



MEI: State Budget Overview

January 2010

Uncertainties Provide the Context for Budget Issues

Economy

Budget Decisions

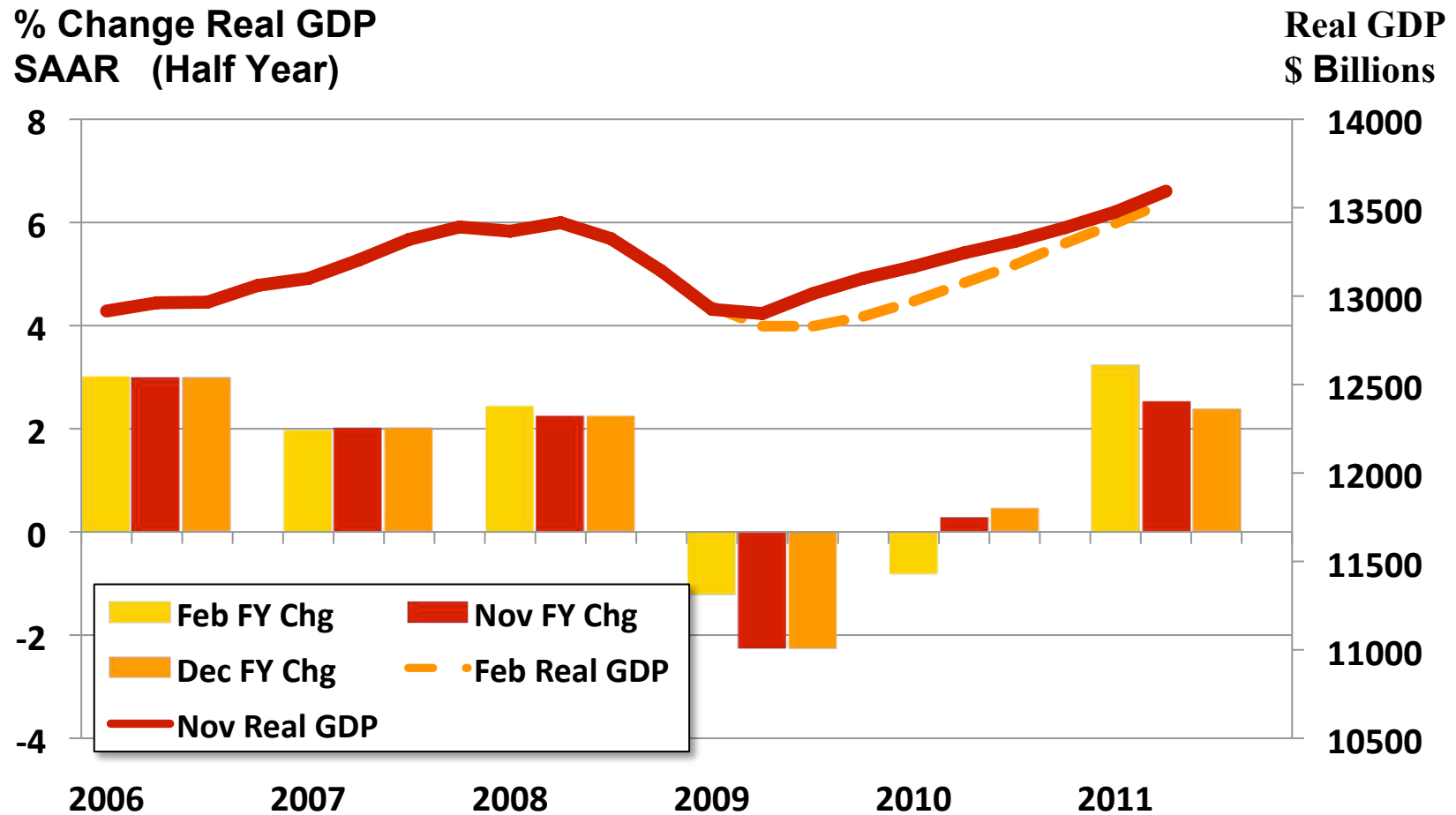
Federal – State Relationship

Deterioration in Revenue Forecast Results in \$1.2 Billion Deficit for FY 2010-11

(\$ in millions)

