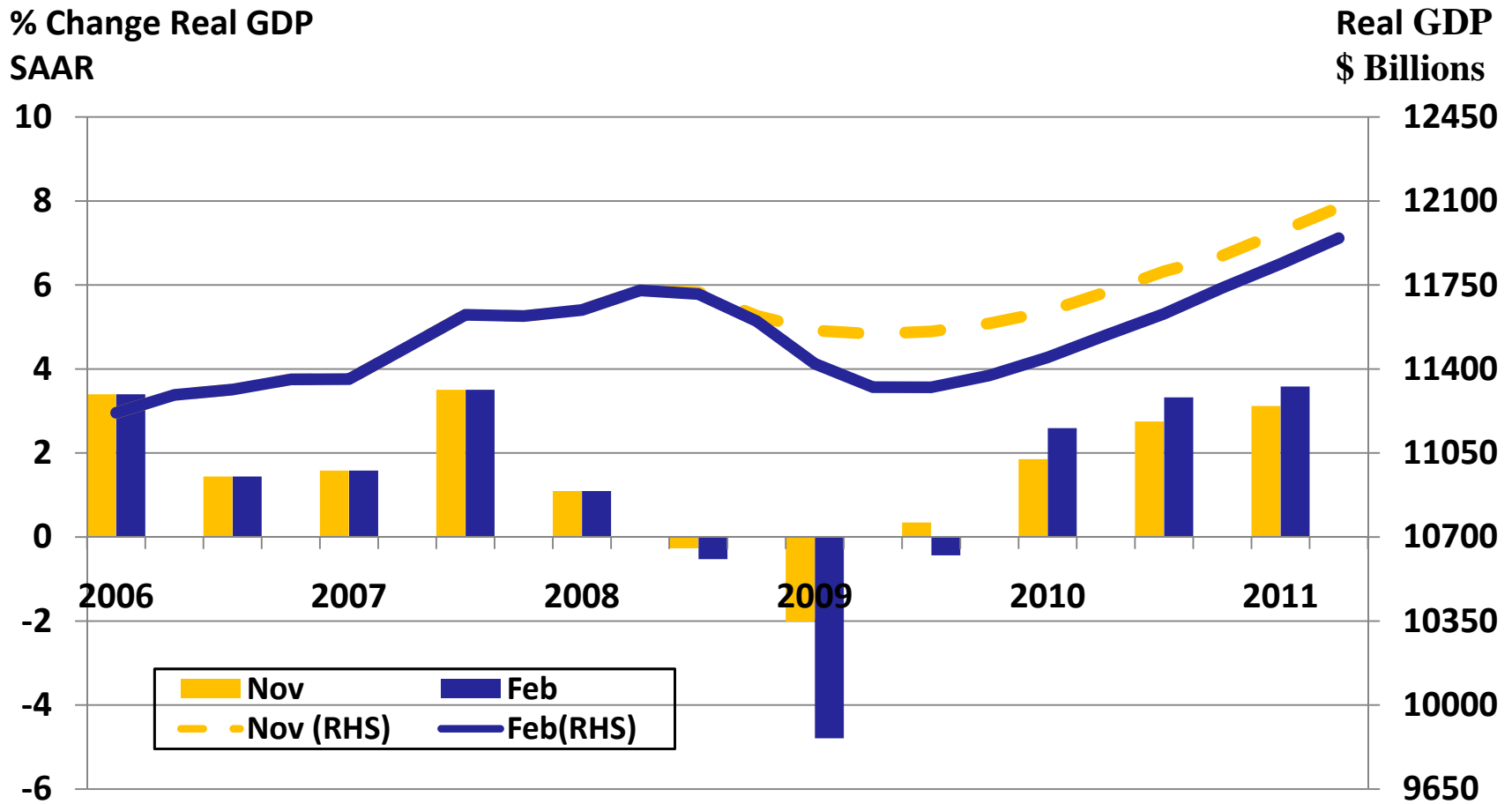
Revenue Forecast Revised Lower

- **FY 2009 revenues down \$213 million**
 - Receipts were \$133 million below forecast
- **FY 2010-11 revenues down \$1.166 billion**
 - Individual income tax down \$701 million
 - Wages and capital gains primary sources of decline
 - Corporate and sales tax estimates also lower

