



BUDGET AND **ECONOMIC FORECAST**



FEBRUARY 2022

Produced by Minnesota Management and Budget

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Statutory Provisions

In accordance with Minnesota Statutes, section 16A.103, subdivision 1, the commissioner of Minnesota Management and Budget (MMB) must prepare a forecast of state revenue and expenditures in February and November of each year. This forecast must assume the continuation of current laws and reasonable estimates of projected growth in the national and state economies and affected populations.

Revenue must be estimated for all sources provided for in current law. Expenditures must be estimated for all obligations imposed by law and those projected to occur as a result of variables outside the control of the legislature. Expenditure estimates must not include an allowance for inflation.

A forecast prepared during the first fiscal year of a biennium must cover that biennium and the next biennium. A forecast prepared during the second fiscal year of a biennium must cover that biennium as well as the next two bienniums.

Notes

Numbers in the text and tables may not add to the totals due to rounding.

Unless otherwise noted, years used to describe the budget outlook are state fiscal years (FY), from July 1 to June 30, and years used to describe the economic outlook are calendar years (CY).

Supplemental budget and economic forecast material is available on MMB's website (MN.GOV/MMB).

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EXECUTIVE SUMMARY

The Minnesota budget and economic outlook remains positive. A forecast improvement of \$1.507 billion for the current biennium leads to a revised projected general fund surplus of \$9.253 billion for FY 2022-23. A higher income, consumer spending, and corporate profit forecast results in an improved revenue projection while spending is slightly lower in E-12 education and Health and Human Services. The revenue and spending forecast changes are mostly one-time and the structural balance in the FY 2024-25 planning estimates remains positive and largely unchanged from November. Uncertainty due to inflation and geopolitical conflict pose risk to the budget and economic outlook.

U.S. Economic Outlook. The U.S. economy continues to recover from the two-month recession that was triggered by the outbreak of the COVID-19 pandemic in spring 2020. The January U.S. unemployment rate has fallen to a seasonally adjusted 4.0 percent, total employment has recovered to 98.1 percent of the pre-pandemic jobs numbers, and unemployment benefit claims have receded to 2019 levels. Home values, financial asset values, and corporate profits have all risen, and economic growth is forecast to continue. Nevertheless, significant challenges to the U.S. economic outlook remain. Inflation, supply chain disruptions, labor force participation, geopolitical conflict—including most prominently the Russian invasion of Ukraine—and the path of the pandemic all pose risks to the economic forecast.

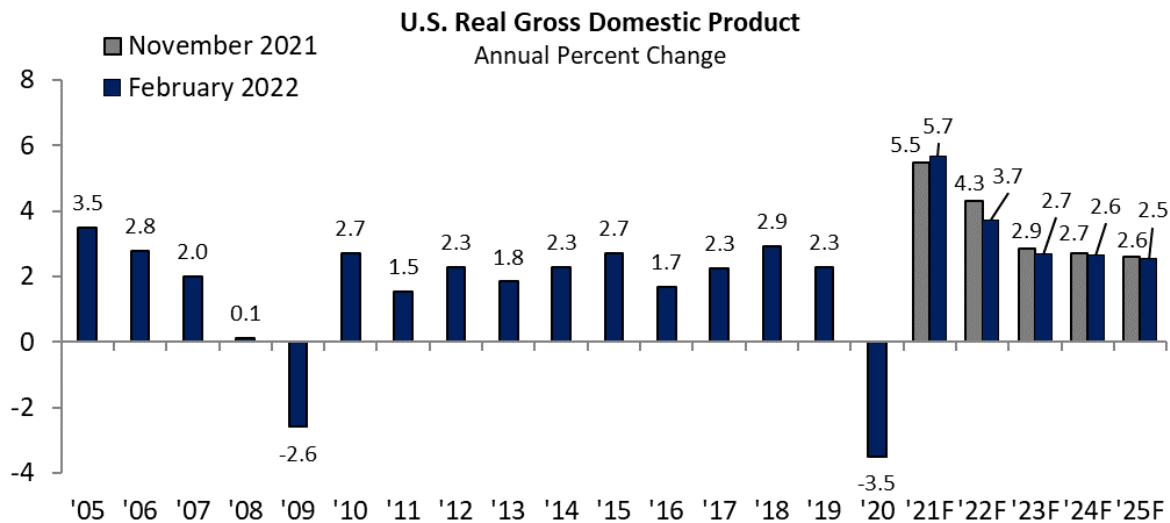
Since Minnesota's *Budget and Economic Forecast* was prepared in November 2021, the outlook for U.S. real GDP growth is higher in 2021 and lower this year and beyond. A pull-forward of inventory investment into the end of 2021 raised growth in 2021 and lowered growth in the first half of 2022. In addition, the winter Omicron wave of COVID-19 dampened consumer spending on services, slowing growth at the beginning of 2022. Consequently, Minnesota's macroeconomic consultant IHS Markit now estimates that U.S. real GDP grew 5.7 percent last year, faster than the 5.5 percent in their November outlook. They forecast real GDP to increase 3.7 percent in 2022, down from 4.3 percent in their November outlook. Growth is then expected to decelerate to 2.7 percent in 2023, down from 2.9 percent in November. Similarly, the growth forecasts for 2024 and 2025 are 2.6 and 2.5 percent respectively, each 0.1 percentage point lower than in November. Lower forecast growth in business investment in each year from 2023-2025 is a primary reason for lower real GDP growth in those years relative to IHS' November forecast.

Price inflation exceeded expectations in 2021, as demand recovered faster in some capacity-constrained sectors than supply could match. In December 2021, the seasonally adjusted Consumer Price Index (CPI) rose 7.1 percent over December 2020. This brought annual inflation to 4.7 percent, the highest annual reading since 1990 (when annual inflation was 5.4 percent) and above IHS' November forecast of 4.5 percent. Higher and more widespread inflation in 2021 has

raised expectations for price increases this year. For 2022, IHS now forecasts 4.5 percent inflation compared to 3.3 percent in November.

IHS expects inflation to be eased by the gradual resolution of supply-chain issues, a partial reversal last year’s surge in oil prices, a deceleration in food prices, consumer demand reverting to services, and rising U.S. labor force participation. They also assume that households and business-owners are confident in the Fed’s ability to control inflation with monetary policy. Consequently, IHS expects price increases to slow in the second half of this year, and they forecast CPI inflation of 1.9 percent in 2023 and 2.1 percent annually in both 2024 and 2025. Note, however, that the current IHS outlook was prepared early in February and does not reflect risks to energy prices, agricultural commodity prices, overall price inflation, and financial market volatility arising from the conflict between Russia and Ukraine and related sanctions against Russia.

In this outlook, IHS expects the Federal Reserve to act to raise interest rates in March 2022, one year earlier than in their November outlook. They assume four rate increases this year, raising the target range of the Fed’s policy interest rate—the federal funds rate—one percentage point above its current level.



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

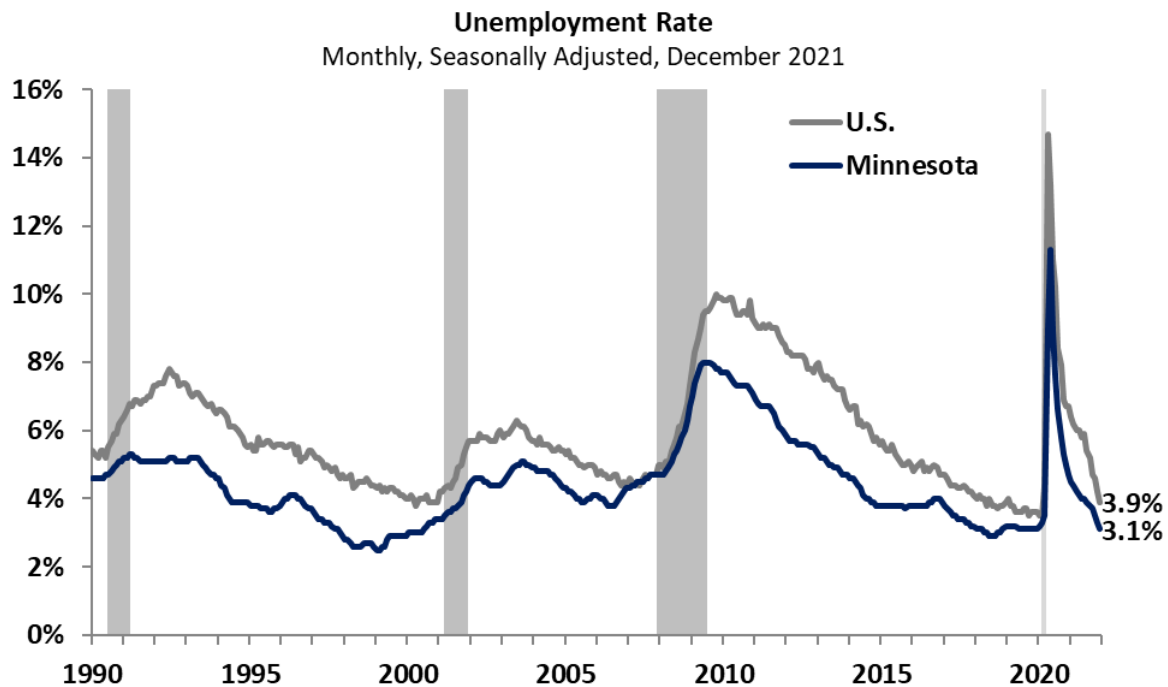
The outlook for U.S. real GDP growth has weakened since Minnesota’s Budget and Economic Forecast was prepared in November 2021. IHS now expects real GDP to increase 3.7 percent in 2022, down from 4.3 percent in their November outlook, followed by a deceleration to 2.7 percent in 2023, down from 2.9 percent in November. Despite the challenges currently facing the U.S. economy, IHS expects economic growth to persist through Minnesota’s planning horizon. They forecast annual real GDP growth to average 2.6 percent over 2023-2025.

IHS estimates that employment grew 2.8 percent in 2021, and now expect employment will grow 3.7 percent in 2022, lower than the 3.9 percent growth rate they assumed in their November outlook. They forecast annual employment growth will decelerate to 1.6 percent in 2023 and then grow less than one percent per year in 2024 and 2025. IHS expects payroll jobs to surpass pre-pandemic levels in mid-2022, the unemployment rate to fall to below 3.5 percent by mid-2022.

Firm wage growth and household wealth continue to support consumer spending in this forecast. Since federal stimulus payments to households have ended and UI benefits have decreased to

more typical levels, IHS expects wage and salary income to be the primary driver of personal income growth during the forecast period. IHS has increased their forecast for growth in total U.S. wage and salary disbursements in 2021 and 2022 relative to their November forecast. IHS now expects that wage and salary income grew 9.1 percent in 2021, a 1.1 percent change from the November forecast. Similarly, IHS now expects wage growth of 9.4 percent in 2022, a 1.5 percent increase from November. Strong wage and salary growth in 2021 and 2022 is expected to be followed by a slow deceleration through 2025, with growth of 5.8 percent in 2023, 4.9 percent in 2024, and 4.8 percent in 2025.

Minnesota Economic Outlook. Minnesota’s economy continues to recover from the recession initiated by the COVID-19 pandemic in 2020. The economic downturn that began in February of 2020 and ended two months later in April brought severe disruptions to Minnesota’s economy. The state experienced job and wage income losses and a reduced labor force. Since then, Minnesota’s economy has substantially improved. Through December, the state’s unemployment rate has fallen to 3.1 percent, the lowest since December 2019, and total employment has risen to 96.4 percent of the pre-pandemic level. In this forecast, a strong U.S. outlook for consumer spending growth, wage and salary growth, and near-term employment growth supports our expectation of positive Minnesota employment, wage, and income growth through our forecast period. Minnesota’s economic outlook is informed by the IHS forecasts for both the U.S. and for Minnesota, data from the Minnesota Department of Economic and Employment Development (DEED), and Minnesota tax revenues.



Source: MN Department of Employment and Economic Development (DEED)

In December 2021, the state’s unemployment rate fell to 3.1 percent on a seasonally adjusted basis, a return to the state’s pre-pandemic rate and 0.9 percentage points below the U.S. December unemployment rate of 3.9 percent. The unemployment rate does not capture Minnesotans that have left the labor force, including retirements or those who opted to stay home to care for children. Since the onset of the pandemic, Minnesota’s labor force has fallen by 87,000.

In March and April 2020, as the pandemic was taking hold, Minnesota lost 416,300 jobs, approximately 14 percent of February 2020 employment. Through December 2021, 307,400 (74 percent) of the jobs originally lost have been recovered, leaving Minnesota's employment levels 108,900 (3.6 percent) lower than in February 2020.

In December 2021, the state's unemployment rate fell to 3.1 percent on a seasonally adjusted basis, a return to the state's pre-pandemic rate and 0.8 percentage points below the U.S. unemployment rate of 3.9 percent in December. The unemployment rate does not capture Minnesotans that have left the labor force, including retirements or those who opted to stay home to care for children. Since the onset of the pandemic, Minnesota's labor force has fallen by 87,000. This decline in the labor force can also be seen in the labor force participation rate, the share of the over-16 population that is either working or looking for work. As of December 2021, Minnesota's labor force participation rate was 67.7 percent, 0.7 percentage points lower than a year ago and 2.5 percentage points lower than in February 2020. Minnesota's labor force participation rate remains 5.8 percentage points above the U.S. December rate and the sixth highest among U.S. states.

In this forecast we expect Minnesota employment growth of 3.4 percent in 2022 and 1.5 percent in 2023, before decelerating to an average of 0.8 percent in 2024 and 2025. In this forecast we expect employment in the state to return to pre-pandemic levels in mid-2023.

An important variable influencing Minnesota's individual income tax liability is total wage and salary income, estimated to account for 69 percent of federal adjusted gross income for Minnesota residents in 2021. We now estimate that total wage income, the sum of all wages distributed in the state, increased 8.4 percent in 2021, the highest year over year increase in Minnesota wage and salary income since 1998. We expect strong wage growth to continue at a rate of 8.2 percent in 2022, and then decelerate to 5.2 percent in 2023, and 4.6 and 4.4 percent in 2024 and 2025, respectively.

Budget Outlook: Current Biennium. When the last *Budget and Economic Forecast* was released in November 2021, a general fund surplus of \$7.746 billion was projected for the current biennium. Stronger revenue growth and lower spending estimates, partially offset by growth in the stadium reserve, result in a \$1.507 billion improvement to the bottom line. With this release, the FY 2022-23 biennium is now projected with end with a general fund surplus of \$9.253 billion.

**Current Biennium: FY 2022-23 General Fund Budget
Forecast Comparison**

(\$ in millions)	November 2021 Forecast	February 2022 Forecast	\$ Change	% Change
Beginning Balance	\$7,026	\$7,026	\$ -	0.0%
Revenues	56,037	57,289	1,154	2.2
Expenditures	51,999	51,729	(270)	(0.5)
Budget Reserve	2,656	2,656	-	
Cash Flow Account	350	350	-	
Stadium Reserve	312	327	15	
Forecast Balance	\$7,746	\$9,253	\$1,507	

Revenues. Total general fund revenues for FY 2022-23 are now forecast to be \$57.289 billion, \$1.252 billion (2.2 percent) more than the November 2021 forecast. Total tax revenues for the biennium are forecast to be \$54.594, \$1.154 billion (2.2 percent) above the prior estimate. The forecasts for all major tax types are higher than in November.

**Current Biennium: FY 2022-23 General Fund Revenues
November 2021 vs. February 2022 Forecast Comparison**

(\$ in millions)	November 2021 Forecast ¹	February 2022 Forecast	\$ Change	% Change
Individual Income Tax	\$29,676	\$30,174	\$498	1.7%
General Sales Tax	13,611	13,822	212	1.6
Corporate Franchise Tax	4,103	4,427	324	7.9
State General Property Tax	1,538	1,536	(2)	(0.2)
Other Tax Revenue	4,511	4,635	123	2.7
Total Tax Revenues	\$53,440	54,594	1,154	2.2%
Non-Tax Revenues	1,529	1,627	98	6.4
Other Resources	1,068	1,068	0	0.0
Total Revenues	\$56,037	\$57,289	\$1,252	2.2%

¹ The November forecast for FY 2022-23 has been adjusted to include all S-Corp receipts, which are now predominantly Pass-Through Entity Tax receipts, in Individual income tax. This adjustment will also be made moving forward.

Minnesota individual income tax receipts are now forecast to be \$498 million (1.7 percent) more than the November forecast adjusted for law changes. Of that change, 70 percent occurs in FY 2022. The increase is due to a higher forecast growth in wage and non-wage income, which offset a lower estimate of estimate of base year tax liability.

Net general sales tax revenue in FY 2022-23 is now forecast to be \$212 million (1.6 percent) more than the prior estimate. Both a \$210 million increase in forecast gross sales tax receipts and a \$2 million reduction in expected refunds contribute to the change.

The increased forecast for gross sales tax receipts reflects higher than expected gross receipts so far in FY 2022 and a higher forecast for taxable sales compared to November. Using forecasts for spending on a wide range of taxable goods and services, we construct the Minnesota synthetic sales tax base, a proxy for the actual sales tax base. In this forecast, the synthetic base is expected to grow 0.9 percentage points faster in FY 2022 than in November. Off this higher base, we expect the synthetic sales tax base to grow 0.4 percentage points more in FY 2023 than we forecast in November.

The corporate franchise tax is forecast to generate \$4.427 billion in FY 2022-23, \$324 million (7.9 percent) more than the prior estimate. The forecast change is due to both a higher base of corporate receipts and higher expected growth in corporate profits.

Expenditures. Spending estimates for the FY 2022-23 biennium are slightly lower than the November forecast. Expenditures in the current biennium are now expected to be \$51.729 billion, a reduction of \$270 million (0.5 percent). The decrease is primarily driven by changes in E-12

education spending due to lower than projected pupil counts and decreases in special education transportation costs. Health and human services spending is also lower than in the November forecast. An additional quarter of enhanced federal match, due to an extension in the federal public health emergency, is projected to decrease Medical Assistance expenditures.

**Current Biennium: FY 2022-23 General Fund Expenditures
Forecast Comparison**

(\$ in millions)	November 2021 Forecast	February 2022 Forecast	\$ Change	% Change
E-12 Education	\$20,661	\$20,503	\$(158)	(0.8) %
Property Tax Aids & Credits	4,169	4,154	(15)	(0.4)
Health & Human Services	16,410	16,302	(108)	(0.7)
Debt Service	1,199	1,197	(2)	(0.2)
All Other	9,562	9,574	12	0.1
Total Expenditures	\$51,999	\$51,729	\$(270)	(0.5) %

Reserves. The general fund budget reserve balance remains at \$2.656 billion with this release. In November, the budget reserve was increased according to statutorily required allocations so that it met the statutory target of 4.8 percent of general fund non-dedicated revenue for the current biennium. With the increased revenue forecast, the budget reserve target level is now \$2.698 billion. While the current reserve balance is now \$42 million below the target level, statutory allocations do not occur with the February forecast. If the November 2022 *Budget and Economic Forecast* projects a surplus, the first 33 percent of the balance will be allocated to the budget reserve until it reaches its target level.¹

The stadium reserve balance is expected to be \$327 million by the end of the biennium and is estimated to grow to \$581 million by the end of FY 2025. The balance is higher in each year due to a higher lawful gambling tax forecast. The cash flow account remains at the November level, \$350 million.

Budget Outlook: Planning Estimates. Out-year planning estimates are based on current law revenues and expenditures. These estimates inherently carry a higher degree of uncertainty than estimates for FY 2022-23. Revenue projections for FY 2024-25 are based on IHS's February Baseline forecast for the planning years. Expenditure projections assume that current law funding levels and policies continue unchanged, adjusted for caseload and enrollment changes authorized in law, as well as formula-driven growth. The expenditure forecast does not assume cost growth outside of a few specific budget areas where assumptions for price increases or market conditions are specified by statute.

¹ The general fund budget reserve target and forecast allocation is established according to Minnesota Statutes 16A.152. The target is a percentage of general fund non-dedicated revenue established in an [annual report](#) published by Minnesota Management and Budget that examines revenue volatility. Given that the target is a percentage of non-dedicated revenue, the target *level* will change as the revenue forecast changes.

**Planning Horizon: General Fund Budget
By Biennium, FY2022-25, February 2022 Forecast**

(\$ in millions)	FY 2022-23	FY 2024-25	\$ Change	Annual % Change
Forecast Revenues	\$57,289	\$60,596	\$3,307	2.8%
Projected Spending	51,729	54,307	2,578	2.5%
Difference	\$5,560	\$6,289		
<i>Estimated Inflation (CPI)²</i>		<i>\$1,090</i>		

To highlight structural balance, the table shows forecast revenues and projected spending and excludes the impact of balances from prior years and reserves. In the FY 2024-25 biennium forecast revenue is expected to exceed base level spending by \$6.289 billion.

Projected inflationary growth based on the Consumer Price Index is now forecast to be 2.1 percent per year in FY 2024 and FY 2025. After adjusting for programs with price increases included in the current law formula, applying the annual inflation rate – compounded over 2 years – would add approximately \$1.090 billion in spending pressure to the FY 2024-25 biennium.

Since the biennial budget was enacted for the current biennium in the summer of 2021, the IHS forecast for inflation in FY 2021-23 has significantly increased. The standard methodology used to calculate inflation in this document accounts for projected inflationary *growth* into the planning estimates (FY 2024-25) but does not factor in any changes in inflation for the current biennium since the budget for FY 2022-23 was enacted. The current circumstance, in which inflation in the current biennium is materially higher than when the budget was enacted, could result in state agencies and programs experiencing inflationary cost pressures that current appropriation levels do not anticipate.

Planning estimates are not intended to predict surpluses or deficits two or more years into the future; rather, their purpose is to assist in determining how closely ongoing expenditures are likely to match future revenues based on trends in the economy and the level of spending that is needed to maintain programs and services. The FY 2024-25 planning estimates provide an important baseline against which the longer-term impacts and affordability of budget decisions can be measured.

² Inflation calculation grows the estimated general fund spending base in each year by the projected CPI growth rate after removing special education, debt service, property tax refunds, and the state share for managed and long term care.



ECONOMIC OUTLOOK

U.S. Economic Outlook

The U.S. economy continues to recover from the two-month recession that was triggered by the outbreak of the COVID-19 pandemic in spring 2020. Through January 2022, the U.S. unemployment rate has fallen to a seasonally adjusted 4.0 percent, total employment has recovered to 98.1 percent of the pre-pandemic jobs numbers, and unemployment benefit claims have receded to 2019 levels. Home values, financial asset values, and corporate profits have all risen, and economic growth is forecast to continue. Nevertheless, significant challenges to the U.S. economic outlook remain. Inflation, supply chain disruptions, labor force participation, geopolitical conflict—including most prominently the war between Ukraine and Russia—and the path of the pandemic all pose risks to the economic forecast.

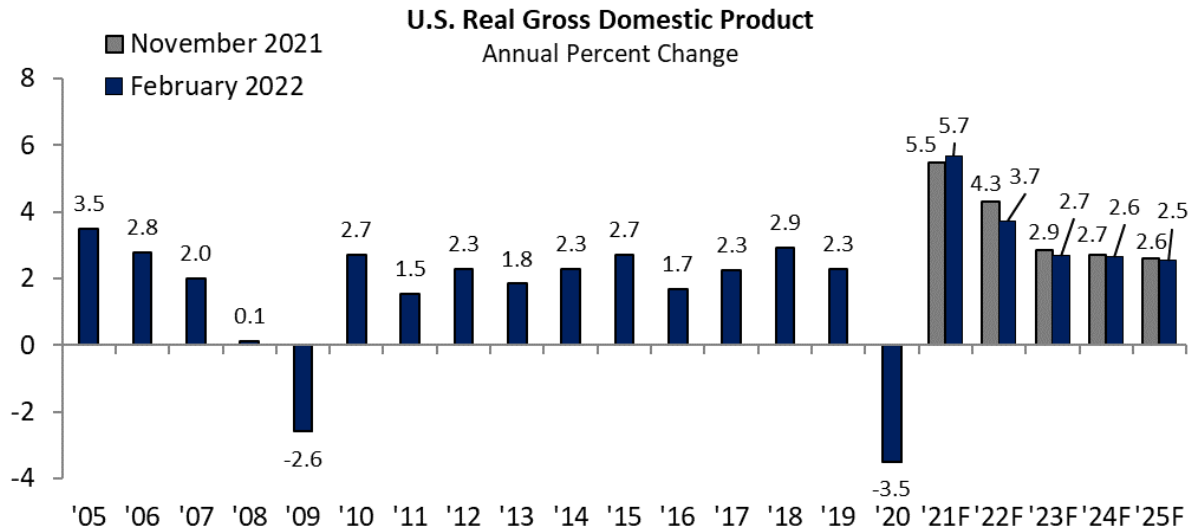
Since Minnesota's *Budget and Economic Forecast* was prepared in November 2021, the outlook for U.S. real GDP growth is higher in 2021 and lower this year and beyond. A pull-forward of inventory investment into the end of 2021 raised growth in 2021 and lowered growth in the first half of 2022. In addition, the winter Omicron wave of COVID-19 dampened consumer spending on services, slowing growth at the beginning of 2022. Consequently, Minnesota's macroeconomic consultant IHS Markit now estimates that U.S. real GDP grew 5.7 percent last year, faster than the 5.5 percent in their November outlook. They forecast real GDP to increase 3.7 percent in 2022, down from 4.3 percent in their November outlook. Growth is then expected to decelerate to 2.7 percent in 2023, down from 2.9 percent in November. Similarly, the growth forecasts for 2024 and 2025 are 2.6 and 2.5 percent respectively, each 0.1 percentage point lower than in November. Lower forecast growth in business investment in each year from 2023-2025 is a primary reason for lower real GDP growth in those years relative to IHS' November forecast.

