



# **BUDGET** AND **ECONOMIC FORECAST**



**FEBRUARY 2021**

Produced by Minnesota Management and Budget

# Federal Actions Improve State Outlook

- Budget outlook significantly improved in all years; positive balance of \$1.6 billion now projected in FY 2022-23.
- Improved U.S. economic outlook, supported by federal pandemic relief legislation not in November forecast, raises the revenue forecast.
- State spending estimates adjusted downward due to continued federal support in Medical Assistance and lower E-12 estimates.
- Unemployment continues to disproportionately impact lower-wage workers.

# \$1.6 Billion Balance Projected for FY 22-23

(\$ in millions)	FY 2022-23		Forecast Change
	End of December Special Session	FY 2022-23 Feb. Forecast	
<b>Beginning Balance</b>	<b>\$3,202</b>	<b>\$3,748</b>	<b>\$546</b>
Revenues	49,494	50,917	1,423
Spending	51,113	50,657	(456)
Budget Reserve	1,886	1,886	-
Cash Flow Account	350	350	-
Stadium Reserve	230	201	(29)
<b>Budgetary Balance</b>	<b>\$(883)</b>	<b>\$1,571</b>	<b>\$2,454</b>

# FY 22-23 Budget Balance

Required Budget Reserve Use <b>\$491M</b>	Carry Forward from Previous Budget <b>\$940M</b>	Structural Balance (Revenue - Spending) <b>\$260M</b>
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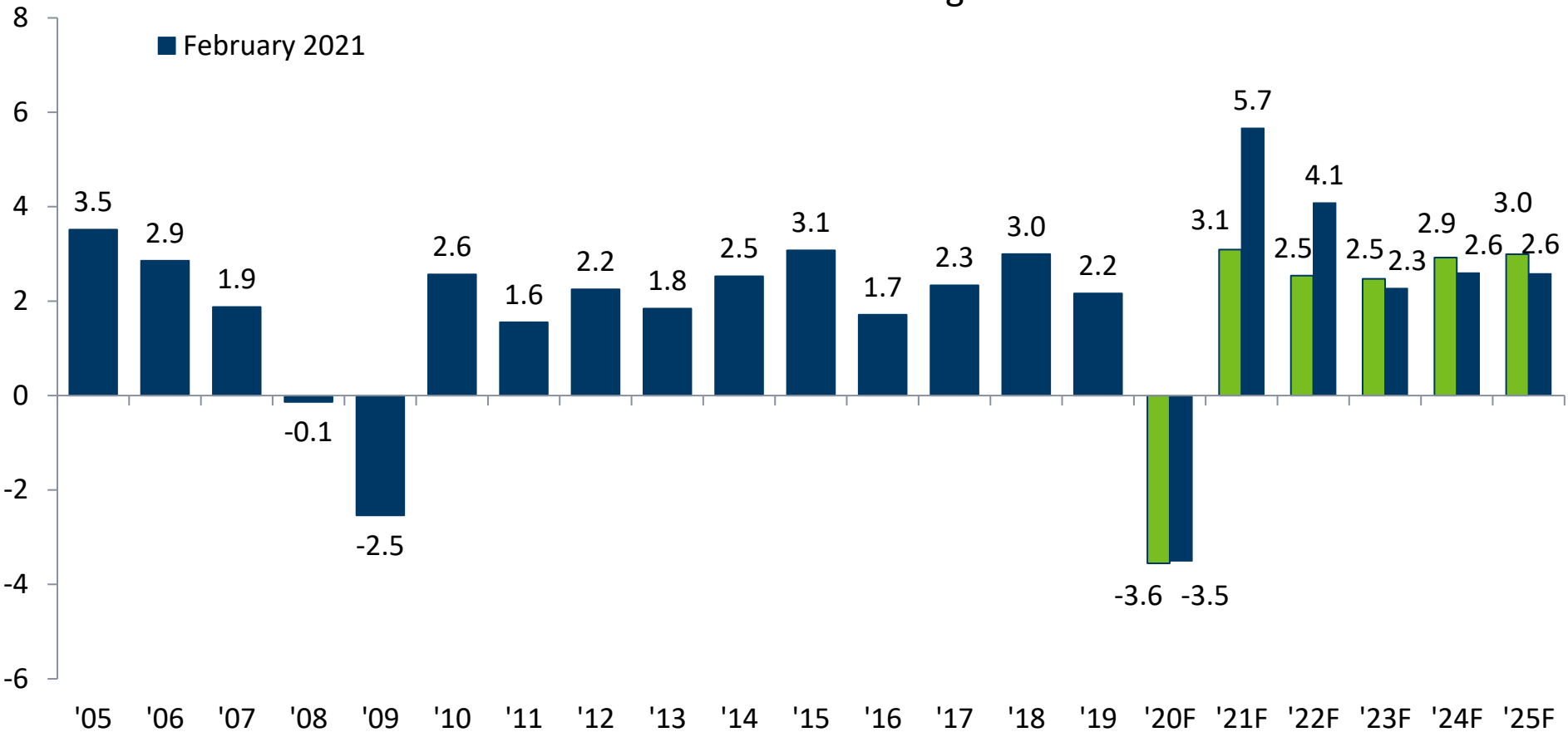
**\$120M**  
Stadium Reserve Growth

