



BUDGET AND ECONOMIC FORECAST



November 2020

Produced by Minnesota Management and Budget

Updated Dec. 3, 2020

Forecast Significantly Improved; COVID-19 Impacts Remain

- Current year projected deficit eliminated; \$636 million* surplus now projected.
- This forecast adds back about half of the current biennium revenue taken out in the May projection.
- Improved budget outlook continues into the next biennium, but a \$1.3 billion shortfall remains for FY 2022-23.
- Pandemic economic downturn has affected all Minnesotans, but unemployment has disproportionately impacted lower-wage workers.

*Revised to account for a required transfer from the general fund to the 21st Century Minerals fund when a surplus is projected.

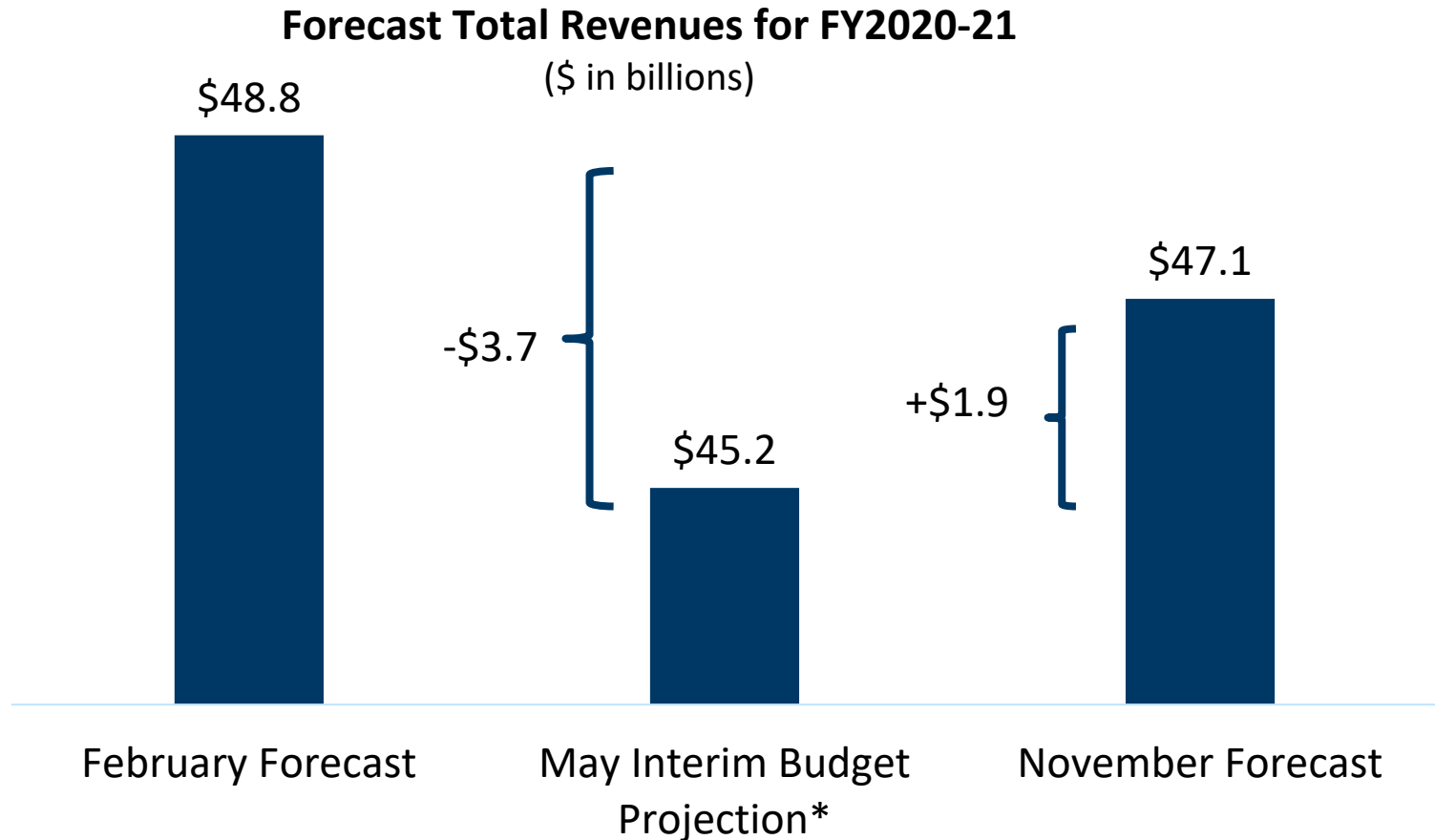
Current Biennium Significantly Improved

(\$ in millions)	FY 2020-21		Forecast Change
	End of October Special Session	FY 2020-21 Nov. Forecast	
Beginning Balance	\$3,971	\$3,971	\$ -
Revenues	45,189	47,100	1,912
Spending	48,680	47,627	(1,053)
Budget Reserve	2,377	2,377	-
Cash Flow Account	350	350	-
Stadium Reserve	66	81	15
Budgetary Balance	\$(2,314)	\$636	\$2,950