Price inflation exceeded expectations in 2021, as demand recovered faster in some capacity-constrained sectors than supply could match. In December 2021, the seasonally adjusted Consumer Price Index (CPI) rose 7.1 percent over December 2020. This brought annual inflation to 4.7 percent, the highest annual reading since 1990 (when annual inflation was 5.4 percent) and above IHS' November forecast of 4.5 percent. Higher and more widespread inflation in 2021 has raised expectations for price increases this year. For 2022, IHS now forecasts 4.5 percent inflation compared to 3.3 percent in November.

IHS expects inflation to be eased by the gradual resolution of supply-chain issues, a partial reversal last year's surge in oil prices, a deceleration in food prices, consumer demand reverting to services, and rising U.S. labor force participation. They also assume that households and business-owners are confident in the Fed's ability to control inflation with monetary policy. Consequently, IHS expects price increases to slow in the second half of this year, and they forecast CPI inflation

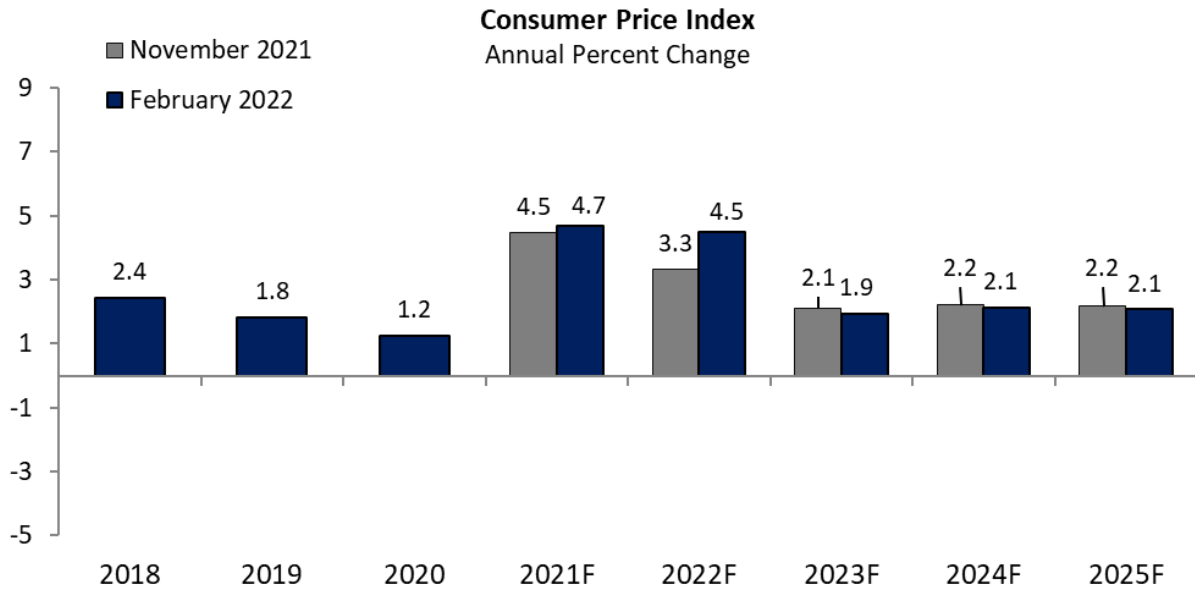
of 1.9 percent in 2023 and 2.1 percent annually in both 2024 and 2025. Note, however, that the current IHS outlook was prepared early in February and does not reflect risks to energy prices, agricultural commodity prices, overall price inflation, and financial market volatility arising from the conflict between Russia and Ukraine and related sanctions against Russia.

In this outlook, IHS expects the Federal Reserve to act to raise interest rates in March 2022, one year earlier than in their November outlook. They assume four rate increases this year, raising the target range of the Fed’s policy interest rate—the federal funds rate—one percentage point above its current level.



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

The outlook for U.S. real GDP growth has weakened since Minnesota’s Budget and Economic Forecast was prepared in November 2021. IHS now expects real GDP to increase 3.7 percent in 2022, down from 4.3 percent in their November outlook, followed by a deceleration to 2.7 percent in 2023, down from 2.9 percent in November. Despite the challenges currently facing the U.S. economy, IHS expects economic growth to persist through Minnesota’s planning horizon. They forecast annual real GDP growth to average 2.6 percent over 2023-2025.

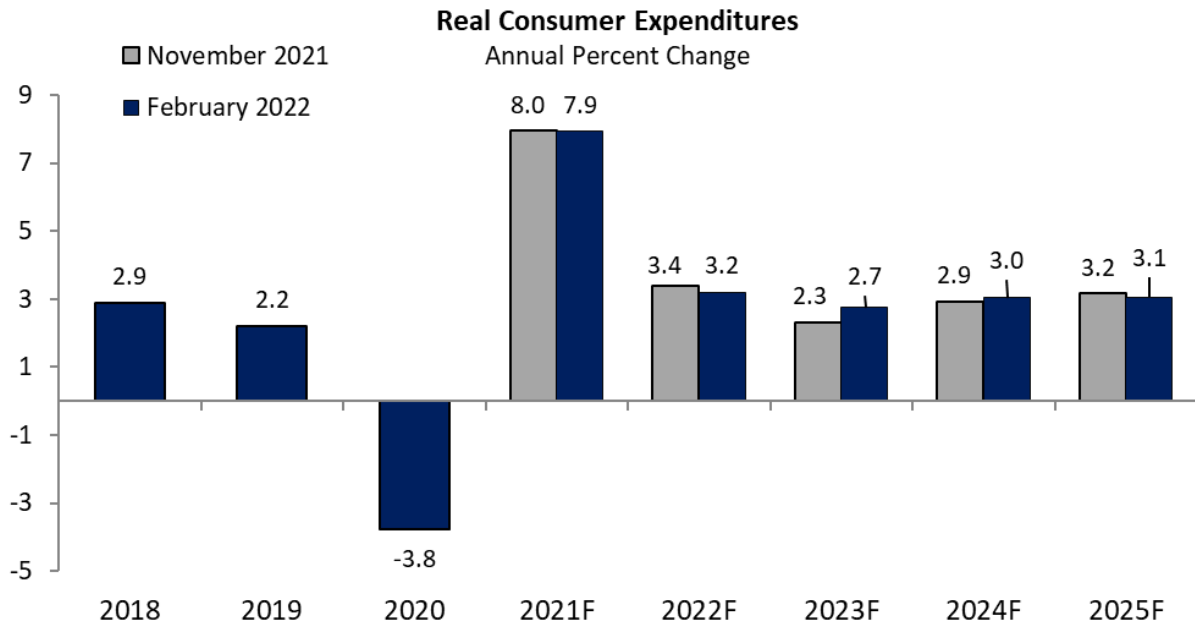


Source: U.S. Bureau of Economic Analysis (BEA), IHS Economics (IHS)

Consumer Price Index (CPI) inflation registered 4.7 percent in 2021, up from 4.5 percent in IHS' November outlook. For 2022, IHS now expects 4.5 percent inflation compared to 3.3 percent in February. IHS expects the gradual resolution of supply-chain issues, a partial reversal in the recent surge in oil prices, a deceleration in food prices, and a rising U.S. labor force participation rate to ease inflation. They forecast CPI inflation of 1.9 percent in 2023 and 2.1 percent annually in both 2024 and 2025.

Federal Fiscal Policy. The February IHS forecast reflects the impact of all federal relief packages enacted in 2020 as well as the \$1.9 trillion American recovery Plan (ARP) enacted in March 2021 and the Infrastructure Investment and Jobs Act (IIJA) signed into law in November 2021. IHS has not included any elements of the Build Back Better (BBB) reconciliation bill in either the baseline forecast or the alternative scenarios forecasts.

Real Consumer Spending. According to the first estimate from the Bureau of Economic Analysis (BEA), real personal consumption expenditures grew 7.9 percent in 2021, slightly below IHS' November forecast of 8.0 percent. IHS expects consumer spending growth to decelerate to a sustainable pace of 3.2 percent in 2022 and then average 2.9 percent from 2023-2025. This deceleration is partially the result of an end to federal stimulus payments and pandemic-related unemployment benefits. Despite these headwinds, IHS expects that consumer spending will be supported by firming wages and household wealth, even as the pace of spending eventually slows.

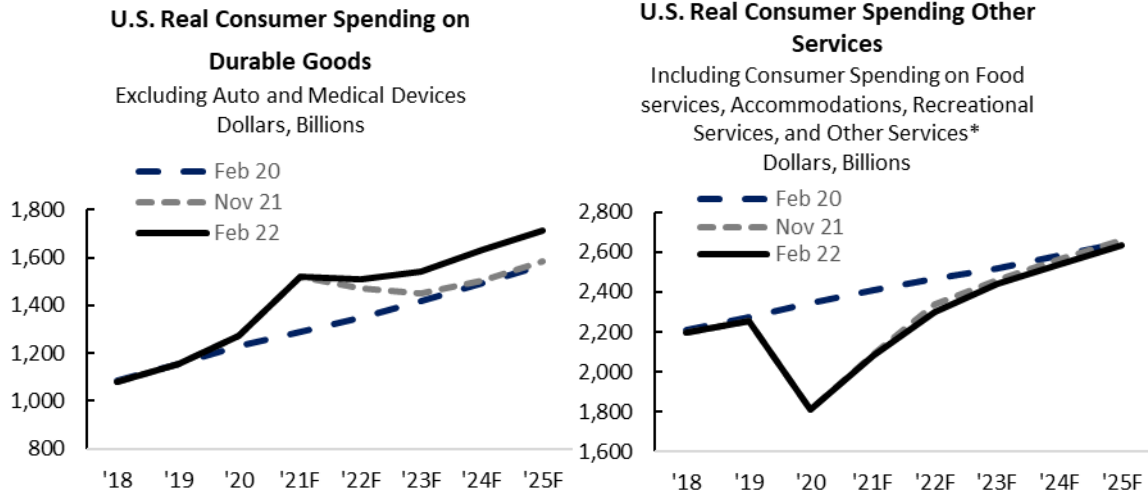


Source: U.S. Bureau of Economic Analysis (BEA), IHS Economics (IHS)

Real personal consumption expenditures grew 7.9 percent in 2021, slightly below IHS' November forecast of 8.0 percent. IHS expects consumer spending growth to decelerate to a sustainable pace of 3.2 percent in 2022 and then average 2.9 percent from 2023-2025. This deceleration is partially the result of an end to federal stimulus payments and pandemic-related unemployment benefits.

During the pandemic, consumers shifted their spending from personal services and activities like entertainment, dining, and travel, to goods. This shift caused spending on durable and non-durable goods to substantially exceed their pre-pandemic peaks, and both types of spending remain at elevated levels. Spending on durable goods other than autos and medical devices grew 19.2 percent in 2021, the highest growth rate in the series and following 10.3 percent growth in 2020, another very strong year. Moving forward, IHS expects spending on goods to remain above its pre-pandemic level, but that growth will be much more modest, averaging 3.1 percent over 2022-2025. IHS expects consumers to begin spending more on services and less on goods, which would resume a long-term pre-pandemic trend. Consumers reverting to spending more on services will help alleviate some of the pressure on supply chains committed to the production and distribution of goods.

IHS estimates that consumer spending on other services, which includes face-to-face services, such as food services, accommodations, and recreation, grew 15.3 percent in 2021 after a 19.7 percent decline in 2020. IHS expects this type of spending to surpass pre-pandemic levels in 2022 and grow 11.8 percent in 2022 and 5.3 percent in 2023.



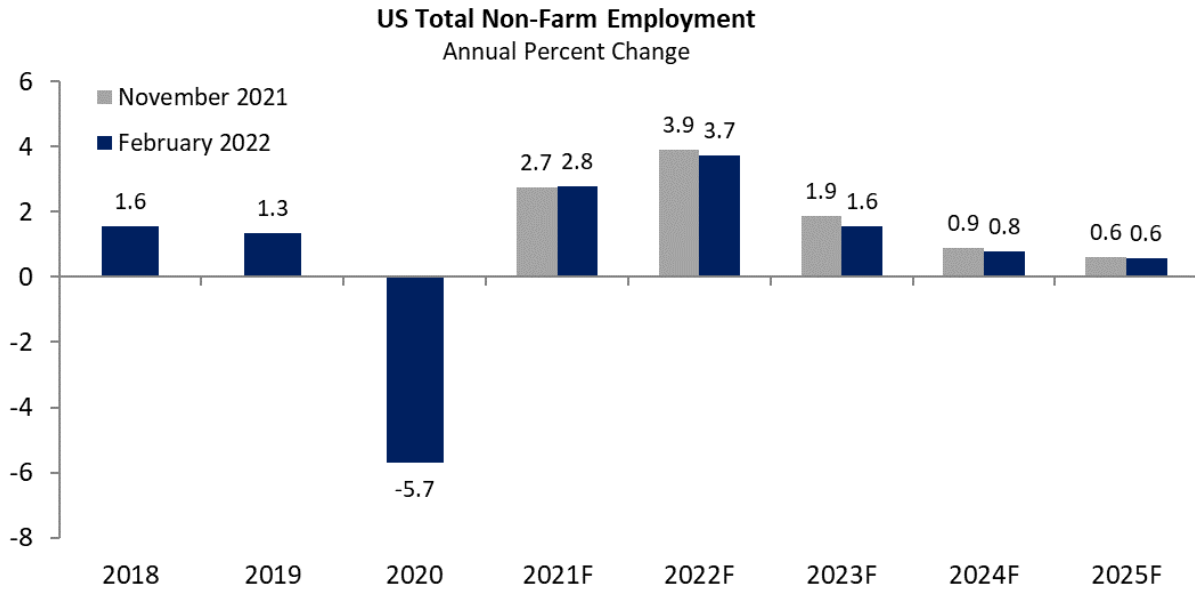
*Other services include communication services, education services, professional and other services, personal care and clothing services, social services, and household maintenance services.

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

Spending on durable goods other than autos and medical devices grew 19.2 percent in 2021, the highest growth rate since 1999. Moving forward, IHS expects a continued normalization of spending patterns as consumers begin spending more on services and less on goods, which will help alleviate some of the pressures on supply chains. They estimate that consumer spending on other services, which includes face-to-face services, such as food services, accommodations, and recreational services, grew 15.3 percent in 2021 after declining 19.7 percent in 2020.

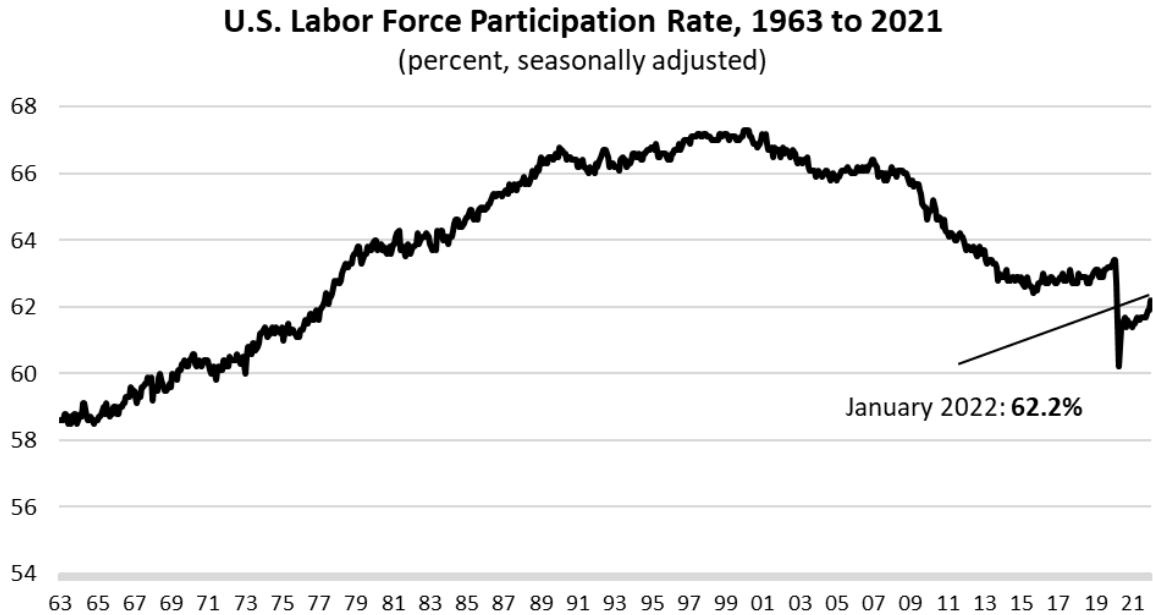
Labor Market. In March and April 2020, the U.S. lost 22.0 million jobs, nearly 14 percent of February 2020 employment. Through January, the U.S. economy has now recovered to 98.1 percent of pre-pandemic employment. Total employment in January 2022 was 2.9 million jobs fewer, or 1.9 percent lower, than it was in February 2020.

IHS estimates that employment grew 2.8 percent in 2021, and now expect employment will grow 3.7 percent in 2022, lower than the 3.9 percent growth rate they assumed in their November outlook. They forecast annual employment growth will decelerate to 1.6 percent in 2023 and then grow less than one percent per year in 2024 and 2025. IHS expects payroll jobs to surpass pre-pandemic levels in mid-2022, the unemployment rate to fall to below 3.5 percent by mid-2022, and the unemployment rate to reach a low point at 3.4 percent in late 2022.



In March and April 2020, the U.S. lost 22.0 million jobs, nearly 14 percent of February 2020 employment. Although the economy is now at 98.1 percent of February 2020 employment, total employment in January 2022 was still 2.9 million jobs fewer, or 1.9 percent lower, than it was in February 2020. Total employment in the U.S. fell by 5.7 percent in 2020. IHS estimates that employment grew 2.8 percent in 2021 and will grow 3.7 percent in 2022 and decelerate through the remainder of the forecast period.

January’s labor force participation rate, the proportion of potential workers who were either employed or unemployed and actively seeking employment, was 62.2 percent, the highest level since the pandemic hit in early 2020. The prospect of higher pay, an improving public health situation, and dwindling personal savings are providing incentives for individuals to return to the labor market. According to the U. S. Bureau of Labor Statistics (BLS), over one million individuals returned to the labor force in January. The remaining gap in the labor force compared to February 2020 has now dwindled to 896,000 individuals, or 99.5 percent of the February labor force. In their February outlook, IHS assumes the U.S. labor force returns to pre-pandemic size in 2022, but the labor force participation rate does not reach its pre-pandemic level in the forecast horizon.



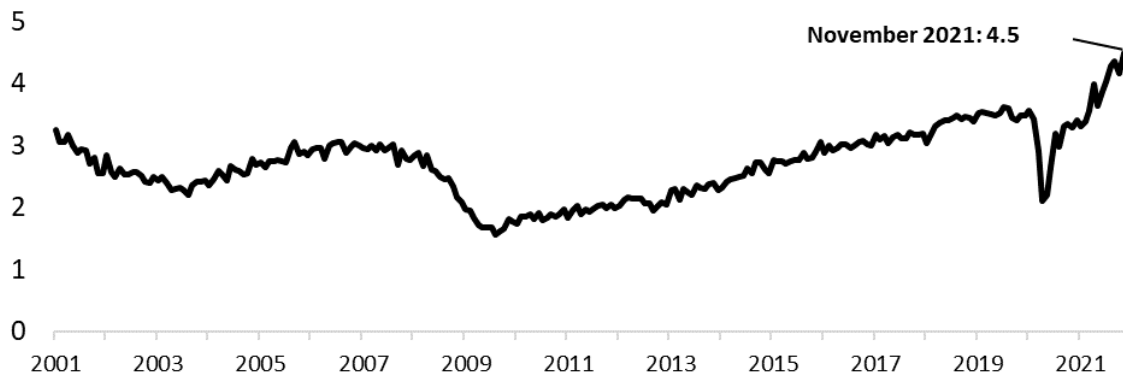
Source: U.S. Bureau of Labor Statistics

January's labor force participation rate, the proportion of potential workers who were either employed or unemployed and actively seeking employment, was 62.2 percent, the highest level since the pandemic hit in early 2020. The prospect of higher pay, an improving public health situation, and dwindling personal savings are providing incentive for individuals to return to the labor market. January's labor force was 99.5 percent of the February 2020 labor force.

The number of unemployed persons classified as “permanent job losers”—people who self-report that they do not expect to return to work within six months—was 1.6 million in January, 1.9 million less than one year ago. The number of workers on temporary layoff—those who do expect to return to work within six months—was 959,000 in January, down by 1.8 million compared to one year ago.

While permanent job loss continues to decline, workers have been more likely to voluntarily leave their current their jobs, which has contributed to a dynamic labor market. The number of workers on payroll who quit their jobs during the month increased noticeably starting in 2021. The level of quits has reached all-time highs several months this year. The quits rate, which measures the number of quits as a percent of total employment, was 3.0 percent in both September and November of 2021, the highest since the Bureau of Labor Statistics (BLS) began tracking these numbers in 2000. In the second half of 2021, 65 million Americans left their jobs, and 4.5 million quit in November alone. The December quits rate was highest for accommodation and food services at 6.1 percent, and lowest for government at 1.0 percent.

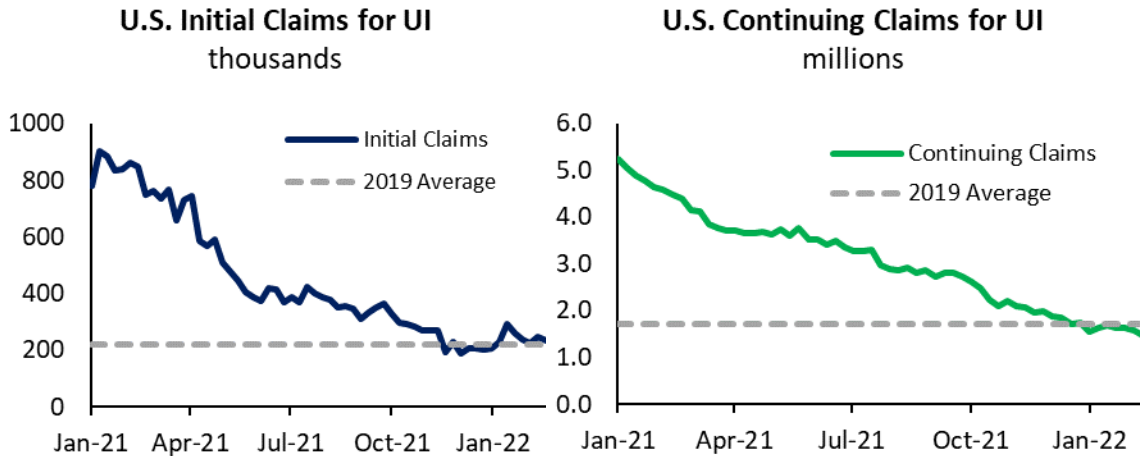
U.S. Quits, Total Nonfarm millions, seasonally adjusted



Source: Bureau of Labor Statistics

The number of workers on payroll who quit their jobs during the month increased noticeably starting in 2021. The level of quits has reached all-time highs several months this year. In the second half of 2021, 65 million Americans left their jobs, and 4.5 million quit in November alone.

As quits increased to historically high levels in the second half of 2021, unemployment insurance (UI) claims continued to drop to more normal levels. Both U.S. initial claims for UI (claims filed by individuals after a separation from an employer) and continued claims for UI (claims filed by individuals after a week of continued unemployment) receded to pre-pandemic levels at the end of 2021. Continued claims for the most recent week ending February 12th were at their lowest level since March 14, 1970. UI benefits continue to make up a smaller and smaller share of disposable personal income. Benefits comprised 6.3 percent of disposable personal income in the second quarter of 2020, and they shrunk to 0.2 percent of disposable personal income in the fourth quarter of 2021. UI benefits averaged 0.2 percent of disposable personal income from 2015 to 2019.

