



Budget forecast projects \$188 million deficit

Today's economic forecast projects a \$188 million deficit for the state treasury for the remainder of the biennium that began July 1, 2017. \$114 million in funding for the Legislature's operating budget was line-item vetoed by Governor Dayton, which increases the shortfall to \$304 million.

The forecast says unknowns in federal policy changes and concerns over the current economic expansion, one of the longest in U.S. history, create significant risk. It should be noted that the forecast does not include passage of any federal tax reform, which would be expected to boost GDP growth in 2018 and beyond and includes federal funding for health programs.

At least two important elements of state finances will be updated before the Legislature convenes on February 20th, removing some of the uncertainty in today's forecast:

1. Federal tax reform is expected to be passed by the end of the year providing significant tax relief for both businesses and individual taxpayers. The U.S. House and Senate have passed bills but with important differences. The Tax Foundation [summarizes important differences between the bills](#) heading into a conference committee. It's anticipated the final bill will provide the opportunity and the need to modify state policy to create a more competitive system as much of Minnesota's tax system is based on federal tax definitions.
2. This forecast provides a preliminary budget picture. Another economic forecast will be released in February, which will guide the Legislature's decisions in the 2018 session.

The Minnesota Chamber will enter next year coming off of one of the most productive years for our priorities with significant tax relief and new transportation infrastructure spending. Governor Dayton's line-item veto of legislative funding was mainly over objections to provisions in the tax bill providing business tax relief. He continues to object to the tax relief, but has recently said he will support providing the necessary funding for legislative operations.

The Minnesota Chamber will continue to keep you apprised of budget developments and our legislative priorities for the upcoming session.