**\$1.57 Billion Available for FY 22-23**

# U.S. Outlook Improved Since November

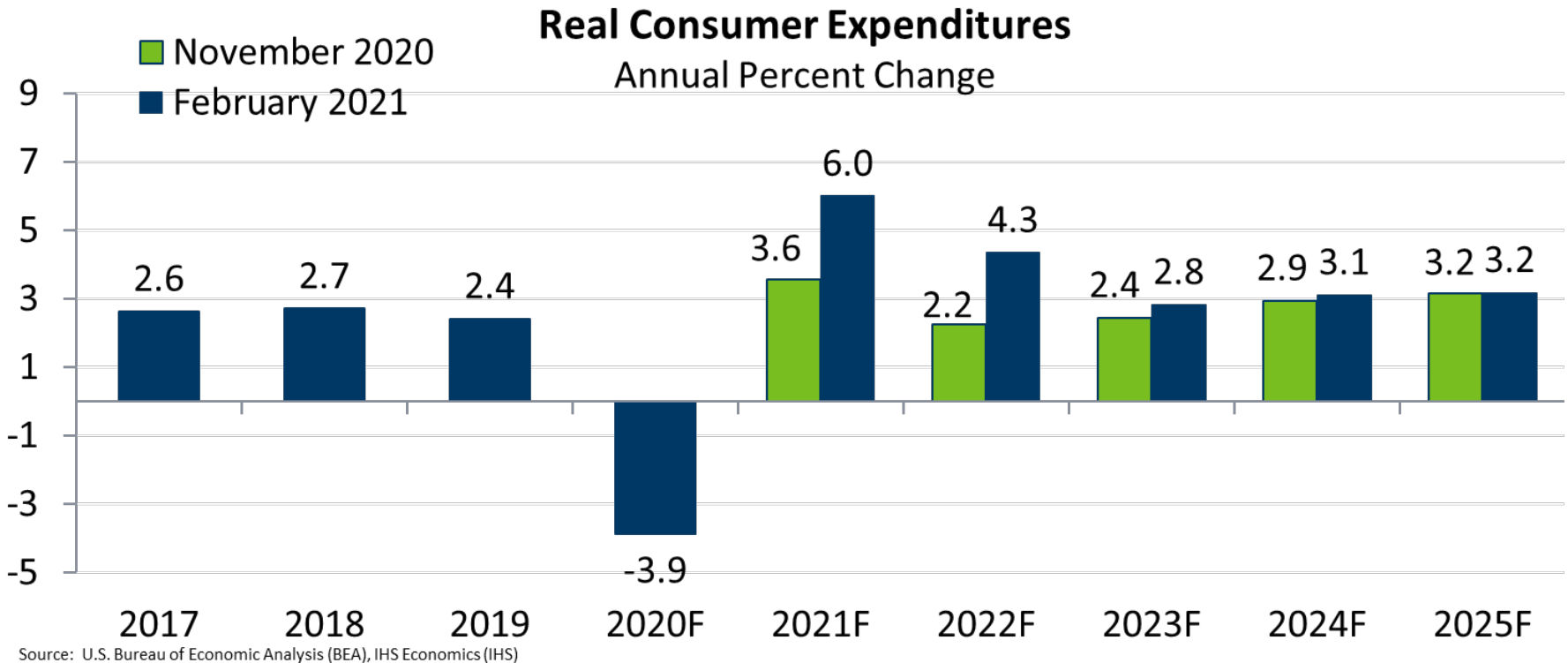
## U.S. Real Gross Domestic Product Annual Percent Change