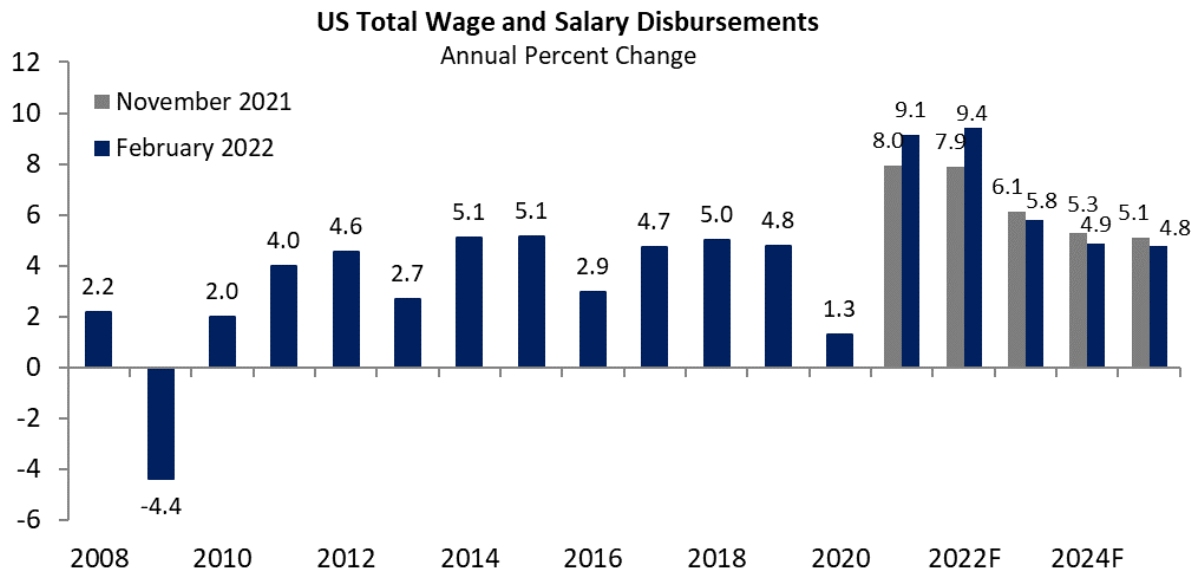


Source: FRED, Federal Reserve Bank of St. Louis

Source: FRED, Federal Reserve Bank of St. Louis

Unemployment insurance (UI) claims subsided to more normal levels over the course of 2021. Both initial claims for UI (claims filed by individuals after a separation from an employer) and continued claims for UI (claims filed by individuals after a week of continued unemployment) receded to pre-pandemic levels at the end of 2021. Continued claims for the most recent week ending February 12th were at their lowest level since March 14, 1970.

Wage and Salary Income. Firm wage growth and household wealth continue to support consumer spending in this forecast. Since federal stimulus payments to households have ended and UI benefits have decreased to more typical levels, IHS expects wage and salary income to be the primary driver of personal income growth during the forecast period. IHS has increased their forecast for growth in total U.S. wage and salary disbursements in 2021 and 2022 relative to their November forecast. IHS now expects that wage and salary income grew 9.1 percent in 2021, a 1.1 percent change from the November forecast. Similarly, IHS now expects wage growth of 9.4 percent in 2022, a 1.5 percent increase from November. Strong wage and salary growth in 2021 and 2022 is expected to be followed by a slow deceleration through 2025, with growth of 5.8 percent in 2023, 4.9 percent in 2024, and 4.8 percent in 2025.



IHS now expects that wage and salary income grew 9.1 percent in 2021, a 1.1 percent change from the November forecast. Similarly, IHS now expects wage growth of 9.4 percent in 2022, a 1.5 percent increase from the November forecast. Strong wage and salary growth in 2021 and 2022 is expected to be followed by a slow deceleration through 2025, with growth of 5.8 percent in 2023, 5.1 percent in 2024, and 4.8 percent in 2025.

The employment cost index (ECI) is a quarterly measure of the change in the cost of labor, free from the influence of employment shifts among occupations and industries. The index is broken into two components, one for wages and one for benefits. The index shown below is the ECI for wages. The ECI reached 5.0 percent in the fourth quarter of 2021, a 38-year high. At the same time, the percent change in prices as measured by the CPI reached 6.8 percent in the fourth quarter of 2021, a 40-year high. The growth in prices as measured by the CPI has exceeded the growth in wages as measured by the ECI for the past three quarters. This suggests that by these two measures, while nominal wage growth has been strong, it has not outpaced inflation. However, IHS expects this trend will reverse in the second quarter of 2022. IHS expects price growth will settle back to the 2-percent-plus range, and wages as measured by ECI will grow around 4 percent a year through 2025.

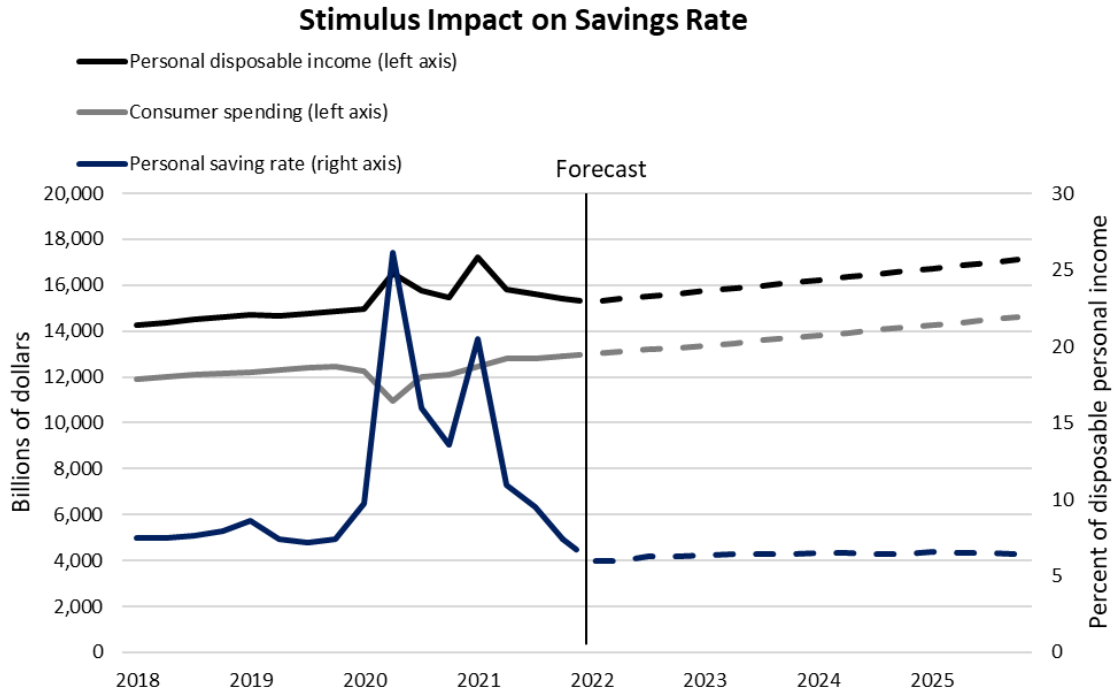


Source: IHS Economics

The wage Employment Cost Index (ECI) reached 5.0 percent in the fourth quarter of 2021, a 38-year high. At the same time, the percent change in prices as measured by the CPI reached 6.8 percent in the fourth quarter of 2021, a 40-year high. The growth in prices as measured by the CPI has exceeded the growth in wages as measured by the ECI for the past three quarters. IHS expects this trend will reverse in the second quarter of 2022.

Real disposable personal income increased substantially in 2020 and 2021, growing 6.2 percent in 2020 and 2.2 percent in 2021. This growth was strongly influenced by pandemic-related federal government payments, primarily stimulus checks and emergency unemployment insurance benefits. IHS expects real disposable income to fall by 3.5 percent in 2022 due to an end to stimulus payments and an end to pandemic related-unemployment benefits.

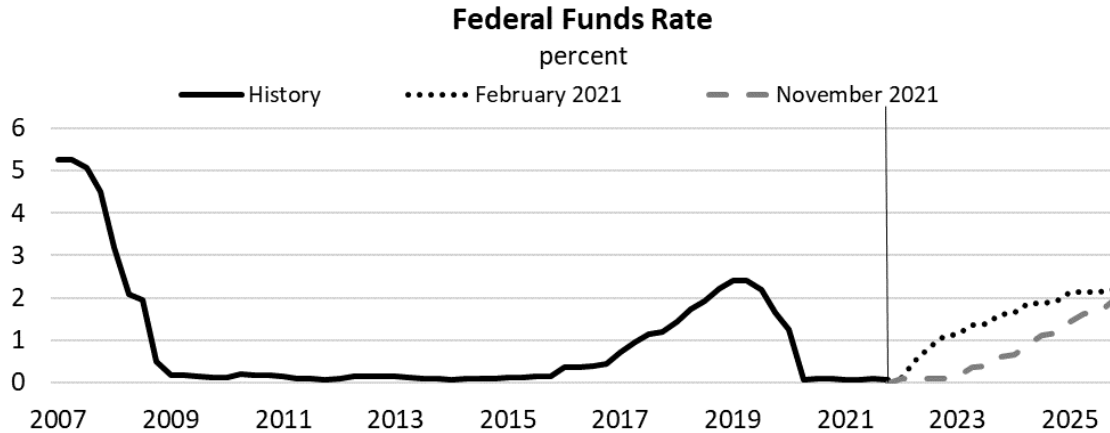
The growth in disposable personal income in 2020 and 2021 was accompanied by a significant increase in personal saving. Between 2009 and 2019, the U.S. household saving rate averaged 7.1 percent annually. Fueled by federal transfer payments and limited opportunities to spend on services, the personal saving rate jumped to 16.4 percent in 2020 and remained elevated at 12.1 percent in 2021. IHS expects the personal saving rate to average a more typical 6.4 percent from 2022 to 2025, as households spend down some of the excess savings they accumulated during 2020 and 2021.



Source: IHS Markit, BEA

Between 2009 and 2019, the U.S. household saving rate averaged 7.1 percent annually. The personal saving rate was 16.4 percent in 2020 and remained elevated at 12.1 percent in 2021. IHS expects the personal saving rate to average a more typical 6.4 percent from 2022 to 2025 as households spend down some of the excess savings accumulated during 2020 and 2021.

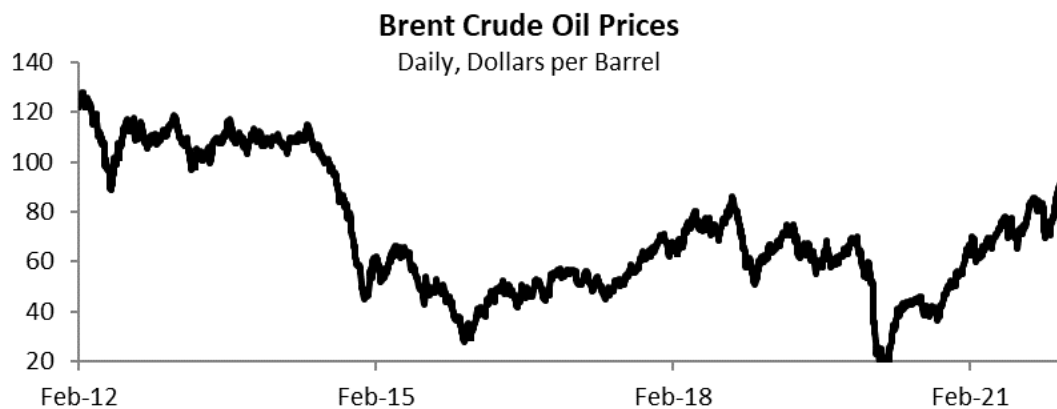
Monetary Policy. To keep financial markets stable in 2020, the FOMC cut rates by 150 basis points in March 2020, bringing the effective target federal funds rate to zero. IHS now expects the federal funds rate to remain near zero until March 2022, after which they forecast the Federal Reserve to raise rates. This expected “lift-off” occurs one year earlier than IHS expected in November and is driven by upward revisions in near-term inflation. The CPI rose 4.7 percent in 2021, higher than IHS expected in their November outlook. IHS has raised their forecast for CPI inflation to 4.5 percent in 2022, up from 3.3 percent in their November forecast. They assume the Federal Reserve will tolerate inflation slightly above 2 percent beyond 2023. IHS expects the Fed to raise the federal funds rate target by 0.25 percentage point four times this year, bringing the range to 1.00 – 1.25 percent. They then project rate hikes in subsequent years will bring it to a “neutral” range of slightly above 2.5 percent in 2026.



Source: IHS Markit

In their current outlook, IHS expects the FOMC to raise the federal funds rate from its zero lower bound in March 2022, a year earlier than forecast in November.

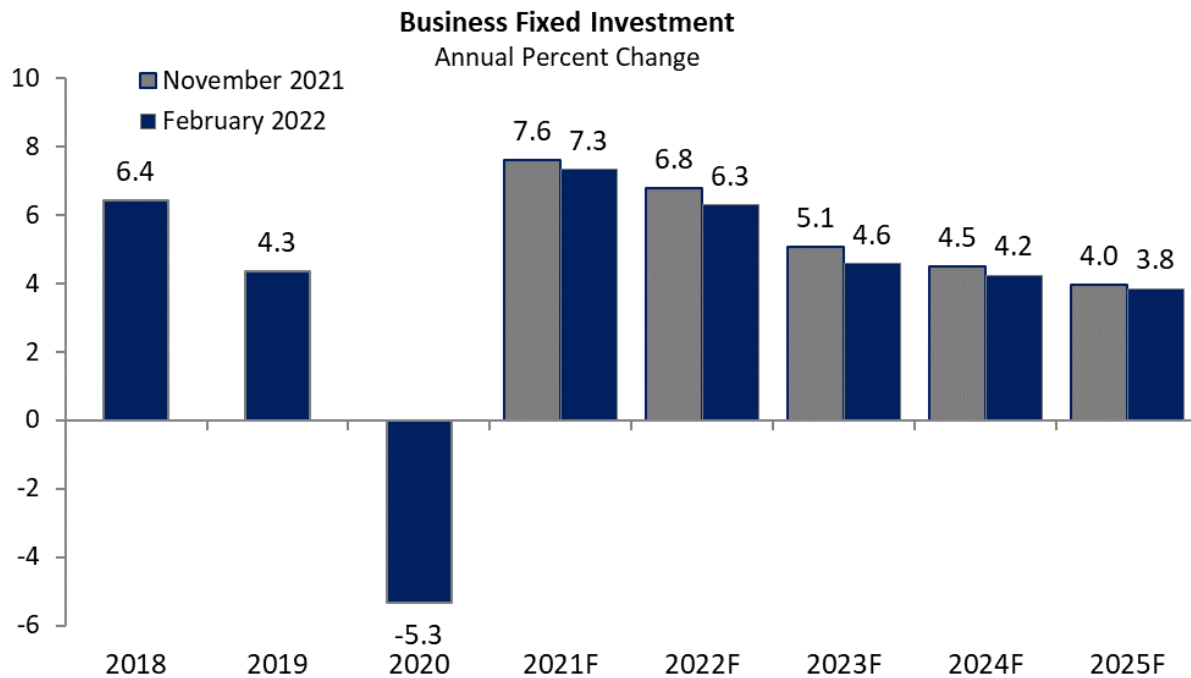
Energy. Oil prices began to rise in 2022 as political tensions escalated between Russia and Ukraine. In their February forecast, IHS expects the price of Brent crude oil to peak at \$88 per barrel in the first quarter of 2022, followed by a deceleration to below \$70 per barrel by late 2023. The price of Brent Crude Oil averaged \$87 per barrel in January and has averaged \$96 per barrel in February through February 22, 2022. U.S. oil and natural gas drilling is expected to continue to recover, responding to prices supportive of drilling. Expanded oil and natural gas drilling is expected to help ease energy prices next year. While increasing prices in gasoline cut into consumer spending, this reduction will at least partially be offset by investments in other parts of the economy such as non-residential structures used for mining.



Source: MacroTrends Data

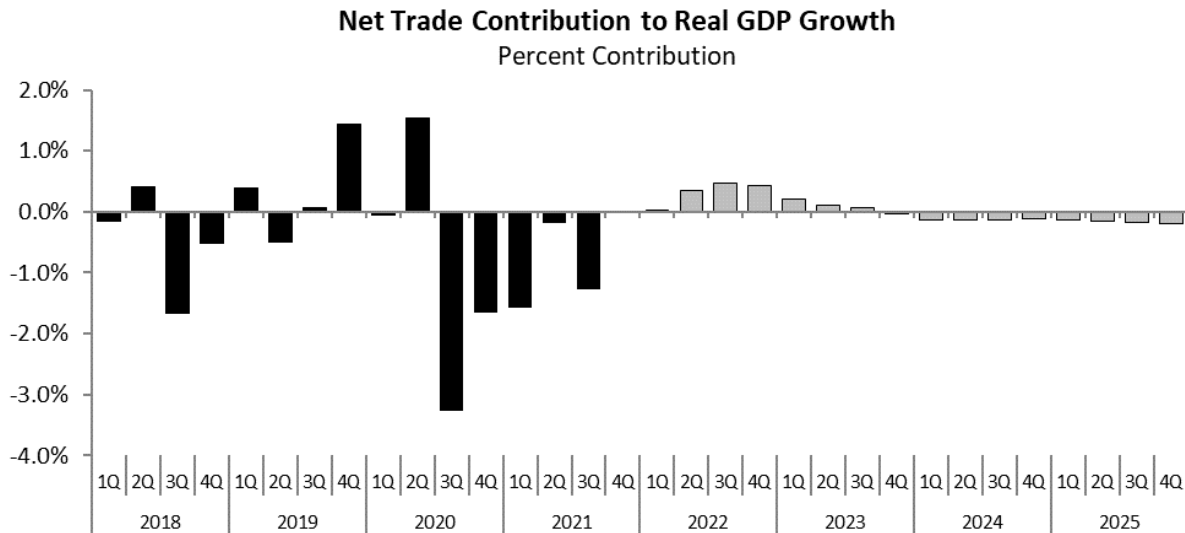
Oil prices began to rise in 2022 as political tensions escalated between Russia and Ukraine. In their February forecast, IHS expects the price of Brent crude oil to peak at \$88 per barrel in the first quarter of 2022, followed by a deceleration to below \$70 per barrel by late 2023. The price of Brent Crude Oil averaged \$87 per barrel in January and has averaged \$96 per barrel in February through February 22, 2022.

Real Business Fixed Investment. After a decline of 5.3 percent in 2020, real business fixed investment is expected to increase 7.3 percent in 2021 and remain strong at 6.3 percent growth in 2022. In years 2023-2025, business fixed investment growth is expected to average 4.2 percent per year. Spending in this category surpassed the pre-pandemic peak in the first half of 2021, but a drop in vehicle sales due to shortages of semiconductors and low inventories contributed to a softer second half of the year. IHS expects business fixed investment to be a bright spot moving forward, supported by the continuing economic recovery, favorable financial conditions, and strong business confidence.



In their February outlook, IHS expects business fixed investment to be a bright spot moving forward, forecasting growth of 7.3 percent in 2021, 6.3 percent in 2022, and an average of 4.2 percent annual growth from 2023 to 2025.

International Trade. During 2020 and 2021, U.S. demand for foreign goods increased relative to foreign demand for U.S. goods. As a result, net exports represented a drag on U.S. real GDP growth in 2020 and 2021. IHS forecasts that real exports will grow 9.4 percent in 2022 and has raised their forecast for real import growth this year to 7.0 percent. IHS expects net exports to contribute positively to real GDP growth through the end of 2023.



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

During 2020 and 2021, U.S. demand for foreign goods increased relative to the foreign demand for U.S. goods. As a result, net exports represented a drag on U.S. real GDP growth in 2020 and 2021. IHS expects net exports to contribute positively to real GDP growth through the end of 2023.

Since the peak of the nominal broad trade-weighted dollar index in March 2020, the dollar has eased back to slightly below pre-pandemic levels. IHS expects the value of the real trade-weighted broad dollar to continue to appreciate through the first half of 2022, before gradually falling through 2025 as foreign markets recover from the economic impacts of the global pandemic. This will help support U.S. exports. The broad trade-weighted foreign exchange rate is now expected to be stronger through 2028 as a result of an earlier than expected federal funds rate lift-off.



Source: Board of Governors of the Federal Reserve System, FRED (Federal Reserve Bank of St. Louis)

IHS expects the value of the real trade-weighted broad dollar to continue to appreciate through the first half of 2022, before gradually falling through 2025 as foreign markets recover from the economic impacts of the global pandemic. The broad trade-weighted foreign exchange rate is now expected to be stronger through 2028 as a result of an earlier than expected federal funds rate lift-off.

The IHS February baseline forecast is similar to the Blue Chip Consensus, the median of 50 business and academic forecasts. The Blue Chip consensus expects real GDP growth of 3.7 percent in 2022, matching the IHS forecast. IHS expects 2.7 percent growth in 2023, slightly above the Blue Chip Consensus forecast of 2.6 percent for next year.

Forecast risks. The IHS February outlook depends on several important forecast assumptions. If these assumptions do not materialize, the economic outcome will differ from IHS' baseline forecast.

Regarding the COVID-19 pandemic, IHS anticipates that the U.S. population will increasingly treat the coronavirus as an endemic risk and adjust behavior to manage that risk. IHS does not expect the U.S. to implement another national lockdown in response to the virus spread.

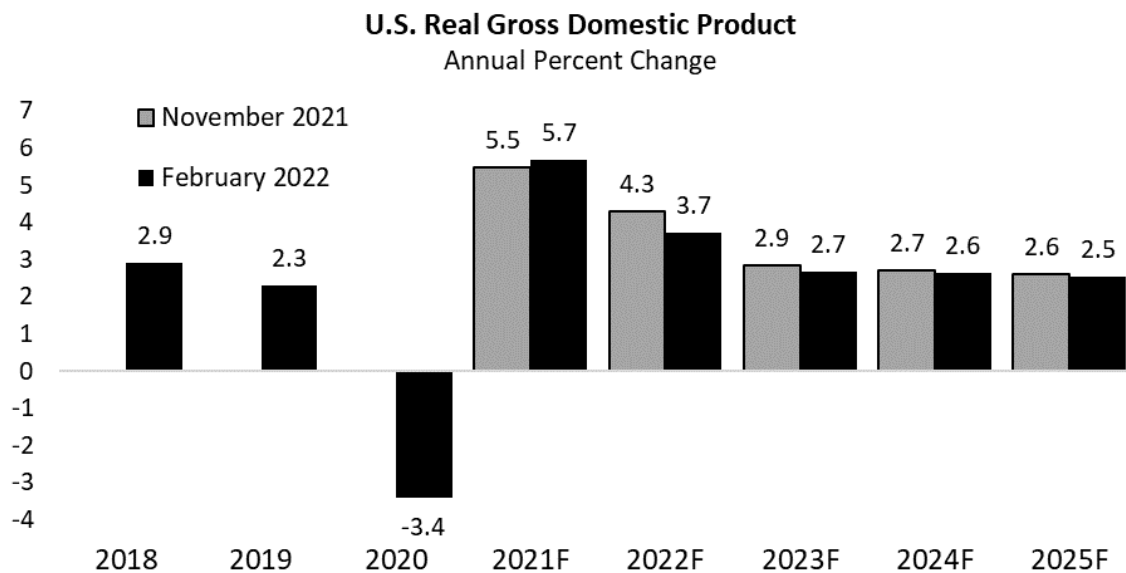
Other key assumptions of IHS' October outlook are: (1) the Federal Reserve raises the federal funds rate above its zero lower bound in March 2022, bringing the target range to 1.00 – 1.25 percent after four increases this year and increasing it to a “neutral” range of slightly above 2.5 percent in 2026, (2) the tariffs enacted by the U.S. and China since 2017 remain in effect, (3) global GDP grows 3.7 percent in 2022 as the COVID-19 pandemic recedes, and (4) the price of Brent crude oil peaks at \$88 per barrel in the first quarter of 2022, followed by a deceleration to below \$73 per barrel by mid-2023. Note that the February IHS outlook does not reflect risks to oil and natural gas prices arising from the conflict between Russia and Ukraine and related sanctions against Russia.

IHS assigns a 50 percent probability to the February baseline outlook. They assign a 30 percent probability to a more pessimistic scenario, characterized by (1) a slower-than-expected decline in COVID-19 cases and hospitalizations that inhibits consumer spending, and (2) an intensifying of existing supply-chain issues that continue to restrict production and consumption of durable goods. Businesses scale back their investment plans in response to both factors. As a result, real GDP grows 2.4 percent in both 2022 and 2023 compared to 3.7 and 2.7 in the baseline outlook. In their more optimistic scenario, IHS assumes that consumer spending, productivity growth, and business investment are stronger relative to the baseline. This scenario assumes that the IJJA has a greater economic impact than in the baseline, and consumers spend down more of the excess savings accumulated over 2020 and 2021. Additionally, this scenario assumes the current wave of COVID cases peaks quickly and dissipates, allowing consumer spending to resume more quickly than the baseline. In this scenario, GDP increases 5.2 percent in 2022 and 3.4 percent in 2023. This optimistic scenario receives a 20 percent probability.

Council of Economic Advisors’ Statement

Minnesota’s Council of Economic Advisors met on February 16, 2022, to review the IHS Markit (IHS) outlook for U.S. economic growth, which includes the macroeconomic assumptions underlying Minnesota’s February 2022 *Budget and Economic Forecast*. Since the state’s last forecast in November, IHS has lowered their outlook for U.S. real GDP growth in 2022 and beyond. They now expect real GDP to grow 3.7 percent in 2022, down from 4.3 percent in their November outlook. They expect growth to decelerate to 2.7 percent in 2023, down from the 2.9 percent growth they forecast in November. The growth forecasts for 2024 and 2025 are both 0.1 percentage point lower than in November.

A pull-forward of inventory investment into the end of 2021 raised growth in 2021 and lowered it for early 2022. In addition, the winter Omicron wave of COVID-19 dampened consumer spending on services, lowering growth at the beginning of 2022. IHS now expects 1.7 percent growth in real GDP in the first quarter of 2022, substantially less than the 5.0 percent expected in their November forecast. This lower first-quarter growth is responsible for the downward revision in annual growth for 2022. In this outlook, IHS expects Federal Reserve action to raise interest rates to occur one year earlier than in their November outlook. Downward revisions to nonresidential fixed investment growth in each year from 2023-2025 is a main reason for lower real GDP growth in those years relative to IHS’ November forecast.



