



JULY ECONOMIC UPDATE

July 25, 2013

Legislative Commission on Planning
and Fiscal Policy

Financial Outlook

- Preliminary FY 2013 revenues \$463 million above forecast
- FY 2013 closing balance will be used to accelerate repayment of remaining school payment shifts
- GAAP and cash balances significantly improved
- FY 2013 revenue gain may not carry forward into FY 2014

More Than Two-Thirds of School Shift Has Been Bought Back

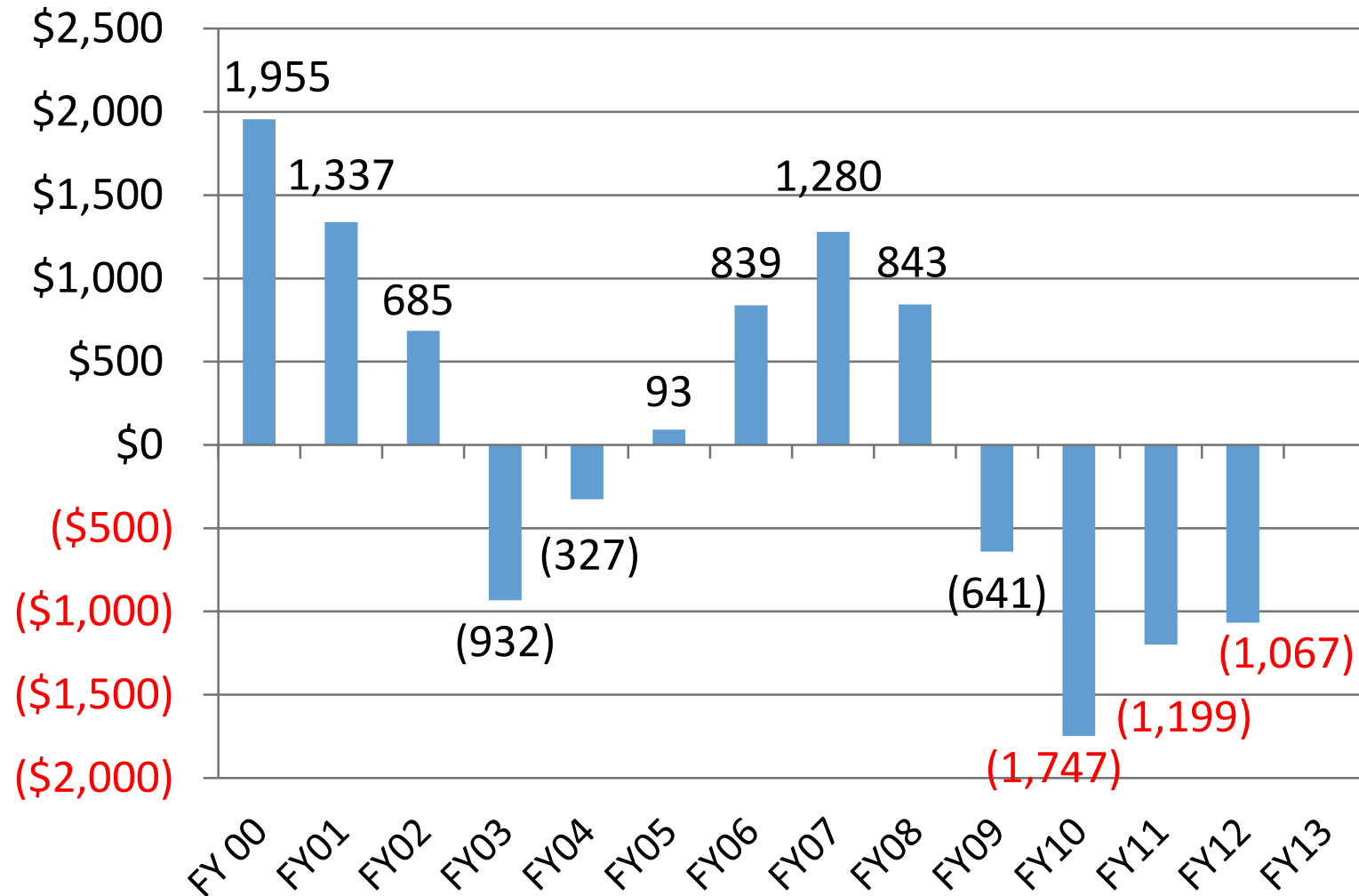
- Restored \$890 million in reserves and paid back \$1.9 billion of school shifts since November 2011
- Over \$1.5 billion was paid back in FY 2013
- \$874 million in education shifts remain
 - School Aid Payment - \$287 million
 - Property Tax Recognition - \$587 million
- Repayment will be accelerated by FY 2013 closing balance

