General Fund Revenue and Expenditure Forecasts

Changes from Previous Forecast

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Any forecast of state revenues and formula driven expenditures for a specific time period (biennium in the case of a state budget forecast) is likely to vary from the previously forecasted data for that time period. Subsequent forecast for the same time period are based on more recent data and are very likely to project different revenue and expenditure numbers. Also, the final data for that time period is likely to vary somewhat from the last previous forecast. The goal of state budget forecasters is to present the most likely scenario given current economic data, the state economic situation, caseload and enrollment levels, and other data affecting the forecast.

Minnesota law requires the Commissioner of Finance 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. However, recent forecasts have had negative variances.

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 variance projected by the November 1999 forecast. In a similar manner, the 2001 legislature left $235 million unspent – that amount reduced the deficit projected by the November 2001 forecast.

The chart and information on the following pages shows changes in the general fund revenue and expenditure forecasts. (Under current law, four forecasts occur each biennium.) 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 1998 forecast is for the FY 1998-99 biennium and does not include the FY 2000-01 biennium.) The first forecast completed after the previous biennium is closed out includes any unrestricted balance carried over from that previous biennium. (As an example, the November 1999 forecast for FY 2000-01 included a $453 million balance carried forward from the close of FY 1999.) However, in 2001 the balance for the biennium ending June 30, 2001 was directed to a tax relief account, a reserve account in the general fund.

The following chart presents the forecast variances since January 1988.

The graph on the final page illustrates the forecast variances since November 1989.

Forecast Date	**Change**
Jan. 1988	Forecast up $223 million
Nov. 1988	Forecast up $547 million
Mar. 1989	Forecast up $63 million
Nov. 1989	Forecast down $178 million
Feb. 1990	Forecast up $16 million
Nov. 1990	Forecast down $179 million
Mar. 1991	Forecast up $23 million
Nov. 1991	Forecast down $394 million
Feb. 1992	Forecast down $225 million
Nov. 1992	Forecast up $215 million
Mar. 1993	Forecast up 216 million
Nov. 1993	Forecast up $414 million
Mar. 1994	Forecast up $193 million
Nov. 1994	Forecast up $138 million
Feb. 1995	Forecast up $115 million
Nov. 1995	Forecast up $824 million
Feb. 1996	Forecast up $49 million
Nov. 1996	Forecast up $792 million
Feb. 1997	Forecast up $344 million
Nov. 1997	Forecast up $1,328 million
Feb. 1998	Forecast up $592 million
Nov. 1998	Forecast up $1,526 million
Feb. 1999	Forecast up $282 million
Nov. 1999	Forecast up $1,597 million
Feb. 2000	Forecast up $229 million
Nov. 2000	Forecast up $915 million
Feb. 2001	Forecast down $67 million
Nov. 2001	Forecast down $2,188 million
Feb. 2002	Forecast down $336 million
Nov. 2002	Forecast down $356 million
Feb. 2003	Forecast down $11 million
Nov. 2003	Forecast down $185 million

Revenue and Expenditure Changes and Other Related Information

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, the Greater Minnesota Corporation and budget reserve each receive $95.5 million.

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 – Major revenues down $71 million, spending down $146 million, other items up a net of $38 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 required 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 $344 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. The $1,328 million includes $81 million allocated for education tax credits and $826 million to the property tax reform account. These items were enacted by a mechanism that was triggered by the amount of the unrestricted balance that became available as of the November 1997 forecast. Also, $1,013 million was deposited in 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 includes $400 million allocated to replace bonds 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, $453 million carried forward from FY 1999, and spending up $103 million plus $50 million additional allocated for sales tax rebate and $43 million allocated to increase the K-12 Education general education formula by $50 for a net change of $1,597 million. The $1,597 million includes $50 million for an addition to the sales tax rebate and $43 million for a $50 per pupil unit increase in the K-12 education general education formula for FY 2001. These items were enacted by mechanisms that were triggered by the amount of the unrestricted balance that became available as of the close of the FY 1999 and the November forecast.

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.

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 $2,188 million. (The end of session bottom line balance was $235 million leaving a net deficit of $1,953 million.)