Source: Bureau of Economic Analysis and IHS

Since the state’s last forecast in November, IHS has lowered their outlook for U.S. real GDP growth in 2022 and beyond. They now expect real GDP to grow 3.7 percent in 2022, down from 4.3 percent in their November outlook. They expect growth to decelerate to 2.7 percent in 2023, down from the 2.9 percent growth they forecast in November. Council members agree that the IHS baseline forecast is a reasonable starting point for Minnesota’s economic and budget forecast, but they note risks to the forecast. They warn that the difficulty of projecting long range economic conditions warrants caution when using forecasts for 2024 and 2025.

IHS has raised their forecast of CPI inflation in 2021 to 4.7 percent from 4.5 percent in their November outlook. For 2022, they now expect 4.5 percent inflation compared to 3.3 percent in November. IHS expects the gradual resolution of supply-chain issues and a rising U.S. labor force participation rate to slow inflation, despite a slower labor force recovery than in their November forecast. They now forecast CPI inflation of 1.9 percent in 2023 and 2.1 percent annually in both 2024 and 2025.

Despite the challenges currently facing the U.S. economy, IHS expects economic growth to persist through Minnesota's planning horizon. They forecast annual real GDP growth to average a solid 2.6 percent over 2023-2025.

The IHS February baseline forecast is similar to the Blue Chip Consensus, the median of 50 business and academic forecasts. The Blue Chip consensus expects real GDP growth of 3.7 percent in 2022, matching the IHS forecast. IHS expects 2.7 percent growth in 2023, slightly above the Blue Chip Consensus forecast of 2.6 percent for next year.

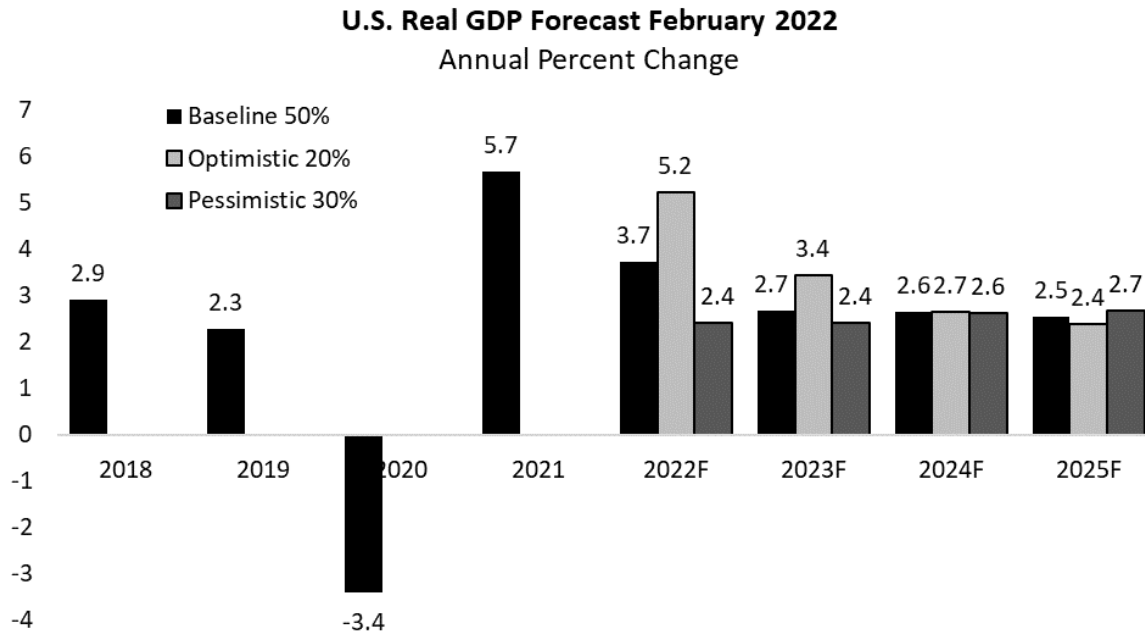
Council members agree that IHS' baseline outlook is a reasonable starting point for Minnesota's economic and budget forecast, but they caution about risks to the forecast. While individual members' views varied, there was general agreement that the risks to the forecast are primarily to the downside.

As an upside risk, stronger business investment than IHS expects—either in response to the Infrastructure Investment and Jobs Act (IIJA) or as firms substitute capital for scarce labor—could lead the economy to grow faster than in the baseline outlook.

Regarding downside risks, Council members warn that more persistent inflation than IHS expects, along with a sooner-than-expected return to full employment, could make it harder for the Federal Reserve to manage inflation while maintaining growth. They also warn of impediments to labor force participation. While IHS has slowed their assumed pace of labor force recovery compared to November, pandemic-related barriers to work—such as childcare availability and health concerns—may keep people out of the labor force longer than expected. In addition, we do not yet know how the pandemic may have fundamentally altered households' labor supply and consumption decisions. Slower resolution of supply-chain bottlenecks could also drag growth below the forecast.

Council members warn that the difficulty of projecting long-range economic conditions warrants caution when using forecasts for 2024 and 2025. This is of particular concern as the structural effects of the pandemic on the economy are not fully known, and volatility will likely persist through the forecast period. In addition, new threats to growth have emerged since November, including higher energy prices, broader and stronger price inflation, stock market volatility, and geo-political risks, including the conflict between Russia and Ukraine. Economic growth in both the current and next biennium could be impacted by these factors, whose developments and resolutions remain uncertain.

IHS assigns a probability of 50 percent to the February baseline outlook. IHS assigns a 30 percent probability to a pessimistic scenario in which supply-chain issues worsen and a slower-than-expected decline in COVID-19 cases and hospitalizations inhibits consumer spending. They assign a 20 percent probability to a more optimistic scenario, characterized by a stronger consumer and business response to the IIJA and stronger consumer spending growth due to a more rapid decline in COVID-19 cases and hospitalizations. Also, in this scenario, businesses are able to extend the productivity gains that they achieved during the pandemic.



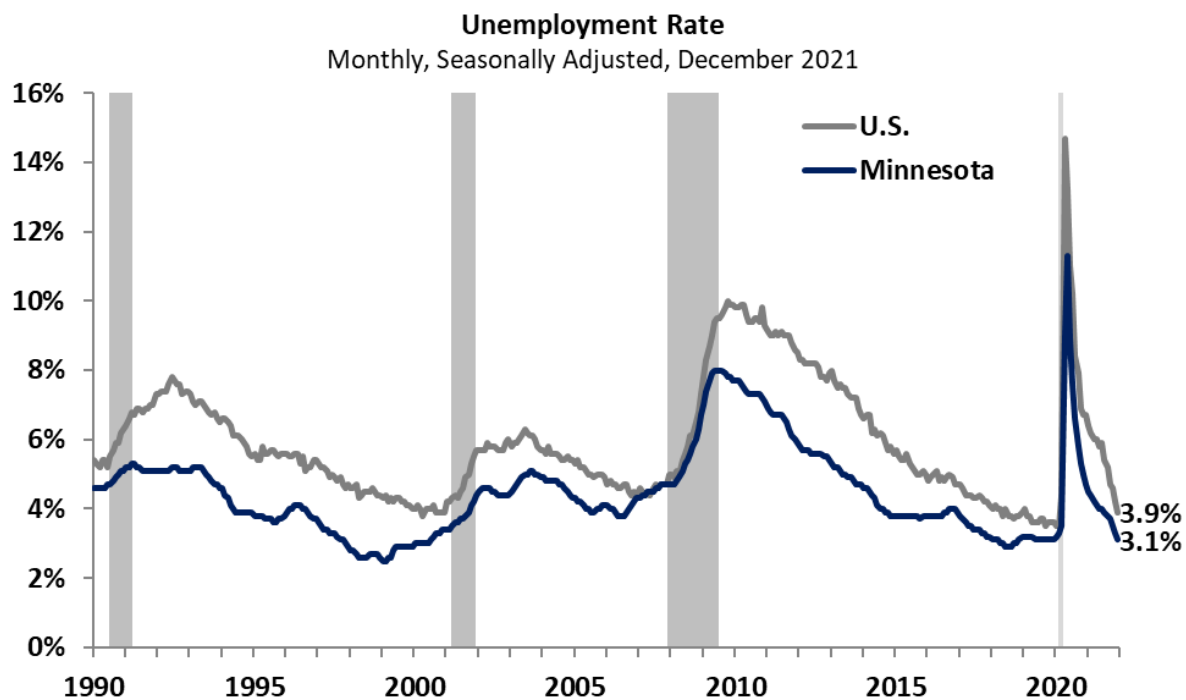
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As it has done every year since 2003, the Council recommends that budget planning estimates for the next biennium include expected inflation in both spending and revenue projections. Council members noted that Minnesota’s current practice of excluding projected changes in the prices of goods and services from a majority of the spending estimate is fundamentally misleading. It is inconsistent with both sound business practices and CBO methods, and potentially encourages legislators and the public to regard the state’s financial position more optimistically than the facts warrant. This distortion has increased in importance as inflation has risen this year, and its future path is uncertain. The omission of inflation in the spending estimates in the February 2022 *Budget and Economic Forecast* understates the cost of maintaining current service levels as provided by law in FY 2024-25 by roughly \$1.090 billion. In addition, inflation that has already occurred in 2021 and is forecast for 2022 puts cost pressure on the enacted budget for FY 2022-23.

Council members believe that Minnesota’s budget reserve—which is \$2.656 billion, meeting the level recommended by the state’s budget reserve policy—affords policymakers crucial financial flexibility. The statutory policy assigns an adequate target reserve level based on MMB’s annual evaluation of volatility in Minnesota’s general fund tax system. The target is a percentage of forecast revenues, allowing reserves to adjust with revenue changes over time. In addition, the policy automatically transfers 33 percent of a positive forecast balance each November into the reserves until the target is reached. Based on MMB’s most recent analysis, the target level is \$2.698 billion, 4.8 percent of biennial (two-year) general fund revenues.

Minnesota Economic Outlook

Minnesota's economy continues to recover from the recession initiated by the COVID-19 pandemic in 2020. The economic downturn that began in February of 2020 and ended two months later in April brought severe disruptions to Minnesota's economy. The state experienced job and wage income losses and a reduced labor force. Since then, Minnesota's economy has substantially improved. The state's unemployment rate has fallen to 3.1 percent, the lowest since December 2019, and total employment has risen to 96.4 percent of the pre-pandemic level. In this forecast, a strong U.S. outlook for consumer spending growth, wage and salary growth, and near-term employment growth supports our expectation of positive Minnesota employment, wage, and income growth through our forecast period. Minnesota's economic outlook is informed by the IHS forecasts for both the U.S. and for Minnesota, data from the Minnesota Department of Economic and Employment Development (DEED), and Minnesota tax revenues.



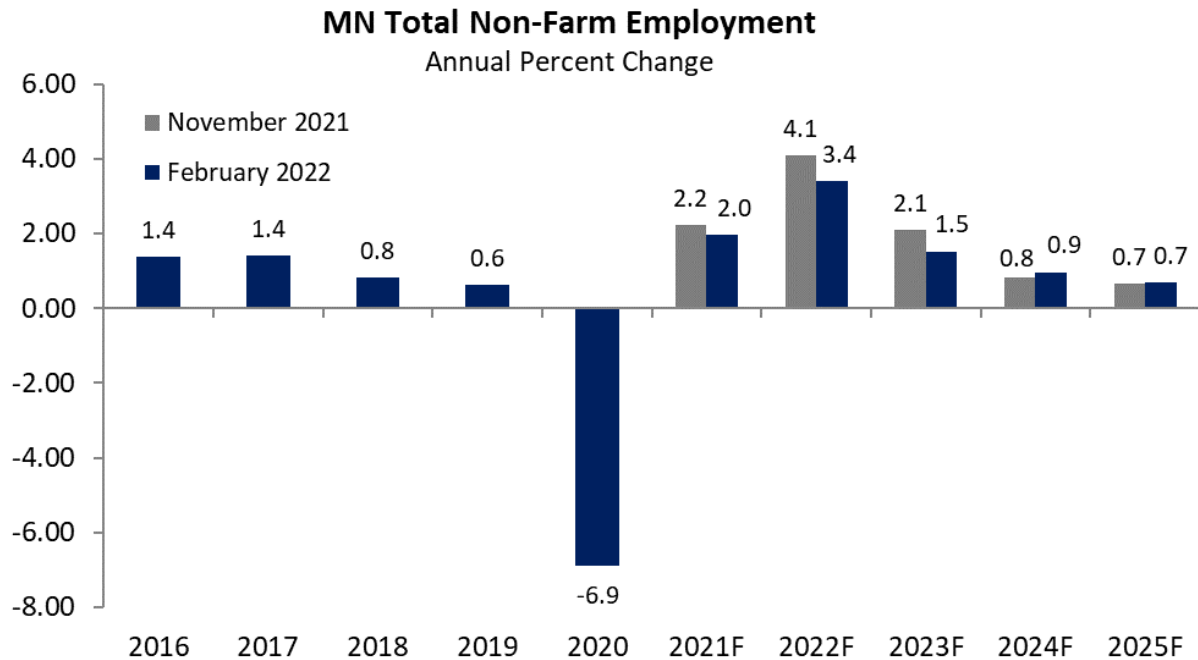
Source: MN Department of Employment and Economic Development (DEED)

In December 2021, the state's unemployment rate fell to 3.1 percent on a seasonally adjusted basis, a return to the state's pre-pandemic rate and 0.9 percentage points below the U.S. December unemployment rate of 3.9 percent. The unemployment rate does not capture Minnesotans that have left the labor force, including retirements or those who opted to stay home to care for children. Since the onset of the pandemic, Minnesota's labor force has fallen by 87,000.

Labor Market. In March and April 2020, as the pandemic was taking hold, Minnesota lost 416,300 jobs, approximately 14 percent of February 2020 employment. Through December 2021, 307,400 (74 percent) of the jobs originally lost have been recovered, leaving Minnesota's employment levels 108,900 (3.6 percent) lower than in February 2020.

In December 2021, the state’s unemployment rate fell to 3.1 percent on a seasonally adjusted basis, a return to the state’s pre-pandemic rate and 0.8 percentage points below the U.S. unemployment rate of 3.9 percent in December. The unemployment rate does not capture Minnesotans that have left the labor force, including retirements or those who opted to stay home to care for children. Since the onset of the pandemic, Minnesota’s labor force has fallen by 87,000. This decline in the labor force can also be seen in the labor force participation rate, the share of the over-16 population that is either working or looking for work. As of December 2021, Minnesota’s labor force participation rate was 67.7 percent, 0.7 percentage points lower than a year ago and 2.5 percentage points lower than in February 2020. Minnesota’s labor force participation rate remains 5.8 percentage points above the U.S. December rate and the sixth highest among U.S. states.

In this forecast we expect Minnesota employment growth of 3.4 percent in 2022 and 1.5 percent in 2023, before decelerating to an average of 0.8 percent in 2024 and 2025. In this forecast we expect employment in the state to return to pre-pandemic levels in mid-2023.



In this forecast we expect Minnesota employment growth of 3.4 percent this year and 1.5 percent next year, before decelerating to an average of 0.8 percent in 2024 and 2025. In this forecast we expect employment in the state to return to pre-pandemic levels in mid-2023.

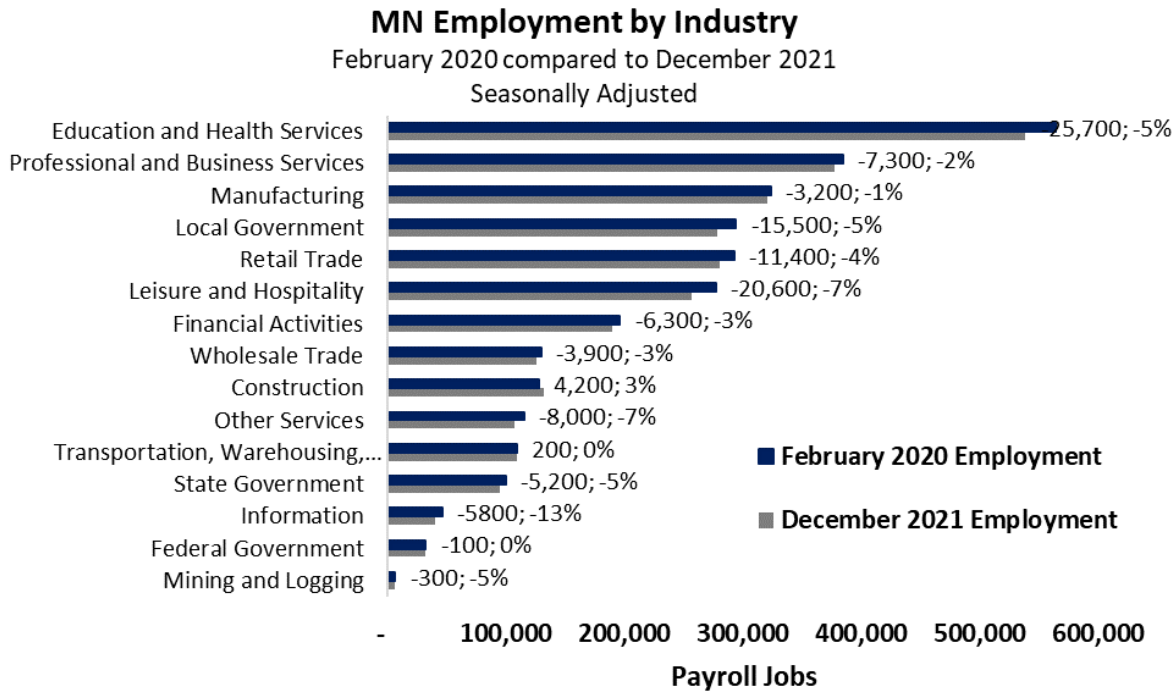
Broader measures of unemployment can provide additional insights into characteristics of Minnesota’s labor market. The most comprehensive measure of unemployment, which the BLS calls U-6, is defined as the number of unemployed people (U-3), plus workers who are marginally attached to the labor force (those not currently in the labor force who looked for work in the last year), plus part-time workers who would prefer full-time jobs. In December, Minnesota’s U-6 rate was 6.5 percent, down from 6.7 percent in November, and well below the 10.4 percent rate of one year ago. All estimates of alternative measures of unemployment are provided in 12-month

moving averages to increase the sample size for each measure, and thus improve the reliability of each statistic.

About three quarters of the difference between the state's U-3 and U-6 rates is due to workers who have part-time jobs but would prefer to work full time. In December 2021, 53,700 workers fell into this category, 2,000 fewer than in November 2021 and well below the level of 112,500 one year ago. In December, 4,700 Minnesotans were counted as discouraged workers—those marginally attached workers who believe no jobs are available to them—up from 3,000 a year ago but lower than the 5,400 in November 2021.

In December, 35,500 Minnesotans were reported as long-term unemployed, those unemployed more than 27 weeks. This number was down from 36,600 in November but is still much higher than 11,100 in February 2020.

The chart below shows the size of employment sectors in February 2020 (represented in blue bars) compared to December 2021 (represented by grey bars). The numbers at the end of each set of bars indicate the change in employment for each sector between February 2020 and December 2021, as well as the remaining gap in total employment as a percentage. Minnesota's three largest sectors by share of employment are Education and Health Services, Professional and Business Services, and Manufacturing. As the chart illustrates, the Education and Health Services is the largest industry in Minnesota and still has a job gap of 25,700 jobs, or 5 percent below February 2020 employment levels. The Leisure and Hospitality industry is the sixth largest sector in Minnesota and still has a job gap of 21,000 jobs, or 7 percent below February 2020 employment levels. The construction sector is the only sector that currently has more Minnesotans employed now than before the pandemic.

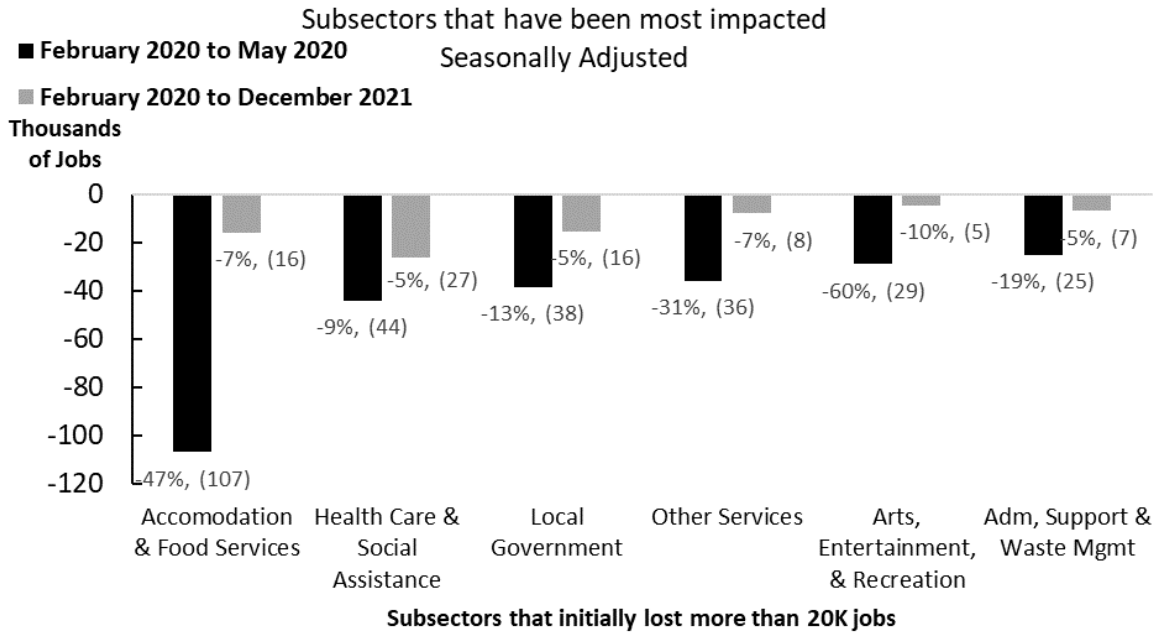


This chart shows the size of employment sectors in February 2020 compared to December 2021. The numbers at the end of each set of bars indicate the change in employment for each sector, as well as the remaining gap in total employment as a percentage. Education and Health Services is the largest industry in Minnesota and still has a job gap of 25,700 jobs, or 5 percent below February 2020 employment levels. Leisure and Hospitality industry is the sixth largest sector in Minnesota and still has a job gap of 21,000 jobs, or 7 percent below February 2020 employment levels.

Through December 2021, Minnesota still has 108,900 (3.6 percent) fewer jobs than in February 2020. Six subsectors have been most heavily impacted in Minnesota: Accommodation & Food Services; Health Care & Social Assistance; Local Government; Other Services; Arts, Entertainment, & Recreation; and Administration, Support, Waste Management, and Remediation Services. These six industries represent 77,600 of the jobs that have not yet recovered, or 71 percent of the total hole in MN employment of 108,900.

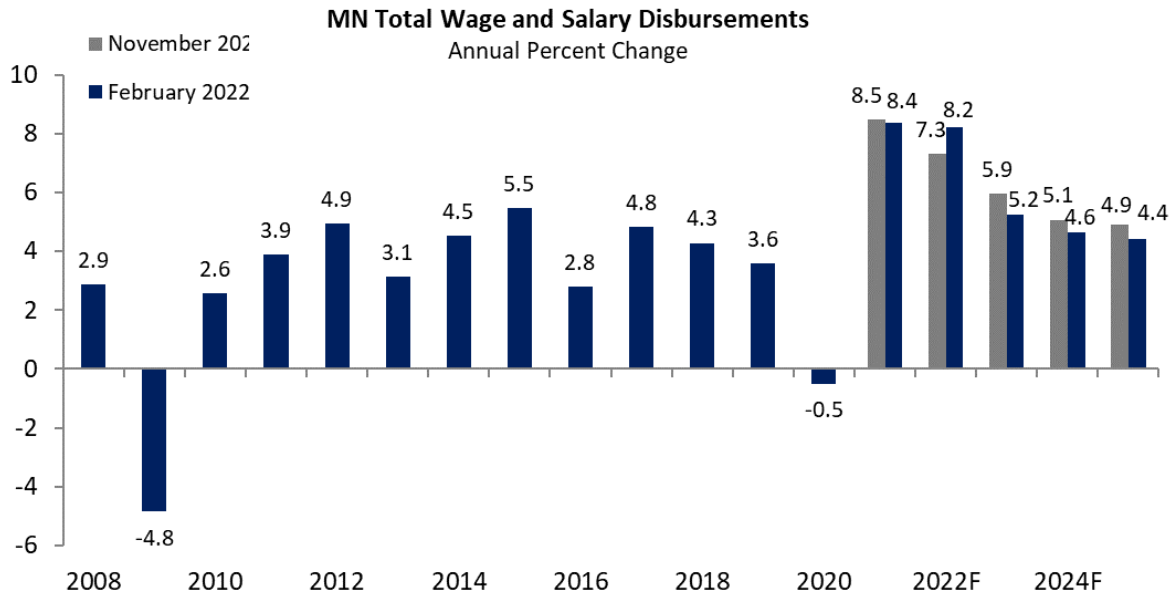
The chart below shows the change in the number of jobs in the six subsectors that lost more than 20,000 jobs between February and May of 2020. The bars on the left indicate the number of jobs lost between February and May of 2020, and the bars on the right indicate the number of jobs lost through December 2021. The percentage change label has been included to indicate the decline as a percentage of February 2020 employment by sector. Between February and May 2020, Minnesota’s leisure and hospitality industry—which includes (1) the accommodation and food services sector and (2) the arts, entertainment, and recreation sector—lost 136,000 jobs, about half of its pre-pandemic employment. Through December 2021, the employment loss since February 2020 had been reduced to 20,600 jobs, seven percent of the industry’s pre-pandemic employment. Job losses in leisure and hospitality have disproportionately impacted low-income workers. Excluding the six hardest-hit sectors in the chart, all other sectors combined had 31,300 fewer jobs in December 2021 than in February 2020.