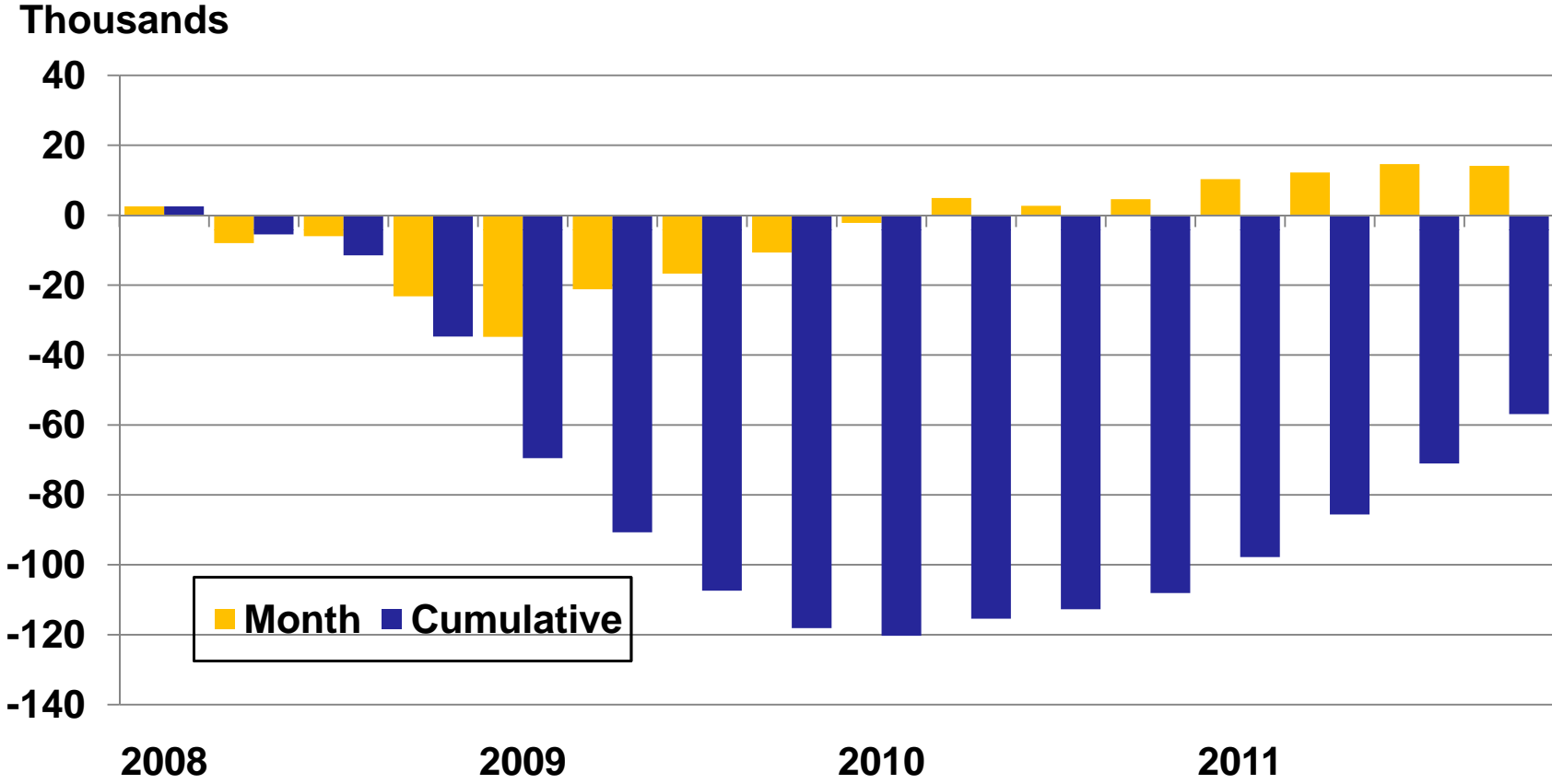
Capital Gains Expected to Fall 35 Percent in 2008, an Additional 40 Percent in 2009