Statutory Allocations of Forecast Balances

(\$ in millions)	Nov 2011 Forecast	Feb 2012 Forecast	Nov 2012 Forecast	Feb 2013 Forecast	Total Allocated
Forecast Balance	\$876	\$323	\$1,330	\$295	\$2,824
Statutory Allocations					
Restore Reserves	876	5	-	9	890
K-12 Shift Buyback	-	313	1,324	282	1,919
Residual to Reserve	-	5	6	4	15
Total Allocated	\$876	\$323	\$1,330	\$295	\$2,824

GAAP Deficits Will Be Eliminated by FY 2013 School Shift Buybacks

(\$ in millions)



Economic Update



Preliminary FY 2013 Revenues **\$463 Million (2.7%) Above Forecast**

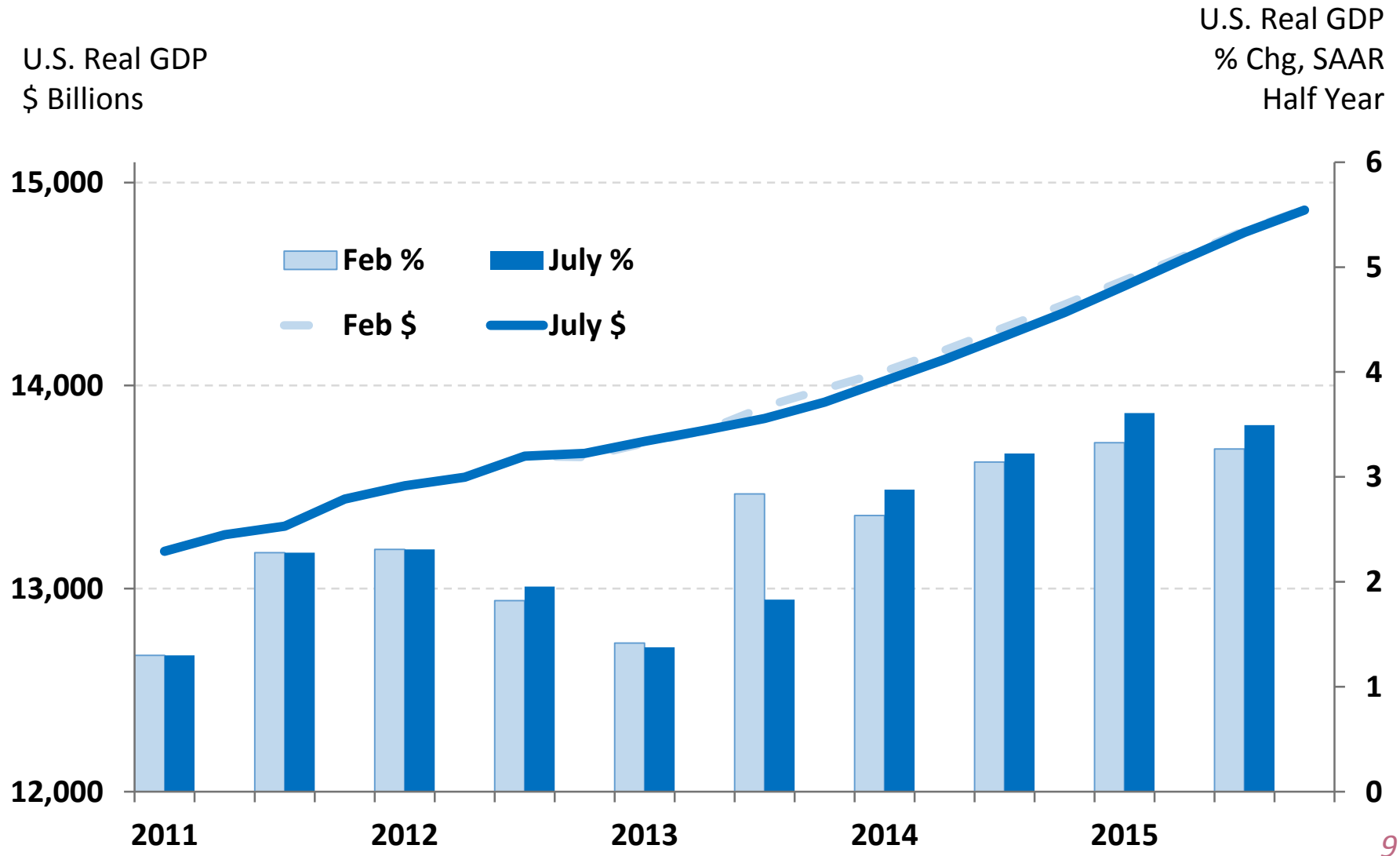
(\$ in millions)	Estimate	Actual	Variance	%
Individual	\$8,622	\$8,957	\$335	3.9%
Sales	4,833	4,800	(33)	(0.7)
Corporate	1,237	1,361	124	10.0
Other	2,772	2,809	37	1.3
Total	\$17,464	\$17,927	\$463	2.7%