Shortfall in Next Biennium Remains in Forecast

(\$ in millions)	FY 2020-21	FY 2022-23	\$ Change
Beginning Balance	\$3,971	\$3,444	
Revenues	47,100	49,494	
Spending	47,627	51,110	
Budget Reserve	2,377	1,886	(491)
Cash Flow Account	350	350	-
Stadium Reserve	81	230	149
Budgetary Balance	\$636	\$(638)	
Shortfall (Excluding FY 2020-21)		\$(1,273)	

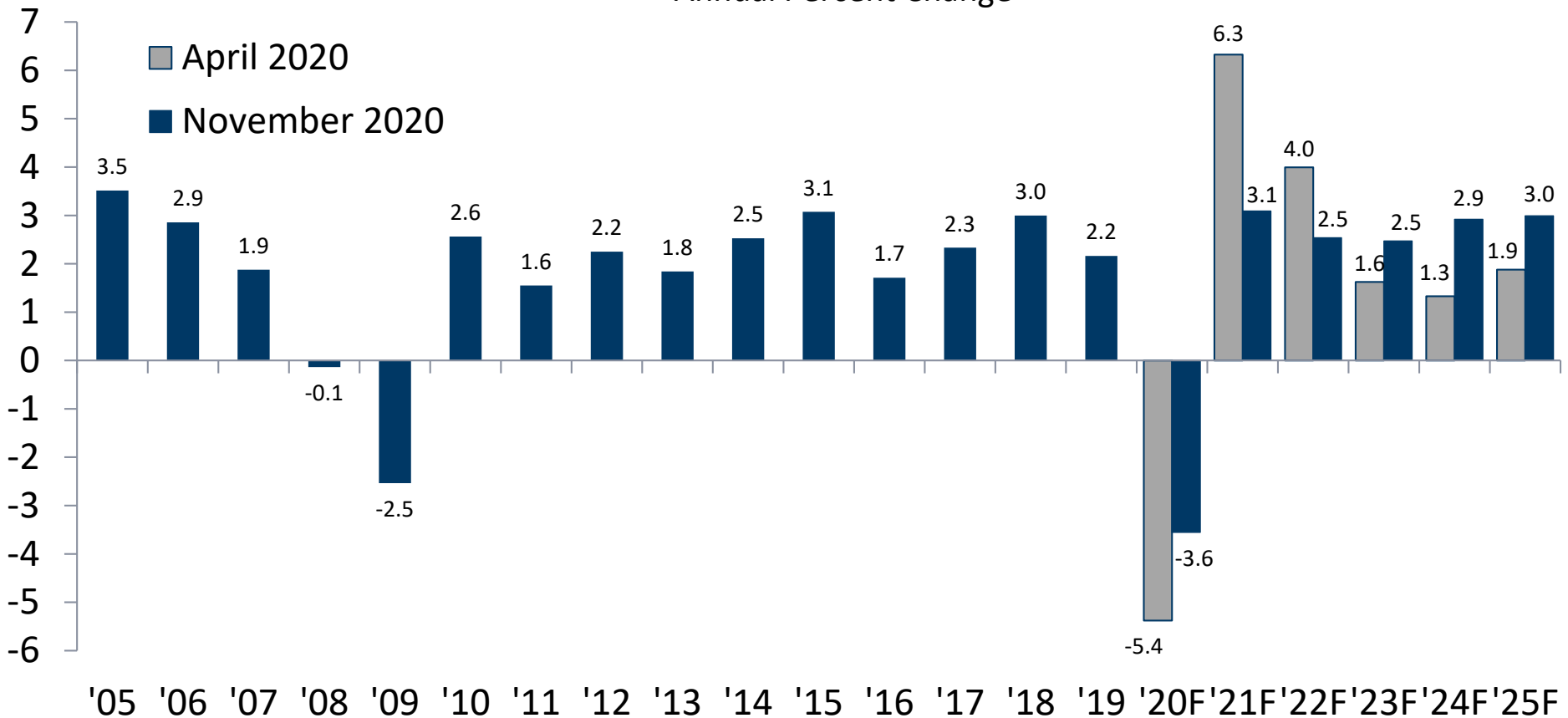
Economic Volatility Drives Revenue Forecast Changes