■ November 2020  
■ February 2021



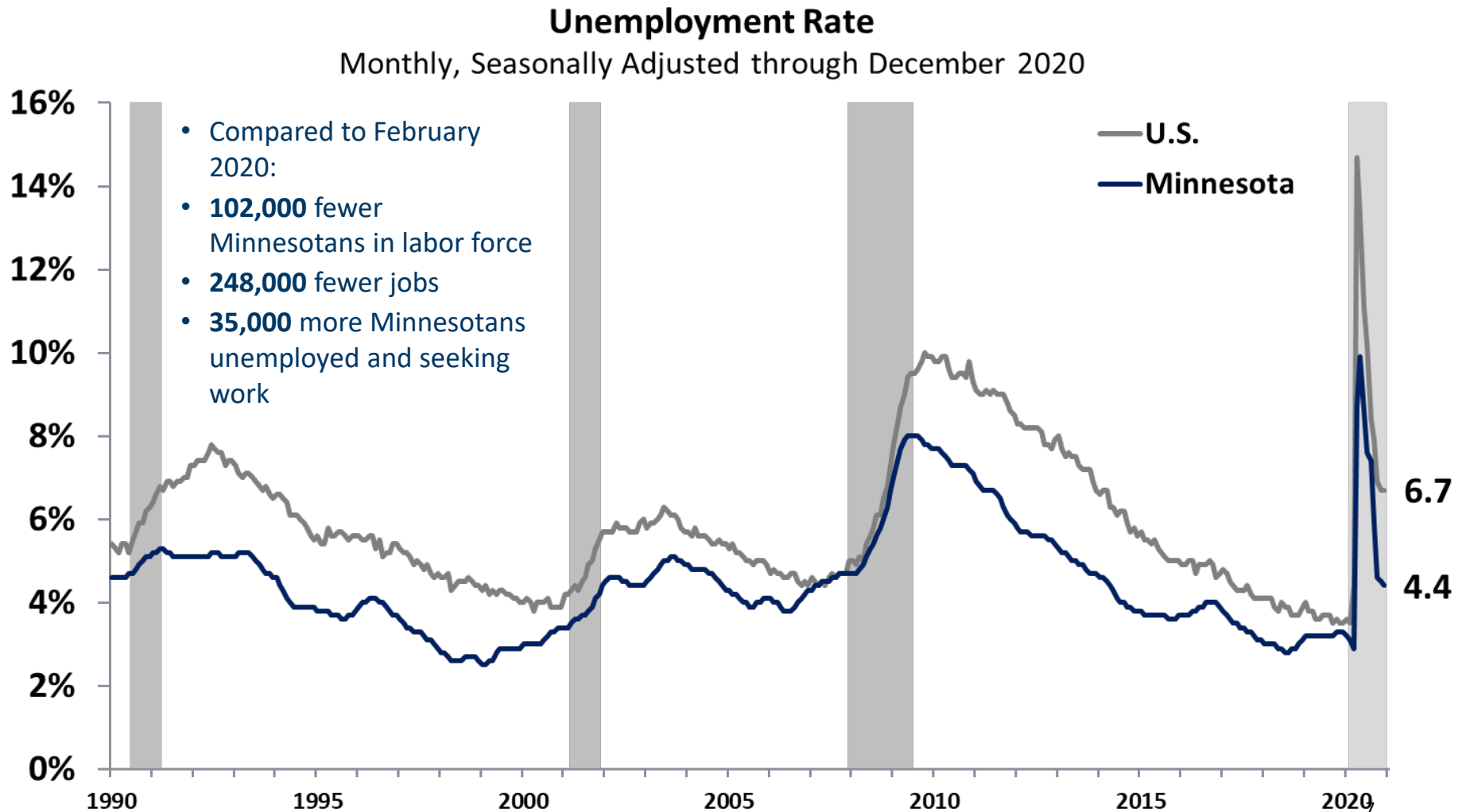
Source: U.S. Bureau of Economic Analysis (BEA), IHS Economics (IHS)