Tax Year 2012 Income Tax Final Liability

\$191 Million Above Forecast

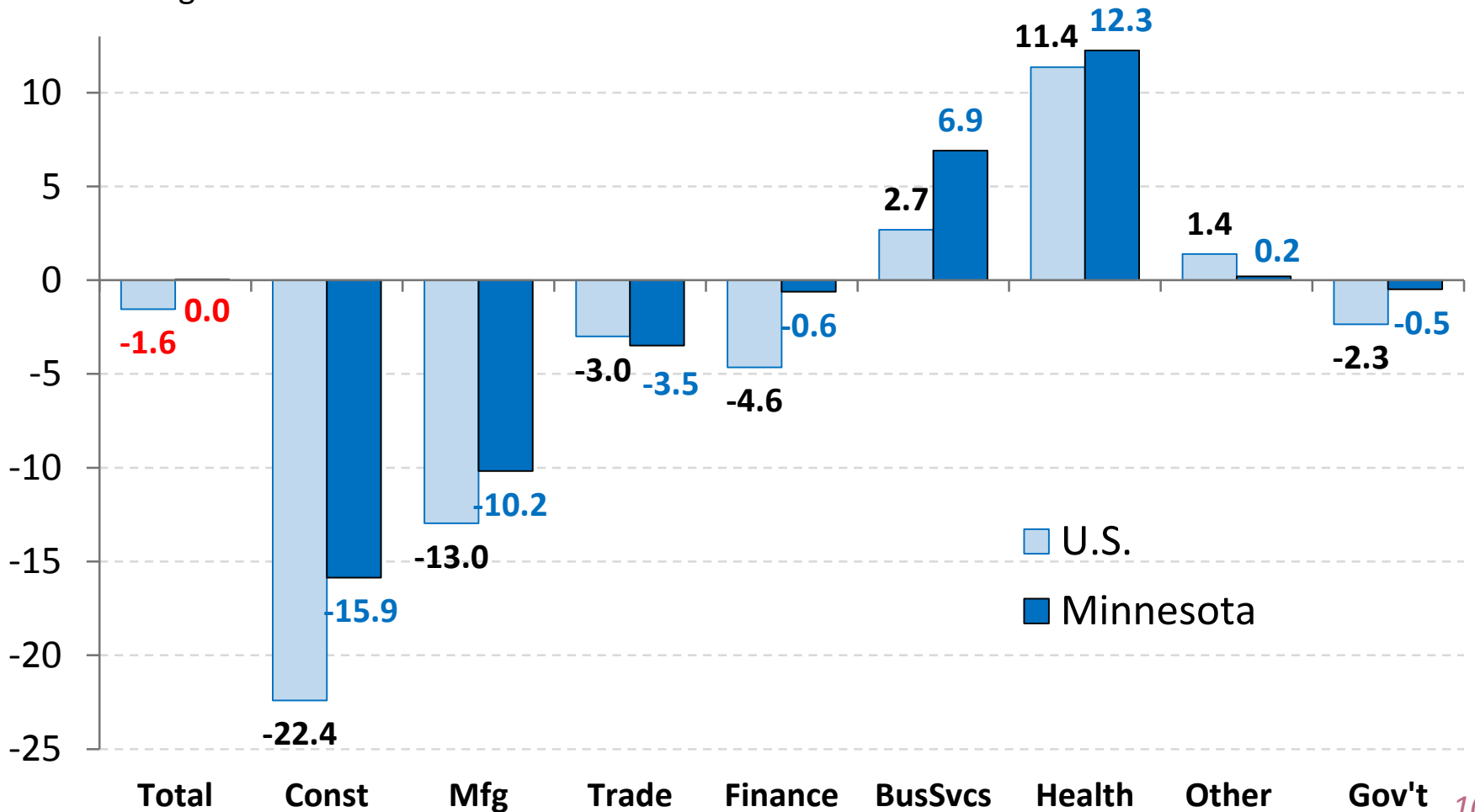
(\$ in millions)	Estimate	Actual	Variance
Refunds	\$1,234	\$1,175	\$(59)
Final Payments	1,169	1,164	(5)
Extensions	285	421	136