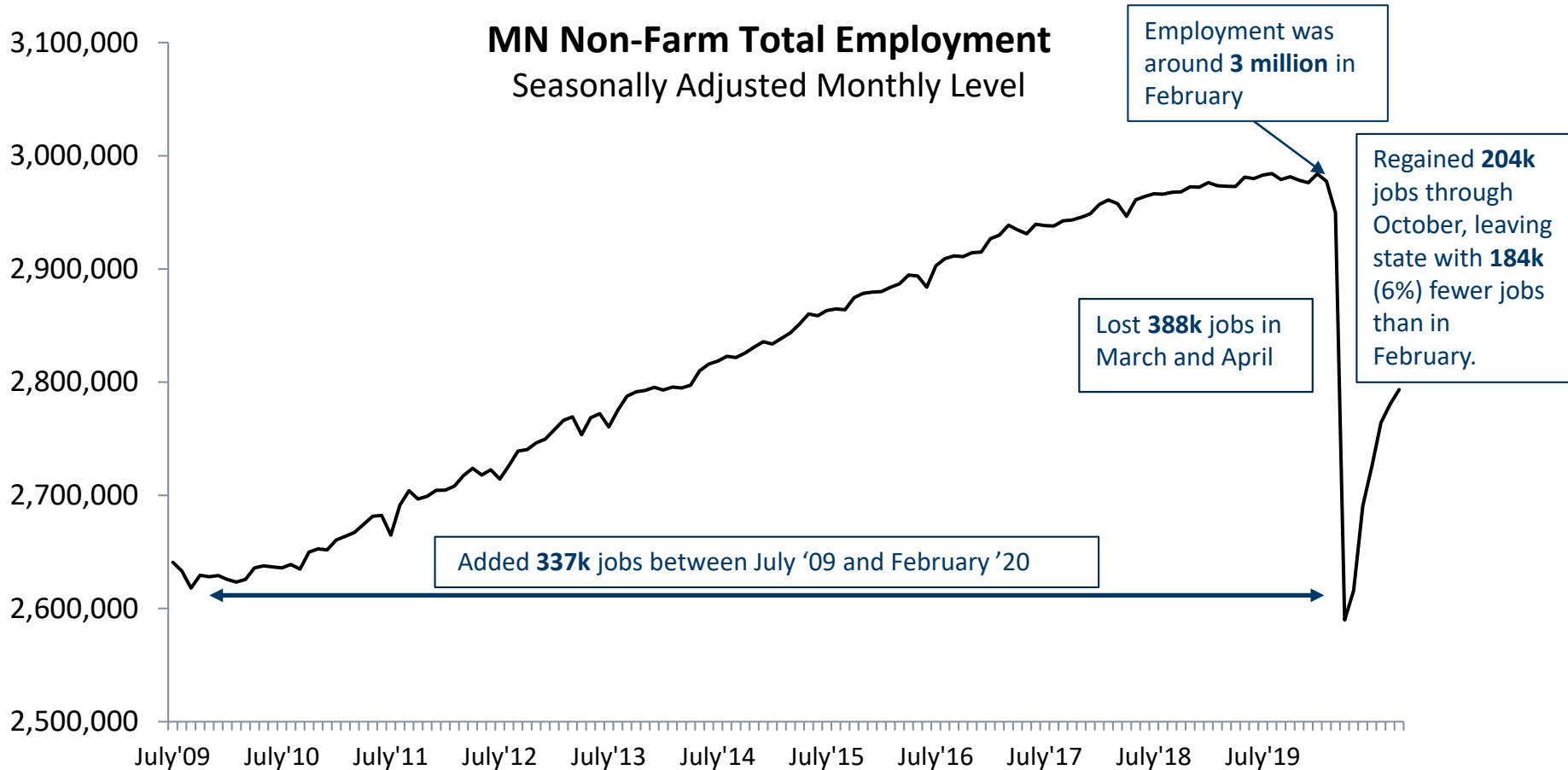
*Adjusted for legislative changes since May

