

## New State Economic Forecast Coming on December 1

By [Thomas J. Hanson](#) on November 18, 2011

On December 1st, the Minnesota Management and Budget Department (MMB) will issue an economic forecast that will estimate the amount of revenues and expenditures for the remainder of the 2012-2013 biennium. The Governor and the Legislature will use this information, updated by another forecast in late February 2012, to develop a supplemental budget.

Negative economic news has caused most economists to reduce their forecasts significantly since mid-summer. The 2011 February Forecast used real GDP growth projections of 3.2% in 2011 and 2.9% in 2012. The revenue generated by this growth supports the spending levels in the current biennial budget.

In October, MMB's economic consultant predicted GDP growth of 1.7% in 2011 and 1.4% in 2012. This significant reduction in the GDP growth numbers means that less revenue will likely be projected in the December 1st Forecast. October revenue collections have already demonstrated that this trend may be underway with collections coming in \$58.2 million behind projections. This decline in revenue wipes out the \$59 million gain the State experienced from July through September.

Any projected reduction in revenues in the current biennium will be balanced out by the \$355 million of surplus revenues from the 2010-2011 biennium which ended June 30, 2011.

While it is difficult to predict a state forecast ahead of time, expect a deficit somewhere between \$500 million to a \$1 billion.