# Consumer Spending Supports Recovery

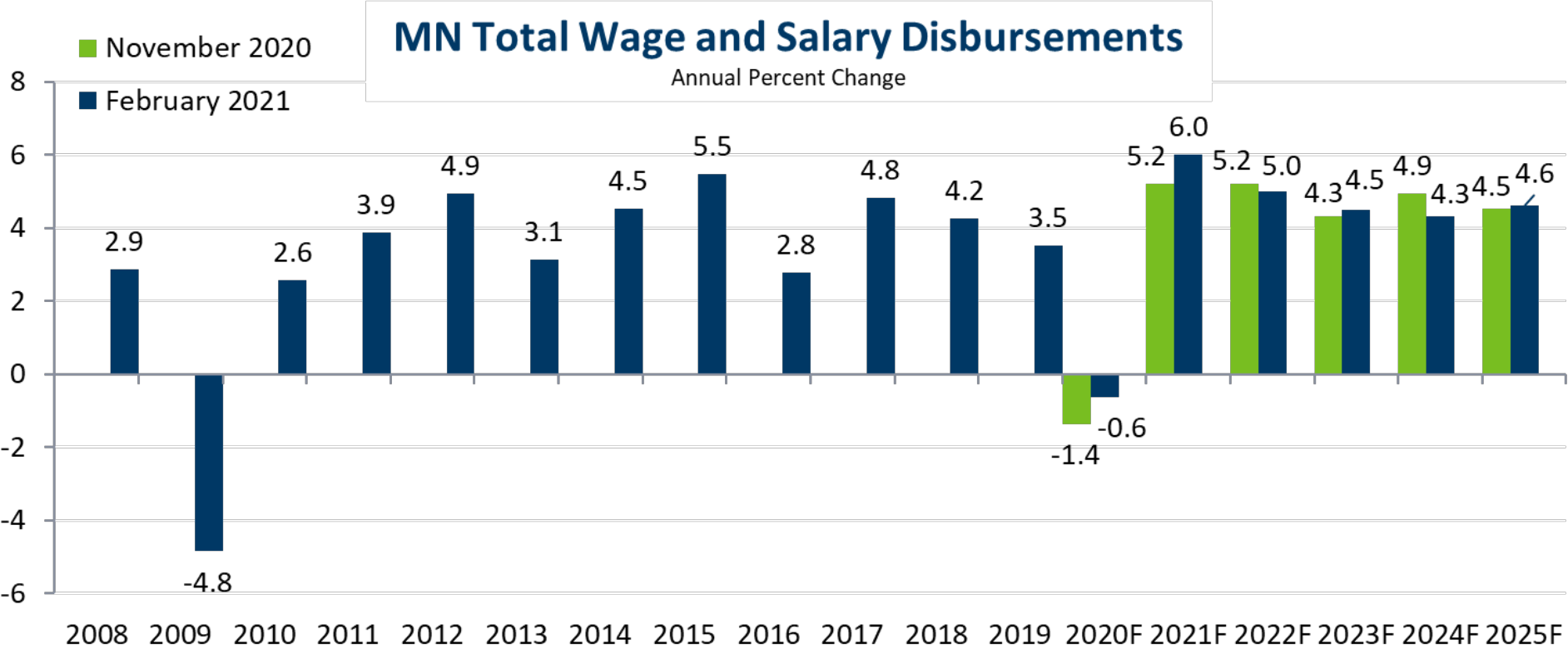


Additional stimulus and an improving COVID-19 situation prompted IHS to raise the forecast for real consumer spending.

