Minnesota’s Budget Outlook Improves
$1.037 Billion Available for Upcoming FY 2016-17 Budget

Higher Revenues, Lower Spending Generate FY 2014-15 Forecast Balance. Actual revenue and expenditures for FY 2014, combined with revised forecasts for FY 2015, increased the projected balance for the current biennium from $32 to $556 million. Forecast revenues increased $279 million (0.7 percent), while projected spending is $250 million (0.6 percent) lower. A $5 million increase in estimated stadium reserves offsets part of the gain.

New Law Directs $183 Million to Budget Reserve, Leaving $373 Million Budgetary Balance. Significant changes were made to the statute governing general fund budget reserves in 2014. Thirty-three percent of any forecast balance for the current biennium, determined each November, is to be deposited to the budget reserve until recommended levels are reached. The $183 million deposit increases general fund reserves to $1.344 billion.

FY 2016-17 Forecast Shows a Total of $1.037 Billion Available for Upcoming Budget. FY 2016-17 revenues are now forecast to be $41.880 billion, a 6.4 percent increase over the current biennium. Forecast current law spending is $41.243 billion, 4.8 percent above FY 2014-15. Both are lower than previous projections. The $373 million ending balance for FY 2015 now adds to the beginning resources for the next biennium – resulting in a $1.037 billion balance now expected for FY 2016-17, up from $603 million projected at the end of the 2014 session.

U.S. Economic Outlook Has Weakened. Slower labor force growth and household formation contribute to a weaker U.S. economic outlook. IHS Economics (formerly Global Insight) now expects real GDP growth of 2.2 percent in 2014, 2.6 percent in 2015, and 2.8 percent in 2016. February’s baseline forecast called for 2.7 percent growth in 2014, followed by 3.3 percent and 3.4 percent growth in 2015 and 2016 respectively. The IHS forecast for U.S. growth depends on productivity gains and wage growth acceleration.