

What to Look for in February on the Minnesota Budget Front

Posted by [Thomas J. Hanson](#) on February 04, 2011

Two big events occur in February and one of them is not Valentine's Day. Governor Dayton introduces his FY (fiscal year) 2012-2013 budget, and the Minnesota Management and Budget (MMB) Department will issue its budget forecast by the end of the month. Both of these actions will set the stage for legislative action for the rest of the session.

Governor Dayton is required, by statute, to issue his recommendations by February 15. This timing makes his job much more difficult. He has to fix a \$6.2 billion hole this month and then he must issue supplemental recommendations when the deficit number changes less than two weeks later in the February forecast.

While it is always difficult to try and predict a state forecast number before it is issued, it never stops people like me from trying anyway. A couple of key pieces of information can give you a sense of the direction this forecast may take. The first piece is the [January Economic Update issued by MMB](#).

This report shows revenue collections increasing by \$28 million in November and December of 2010. But more important than these collections is the following paragraph from page three of the update (emphasis added):

Global Insight (GII), Minnesota's national economic consultant, was among those raising their forecast. Currently GII projects real GDP growth of 3.2 percent for 2011; in November real growth of 2.3 percent was anticipated. On a fiscal year basis GII now expects growth at a 3.1 percent rate during fiscal 2011 and 3.0 percent over the 2012-13 biennium. In November growth rates of 2.5 percent and 2.7 percent were projected.

In other words, the landscape for FY 2012-2013 is better now than it was in the November forecast due primarily to the substantial cut in the employee payroll tax rate included in the Federal tax package passed in December. GDP, which is an acronym for gross domestic product, is a strong predictor of revenue collections. Because of the increase in GDP described above, the \$6.2 billion deficit should become smaller.

MMB will receive another forecast from GII within the next week. It is this forecast, along with other information, that will be used to prepare the February forecast. Also, on February 10, MMB will announce revenue collections for the month of January. This will also be an important number that will be plugged into the February forecast.

INSIDE THE MINNESOTA CAPITOL

Minnesota politics, regulatory agencies and state government news updates



So what does this mean for Governor Dayton? He could very well find himself fixing a \$6.2 billion deficit in February but fixing a smaller one in March. If this happens, some of the unpleasant solutions he will initially propose will be gone before the snow melts.