# Minnesota Labor Market



# Minnesota Total Wage and Salary Income Expected to Increase this Year



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

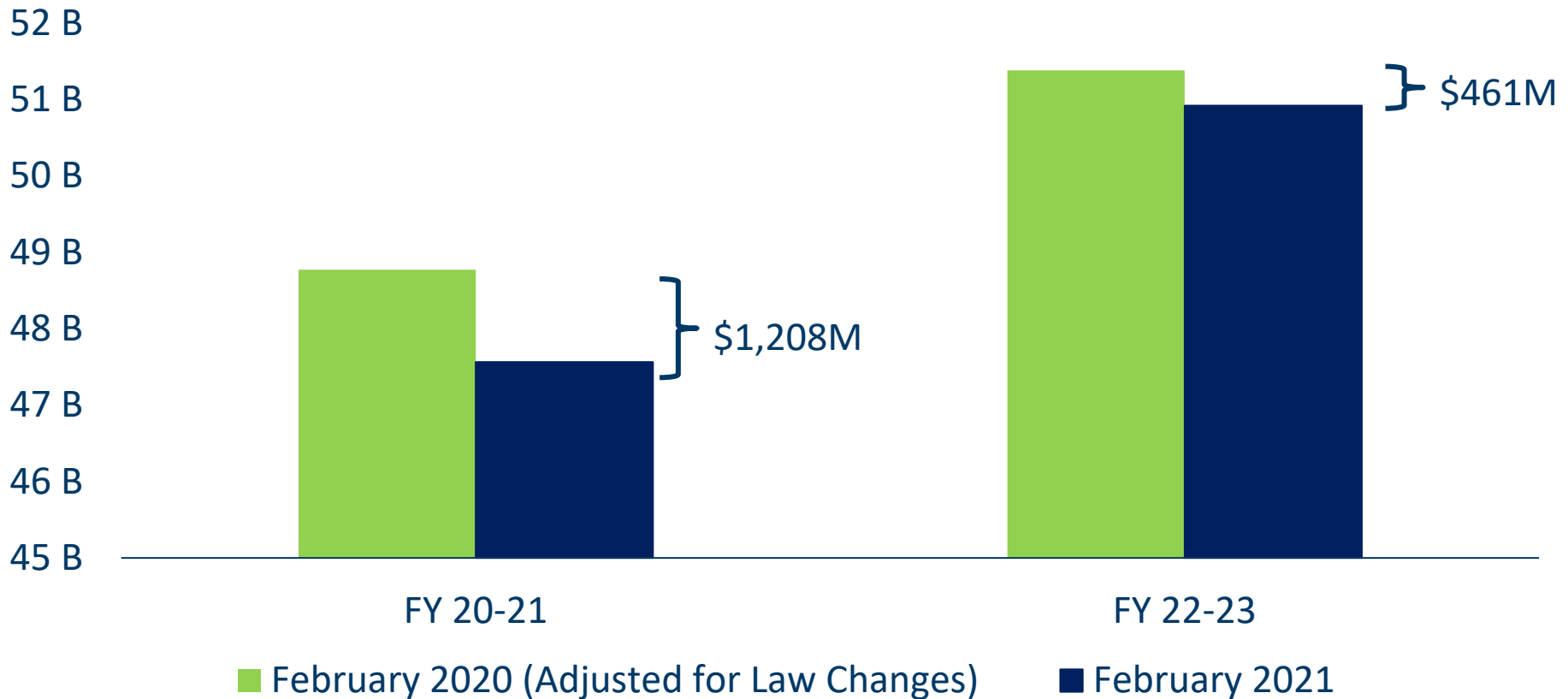
# Revenue Forecast Improved from November in FY 2020-21 and FY 2022-23

(\$ in millions)

	FY 2020-21		FY 2022-23	
	Feb. 2021 Forecast	Forecast Change	Feb. 2021 Forecast	Forecast Change
Individual Income Tax	\$24,664	\$(100)	\$27,233	\$661
General Sales Tax	11,578	77	12,813	335
Corporate Franchise Tax	3,312	238	3,303	358
All Other Revenue	8,009	248	7,568	68
<b>Total Revenues</b>	<b>\$47,563</b>	<b>\$463</b>	<b>\$50,917</b>	<b>\$1,423</b>