GI's February Forecast Contains a Deep Recession

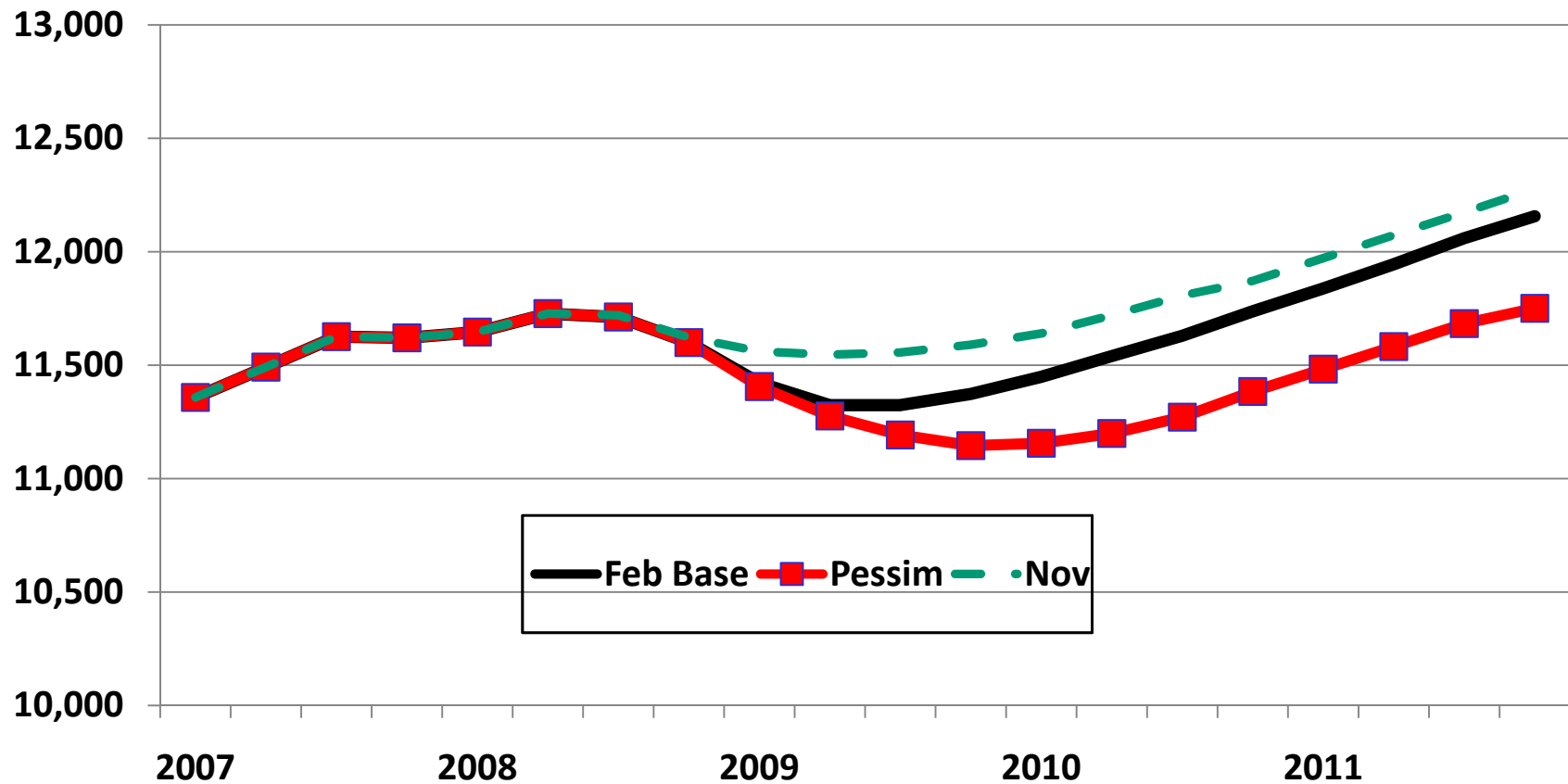


Minnesota Recession Related Job Losses Reach 120,000 by 2010



The Recession Could Be Worse than Forecast

Real GDP
\$ Billions



What to Watch For

- **Consumer spending**
- **Savings rate**
- **Improvements in credit markets**
- **Payroll employment (smaller declines)**
- **Tax year 2008 final payments and refunds**

Federal Stimulus Helps, But It Is Not a Permanent Budget Solution

<i>(\$ in millions)</i>	<u>FY 2010-11</u>	<u>FY 2012-13</u>
Revenues	\$30,700	\$34,244
Spending	35,506	39,377
One-time federal stimulus	(1,359)	0
Adjusted spending	36,865	39,377
Structural gap	(\$6,165)	(\$5,133)
<i>Inflation (estimate)</i>	\$170	\$1,360

\$4.6 Billion Shortfall for FY 2010-11

\$236 Million Balance for FY 2009

(\$ in millions)	<u>FY 2008-09</u>	<u>FY 2010-11</u>
Beginning Balance	\$2,245	\$586
Revenues	32,232	30,700
Spending	33,891	35,506
Budget Reserve	0	0
Cash Flow Account	350	350
<i>Budget Balance</i>	\$236	(\$4,570)