Minnesota Annual Employment Change since February 2020



Between February 2020 and May 2020, Minnesota’s leisure and hospitality industry—which includes (1) the accommodation and food services sector and (2) the arts, entertainment, and recreation sector —lost 136,000 jobs, about half of its pre-pandemic employment. Through December 2021, the employment loss since February 2020 had been reduced to 20,600 jobs, seven percent of the industry’s pre-pandemic employment.

Wage and Salary Income. An important variable influencing Minnesota’s individual income tax liability is total wage and salary income, estimated to account for 69 percent of federal adjusted gross income for Minnesota residents in 2021. We now estimate that total wage income, the sum of all wages distributed in the state, increased 8.4 percent in 2021, the highest year over year increase in Minnesota wage and salary income since 1998. We expect strong wage growth to continue at a rate of 8.2 percent in 2022, and then decelerate to 5.2 percent in 2023, and 4.6 and 4.4 percent in 2024 and 2025, respectively.



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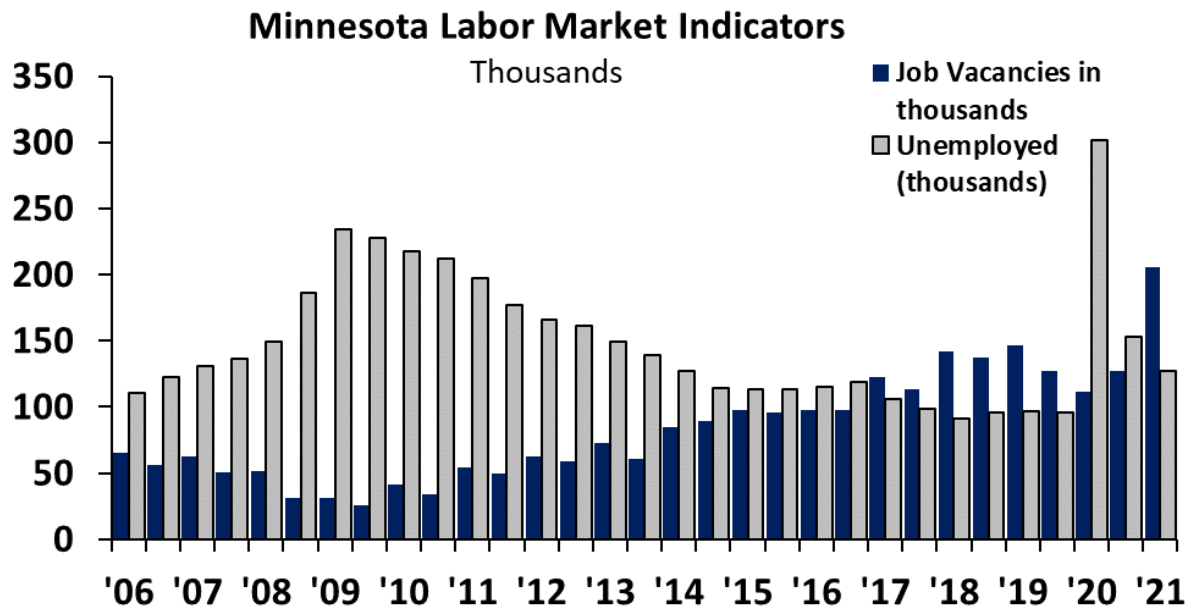
Forecast Comparison: Minnesota & U.S. Forecast 2018 to 2025, Calendar Years

	2020	2021	2022	2023	2024	2025
Total Non-Farm Payroll Employment (Thousands)						
Minnesota						
February 2022	2,791	2,846	2,942	2,987	3,015	3,036
%Chg	-6.6	2.0	3.4	1.5	0.9	0.7
November 2021	2,777	2,839	2,955	3,017	3,043	3,063
%Chg	-6.9	2.2	4.1	2.1	0.8	0.7
U.S.						
February 2022	142,146	146,096	151,541	153,894	155,108	156,017
%Chg	-5.8	2.8	3.7	1.6	0.8	0.6
November 2021	142,252	146,142	151,869	154,731	156,117	157,073
%Chg	-5.7	2.7	3.9	1.9	0.9	0.6
Wage and Salary Disbursements (Billions of Current Dollars)						
Minnesota						
February 2022	179.1	194.1	210.1	221.0	231.3	241.5
%Chg	0.0	8.4	8.2	5.2	4.6	4.4
November 2021	178.3	193.4	207.6	219.9	231.1	242.4
%Chg	-0.5	8.5	7.3	5.9	5.1	4.9
U.S.						
February 2022	9,444	10,306	11,276	11,928	12,511	13,111
%Chg	1.3	9.1	9.4	5.8	4.9	4.8
November 2021	9,444	10,195	10,999	11,674	12,288	12,914
%Chg	1.3	8.0	7.9	6.1	5.3	5.1
Non-Wage Personal Income (Billions of Current Dollars)						
Minnesota						
February 2022	171.6	181.0	169.5	176.2	184.6	193.7
%Chg	14.1	5.5	-6.3	3.9	4.8	4.9
November 2021	171.4	177.7	166.3	172.7	181.2	190.6
%Chg	14.0	3.6	-6.4	3.8	4.9	5.2
U.S.						
February 2022	10,183	10,753	10,219	10,676	11,245	11,862
%Chg	11.9	5.6	-5.0	4.5	5.3	5.5
November 2021	10,183	10,709	10,107	10,484	11,035	11,654
%Chg	11.9	5.2	-5.6	3.7	5.3	5.6
Total Personal Income (Billions of Current Dollars)						
Minnesota						
February 2022	350.8	375.1	379.6	397.2	415.9	435.3
%Chg	6.5	6.9	1.2	4.6	4.7	4.7
November 2021	350.8	371.5	373.9	392.6	412.3	433.0
%Chg	6.5	5.9	0.6	5.0	5.0	5.0
U.S.						
February 2022	19,628	21,060	21,495	22,603	23,756	24,973
%Chg	6.5	7.3	2.1	5.2	5.1	5.1
November 2021	19,628	20,905	21,106	22,158	23,323	24,569
%Chg	6.5	6.5	1.0	5.0	5.3	5.3

Source: IHS Economics and Minnesota Management and Budget (MMB)

Job Vacancies. Prior to the COVID-19 recession, Minnesota had low unemployment and a high demand for labor. While job losses during the pandemic changed that picture, the most recent data from DEED’s job vacancy report suggests that Minnesota once again has a high demand for labor, as employers struggle to fill vacant positions. The most recent Job Vacancy Survey covered the second quarter of 2021 and reported that there were 205,714 job vacancies in the state, an increase of 84 percent from the same period in 2020. In the second quarter of 2021 there were 0.6 unemployed persons for each vacancy statewide, or 6 people for each ten job openings.

Industries that showed the largest numbers of job vacancies include Healthcare and Social Services (39,727 job vacancies), Accommodation and Food Services (37,363 job vacancies), and Retail Trade (36,174 job vacancies).



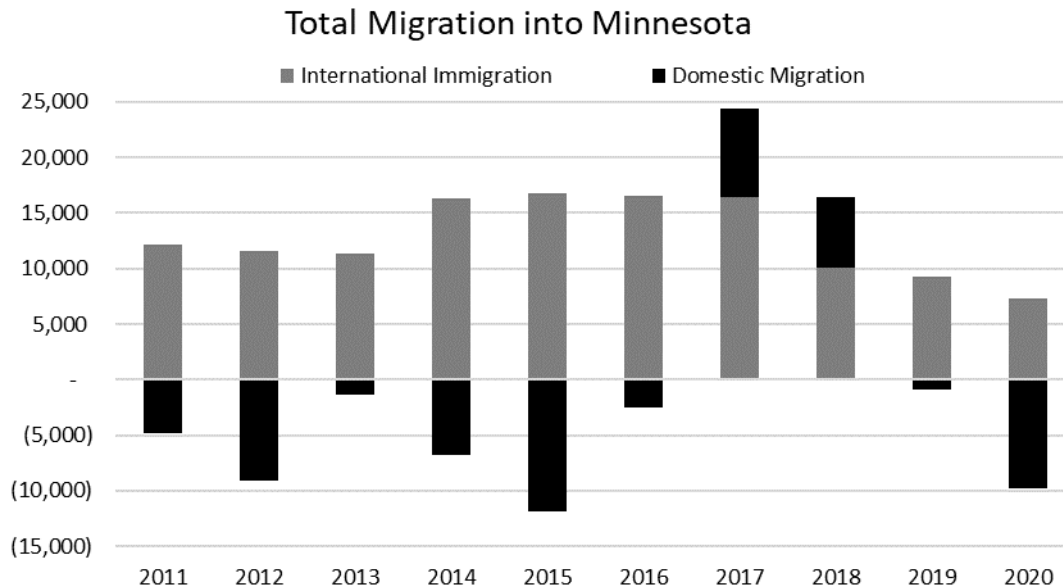
Source: MN Department of Employment and Economic Development (DEED)

DEED’s most recent job vacancy survey from the second quarter of 2021 reported there were 205,714 job vacancies in the state. Employers were struggling to fill vacant positions, with only 6 unemployed people available for every 10 job vacancies.

Demographics. The 2020 Census data revealed that Minnesota grew by 7.6 percent (402,569 people) in the last decade, slightly higher than the national growth during this period of 7.4 percent and more than twice the Midwest regional average of 3.1 percent. Population growth was slower both nationally and in Minnesota as a result of an aging population. However, population growth in Minnesota slowed in 2020. During the 2010s, Minnesota’s population grew by 0.8 percent annually (about 40,300 people per year). In comparison, the state’s population grew by less than .001 percent, an estimated 225 people, between 2020 and 2021. This slowing can be attributed to decreased net international migration, lower birth rates, and an increase in mortality as a result of the COVID-19 pandemic.

Since we released our November 2021 forecast, the U.S. Census Bureau published 2020 population estimates. Minnesota’s population growth is comprised of three parts: natural population increase (number of births less deaths), net domestic migration, and net international immigration. The primary driver of Minnesota’s population growth is natural increase, the difference between the

state’s birth rate and death rate. Minnesota’s net natural population increase of 20,000 in 2020 ranked 10th highest among U.S. states, but Minnesota’s net natural population growth is slowing as death rates climb and birth rates fall. Between 2011 and 2018, the state’s net natural increase averaged 27,000 per year; that number declined to 22,916 in 2019 and dropped further to 19,610 in 2020. This pattern is consistent with the national trend. Between 2011 and 2018 the average annual natural increase for the U.S. was 1.3 million, compared to 923 million in 2019 and 677 million in 2020.

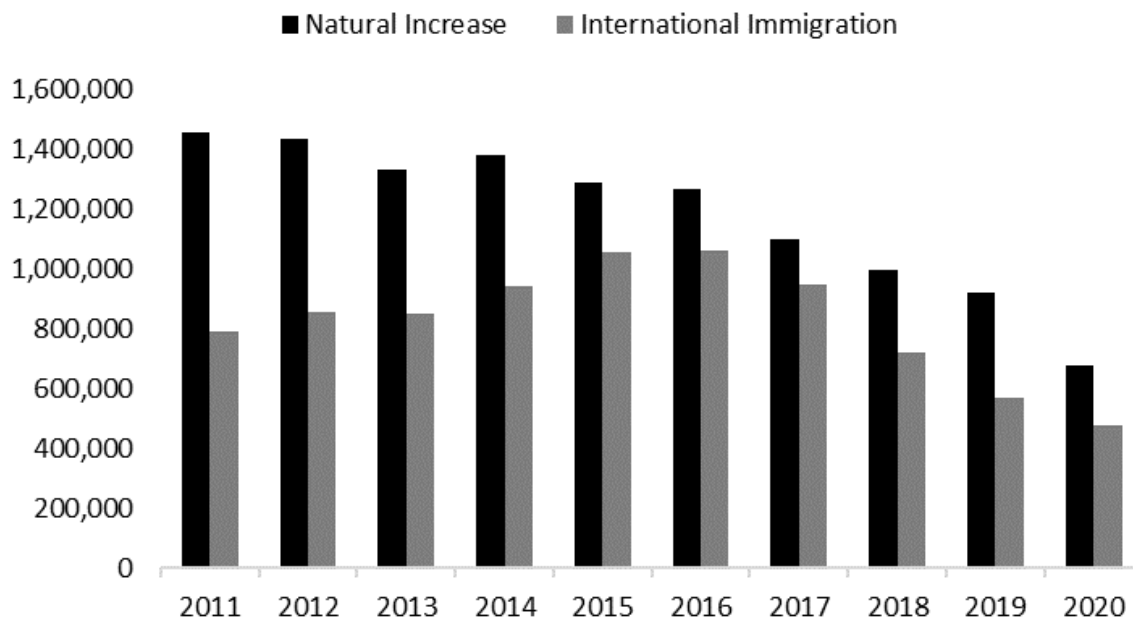


Source: U.S. Census Bureau

Since 2016, foreign immigration to both the U.S. and Minnesota has slowed, likely a reflection of changes in national policies to slow immigration rates. Domestic migration has been a source of population loss for Minnesota each year during the past decade, other than 2017 and 2018, when more than 14,000 individuals moved into the state from other areas of the country.

As the natural rate of population change continues to grow at lower than historical rates, domestic and international immigration play an increasingly important role in growing Minnesota’s population and labor force. Between 2011 and 2017, Minnesota averaged 14,500 international immigrants each year. In 2018 that number dropped to 10,000, and in 2019 dropped further to 9,000. In 2020 Minnesota welcomed 7,400 international immigrants, half the number that arrived in 2016. Since 2016, international immigration has slowed both nationally and in Minnesota, likely a reflection of changes in national policies to slow immigration rates. Across the U.S., international immigration rose to over 1 million in 2015 and 2016 before falling steadily to the 2020 rate of about 500,000 annual immigrants.

United States Population Growth



Source: U.S. Census Bureau

International immigration rose to over 1 million in 2015 and 2016 before falling steadily to the 2020 rate of about 500,000 annual immigrants. Between 2011 and 2018 the average annual natural increase for the U.S. was 1.3 million, compared to 923 million in 2019 and 677 million in 2020.

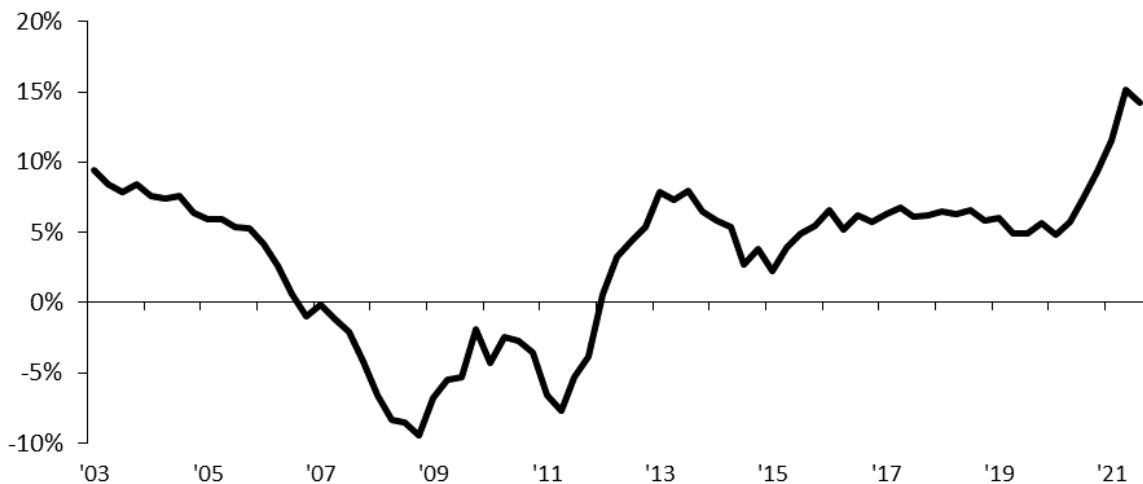
Domestic migration was consistently a source of loss for the state's population growth for the past decade. In years 2017 and 2018 that trend reversed, as 14,000 individuals moved into the state from other areas of the country. However, that trend again flipped to a decline in both years 2019 and 2020. In 2023, the Census Bureau will release updated estimates of net domestic and net international migration for the years 2010 to 2020. These new estimates will likely show Minnesota's net migration between 2010 and 2020 to be slightly higher than the current estimates.

Homebuilding Activity. Minnesota's housing has not kept up with demand for homes in the state, causing a hyper-competitive environment and record sales prices. Rising prices have now defined the state's housing market for several years. The statewide median sales price was \$295,000 in January 2022, an 8.5 percent increase over one year ago. According to the Minnesota Association of Realtors (MAR), there was a 0.9-month supply of homes in January for sale based on the current statewide sales pace, compared to a 1.1-month supply one year earlier. On average, sellers are receiving 98.7 percent of the original list price at sale. The time a property is on the market until sold is about 41 days, down from 46 days a year ago.

The median sales price for metro-area homes also increased over the past year, rising 10.9 percent to \$335,000 in January compared to \$302,000 in January of last year. Homes in the metro area were being sold after more than 41 days on the market compared to 42 days one year ago. Metro-area sellers received 99.6 percent of the original list price at closing.

Minnesota home prices are now higher than at any time since 2005, when the 30-year fixed mortgage rate was about 5.9 percent. In contrast, rates are now averaging around 3.5 percent, after reaching an all-time low of 2.65 percent in January 2021. While higher median prices increase monthly payments, lower rates constrain them. Through much of 2021, the price effect on affordability has outweighed the mortgage rate effect. Affordability has decreased over the past year based on the housing affordability index—the ratio of median household income to the income needed to purchase a house. The statewide affordability index was 143 in January, 15 percent lower than one year ago. In this forecast, IHS expects the 30-year fixed mortgage rate to increase to 3.6 percent in 2022 from 3.0 percent in 2021. IHS expects the rate to increase again to 4.2 percent in 2023, 4.5 percent in 2024, and 4.7 percent in 2025.

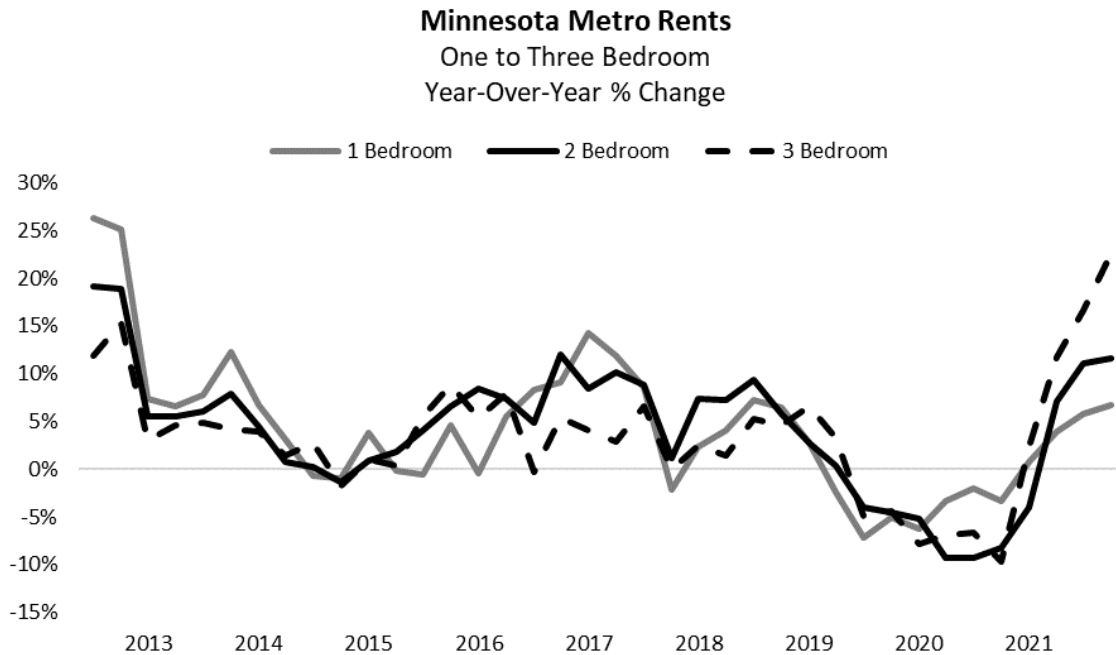
Minnesota Home Prices
Purchase-Only Index
Year-Over-Year % Change



Source: Federal Housing Finance Agency (FHFA)

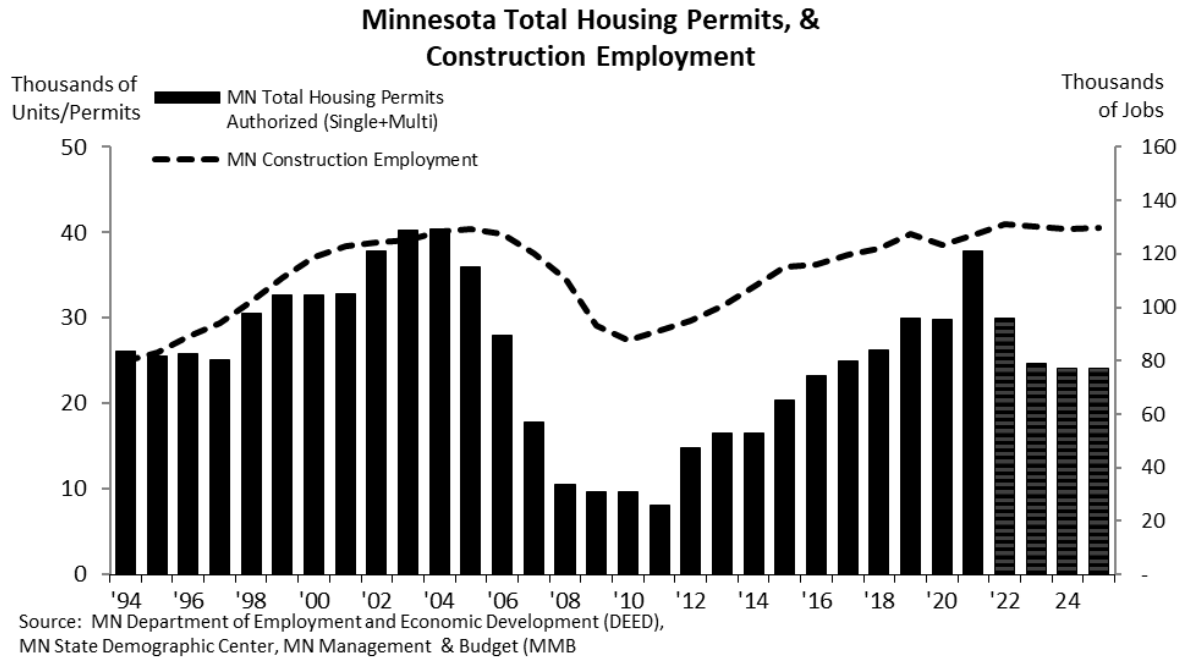
Rising prices have now defined the state’s housing market for several years. In January, the statewide median sales price had increased 8.5 percent from a year prior, reflecting a median sales price of \$295,000.

A highly competitive housing market has had an impact on the rental market in Minnesota. After a brief decline coinciding with the pandemic, statewide rents in Minnesota for two- and three-bedroom apartments have increased at a double-digit rate for the past three quarters on a year-over-year basis. According to data from Minnesota Housing Link, statewide rents for single bedroom units increased by 7 percent year-over-year in the fourth quarter of 2021, while rents for two-bedroom units and three-bedroom units increased by 14 percent and 17 percent year-over-year, respectively. Rents in the metro area for single bedroom units increased 7 percent in the fourth quarter of 2021 compared to a year prior, while rents for two-bedroom and three-bedroom units increased 12 and 23 percent, respectively, relative to the fourth quarter of 2020.



According to data from MN Housing Link, rents are increasing rapidly after a brief decline coinciding with the pandemic. Rents in the metro area for single bedroom units increased 7 percent in the fourth quarter of 2021 relative to a year prior, while rents for two-bedroom and three-bedroom units increased 12 and 23 percent, respectively, on a year-over-year basis.

According to the U.S. Census Bureau, Minnesota’s total number of authorized residential building permits reached 37,796 in 2021, the highest number since 2004 and up from 29,778 in 2020. Permits for both multi-family units and single-family units grew in 2021. In this forecast, we expect total housing permits to fall to approximately 30,000 in 2022 and hold steady around 24,000 permits per year through 2025. A limited supply of available homes, low interest rates, shifting regional demand, and rising home prices continue to push near-term construction higher. Similarly, construction employment in Minnesota reached its highest level since 2006 in late 2021. Nationally, the number of homes under construction in November was 1.49 million on a seasonally adjusted basis, the highest total since December 1973. Authorized, but not started units are at a series high, at 273,000 (data begins in 2000).

