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### **STATE BUDGET WEAKER FOR CURRENT AND NEXT BIENNIUM**

Saint Paul - Minnesota's budget situation has deteriorated slightly since November according to a report issued today by the State's Finance Department. Revenues are forecast to be down modestly from earlier estimates due to a slightly weaker outlook for Minnesota's economy. Small reductions in the expenditure outlook almost completely offset the revenue losses, leaving the forecast down \$11 million in FY 2003 and \$14 million in the next biennium.

"There were no big surprises in this forecast," said Finance Commissioner Dan McElroy. "But," he added, "there is more uncertainty around current national economic forecasts than anyone can be comfortable with. Our Council of Economic Advisors urged us to recognize this in our budget plan by providing for substantial reserves."

Action by the Governor in early February eliminated a projected \$356 million FY 2003 deficit. McElroy indicated that the budget proposal the Governor submitted last week includes changes that would solve the \$11 million fiscal 2003 problem.

Further changes in the Governor's budget will be necessary. McElroy noted that while the total forecast is down by \$25 million, much of the reduction in expenditures had already been recognized, leaving a \$125 million shortfall to be addressed. "We are preparing a list of options for the Governor to bring his budget back into balance." McElroy said, "We expect the Governor's supplemental budget within about 10 days."

The February Forecast can be found on the Department of Finance's website at [www.finance.state.mn.us](http://www.finance.state.mn.us).

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