U.S. Outlook Improved Since April

U.S. Real Gross Domestic Product Annual Percent Change

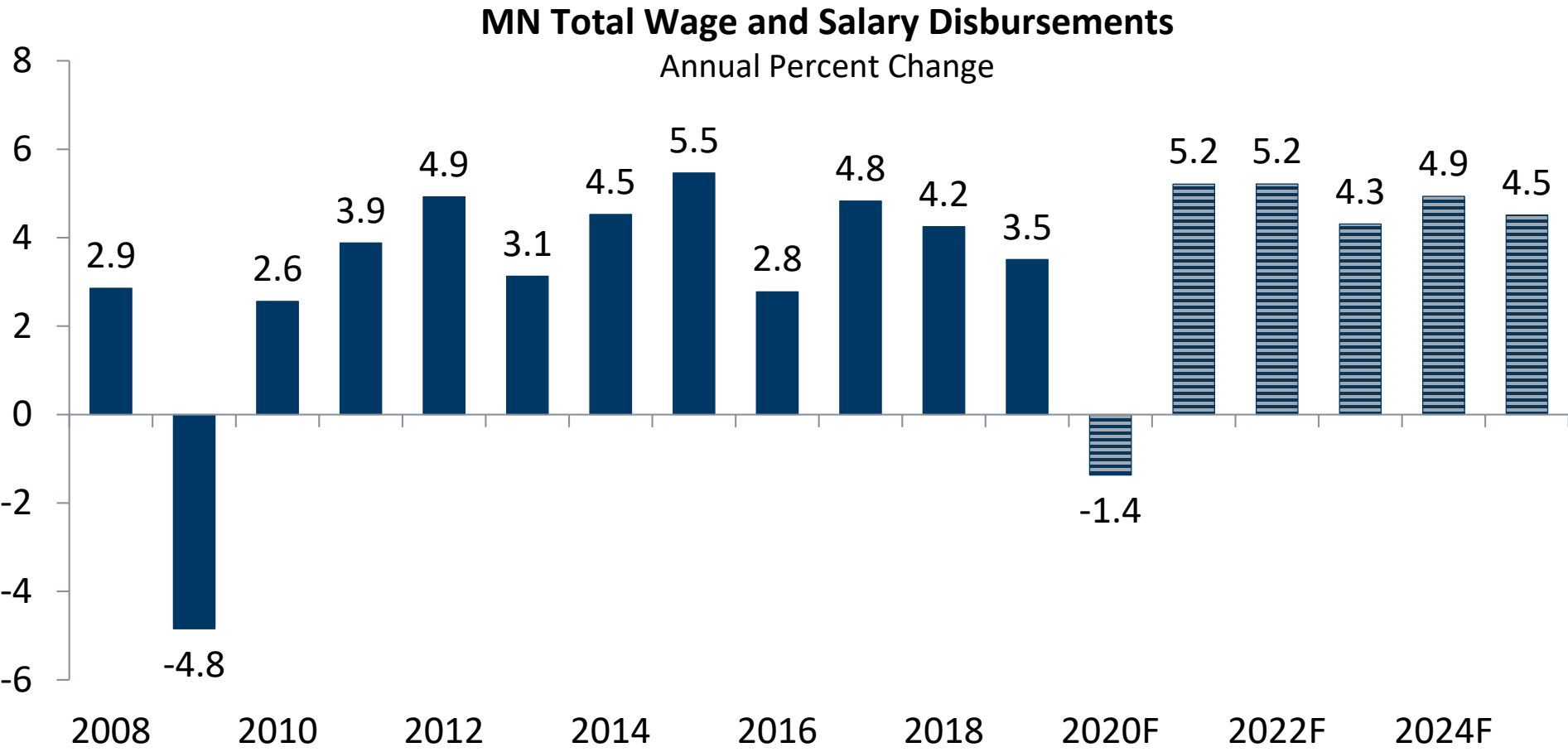


State Employment Lower than February



Source: MN Department of Employment and Economic Development (DEED), Current Employment Statistics (CES)