# Revenue Forecast Below February 2020 Levels

**Revenue Forecast**  
FY 2020-23; February 2020 vs. February 2021



# Forecast Risks



- Path of pandemic, timing of widespread vaccination



- Federal support



- Consumer behavior



- Business confidence



- Financial market volatility



- 28 months until the end of FY 22-23

# Spending Forecast Reduced

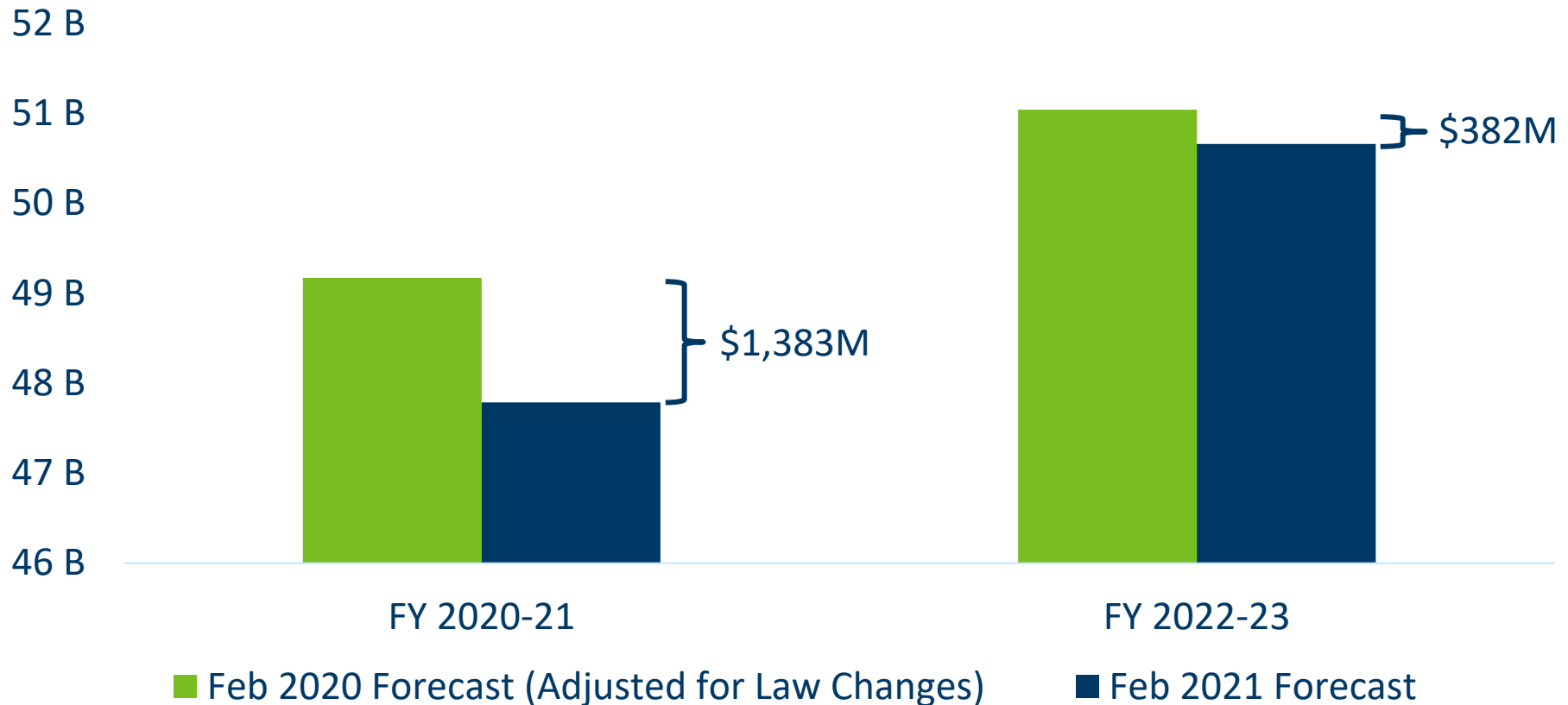
(\$ in millions)

	FY 2020-21		FY 2022-23	
	Feb. 2021 Forecast	Forecast Change	Feb. 2021 Forecast	Forecast Change
E-12 Education	\$19,842	\$(39)	\$20,429	\$(165)
Health and Human Services	13,718	(54)	16,250	(257)
All Other	14,226	9	13,978	(34)
<b>Total Spending</b>	<b>\$47,786</b>	<b>\$(83)</b>	<b>\$50,657</b>	<b>\$(456)</b>

# \$1.8 Billion in Forecast Savings Since Feb 2020

## Expenditure Forecast

FY 2020-23; February 2020 vs. February 2021



# Long Term Budget Outlook

(\$ in millions)	<b>FY 2022-23</b>	<b>FY 2024-25</b>	<b>Biennial Growth</b>	<b>Annualized % Growth</b>
Forecast Revenues	\$50,917	\$54,287	\$3,370	3.3%
Projected Spending	50,657	53,442	2,785	2.7%
Structural Balance	\$260	\$845		
<i>Estimated Inflation</i>	<i>\$1,042</i>	<i>\$2,554</i>		



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