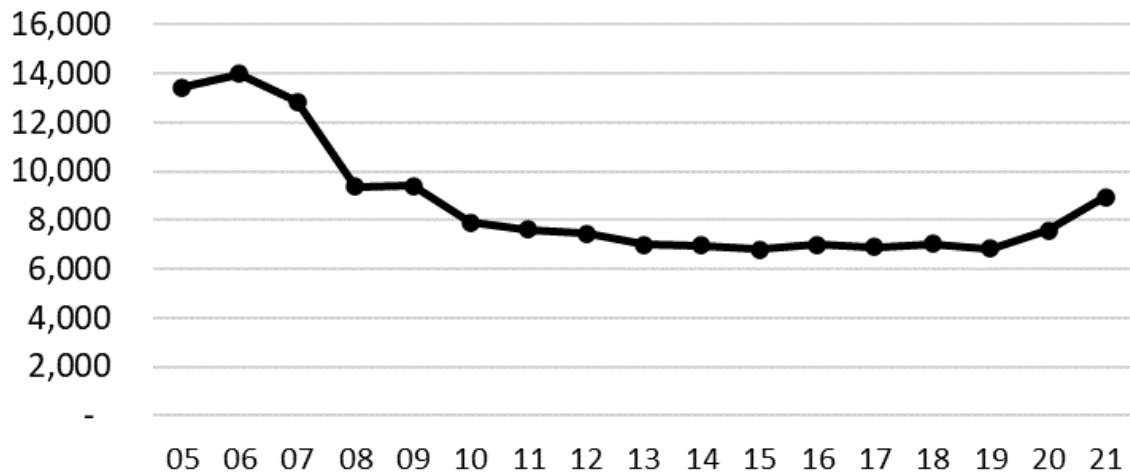


According to the U.S. Census Bureau, Minnesota’s total number of authorized residential building permits reached 37,796 in 2021, the highest number since 2004 and up from 29,778 in 2020. In this forecast, we expect total housing permits to fall to approximately 30,000 in 2022 and hold steady around 24,000 permits per year through 2025.

New Business Applications. According to the U.S. Census Bureau, new business applications in Minnesota in 2020 and 2021 were the strongest in a decade, similar to the trend in business applications in the U.S. as a whole. In Minnesota, an average of 41,000 new business applications were filed per year from 2010 to 2019. In 2020, more than 53,000 applications were filed. Almost 65,000 applications were filed in 2021.

Business applications with planned wages are a subset of business applications that the Census Bureau estimates have a high propensity of turning into businesses with employees, and these applications specifically indicate a planned date for paying wages. These applications were higher in 2020 and significantly higher in 2021 than they were in the prior decade. From 2010 to 2019, an average of about 7,150 of these applications were filed in Minnesota. About 7,500 applications were filed in 2020, and nearly 9,000 applications were filed in 2021, 25 percent more than the 2010-2019 annual average.

New Business Applications with Planned Wages Minnesota



Source: Census Bureau

Business applications with planned wages in Minnesota were higher in 2020 and significantly higher in 2021 than they were in the prior decade. About 7,500 applications were filed in 2020, and nearly 9,000 applications were filed in 2021, 25 percent more than the 2010-2019 annual average.

Exports. Minnesota's exports of goods and services to countries throughout the world is a significant source of income and jobs in the state. DEED reports that exports supported more than 119,000 jobs in 2019. The state's largest markets are Canada (\$4.8 billion), China (\$2.4 billion), and Mexico (\$1.9 billion).

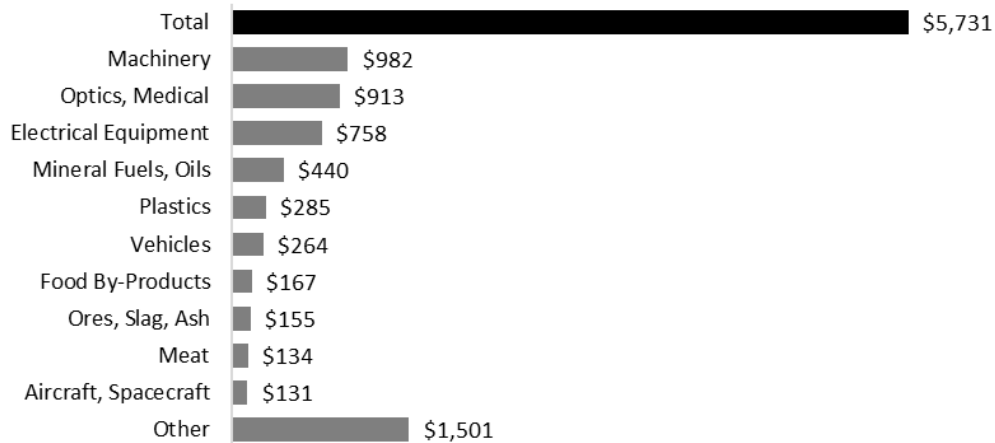
Minnesota's worldwide exports declined 10 percent in 2020, as the global pandemic inhibited international economic activity (total U.S. exports fell 13 percent). Sales from Minnesota's top 3 export products in 2019 (optic/medical, machinery, and electrical equipment products) fell significantly in 2020 by \$1.5 billion (14 percent). Ranked by export value, Minnesota ranked 21st among states in 2020, maintaining its ranking from 2019.

Exports in the first quarter of 2021 were 4 percent lower than in the first quarter of 2020. Exports then grew 29 percent year-over-year in the second quarter and 19 percent year-over-year in the third quarter. Eight of Minnesota's top ten export products exhibited year-over-year growth in the second quarter, and seven of the state's top ten products exhibited year-over-year growth in the third quarter. According to DEED, exports through the first three quarters of 2021 were 13 percent higher than they were during the same period in 2020, and 3 percent higher than they were during the same period in 2019. This is a strong indication that Minnesota's export economy has reached a level of strength and activity comparable to the state's pre-pandemic export economy.

In 2020, Minnesota's exports of ores, slag, or ash totaled \$480 million, \$94 million (16 percent) less than in 2019. Iron ore prices spiked between April 2020 and July 2021, from \$84 to \$214 per metric ton, then quickly subsided back to \$90 by November.

Minnesota's Top 10 Exported Products, Third Quarter 2021

Millions of USD

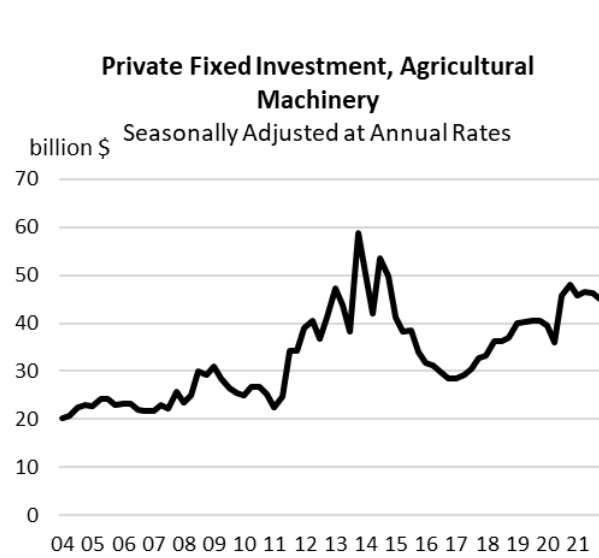


Source: MN Department of Employment and Economic Development (DEED)

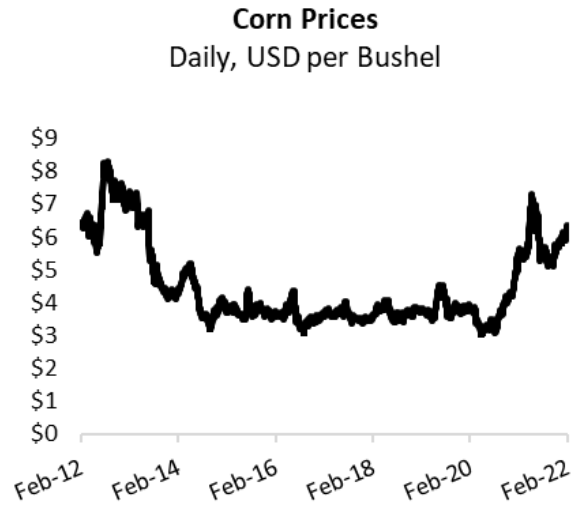
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Agriculture. According to the U.S. Department of Agriculture's farm income forecast, overall U.S. net farm income, a broad measure of profits, is estimated to have increased 23.2 percent from 2020 to 2021, after increasing 8.6 percent in 2020. If the USDA forecast is realized, net farm income in 2021 would be at its highest level since 2013. This increase is despite the expectation that direct government payments will fall by 40.4 percent in 2021. Higher agricultural commodity prices increased crop cash receipts, which are forecast to have increased 17.9 percent from 2020 in nominal terms. Accounting for most of the net increase are higher receipts for corn, soybeans, and wheat. China has resumed purchasing U.S. corn and soybeans, which has bolstered prices for both commodities. According to the latest USDA Agricultural Prices Report, the average price for corn in Minnesota during December 2021 was \$5.22 per bushel, \$1.49 above December 2020. Similarly, the average price for soybeans in Minnesota was \$12.50 per bushel, \$2.10 above the December 2020 price. Finally, total animal and animal product receipts are expected to increase 17.7 percent nationally in nominal terms in 2021. However, for livestock, both prices and quantities sold contribute to the increase. Growth in animal and animal product receipts are driven by national increases for hogs, cattle, calves, and poultry.

These high realized profits and cash receipts, as well as favorable borrowing conditions, have boosted farms' investment in agricultural machinery over the past year and a half. Investments in the second half of 2020 approached all-time highs and have been sustained through 2021. Since the third quarter of 2020, investment in agricultural machinery has reached levels not seen since 2014.



Source: U.S. Bureau of Economic Analysis



Source: MacroTrends Data

China has resumed purchasing U.S. corn and soybeans, which has bolstered prices for both commodities. According to the latest USDA Agricultural Prices Report, the average price for corn in Minnesota during December 2021 was \$5.22 per bushel, \$1.49 above December 2020. Similarly, the average price for soybeans was \$12.50 per bushel, \$2.10 above the December 2020 price. Investments in agricultural machinery in the second half of 2020 approached all-time highs as operations responded to high commodity prices and increased farm income; this heightened level of investment has continued through 2021.



BUDGET OUTLOOK

Current Biennium

When the last *Budget and Economic Forecast* was released in November 2021, a general fund surplus of \$7.746 billion was projected for the current biennium. Stronger revenue growth and lower spending estimates, partially offset by growth in the stadium reserve, result in a \$1.507 billion improvement to the bottom line. With this release, the FY 2022-23 biennium is now projected with end with a general fund surplus of \$9.253 billion.

Current Biennium: FY 2022-23 General Fund Budget Forecast Comparison

(\$ in millions)	November 2021 Forecast	February 2022 Forecast	\$ Change	% Change
Beginning Balance	\$7,026	\$7,026	\$ -	0.0%
Revenues				
Taxes	53,440	54,594	1,154	2.2
Non-Tax Revenues	1,529	1,627	98	6.4
Transfers, Other Resources	1,068	1,068	-	0.0
Total Revenues	\$56,037	\$57,289	\$1,252	2.2%
Expenditures				
E-12 Education	20,661	20,503	(158)	(0.8)
Property Tax Aids	4,169	4,154	(15)	(0.4)
Health & Human Services	16,410	16,302	(108)	(0.7)
Debt Service	1,199	1,197	(2)	(0.2)
All Other	9,562	9,574	12	0.1
Total Expenditures	\$51,999	\$51,729	\$(270)	(0.5)%
Budget Reserve	2,656	2,656	-	
Cash Flow Account	350	350	-	
Stadium Reserve	312	327	15	
Budgetary Balance	\$7,746	\$9,253	\$1,507	

Revenue. Revenue in the current biennium is now expected to be \$57.289 billion, an improvement of \$1.252 billion (2.2 percent) compared to November estimates. The three largest tax types – income, sales and corporate – are forecast higher than prior estimates. Most smaller tax categories are also higher, as are non-tax revenues. Transfers from other funds are estimated

at the same levels as November. With this forecast, total revenue in FY 2022-23 is expected to be \$6.810 billion (13.5 percent) higher than the previous biennium.

Spending. Total general fund spending in the current biennium is now projected to be \$51.729 billion, \$270 million (0.5 percent) lower than prior estimates. Lower spending estimates for the two largest budget areas, E-12 education and health and human services, account for all but \$4 million of the reduced spending estimates. Partially offsetting the reduced spending estimates is a \$4 million statutory transfer from the general fund to the 21st century mineral fund triggered by the positive balance projected in the general fund. This transfer now satisfies the statutory repayment requirements to the 21st century mineral fund.³ With this forecast, total spending in FY 2022-23 is expected to be \$4.305 billion (9.1 percent) higher than the previous biennium.

Federal funds replacement. The general fund forecast includes \$310 million in savings resulting from efforts to reallocate prior general fund spending to federal COVID sources. This amount is unchanged from November estimates. This forecast does not anticipate further reimbursements or cancellations to allow the reallocation of general fund spending beyond the current forecast.

General Fund Impact of COVID Federal Funding Source Reallocations

(\$in millions)	November 2021	February 2022	\$ Change
	Forecast	Forecast	
Coronavirus Relief Fund Balance	156	156	-
COVID-19 MN Fund Balance Transfer	77	77	-
Health Care Response Fund	17	17	-
Public Health Contingency Account ⁴	2	2	-
Cancellations, FEMA and Underspending	58	58	-
Total General Fund Impact	310	310	-

Budget reserve and cash flow account. The general fund budget reserve balance remains at \$2.656 billion with this release. In November, the budget reserve was increased according to statutorily required allocations so that it met the statutory target of 4.8 percent of general fund non-dedicated revenue for the current biennium. With the increased revenue forecast, the budget reserve target level is now \$2.698 billion. While the current reserve balance is now \$42 million below the target level, statutory allocations do not occur with the February forecast. If the November 2022 *Budget and Economic Forecast* projects a surplus, the first 33 percent of the balance will be allocated to the budget reserve until it reaches its target level.⁵ The cash flow account remains at the November level, \$350 million.

Stadium reserve. The stadium reserve is a residual account within the general fund. Its balance can grow when certain general fund revenues identified in statute, like a portion of lawful gambling receipts, exceed general fund appropriations that are either directly for the stadium,

³ Minnesota Statutes 16a.152, Subd. 2a. (6)

⁴ Laws 2020, Chapter 66

⁵ The general fund budget reserve target and forecast allocation is established according to Minnesota Statutes 16A.152. The target is a percentage of general fund non-dedicated revenue established in an [annual report](#) published by Minnesota Management and Budget that examines revenue volatility. Given that the target is a percentage of non-dedicated revenue, the target *level* will change as the revenue forecast changes.

like debt service on the bonds for its construction, or are identified in statute to be factored into the stadium reserve calculation.

Most of the expenditures identified in law for the stadium reserve formula are a fixed amount in law or show minimal variance from year to year. Lawful gambling revenue and Minneapolis sales tax receipts are the two revenues identified for the stadium reserve formula that are forecast and can grow year over year. In FY 2022, lawful gambling revenue available for stadium uses is expected to be \$128 million, \$8 million higher than November estimates. This amount is expected to grow to \$154 million by the end of FY 2025. Additionally, in January 2021 (FY 2021), the state began retaining Minneapolis sales tax receipts to cover the payments the state remits on behalf of the city for stadium obligations. In FY 2022, the state will retain \$21 million in Minneapolis sales tax receipts. By FY 2025, that amount is expected to grow to \$23 million.

Total state expenditures for the stadium, including those the state makes on behalf of the City of Minneapolis, are expected to be \$43 million in FY 2022 and will grow to \$45 million by FY 2025. All revenue in excess of spending amounts is allocated to the stadium reserve. In FY 2022, an estimated \$106 million will be added to the stadium reserve; by FY 2025 the amount allocated to the reserve is expected to be \$132 million. Given the increasing allocation amounts, the stadium reserve balance is expected to reach \$581 million by FY 2025, \$31 million more than November estimates.

Planning Estimates

Out-year planning estimates are based on current law revenues and expenditures. These estimates inherently carry a higher degree of uncertainty than estimates for FY 2022-23. Revenue projections for FY 2024-25 are based on IHS's February Baseline forecast for the planning years. Expenditure projections assume that current law funding levels and policies continue unchanged, adjusted for caseload and enrollment changes authorized in law, as well as formula-driven growth. The expenditure forecast does not assume cost growth outside of a few specific budget areas where assumptions for price increases or market conditions are specified by statute.

Planning Horizon: General Fund Budget By Biennium, FY2022-25, February 2022 Forecast

(\$ in millions)	FY 2022-23	FY 2024-25	\$ Change	Annual % Change
Forecast Revenues	\$57,289	\$60,596	\$3,307	2.8%
Projected Spending	51,729	54,307	2,578	2.5%
Difference	\$5,560	\$6,289		
<i>Estimated Inflation (CPI)⁶</i>		<i>\$1,090</i>		

⁶ Inflation calculation grows the estimated general fund spending base in each year by the projected CPI growth rate after removing special education, debt service, property tax refunds, and the state share for managed and long term care.

To highlight structural balance, the table shows forecast revenues and projected spending and excludes the impact of balances from prior years and reserves. In the FY 2024-25 biennium forecast revenue is expected to exceed base level spending by \$6.289 billion.

Projected inflationary growth based on the Consumer Price Index is now forecast to be 2.1 percent per year in FY 2024 and FY 2025. After adjusting for programs with price increases included in the current law formula, applying the annual inflation rate – compounded over 2 years – would add approximately \$1.090 billion in spending pressure to the FY 2024-25 biennium.

Since the biennial budget was enacted for the current biennium in the summer of 2021, the IHS forecast for inflation in FY 2021-23 has significantly increased. The standard methodology used to calculate inflation in this document accounts for projected inflationary *growth* into the planning estimates (FY 2024-25) but does not factor in any changes in inflation for the current biennium since the budget for FY 2022-23 was enacted. The current circumstance, in which inflation in the current biennium is materially higher than when the budget was enacted, could result in state agencies and programs experiencing inflationary cost pressures that current appropriation levels do not anticipate.

Planning estimates are not intended to predict surpluses or deficits two or more years into the future; rather, their purpose is to assist in determining how closely ongoing expenditures are likely to match future revenues based on trends in the economy and the level of spending that is needed to maintain programs and services. The FY 2024-25 planning estimates provide an important baseline against which the longer-term impacts and affordability of budget decisions can be measured.



REVENUE OUTLOOK

Current Biennium

Total general fund revenues for FY 2022-23 are now forecast to be \$57.289 billion, \$1.252 billion (2.2 percent) more than the November 2021 forecast. Total tax revenues for the biennium are forecast to be \$54.594, \$1.154 billion (2.2 percent) above the prior estimate. The forecasts for all major tax types are higher than in November.

Current Biennium: FY 2022-23 General Fund Revenues November 2021 vs. February 2022 Forecast Comparison

(\$ in millions)	November 2021 Forecast ¹	February 2022 Forecast	\$ Change	% Change
Individual Income Tax	\$29,676	\$30,174	\$498	1.7%
General Sales Tax	13,611	13,822	212	1.6
Corporate Franchise Tax	4,103	4,427	324	7.9
State General Property Tax	1,538	1,536	(2)	(0.2)
Other Tax Revenue	4,511	4,635	123	2.7
Total Tax Revenues	\$53,440	54,594	1,154	2.2%
Non-Tax Revenues	1,529	1,627	98	6.4
Other Resources	1,068	1,068	0	0.0
Total Revenues	\$56,037	\$57,289	\$1,252	2.2%

¹The November forecast for FY 2022-23 has been adjusted to include all S-Corp receipts, which are now predominantly Pass-Through Entity Tax receipts, in Individual income tax. This adjustment will also be made moving forward.

Revenues for FY 2022-23 are now expected to exceed their FY 2020-21 levels by \$6.810 billion (13.5 percent). Total tax revenues are projected to be \$6.857 (14.4 percent) more than in FY 2020-21. Individual income tax revenues account for 55.5 percent of the biennial tax revenue growth. Net sales tax receipts account for 27.8 percent of the growth. Corporate, state general property tax, and other receipts in FY 2022-23 account for 16.7 percent of the growth and are 12.1 percent higher than in the previous biennium.

This is the second forecast of FY 2022-23 since FY 2022 began on July 1. After seven months of observed collections (through January 2022), fiscal year-to-date receipts are \$16.163 billion, 28.2 percent of the total expected over the biennium. With 17 months of FY 2022-23 collections left to observe, 71.8 percent of forecast receipts are outstanding.

**Biennial Comparison: FY 2020-21 vs. FY 2022-23 General Fund Revenues
February 2022 Forecast**

(\$ in millions)	FY 2020-21 ¹	FY 2022-23	\$ Change	% Change
Individual Income Tax	\$26,368	\$30,174	\$3,806	14.4%
General Sales Tax	11,915	13,822	1,908	16.0
Corporate Franchise Tax	3,798	4,427	629	16.6
State General Property Tax	1,556	1,536	(20)	(1.3)
Other Tax Revenue	4,101	4,635	534	13.0
Total Tax Revenues	\$47,738	54,594	6,857	14.4%
Non-Tax Revenues	1,739	1,627	(112)	(6.5)
Other Resources	1,003	1,068	65	6.5
Total Revenues	\$50,479	\$57,289	\$6,810	13.5%

¹ FY20 and FY21 have been adjusted to include all S-Corp receipts, which are now predominantly Pass-Through Entity Tax receipts, in Individual income tax. This adjustment will also be made moving forward.

Individual Income Tax. Minnesota individual income tax receipts are now forecast to be \$498 million (1.7 percent) more than the November forecast adjusted for law changes. The increase is due to a higher forecast growth in wage and non-wage income, which offset a lower estimate of estimate of base year tax liability.

So far in FY 2022, net income tax receipts are \$1.206 billion (16.0 percent) more than forecast, but we estimate that nearly all of that variance is due to a timing shift arising from elective Pass-Through Entity (PTE) estimated tax payments. Starting in TY 2021, pass-through businesses, typically S-Corporations and partnerships, may choose to pay a state-level PTE tax, which is deductible on their federal returns and credited against Minnesota individual income tax. While there is no net state revenue impact of the PTE, it can change the timing of receipts. In the November 2021 Budget and Economic Forecast, we assumed that some pass-through businesses would start making estimated payments on the PTE as early as December 2021, so the payments could be deducted from their 2021 federal income tax. We now estimate that end-of-year PTE payments by partnerships exceeded our forecast and are responsible for about \$1.2 billion of the \$1.206 billion fiscal-year-to-date individual income tax variance. We expect the credits for these payments to reduce TY 2021 individual income tax liability by the same amount, lowering final payments and raising refunds during CY 2022.

Note that PTE payments are co-mingled in the collections data with minimum fees and payments made by pass-through businesses to satisfy their non-resident partners and shareholders income tax obligations. We have inferred the amounts of PTE payments from these collections, but we will not observe the actual amounts until TY 2021 tax returns have been filed and processed. This will likely not be complete until Spring 2023. PTE estimated payments will be remitted by the PTEs, themselves, and are expected to reduce estimated tax by individuals. This transition in the first year may create significant timing-related revenue variances in estimated payments of PTEs and individuals.

This forecast builds from estimated final 2020 income tax liability. Using information from processed tax returns, revenue in the state accounting system, and an estimate of refunds issued,

we estimate that final 2020 tax liability is \$12.006 billion, \$26 million less than estimated in November. The 2021 special session omnibus tax bill, enacted amid the tax return processing season, lowered TY 2020 income tax liability by excluding the first \$10,200 of Unemployment Insurance (UI) compensation and by excluding Paycheck Protection Program loan forgiveness and some smaller income types. Refunds were computed and issued by Minnesota Department of Revenue for those who filed before the law change. Because we needed to estimate the refunds that were paid out, our estimate of base year liability is more uncertain than normal.

Calibrating the income tax model to produce our estimated base year liability generally requires making assumptions about base year growth rates for specific income types. Current information from the Bureau of Economic Analysis (BEA) indicates that Minnesota's wage income in CY 2020 was flat, compared to the 0.5 percent decline that we assumed in the November forecast.

Using information from a preliminary sample of Minnesota TY 2020 income tax returns, we assume capital gains realized by Minnesota residents in that year grew 22.6 percent over 2019. In the November forecast, we had assumed 2020 capital gains growth of 11.5 percent. Positive non-farm business income is assumed to grow 13.6 percent in 2020, compared to 6.9 percent growth we assumed in the November forecast. In this forecast interest income is assumed to decline 16.6 percent in CY 2020, more than the 5.9 percent decline we assumed in November. Taxable income from Social Security benefits and Individual Retirement Account distributions in TY 2020 are assumed to grow more slowly in this forecast than in November.

A higher forecast of income growth for CY 2021 and CY 2022 offset the lower base year liability to raise the forecast for FY 2022-23 income tax revenues. In making the November and February forecasts, we added together wages and UI benefits, because we think it resulted in a more accurate depiction of the distribution of taxable income and helped explain the surprisingly high growth in tax liability for 2020 (prior to the 2021 session law change). In this forecast, growth in the combination of wages and UI benefits expected to be reported on tax returns is about 0.3 percent lower in 2021 than in the November forecast. However, in 2022 this growth rate is 0.8 percent higher than we forecast in 2022 and is 0.05 percent higher in tax year 2023.

Changes in expected growth rates in some non-wage income types in CY 2021 and 2022 also increase the FY 2022-23 income tax forecast. Business income growth is cumulatively 7.5 percentage points higher in CY 2021 and 5.9 percentage points higher in CY 2022 compared to February. Capital gains realizations reported by Minnesota residents are now assumed to grow 10.1 percent in 2021, the same assumption we made in November. However, because of this higher base from strong CY 2020 capital gains growth, CY 2021 realizations grow cumulatively 12.2 percent more in this forecast than in November. Following these two years of high growth, capital gains are now forecast to decline 10.0 percent in CY 2022, compared to a decline of 0.1 percent in the prior forecast.