Economic Outlook Has Changed Little Since February

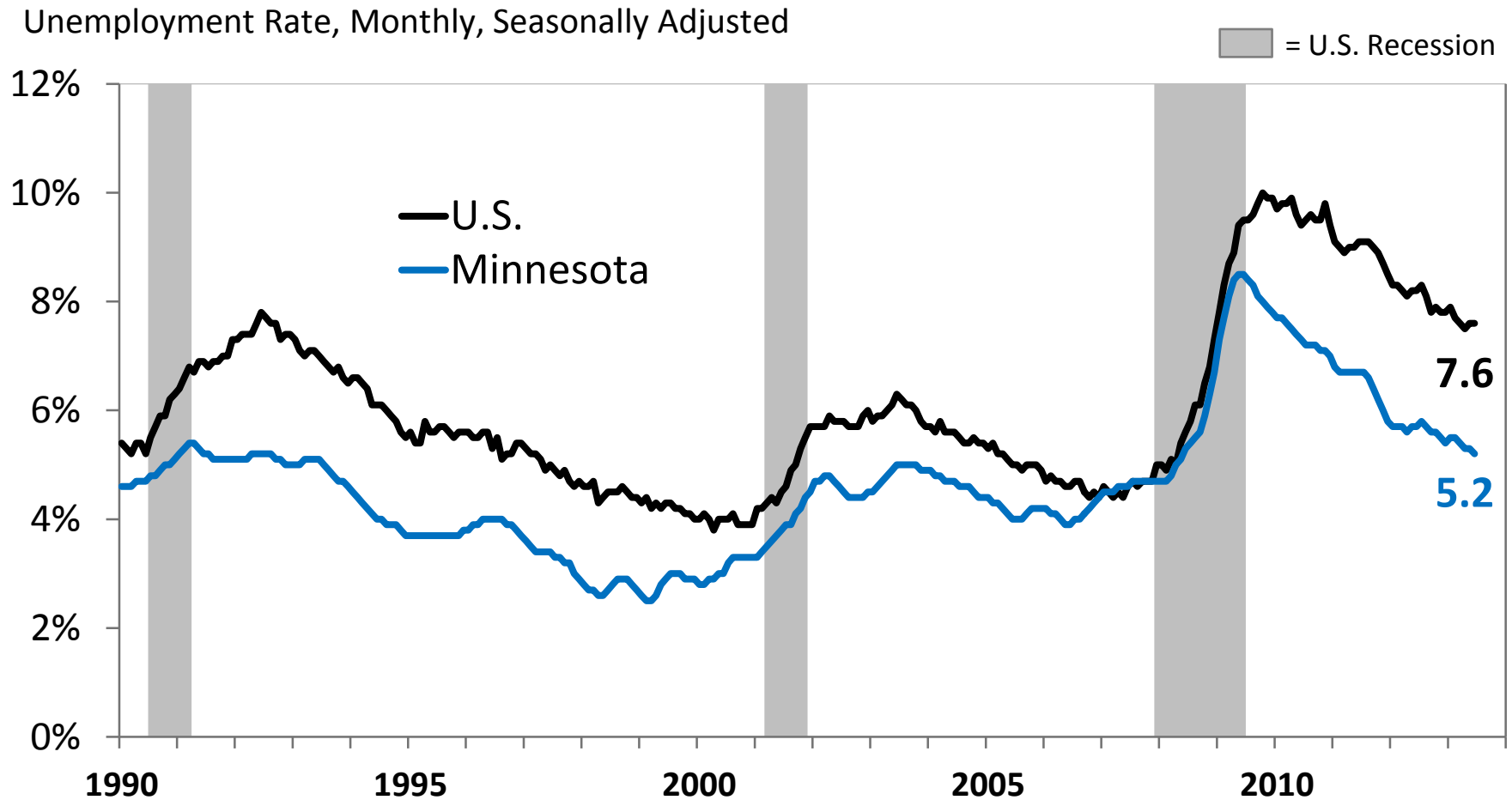


Minnesota Employment Recovers to Near Pre-Recession Level

Percent Change in Jobs: Dec'07 to June'13



Minnesota's Unemployment Rate Well Below Nation's



Minnesota's Strong Financial Position

- Prioritized rebuilding reserves and repaying school shifts
- Timely and permanent action to address budget gap
- Employment and personal income growth outperforming most states
- Institutionalized forecasting and long-term budget planning
- Low exposure to OPEB liabilities and historically well-funded pensions
- Conservative fiscal and debt policies in place