

June 4, 2009

Governor Tim Pawlenty
Office of the Governor
130 State Capitol
75 Rev. Dr. Martin Luther King Jr. Blvd.
St. Paul, MN 55155

Dear Governor Pawlenty:

The purpose of this letter is to advise you that the state's revenues are not anticipated to be sufficient to support planned spending in the upcoming biennium. I expect that the spending authorized for the 2010-11 biennium will exceed revenues by \$2.7 billion.

I have determined, as defined in Minnesota Statutes 16A.152, that "probable receipts for the general fund will be less than anticipated, and that the amount available for the remainder of the [2010-2011] biennium will be less than needed." Several factors, including those listed below, have led me to this determination.

The February 2009 forecast showed declining revenues leading to a projected \$4.6 billion general fund shortfall for FY 2010-11. Projected revenues for the biennium were \$30.7 billion – \$1.2 billion less than anticipated in the November 2008 forecast – while projected expenditures were \$35.5 billion. Although recently enacted spending changes have reduced anticipated spending levels, a \$2.7 billion shortfall still remains after considering all bills passed by the Legislature and signed into law by the Governor.

I do not find sufficient evidence to suggest that our budget outlook for the upcoming biennium will improve with new information. The national economy has worsened since the February forecast and other forecasters generally concur with this outlook. Our national economic forecaster, Global Insights, suggests that Minnesota and the rest of the nation are in the midst of a lengthy economic downturn.

Our state's revenue collections reflect this weakened economy and are not matching expectations. Year to date receipts for FY 2009 are down \$70.3 million compared to the February forecast. Nearly all major revenue categories have collected less than anticipated.

Unfortunately, the state does not have other available funds to cover lower revenue collections. The budget reserve was drawn down to zero last year and no other additional resources are available. Therefore, at the beginning of the next fiscal year, it will be necessary to reduce allotments of

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appropriations or transfers for FY 2010-11. I will seek your approval to take this action in a future communication.

Our department will continue to monitor the economic and revenue outlook in the coming months.

Sincerely,

A handwritten signature in black ink that reads "Tom J. Hanson". The signature is written in a cursive, slightly slanted style.

Tom J. Hanson

Commissioner

cc: Speaker Margaret Anderson Kelliher
Senate Majority Leader Larry Pogemiller
Senate Minority Leader David Senjem
House Minority Leader Marty Seifert
Legislators