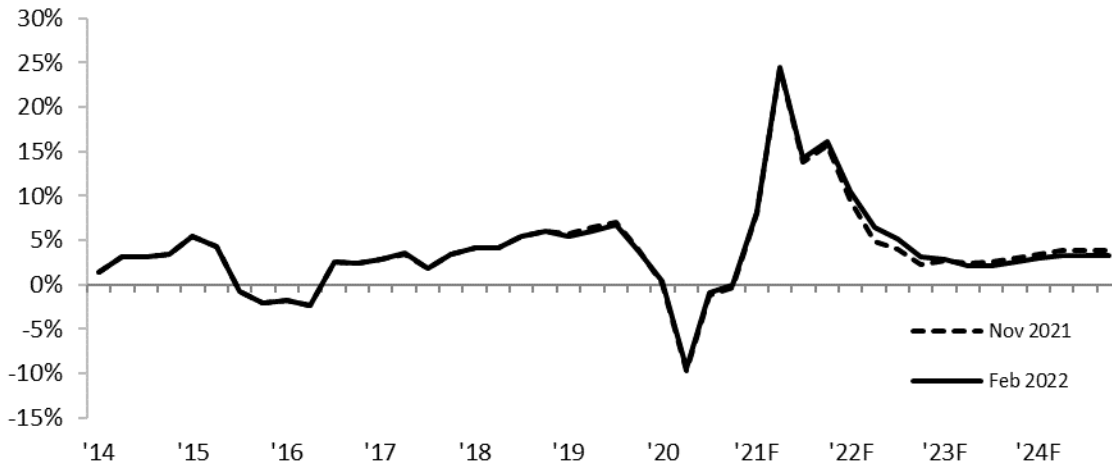
Direct receipts from partnerships and S-Corps largely consist of the income taxes these entities pay on behalf of their non-resident partners and shareholders. Net receipts paid by these entities grew dramatically in FY 2021: 64 percent for S-Corps and 27 percent for partnerships, amounting to a combined growth rate of 46 percent. In the November forecast, we speculated that some of the FY 2021 growth likely represented extraordinary, one-time payments and did not carry the growth forward. After investigation and continued high payments by these entities, we have

carried the growth forward in this forecast. This raises our income tax forecast for FY 2022-23 by about \$155 million.

General Sales Tax. Net general sales tax revenue in FY 2022-23 is now forecast to be \$212 million (1.6 percent) more than the prior estimate. Both a \$210 million increase in forecast gross sales tax receipts and a \$2 million reduction in expected refunds contribute to the change.

The increased forecast for gross sales tax receipts reflects higher than expected gross receipts so far in FY 2022 and a higher forecast for taxable sales compared to November. Using forecasts for spending on a wide range of taxable goods and services, we construct the Minnesota synthetic sales tax base, a proxy for the actual sales tax base. In this forecast, the synthetic base is expected to grow 0.9 percentage points faster in FY 2022 than in November. Off this higher base, we expect the synthetic sales tax base to grow 0.4 percentage points more in FY 2023 than we forecast in November.

Minnesota Synthetic Sales Tax Base Forecast Comparison*
Year-Over-Year Percent Change



Source: U.S. Bureau of Economic Analysis; IHS Economics; Minnesota Management & Budget (MMB)

In this forecast, the proxy for Minnesota’s sales tax base grew 15.6 percent in CY 2021, 0.2 percentage points faster than we had assumed in November. Off this higher base, we expect the synthetic sales tax base to grow 6.3 percent in CY 2022 and 2.4 percent in CY 2023.

Corporate Franchise Tax. The corporate franchise tax is forecast to generate \$4.427 billion in FY 2022-23, \$324 million (7.9 percent) more than the prior estimate. Higher forecast gross corporate payments and lower forecast refunds both contribute to the change.

The forecast change is due to both a higher base of corporate receipts and higher expected growth in corporate profits. At the close of FY 2021, net corporate tax receipts exceeded the February forecast (adjusted for law changes) by \$656 million (37.9 percent). Year-to-date net receipts for FY 2022 are \$65 million above November forecast. The higher base combines with a higher near-term forecast for corporate profits growth to raise the current biennium net corporate tax

receipts forecast. The previous corporate tax forecast was based on IHS' November forecast, which assumed 31.0 percent increase in CY 2021, followed by a 2.9 percent decline in CY 2022. In this forecast we use IHS' February 2022 baseline outlook which assumes growth 36.9 percent in 2021, followed by a decline of 1.1 percent in CY 2022. The forecast for CY 2021 and CY 2022 improved by 5.9 and by 1.8 percentage points, respectively.



Source: U.S. Bureau of Economic Analysis (BEA); IHS Economics; Minnesota Management & Budget (MMB)

The forecast change is due to both a higher base of gross corporate tax receipts and higher growth in corporate profits. The previous corporate forecast estimate was based on IHS' November forecast, which assumed a 31.0 percent in CY 2021 followed by a 2.9 percent decline in CY 2022. In this forecast we use IHS' February 2022 baseline outlook which assumes growth of 36.9 percent in CY 2021, followed by a decline of 1.1 in CY 2022.

Other Tax Revenue, Non-Tax Revenue, Other Resources. Other tax revenue is now expected to be \$123 million (2.7 percent) more than the prior estimate. Among other taxes, the taconite occupation tax shows the largest dollar amount change, \$52.4 million (162.2 percent) more than the prior estimate. This is due to higher forecast profits for the firms that pay this tax, driven in part by higher domestic steel prices. Estimated deed transfer tax receipts are \$28.2 million (7.5 percent) higher than in the prior forecast. This is driven by higher receipts so far this fiscal year and higher projected selling prices for homes.

Planning Estimates

Total revenues for FY 2024-25 are now estimated to be \$60.596 billion, an increase of \$3.307 billion (5.8 percent) over the current forecast for FY 2022-23 revenues. Total tax revenues for FY 2024-25 are estimated to be \$58.106 billion, a 6.4 percent increase over FY 2022-23 forecast revenues.

The individual income tax shows the largest increase, growing by \$2.965 billion (9.8 percent), and contributing 84.4 percent of the total tax revenue biennial change. The general sales tax is expected to exceed FY 2022-23 forecast levels by \$1.241 million (9.0 percent), accounting for 35.3 percent of the growth in tax revenues. Other tax revenues are expected to exceed FY 2022-23

forecast levels by \$117 million (2.5 percent). Receipts from the corporate franchise tax are expected to decline \$773 million (17.5 percent) from FY 2022-23 levels, and statewide property tax receipts are expected to decline \$39 million (2.5 percent).

The revenue planning estimates are informed by the IHS baseline forecast, which assumes that U.S. real GDP will grow 2.7 percent in CY 2023, followed by somewhat slower growth of 2.6 percent in CY 2024 and 2.5 percent in CY 2025.

Biennial Comparison: FY 2022-23 vs. FY 2024-25 General Fund Revenues
February 2022 Forecast

(\$ in millions)	FY 2022-23	FY 2024-25	\$ Change	% Change
Individual Income Tax	\$30,174	\$33,140	\$2,965	9.8%
General Sales Tax	13,822	15,064	1,241	9.0
Corporate Franchise Tax	4,427	3,654	(773)	(17.5)
State General Property Tax	1,536	1,497	(39)	(2.5)
Other Tax Revenue	4,635	4,751	117	2.5
Total Tax Revenues	54,594	58,106	3,511	6.4%
Non-Tax Revenues	1,627	1,566	(60)	(3.7)
Other Resources	1,068	924	(144)	(13.5)
Total Revenues	\$57,289	\$60,596	\$3,307	5.8%

The planning estimates for 2024-25 should be used with caution. First, the projections will be affected by any revenue changes in a supplemental budget for the 2022-23 biennium. Second, in subsequent forecasts changes to our estimates of individual and corporate income tax liability for 2023 and 2024, as well as changes to the base levels of other revenue types for FY 2022 and 2023, will change the FY 2024-25 planning estimates. Third, even small deviations from assumed growth rates for factors affecting revenues will compound and produce sizable changes in revenues. Should the economy grow more slowly than forecast or should some volatile income source such as capital gains or corporate profits fall well below forecast, the revenue outlook for FY 2024-25 will deteriorate. Finally, Minnesota's Council of Economic Advisers warn that the difficulty of projecting long-range economic conditions warrants caution when using forecasts for 2024 and 2025. This is of particular concern as the structural effects of the pandemic on the economy are not fully known, and volatility will likely persist through the forecast period. In addition, new threats to growth have emerged since November, including higher energy prices, broader and stronger price inflation, stock market volatility, and geo-political risks, including tensions between Russia and Ukraine. Economic growth in both the current and next biennium could be impacted by these factors, whose developments and resolutions remain uncertain.



EXPENDITURE OUTLOOK

Current Biennium

Spending estimates for the FY 2022-23 biennium are slightly lower than the November forecast. Expenditures in the current biennium are now expected to be \$51.729 billion, a reduction of \$270 million (0.5 percent). The decrease is primarily driven by changes in E-12 education spending due to lower than projected pupil counts and decreases in special education transportation costs. Health and human services spending is also lower than in the November forecast. An additional quarter of enhanced federal match, due to an extension in the federal public health emergency, is projected to decrease Medical Assistance expenditures.

Current Biennium: FY 2022-23 General Fund Expenditures Forecast Comparison

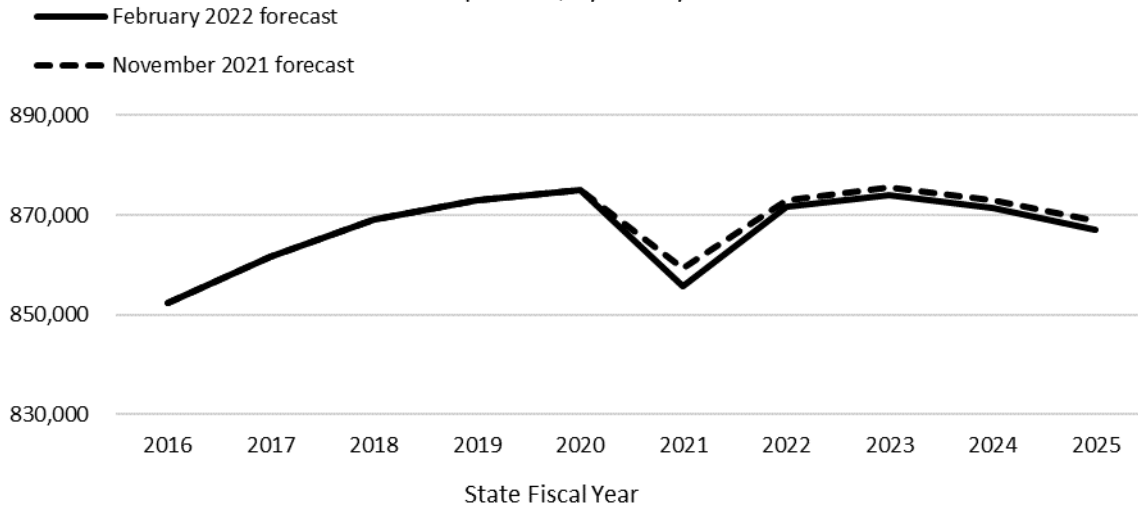
(\$ in millions)	November 2021 Forecast	February 2022 Forecast	\$ Change	% Change
E-12 Education	\$20,661	\$20,503	\$(158)	(0.8) %
Property Tax Aids & Credits	4,169	4,154	(15)	(0.4)
Health & Human Services	16,410	16,302	(108)	(0.7)
Debt Service	1,199	1,197	(2)	(0.2)
All Other	9,562	9,574	12	0.1
Total Expenditures	\$51,999	\$51,729	\$(270)	(0.5) %

E-12 Education. Education finance is the largest category of state general fund spending. It consists of aid programs for general education, special education, early childhood and family education, charter schools, nonpublic pupil programs, and integration programs. E-12 aids can be divided into two major funding streams: 1) general education, the primary source of basic operating funds for schools, and 2) categorical aid, tied to specific activities or categories of funding.

E-12 education expenditures are expected to be \$158 million (0.8 percent) lower in FY 2022-23 compared to the November forecast. This reduction is partially attributable to decreased spending in general education of \$76 million (0.5 percent). As a result of finalized, actual pupil counts for the 2020-21 school year, FY 2022 final aid payments for the prior school year will be \$35 million lower than expected. Lower than expected pupil counts also drive the change in general education in FY 2022-23, decreasing spending in basic aid \$21 million (0.2 percent). This decrease is primarily due to lower FY 2022 kindergarten enrollment. Relative to the November forecast, pupils are down 1,305 (0.1 percent) in FY 2022 and 1,580 (0.2 percent) in FY 2023.

E-12 Education Pupils, Actual and Projected

Pupil units, by fiscal year



E-12 education pupil projections are lower than November 2021 estimates across the forecast horizon.

Additionally, compensatory aid is down \$22 million (2.3 percent) due to a decrease in reporting of students who are eligible for free and reduced-price lunch in the 2020-21 school year. The decrease in reporting is primarily due to pandemic-related federal support for nutrition programs that provide free meals to students without the need to apply.

General Fund Education Expenditures Change From November 2021 Estimates

(\$ in millions)	FY 2022-23		FY 2024-25	
	\$ Change	% Change	\$ Change	% Change
Basic Formula	\$(21)	(0.2) %	\$(21)	(0.2) %
Compensatory	(22)	(2.3)	(9)	(0.8)
2020-21 School Year Final Payment	(35)	n/a	n/a	n/a
Other General Education	2	0.1	2	0.2
General Education Subtotal	(76)	(0.5)	(28)	(0.2)
Special Education	(69)	(1.9)	(27)	(0.7)
Other Categoricals	(12)	(0.9)	3	0.2
Total E-12 General Fund Forecast Change	\$(158)	(0.8) %	\$(52)	(0.2) %

Special education expenditures are down \$69 million (1.9 percent), due to lower-than-anticipated expenditures in special education transportation. Prior-year costs are the baseline for special education spending projections, and the actual prior-year costs for special education transportation from the 2020-21 school year are lower both year-over-year and compared to previous estimates. A commensurate reduction is reflected in FY 2022 special education aid and is a result of lower school district spending on special education transportation due to the impacts

of the COVID-19 pandemic. While this experience reduces special education transportation spending across the forecast horizon, much of the reduction is not assumed to be permanent.

Spending in other categorical aids is down \$12 million (0.9 percent). The largest portion of this change is a decrease in interdistrict desegregation transportation aid of \$6 million (23.1 percent), due to final 2020-21 school year data lowering projected utilization and expenditures in this forecast.

Health and Human Services. Health and Human Services (HHS) is approximately 32 percent of total state general fund spending. Most of these expenditures (86 percent) are forecast programs including Medical Assistance (MA), Behavioral Health Fund (BHF), the Minnesota Family Investment Program (MFIP), MFIP Child Care, Alternative Care (AC), General Assistance, Housing Support, Minnesota Supplemental Aid, and NorthStar Care for Children.

General fund forecast changes are generally driven by changes to the MA forecast, since it accounts for the largest portion of forecast program expenditures. MA is a state-federal, means tested entitlement program for low-income individuals and families, persons with physical or developmental disabilities, and low-income older adults. MA costs are split between the state and federal government, though only the state share of expenditures is reflected as part of the general fund forecast.

In the FY 2022-23 biennium, HHS spending is anticipated to be \$16.302 billion, down \$108 million (0.7 percent) from November estimates. Changes in MA account for \$59 million (0.4 percent) of the reduction.

General Fund Health and Human Services Expenditures
Change From November 2021 Forecast

(\$in millions)	FY 2022-23		FY 2024-25	
	\$ Change	% Change	\$ Change	% Change
Public Health Emergency Extension Additional FMAP	\$(143)	(1.1) %	\$0	0.0%
Public Health Emergency Continuous Coverage	78	0.6	0	0.0
Nursing Facility Provider Rates	18	2.1	59	5.1
Temporary 12A.10 Rates	28	0.6	0	0.0
All other MA	(40)	(0.3)	23	0.1
Total MA General Fund Change	(59)	(0.4)	82	0.5
Child Care Assistance Program	(40)	(51.9)	0	0.0
Minnesota Family Investment Program	(14)	(5.5)	(27)	(14.5)
All other HHS changes	5	0.5	12	1.0
Total HHS General Fund Change	\$(108)	(0.7) %	\$67	0.4%

Medical Assistance Program

The largest change in MA is an additional quarter of enhanced federal match due to an extension in the federal public health emergency. On January 14, 2022, Secretary of Health and Human Services, Xavier Becerra, announced an extension of the public health emergency for up to

another 90 days. Assuming no further action by the Secretary, the public health emergency will now extend into April 2022. The Families First Coronavirus Response Act provides an additional 6.2 percent federal medical assistance percentage (FMAP) for several programs, primarily MA, when a public health emergency is active for at least one day within a calendar quarter. The enhanced federal share for the 4th quarter of FY 2022 decreases spending in MA by \$143 million (1.1 percent). This forecast does not assume additional extensions of the public health emergency.

As a condition of receiving enhanced federal matching funds, the state must maintain coverage for individuals receiving medical assistance throughout the public health emergency. This requirement results in higher enrollment, thus increasing state spending by adding three months of additional continuous coverage costs. This requirement increases MA expenditures in this forecast by \$78 million (0.6 percent). Assuming no further extensions, eligibility determination for those currently in the MA program after the public health emergency ends is to be completed by June 2023.

Despite the overall net savings in the MA forecast for FY 2022-23, an increase in nursing facility provider rates is projected to increase spending \$18 million (2.1 percent) in the current biennium. A preliminary analysis of 2020 nursing facility cost reports that are the basis for the calendar year 2022 rates paid by MA indicate cost increases that are higher than previous estimates.

Additionally, the Department of Human Services used its statutory authority to expedite MA payments to health care and long-term care providers to respond to pandemic-related staffing shortages in these facilities. Pursuant to Minnesota Statutes 12A.10, the department offered expedited payments to nursing home facilities, increasing expenditures \$4 million in FY 2022-23. The department also instituted a temporary, three-month rate increase of five percent for payments to providers to support direct care staffing in residential disability services. This adjustment further increases spending \$24 million. The cumulative impact of both actions adds \$28 million (0.6 percent) in expenditures in the current biennium.

Other Health and Human Services Expenditures

Child Care Assistance Program (CCAP) expenditures in the general fund are expected to decrease by \$40 million (51.9 percent) in FY 2022-23, compared to the November forecast. This change is primarily caused by a 10 percent reduction in caseload in FY 2022 and FY 2023. Decreased utilization of the program during the pandemic results in lower enrollment estimates. This reduction in enrollment creates federal fund savings in FY 2022 that carryforward into FY 2023, further reducing the general fund obligation for the program in both years. Program participation is expected to return to its pre-pandemic baseline in calendar year 2023, and this expectation is incorporated into the planning estimates.

Changes to how the state meets the maintenance of effort (MOE) requirement for the Temporary Assistance for Needy Families (TANF) fund also reduces general fund expenditures for the Minnesota Family Investment Program (MFIP) by \$14 million (5.5 percent). The state has an annual requirement to spend \$175 million in qualified nonfederal resources to meet the TANF MOE. The state meets this requirement through expenditures for CCAP, MFIP, Head Start, state and county program administration, employment and training, and some Working Family Tax Credit expenditures. In this forecast, Working Family Tax Credit expenditures counted towards

the state's general fund MOE for TANF is increased by \$54 million in FY 2023. As a result, the state does not need to increase general fund MFIP spending to compensate for the \$40 million decrease in CCAP expenditures to meet the MOE requirement. The remaining \$14 million of Working Family Tax Credit expenditures counted towards the MOE results in a decrease in general fund MFIP spending. These changes do not alter expected MFIP caseload or payments to individuals.

Property Tax, Aids, and Credits. Property tax aids and credits are 8 percent of general fund spending. They are paid to local governments, including cities, counties, towns, public schools, and special taxing districts. These aids and credits help offset costs of service delivery and defray costs of state mandates. They are designed to reduce the reliance on local property taxes by substituting state funds for revenues that would otherwise be raised locally. Direct payments to individuals, like property tax refunds for homeowners and renters, are also included in this category because they reduce property tax burdens.

FY 2022-23 spending for property tax aids and credits is forecast to be \$4.154 billion, \$15 million (0.4 percent) lower than November estimates. This change is primarily due to a reduction in homestead credit refunds and renter's property tax refunds, which are down \$8 million (0.6 percent) and \$3 million (0.8 percent) respectively. For both programs, actual FY 2022 refunds are lower than expected, thus driving spending decreases in FY 2023. Additionally, changes in the forecast for school debt service levies are reducing spending for the school building bond agricultural credit by \$2 million (1.5 percent), contributing to the overall change in this area.

Debt Service and All Other. Debt service expenditures are forecast to be \$1.197 billion in the current biennium, a \$2 million (0.2 percent) reduction from prior estimates. The reduction is primarily due to an increase in short-term investment earnings on cash balances in the bond proceeds and debt service funds, which reduces the transfer required from the general fund for debt service payments. As in November, this forecast assumes future enacted bonding authorizations of \$880 million in even year legislative sessions and \$135 million in odd year legislative sessions. Additional spending contributes to the overall change in other bill areas, including a \$13 million increase in the appropriation for firefighting at the Department of Natural Resources and a \$4 million increase to the transfer to the 21st century mineral fund that satisfies all remaining transfers required under Minnesota Statutes 16a.152, subdivision 2 (5).

Planning Estimates

Expenditures in the FY 2024-25 biennium are forecast to reach \$54.307 billion, a \$26 million (0.0 percent) reduction from November estimates. As in the current biennium, this change is primarily due to lower spending in E-12 education. Decreased expenditures in property tax aids and credits and debt service also contribute to the overall forecast reduction. The net decrease in FY 2024-25 is partially offset by increased spending in health and human services.

**Planning Estimates: FY 2024-25 General Fund Expenditures
Forecast Comparison**

(\$ in millions)	November 2021 Forecast	February 2022 Forecast	\$ Change	% Change
E-12 Education	\$21,294	\$21,242	\$(52)	(0.2) %
Property Tax Aids & Credits	4,367	4,343	(24)	(0.6)
Health & Human Services	18,421	18,488	67	0.4
Debt Service	1,273	1,257	(16)	(1.3)
All Other	8,978	8,977	(1)	(0.0)
Total Expenditures	\$54,333	\$54,307	\$(26)	(0.0) %

E-12 Education. E-12 education spending is estimated to be \$21.242 billion in the FY 2024-25 biennium, a decrease of \$52 million (0.2 percent) compared to November estimates. Reductions in general education spending account for \$28 million (0.2 percent) of this change, primarily due to a decrease in projected pupil counts. Special education expenditures are forecast to be \$27 million (0.2 percent) lower due to decreased pupil counts and lower estimated spending in special education transportation. Despite the reduction in E-12 education forecast spending, year-over-year total E-12 education expenditures are expected to increase throughout the forecast period.

Health & Human Services. Health and Human Services spending is estimated to be \$18.488 billion in FY 2024-25, an increase of \$67 million (0.4 percent) from November estimates.

MA spending is projected to increase \$82 million (0.5 percent) primarily due to an increase in projected nursing facility provider rates, which increases spending \$59 million (5.1 percent). As in the current biennium, this increase is attributed to higher projected nursing facility costs.

Outside of the MA program, MOE financing changes for MFIP decrease state general fund expenditures. The February forecast removes a previous assumption that a minimum of 16 percent of the TANF general fund MOE must be met through specific cash and food benefit expenditures in the MFIP program. By reflecting the requirements of current law related to eligible MOE expenditures, this administrative change decreases general fund spending by \$27 million (14.5 percent) in FY 2024-25.

Property Tax, Aids, and Credits. Property tax aids and credits spending is expected to be \$4.343 billion in the FY 2024-25 biennium, a decrease of \$24 million (0.6 percent) compared to November estimates. This change is driven by a decrease in the estimate for the school building bond agricultural credit, which is down \$19 million (10.1 percent) for the biennium as changes to the school debt service levy forecast provided more information about school districts' proposed bond schedules included in certified levies. Additionally, the forecast for homestead credit refunds is down \$7 million (0.5 percent) largely due to lower actual refunds in FY 2022 decreasing future projections and slightly lower property tax growth.

Debt Service. Debt service expenditures are forecast to be \$1.257 billion in the next biennium, \$16 million (1.3 percent) less than previous estimates. The change is primarily attributable to an increase in short-term investment earnings on cash balances in the bond proceeds and debt service funds, which reduces the transfer required from the general fund for debt service

payments. Interest rate assumptions were largely unchanged and offset the projected investment earnings by only a small margin.