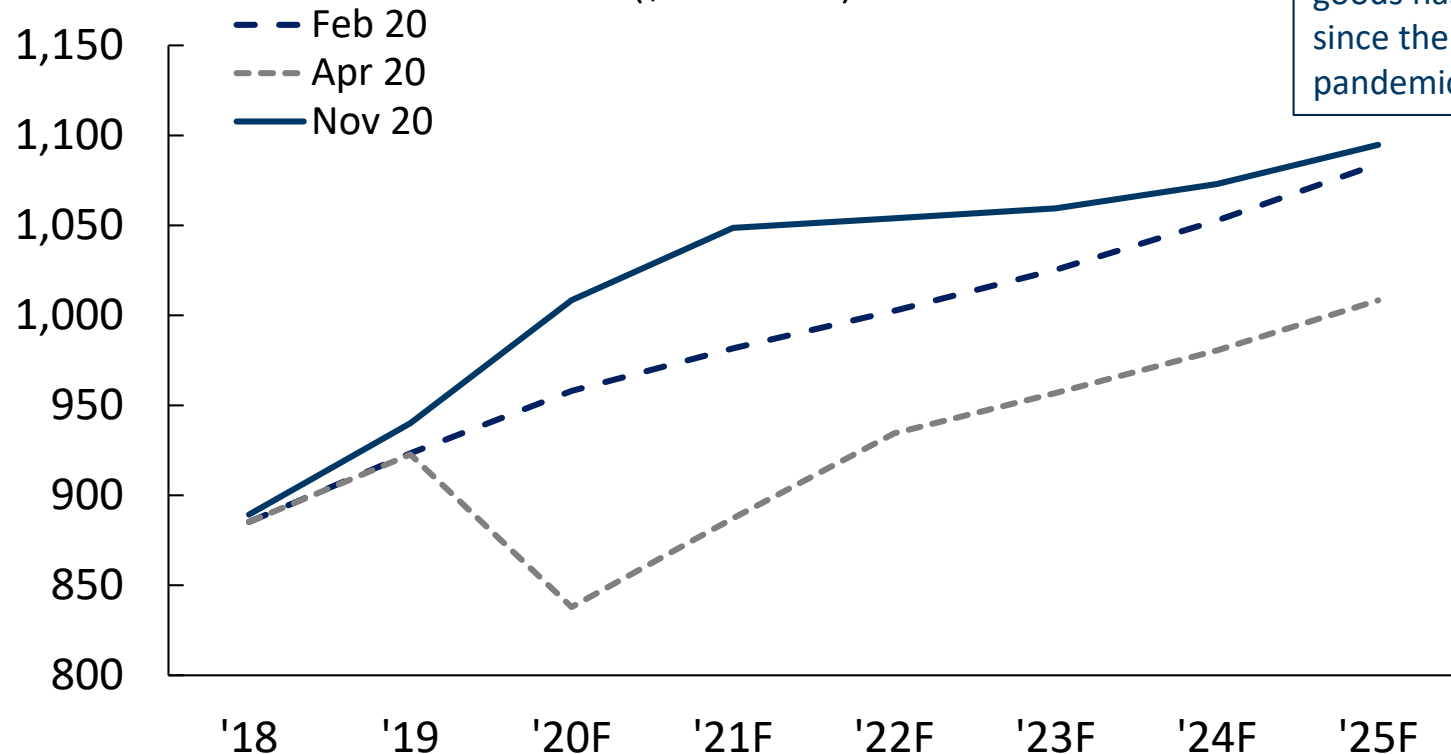
Minnesota Total Wage and Salary Income Expected to Decline this Year



Source: MN Management and Budget (MMB), U.S. Bureau of Economic Analysis (BEA)

Consumers Spending More than Expected on Taxable Goods

U.S. Consumer Spending on Durable Goods Excluding Auto and Medical Devices
(\$ in billions)



Consumer spending on goods has **increased** since the onset of the pandemic.

Revenue Forecast Improved from May Projection in FY 2020-21 and FY 2022-23

(\$ in millions)	FY 2020-21		FY 2022-23	
	Nov. 2020 Forecast	Forecast Change	Nov. 2020 Forecast	Forecast Change
Individual Income Tax	\$24,764	\$500	\$26,571	\$1,466
General Sales Tax	11,501	808	12,477	1,079
Corporate Franchise Tax	3,074	390	2,945	82
All Other Revenue	7,761	214	7,501	344
Total Revenues	\$47,100	\$1,912	\$49,494	\$2,970

Pandemic Adds to Forecast Risks

COVID-19

- Path of pandemic
- Timing of vaccine
- Pace of lifting restriction

Economic Uncertainty

- Consumer & business confidence
- Business survival
- Federal fiscal policy
- 30 months until end of FY22-23

Spending Forecast Reduced

(\$ in millions)	FY 2020-21		FY 2022-23	
	Nov. 2020 Forecast	Forecast Change	Nov. 2020 Forecast	Forecast Change
E-12 Education	\$19,881	\$(118)	\$20,591	\$(154)
Health and Human Services	13,772	(919)	16,507	(250)
All Other	13,975	(16)	14,012	(6)
Total Spending	\$47,627	\$(1,053)	\$51,110	\$(409)

Long Term Budget Outlook

(\$ in millions)	FY 2022-23	FY 2024-25	Biennial Growth	Annualized % Growth
Forecast Revenues	\$49,494	\$53,085	\$3,591	3.6%
Projected Spending	51,110	53,637	2,527	2.4%
Structural Balance	\$(1,616)	\$(552)		
<i>Estimated Inflation</i>	<i>\$1,303</i>	<i>\$2,915</i>		