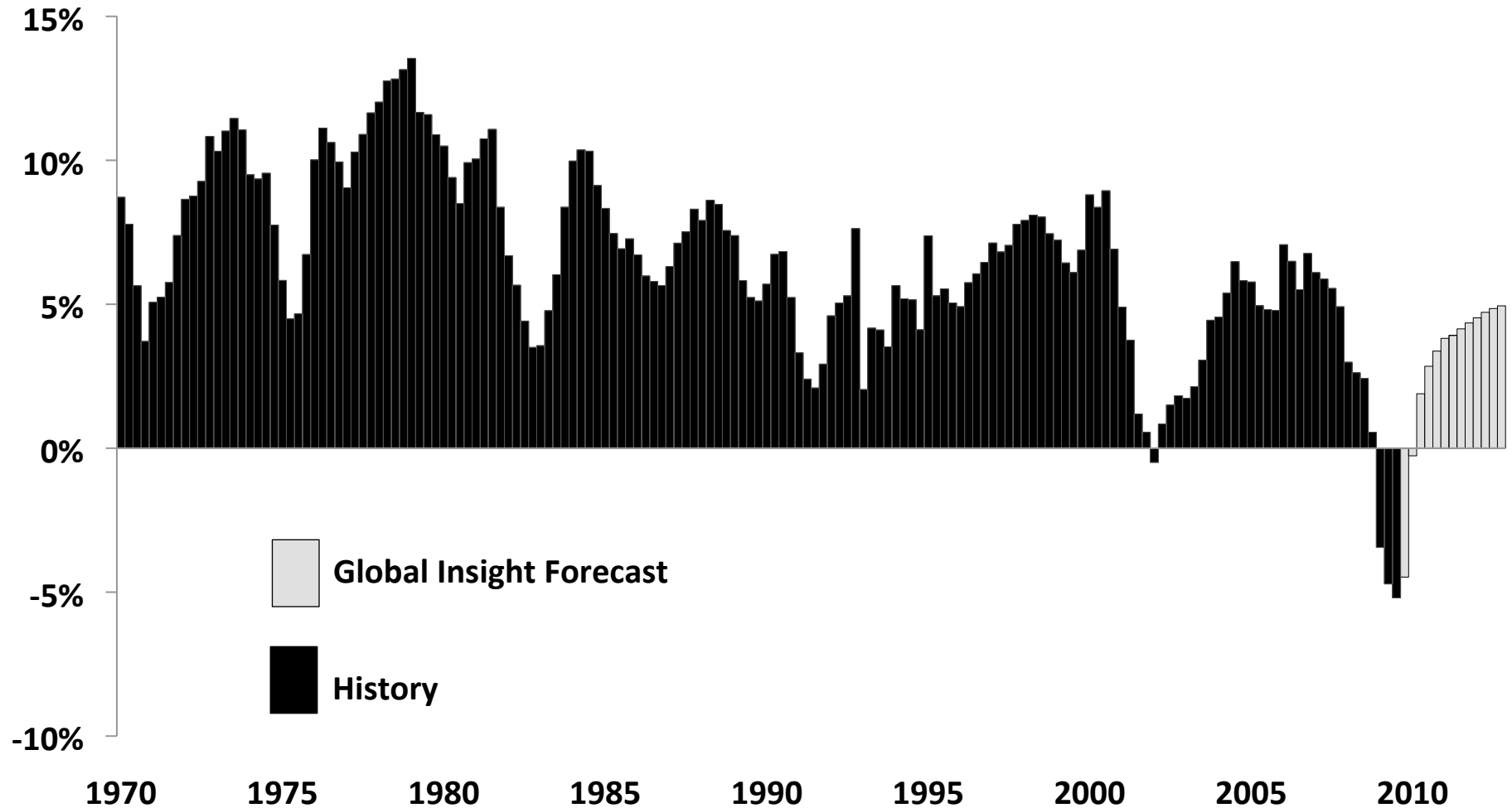
End of Session Balance	\$0
<i>(Including Governor's Action)</i>	
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Forecast Changes:	
FY 2009 Closing	(91)
Lower Revenue	(1,156)
Lower Spending	44
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<i>Forecast Deficit</i>	<i>(\$1,203)</i>

Revenues Assume Slow Economic Growth in the Future



Total U.S. Wages Have Declined for Three Quarters

Quarterly Year-Over-Year
Percent Change



Forecast Spending for FY 2010-11 Slightly Lower

<i>(\$ in millions)</i>	<u>End of Session</u>	<u>November Forecast</u>	<u>\$ Change</u>	<u>% Change</u>
K-12 Education	\$13,393	\$13,337	(\$56)	(0.4)
K-12 Payment Deferrals	(1,760)	(1,717)	43	
Property Tax Aids & Credits	3,063	3,098	36	1.1
Health & Human Services	9,057	9,166	109	1.2
Debt Service	1,078	954	(123)	(11.4)
All Other	6,499	6,447	(52)	(0.8)
Total Spending	\$31,330	\$31,286	(\$44)	(0.1)

Key Factors Affecting Spending Forecast

- **Governor's Unallotment & Executive Actions**
 - Complete repayment of K-12 school aid deferral (\$1.17B) and no repayment of property tax recognition shift (\$562M) assumed in FY 2012-13
- **Line-Item Veto of General Assistance Medical Care (GAMC)**
 - Program assumed to end March 2010 with auto-enrollment of GAMC enrollees into MinnesotaCare
 - No continued spending on GAMC assumed; restoring program would cost an added \$437M in FY 2010-11 and \$928M in FY 2012-13
- **Federal Stimulus**
 - Enhanced FMAP of \$1.76B (FY 2009-11)
 - State stabilization funding of \$816M (FY 2009-11)
 - Extension of federal funds uncertain

FY 2012-13 Planning Outlook

<i>(\$ in millions)</i>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2012-13</u>
Resources	\$16,023	\$17,195	\$33,218
Spending	19,680	18,964	38,644
Difference	(\$3,657)	(\$1,769)	(\$5,426)
 <i>Inflation</i>	 \$413	 \$766	 \$1,179

Planning estimates assume:

- *Complete repayment of the K-12 aid deferral. Delaying repayment would save \$1.167 billion.*
- *No repayment of the K-12 property tax recognition shift. Repayment would cost \$562 million.*
- *No continued GAMC spending. Restoring the program would cost \$928 million.*