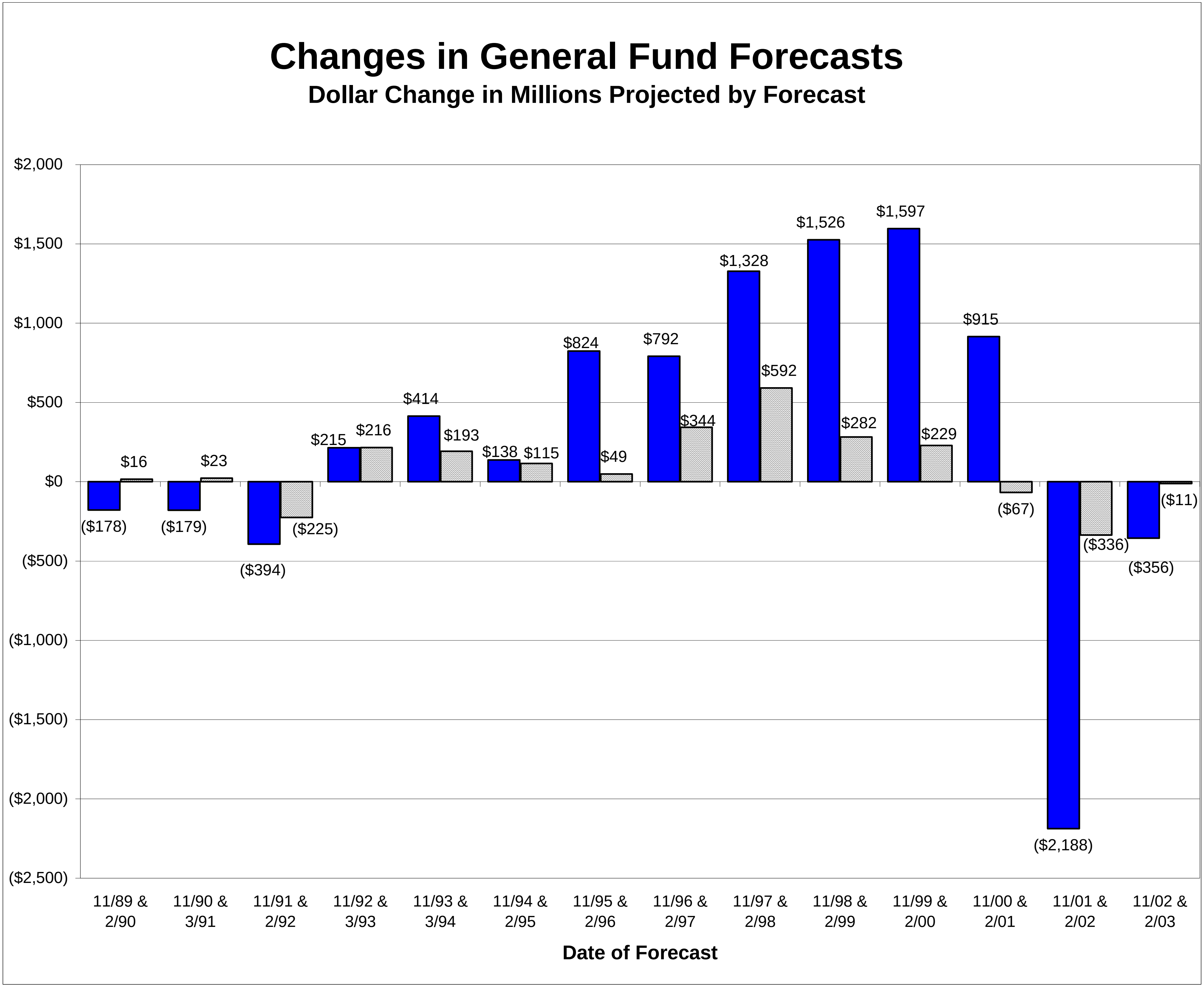
Feb. 2002 forecast for FY 2002-03 – Revenues down $300 million and spending increased $36 million for a net change of -$336 million.

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.)

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.

For more information, contact Bill Marx at 651-296-7176 or bill.marx@house.leg.state.mn.us


Changes in General Fund Forecasts
Dollar Change in Millions Projected by Forecast
$2,000
$1,500
$1,000
$500
$0
($500)
($1,000)
($1,500)
($2,000)
($2,500)
($178)
$16
($179)
$23
($394)
($225)
$215
$216
$414
$193
$138
$115
$824
$49
$792
$344
$1,328
$592
$1,526
$282
$1,597
$229
$915
($67)
($2,188)
($336)
($356)
($11)
11/89 & 2/90
11/90 & 3/91
11/91 & 2/92
11/92 & 3/93
11/93 & 3/94
11/94 & 2/95
11/95 & 2/96
11/96 & 2/97
11/97 & 2/98
11/98 & 2/99
11/99 & 2/00
11/00 & 2/01
11/01 & 2/02
11/02 & 2/03
Date of Forecast