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Minnesota Economic Forecast Summary

Forecast 2021 to 2025 - Calendar Years

	2020	2021	2022	2023	2024	2025
Current Dollar Income (Billions of Dollars)						
Personal Income	350.785	375.143	379.598	397.205	415.890	435.265
%Chg	6.5	6.9	1.2	4.6	4.7	4.7
Wage & Salary Disbursements	179.144	194.137	210.050	221.035	231.293	241.530
%Chg	0.0	8.4	8.2	5.2	4.6	4.4
Non-Wage Personal Income	171.641	181.006	169.548	176.168	184.595	193.730
%Chg	14.1	5.5	-6.3	3.9	4.8	4.9
Supplements to Wages & Salaries	38.954	41.529	44.292	46.608	48.797	50.992
%Chg	-0.1	6.6	6.7	5.2	4.7	4.5
Dividends, Interest, & Rent Income	63.624	64.162	67.625	71.344	75.139	79.039
%Chg	-1.8	0.8	5.4	5.5	5.3	5.2
Farm Proprietors Income	3.322	5.621	4.454	4.042	4.017	3.988
%Chg	1873.0	69.2	-20.8	-9.3	-0.6	-0.7
Non-Farm Proprietors Income	24.127	25.916	27.414	28.497	29.951	31.361
%Chg	6.9	7.4	5.8	4.0	5.1	4.7
Personal Current Transfer Receipts	71.410	76.294	60.759	62.194	64.693	67.873
%Chg	34.2	6.8	-20.4	2.4	4.0	4.9
Less: Contrib. for Gov. Social Ins.	28.510	31.022	33.434	34.953	36.436	37.958
%Chg	1.9	8.8	7.8	4.5	4.2	4.2
Real Income (Billions of 2009 Dollars)						
Real Personal Income	315.417	324.844	315.260	323.833	332.535	341.070
%Chg	5.2	3.0	-3.0	2.7	2.7	2.6
Real Wage & Salary Disbursements	161.054	167.986	174.443	180.208	184.938	189.260
%Chg	-1.2	4.3	3.8	3.3	2.6	2.3
Employment (Thousands)						
Employment - Total Non-Farm Payrolls	2,790.9	2,845.5	2,942.4	2,987.4	3,015.4	3,036.4
%Chg	-6.6	2.0	3.4	1.5	0.9	0.7
Construction	123.4	127.2	131.1	130.4	129.4	129.6
%Chg	-3.0	3.0	3.1	-0.5	-0.7	0.2
Manufacturing	311.2	315.0	321.8	323.0	324.7	326.1
%Chg	-4.5	1.2	2.1	0.4	0.5	0.4
Private Service-Providing	1,944.3	1,993.7	2,077.2	2,114.2	2,138.3	2,155.2
%Chg	-7.6	2.5	4.2	1.8	1.1	0.8
Government	405.8	403.2	406.0	413.4	416.8	419.1
%Chg	-4.7	-0.6	0.7	1.8	0.8	0.6
Minnesota Civilian Labor Force	3,094.9	3,029.5	3,083.7	3,135.7	3,172.1	3,199.5
Unemployment Rate (%)	6.2	3.9	2.2	2.2	2.4	2.6
Demographic Indicators (Millions)						
Total Population	5.707	5.708	5.719	5.740	5.768	5.797
%Chg	0.3	0.0	0.2	0.4	0.5	0.5
Total Population Age 16 & Over	4.528	4.539	4.556	4.584	4.618	4.653
%Chg	0.5	0.2	0.4	0.6	0.7	0.8
Total Population Age 65 & Over	0.960	0.983	1.007	1.035	1.065	1.095
%Chg	3.2	2.4	2.4	2.8	2.9	2.8
Total Households	2.256	2.283	2.306	2.329	2.354	2.378
%Chg	-0.1	1.2	1.0	1.0	1.0	1.0
Housing Indicators (Thousands)						
Total Housing Permits (Authorized)	29.778	37.796	29.970	24.706	24.063	24.080
%Chg	-0.4	26.9	-20.7	-17.6	-2.6	0.1
Single-Family	15.942	18.676	15.938	14.986	15.150	15.336
%Chg	10.9	17.1	-14.7	-6.0	1.1	1.2

Source: Minnesota Management & Budget (MMB) February 2021 Forecast

U.S. Economic Forecast Summary

Forecast 2021 to 2025, Calendar Years

	2020	2021	2022	2023	2024	2025
Real National Income Accounts (Billions of 2009 Dollars)						
Real Gross Domestic Product (GDP)	18,384.7	19,427.2	20,152.0	20,692.7	21,239.3	21,779.9
%Chg	-3.4	5.7	3.7	2.7	2.6	2.5
Real Consumption	12,629.9	13,630.8	14,066.0	14,451.6	14,890.6	15,345.3
%Chg	-3.8	7.9	3.2	2.7	3.0	3.1
Real Nonresidential Fixed Investment	2,671.1	2,866.9	3,047.1	3,186.2	3,321.0	3,448.6
%Chg	-5.3	7.3	6.3	4.6	4.2	3.8
Real Residential Investment	648.0	706.5	679.0	645.4	642.6	643.8
%Chg	6.8	9.0	-3.9	-4.9	-0.4	0.2
Real Personal Income	17,647.9	18,236.8	17,853.2	18,427.7	18,994.4	19,569.3
%Chg	5.3	3.3	-2.1	3.2	3.1	3.0
Current Dollar National Income Accounts (Billions of Dollars)						
Gross Domestic Product (GDP)	20,893.7	22,993.5	24,966.9	26,269.8	27,609.8	28,985.6
%Chg	-2.2	10.0	8.6	5.2	5.1	5.0
Personal Income	19,627.6	21,059.8	21,495.3	22,603.5	23,755.5	24,972.7
%Chg	6.5	7.3	2.1	5.2	5.1	5.1
Wage & Salary Disbursements	9,444.1	10,306.5	11,276.0	11,927.7	12,510.8	13,110.8
%Chg	1.3	9.1	9.4	5.8	4.9	4.8
Non-Wage Personal Income	10,183.5	10,753.3	10,219.3	10,675.8	11,244.8	11,861.9
%Chg	11.9	5.6	-5.0	4.5	5.3	5.5
Price and Wage Indexes						
U.S. GDP Deflator (2005=1.0)	113.740	118.477	123.883	126.946	129.988	133.078
%Chg	1.3	4.2	4.6	2.5	2.4	2.4
U.S. Consumer Price Index (1982-84=1.0)	2.588	2.710	2.832	2.887	2.948	3.009
%Chg	1.2	4.7	4.5	1.9	2.1	2.1
Employment Cost Index (Dec 2005=1.0)	1.404	1.455	1.532	1.602	1.665	1.729
%Chg	2.6	3.6	5.3	4.6	4.0	3.8
Employment (Thousands)						
Employment - Total Non-Farm Payrolls	142.1	146.1	151.5	153.9	155.1	156.0
%Chg	-5.8	2.8	3.7	1.6	0.8	0.6
Construction	7.3	7.4	7.6	7.6	7.5	7.5
%Chg	-3.2	2.1	1.9	0.0	-0.5	0.3
Manufacturing	12.2	12.3	12.6	12.6	12.6	12.5
%Chg	-5.1	1.5	2.2	0.2	-0.3	-0.9
Private Service-Providing	100.1	103.8	108.4	110.3	111.4	112.3
%Chg	-6.6	3.6	4.4	1.8	1.0	0.8
Government	22.0	22.0	22.4	22.8	23.0	23.1
%Chg	-2.8	0.1	1.8	1.7	0.8	0.5
U.S. Civilian Labor Force	160.8	161.2	165.0	167.2	168.8	170.1
Employment - Household Survey	147.8	152.6	159.1	161.4	162.5	163.4
Unemployment Rate (%)	8.1	5.4	3.6	3.5	3.7	3.9
Other Key Measures						
Non-Farm Productivity (index, 2005=1.0)	1.103	1.123	1.133	1.150	1.177	1.204
%Chg	2.4	1.8	0.8	1.5	2.4	2.3
Total Ind. Production (index, 2007=100)	94.962	100.161	105.196	107.790	109.956	111.996
%Chg	-7.2	5.5	5.0	2.5	2.0	1.9
Manhours in Private Non-Farm Estab.						
Billions of Hours	201.4	210.3	217.8	221.0	222.6	223.9
%Chg	-5.8	4.5	3.5	1.5	0.7	0.6
Average Weekly Hours	32.2	32.6	32.4	32.4	32.4	32.4
Manufacturing Workweek	40.7	41.5	41.2	40.9	40.8	40.7

Source: IHS Economics; February 2020 Baseline

Alternative Forecast Comparison

Calendar Years

	21Q4	22Q1	22Q2	22Q3	22Q4	23Q1	2020	2021	2022	2023
Real Gross Domestic Product (GDP), Percent Change, Seasonally Adjusted at Annual Rate										
Blue Chip Consensus (02-22)	6.9	1.8	4.0	3.2	2.6	2.4	-3.4	5.7	3.7	2.6
IHS Economics Baseline (02-22)	6.9	1.7	4.3	2.9	2.8	2.4	-3.4	5.7	3.7	2.7
Moody's Analytics (02-22)	6.9	0.5	6.1	2.9	2.5	**	-3.4	5.7	3.7	3.0
Wells Fargo (02-22)	6.9	0.7	3.1	3.6	3.6	2.6	-3.4	5.7	3.4	2.9
CBO Outlook (07-21)	8.6	6.0	4.9	3.5	2.4	1.8	-3.5	6.7	5.0	1.5
Consumer Price Index (CPI), Percent Change, Seasonally Adjusted at Annual Rate (except where noted)										
Blue Chip Consensus (02-22)	5.8	4.9	3.1	2.5	2.2	2.2	1.3	4.7	5.0	2.5
IHS Economics Baseline (02-22)	8.2	4.2	1.5	1.9	1.5	2.3	1.3	4.7	4.5	2.0
Moody's Analytics (02-22)	8.2	4.6	3.3	2.7	2.5	**	1.2	4.7	5.1	2.4
Wells Fargo (11-20) *	6.7	7.1	5.9	5.1	3.8	3.0	1.3	4.7	5.5	2.4
CBO Outlook (07-21)	2.3	1.9	2.2	2.6	2.3	2.2	1.2	3.3	2.5	2.3

* Year-over-Year Percent Change

**Not Available

IHS Economics Baseline Forecast Comparison

Calendar Years

	2018	2019	2020	2021	2022	2023	2024	2025
Real Gross Domestic Product (GDP), Annual Percent Change								
February 2019	2.9	2.4	2.0	1.7	1.6	1.4	-	-
November 2019	2.9	2.3	2.1	2.0	1.6	1.5	-	-
February 2020	2.9	2.3	2.1	2.0	1.7	1.5	-	-
April 2020	2.9	2.3	-5.4	6.3	4.0	1.6	-	-
November 2020	3.0	2.2	-3.6	3.1	2.5	2.5	2.9	3.0
February 2021	3.0	2.2	-3.5	5.7	4.1	2.3	2.6	2.6
November 2021	2.9	2.3	-3.4	5.5	4.3	2.9	2.7	2.6
February 2022	2.9	2.3	-3.4	5.7	3.7	2.7	2.6	2.5
Consumer Price Index (CPI), Annual Percent Change								
February 2019	2.4	2.0	2.1	2.3	2.4	2.4	-	-
November 2019	2.4	1.8	1.9	1.8	2.5	2.5	-	-
February 2020	2.4	1.8	1.8	1.7	2.2	2.5	-	-
April 2020	2.4	1.8	0.7	2.1	2.7	2.7	-	-
November 2020	2.4	1.8	1.3	2.3	2.6	2.2	2.1	2.2
February 2021	2.4	1.8	1.3	2.1	2.1	2.0	2.1	2.2
November 2021	2.4	1.8	1.2	4.5	3.3	2.1	2.2	2.2
February 2022	2.4	1.8	1.3	4.7	4.5	1.9	2.1	2.1

Source: IHS Economics

Forecast Comparison: Minnesota & U.S.

Forecast 2021 to 2025, Calendar Years

	2018	2019	2020	2021	2022	2023	2024	2025
Personal Income (Billions of Current Dollars)								
Minnesota								
February 2022	319.6	329.5	350.8	375.1	379.6	397.2	415.9	435.3
%Chg	5.0	3.1	6.5	6.9	1.2	4.6	4.7	4.7
November 2021	319.6	329.5	350.8	371.5	373.9	392.6	412.3	433.0
%Chg	5.0	3.1	6.5	5.9	0.6	5.0	5.0	5.0
U.S.								
February 2022	17,706	18,424	19,628	21,060	21,495	22,603	23,756	24,973
%Chg	5.1	4.1	6.5	7.3	2.1	5.2	5.1	5.1
November 2021	17,706	18,424	19,628	20,905	21,106	22,158	23,323	24,569
%Chg	5.1	4.1	6.5	6.5	1.0	5.0	5.3	5.3
Wage and Salary Disbursements (Billions of Current Dollars)								
Minnesota								
February 2022	172.9	179.1	179.1	194.1	210.1	221.0	231.3	241.5
%Chg	4.3	3.6	0.0	8.4	8.2	5.2	4.6	4.4
November 2021	172.9	179.1	178.3	193.4	207.6	219.9	231.1	242.4
%Chg	4.3	3.6	-0.5	8.5	7.3	5.9	5.1	4.9
U.S.								
February 2022	8,901	9,324	9,444	10,306	11,276	11,928	12,511	13,111
%Chg	5.0	4.8	1.3	9.1	9.4	5.8	4.9	4.8
November 2021	8,901	9,324	9,444	10,195	10,999	11,674	12,288	12,914
%Chg	5.0	4.8	1.3	8.0	7.9	6.1	5.3	5.1
Total Non-Farm Payroll Employment (Thousands)								
Minnesota								
February 2022	2,963	2,989	2,791	2,846	2,942	2,987	3,015	3,036
%Chg	0.9	0.9	-6.6	2.0	3.4	1.5	0.9	0.7
November 2021	2,964	2,983	2,777	2,839	2,955	3,017	3,043	3,063
%Chg	0.8	0.6	-6.9	2.2	4.1	2.1	0.8	0.7
U.S.								
February 2022	148,898	150,894	142,146	146,096	151,541	153,894	155,108	156,017
%Chg	1.6	1.3	-5.8	2.8	3.7	1.6	0.8	0.6
November 2021	148,893	150,900	142,252	146,142	151,869	154,731	156,117	157,073
%Chg	1.6	1.3	-5.7	2.7	3.9	1.9	0.9	0.6
Average Annual Non-Farm Wage (Current Dollars)								
Minnesota								
February 2022	58,347	59,921	64,189	68,226	71,387	73,990	76,703	79,546
%Chg	3.4	2.7	7.1	6.3	4.6	3.6	3.7	3.7
November 2021	58,333	60,043	64,199	68,120	70,242	72,881	75,939	79,143
%Chg	3.4	2.9	6.9	6.1	3.1	3.8	4.2	4.2
U.S.								
February 2022	59,776	61,789	66,440	70,546	74,409	77,506	80,659	84,034
%Chg	3.4	3.4	7.5	6.2	5.5	4.2	4.1	4.2
November 2021	59,778	61,786	66,390	69,763	72,426	75,444	78,711	82,218
%Chg	3.4	3.4	7.5	5.1	3.8	4.2	4.3	4.5

Source: IHS Economics and Minnesota Management and Budget (MMB)

Factors Affecting Tax Revenue

Billions of Current Dollars

	2020	2021	2022	2023	2024	2025
Individual Income Tax (Calendar Year)						
Minnesota Non-Farm Tax Base						
February 2020	280.678	290.903	301.6675	312.565		
%Chg	3.8	3.6	3.7	3.6		
April 2020	259.3	264.0	279.6	289.6		
%Chg	-4.1	1.8	5.9	3.6		
November 2020	264.815	272.17	284.06	295.875	310.85	325.625
%Chg	-1.0	2.8	4.4	4.2	5.1	4.8
February 2021	265.6	277.1	289.0	301.4775	314.755	329.365
%Chg	-0.7	4.3	4.3	4.3	4.4	4.6
November 2021	266.053	282.858	302.010	318.900	335.453	352.298
%Chg	-0.2	6.3	6.8	5.6	5.2	5.0
February 2022	266.895	284.215	305.088	320.878	336.385	351.933
%Chg	0.2	6.5	7.3	5.2	4.8	4.6
Minnesota Wage and Salary Disbursements						
February 2020	185.943	193.598	201.565	209.025		
%Chg	3.9	4.1	4.1	3.7		
April 2020	168.32	168.88	183.69	192.7125		
%Chg	-5.9	0.3	8.8	4.9		
November 2020	176.416	185.613	195.29	203.705	213.76	223.398
%Chg	-1.4	5.2	5.2	4.3	4.9	4.5
February 2021	177.731	188.395	197.785	206.6925	215.5975	225.518
%Chg	-0.6	6.0	5.0	4.5	4.3	4.6
November 2021	178.302	193.405	207.565	219.910	231.063	242.383
%Chg	-0.5	8.5	7.3	5.9	5.1	4.9
February 2022	179.144	194.137	210.050	221.035	231.293	241.530
%Chg	0.0	8.4	8.2	5.2	4.6	4.4
Minnesota Dividends, Interest, & Rental Income						
February 2020	71.293	73.784	76.757	80.449		
%Chg	3.9	3.5	4.0	4.8		
April 2020	69.815	71.879	74.023	75.260		
%Chg	1.8	3.0	3.0	1.7		
November 2020	64.082	63.734	64.796	66.811	69.615	72.903
%Chg	-1.5	-0.5	1.7	3.1	4.2	4.7
February 2021	64.304	64.946	66.764	69.156	72.153	75.574
%Chg	-1.2	1.0	2.8	3.6	4.3	4.7
November 2021	63.624	64.135	67.217	70.184	73.788	77.933
%Chg	-1.8	0.8	4.8	4.4	5.1	5.6
February 2022	63.624	64.162	67.625	71.344	75.139	79.039
%Chg	-1.8	0.8	5.4	5.5	5.3	5.2
Minnesota Non-Farm Proprietors' Income						
February 2020	23.444	23.519	23.344	23.091		
%Chg	2.5	0.3	-0.7	-1.1		
April 2020	21.122	23.221	21.850	21.670		
%Chg	-8.0	9.9	-5.9	-0.8		
November 2020	24.316	22.825	23.973	25.360	27.473	29.325
%Chg	3.7	-6.1	5.0	5.8	8.3	6.7
February 2021	23.534	23.774	24.402	25.632	27.003	28.273
%Chg	0.4	1.0	2.6	5.0	5.3	4.7
November 2021	24.127	25.320	27.231	28.806	30.600	31.983
%Chg	6.9	4.9	7.5	5.8	6.2	4.5
February 2022	24.127	25.916	27.414	28.497	29.951	31.361
%Chg	6.9	7.4	5.8	4.0	5.1	4.7

Factors Affecting Tax Revenue (Continued)

Billions of Current Dollars

	2020	2021	2022	2023	2024	2025
General Sales Tax (Fiscal Year)						
Minnesota Synthetic Sales Tax Base						
February 2020	97.387	100.652	104.004	107.143		
%Chg	3.6	3.4	3.3	3.0		
April 2020	91.611	82.340	92.196	94.886		
%Chg	-2.3	-10.1	12.0	2.9		
November 2020	92.709	95.130	98.570	102.488	106.441	110.718
%Chg	-0.4	2.6	3.6	4.0	3.9	4.0
February 2021	93.075	96.247	101.985	106.344	110.864	115.735
%Chg	-0.1	3.4	6.0	4.3	4.3	4.4
November 2021	93.343	100.164	110.969	114.138	117.784	122.392
%Chg	0.2	7.3	10.8	2.9	3.2	3.9
February 2022	93.256	100.214	111.904	115.627	118.788	122.437
%Chg	0.2	7.5	11.7	3.3	2.7	3.1
<i>*Historical data revised as a result of comprehensive GDP account revisions</i>						
Minnesota's Proxy Share of U.S. Consumer Durable Spending (Excluding Autos)						
February 2020	18.115	18.548	18.919	19.298		
%Chg	4.6	2.4	2.0	2.0		
April 2020	17.229	15.936	16.964	17.335		
%Chg	-0.5	-7.5	6.5	2.2		
November 2020	17.917	19.997	19.753	19.914	20.130	20.404
%Chg	3.4	11.6	-1.2	0.8		
February 2021	17.915	20.824	20.439	20.652	21.027	21.446
%Chg	3.4	16.2	-1.8	1.0	1.8	2.0
November 2021	17.758	21.775	23.314	22.312	22.025	22.390
%Chg	3.4	22.6	7.1	-4.3	-1.3	1.7
February 2022	17.761	21.774	23.649	22.954	22.814	22.950
%Chg	3.5	22.6	8.6	-2.9	-0.6	0.6
Minnesota's Proxy Share of U.S. Capital Equipment Spending						
February 2020	13.197	13.609	14.012	14.339		
%Chg	-1.6	3.1	3.0	2.3		
April 2020	12.997	11.079	12.278	11.941		
%Chg	-3.1	-14.8	10.8	-2.7		
November 2020	12.669	13.650	13.659	14.021	14.316	15.221
%Chg	-2.5	7.7	0.1	2.7		
February 2021	12.672	13.952	15.783	16.353	16.676	17.589
%Chg	-2.5	10.1	13.1	3.6	2.0	5.5
November 2021	12.535	13.932	14.694	15.469	15.992	16.666
%Chg	-2.2	11.1	5.5	5.3	3.4	4.2
February 2022	12.537	13.961	15.069	15.671	16.110	16.686
%Chg	-2.1	11.4	7.9	4.0	2.8	3.6
Minnesota's Proxy Share of U.S. Construction Spending						
February 2020	9.014	9.160	9.357	9.665		
%Chg	2.0	1.6	2.2	3.3		
April 2020	8.664	7.642	8.597	9.080		
%Chg	-0.9	-11.8	12.5	5.6		
November 2020	9.118	8.945	9.139	9.674	10.230	10.786
%Chg	3.3	-1.9	2.2	5.9		
February 2022	9.334	9.490	9.416	9.284	9.887	10.584
%Chg	4.7	1.7	-0.8	-1.4	6.5	7.0
November 2021	9.359	9.566	10.377	10.841	11.258	11.797
%Chg	5.9	2.2	8.5	4.5	3.9	4.8
February 2022	9.366	9.608	10.766	11.257	11.555	12.089
%Chg	6.0	2.6	12.0	4.6	2.6	4.6

Factors Affecting Tax Revenue (Continued)

Billions of Current Dollars

	2020	2021	2022	2023	2024	2025
Corporate Franchise Tax (Calendar Year)						
U.S. Corporate Profits (w/ IVA and capital consumption adjustment)						
February 2020	2,025.5	2,124.3	2,222.896	2,335.334		
%Chg	1.2	4.9	4.6	5.1		
April 2020	1,160.0	1,907.4	1,965.382	2,037.580		
%Chg	-42.6	64.4	3.0	3.7		
November 2020	2,054.5	1,835.0	1,951.848	2,069.899	2,222.5	2,379.8
%Chg	-6.8	-10.7	6.4	6.0	7.4	7.1
February 2021	1,998.6	2,131.3	2,100.317	2,190.659	2,319.2	2,439.9
%Chg	-9.3	6.6	-1.5	4.3	5.9	5.2
November 2021	2,184.1	2,861.5	2,779.373	2,875.201	3,085.9	3,284.7
%Chg	-3.1	31.0	-2.9	3.4	7.3	6.4
February 2022	2,184.1	2,991.0	2,956.946	3,038.843	3,252.2	3,461.7
%Chg	-3.1	36.9	-1.1	2.8	7.0	6.4
Deed & Mortgage Tax (Fiscal Year)						
U.S. New and Existing Home Sales (Current \$ Value)						
February 2020	1,806.3	1,890.5	1,907.6	1,927.7		
%Chg	9.9	4.7	0.9	1.1		
November 2020	1,718.4	2,210.0	2,178.5	2,168.0	2,170.0	2,211.4
%Chg	4.6	28.6	-1.4	-0.5	0.1	1.9
February 2021	1,718.4	2,294.4	2,319.2	2,251.4	2,222.4	2,260.3
%Chg	4.6	33.5	1.1	-2.9	-1.3	1.7
November 2021	2,008.2	2,329.9	2,388.9	2,315.6	2,340.0	2,407.4
%Chg	16.6	16.0	2.5	-3.1	1.1	2.9
February 2022	2,008.2	2,350.5	2,480.6	2,359.6	2,375.0	2,435.7
%Chg	16.6	17.0	5.5	-4.9	0.7	2.6

Current Fiscal Year-to-Date

November 2021 forecast vs Actual Revenue Comparison

Fiscal Year-to-Date, July 2021 - January 2022

(in thousands)

	FORECAST REVENUES	ACTUAL REVENUES	VARIANCE ACT-FCST
Individual Income Tax			
Withholding	6,120,144	6,165,126	44,982
Declarations	1,359,912	1,237,258	(122,654)
Miscellaneous	701,972	1,907,791	1,205,819
Gross	8,182,029	9,310,175	1,128,146
Refund	659,372	581,715	(77,656)
Net	7,522,657	8,728,459	1,205,802
Corporate Franchise Tax			
Declarations	1,211,087	1,308,257	97,170
Miscellaneous	117,610	121,578	3,969
Gross	1,328,696	1,429,836	101,139
Refund	93,356	47,594	(45,762)
Net	1,235,340	1,382,242	146,902
General Sales and Use Tax			
Gross	3,979,469	4,028,786	49,317
Mpls. sales tax transferred to MSFA	-	-	-
MPLS Sales Tax w/Holding for NFL Stadium	13,091	12,375	(716)
Sales Tax Gross	3,992,560	4,041,161	48,601
Refunds (including Indian refunds)	100,613	78,108	(22,505)
Net	3,891,947	3,963,053	71,106
Other Revenues:			
Net Estate	119,635	129,440	9,806
Net Liquor/Wine/Beer	55,134	55,866	732
Net Cigarette/Tobacco	329,327	345,307	15,980
Deed and Mortgage	219,579	234,503	14,924
Net Insurance Premiums Taxes	211,815	217,069	5,254
Net Lawful Gambling	86,093	94,105	8,011
Health Care Surcharge	128,762	105,534	(23,228)
Other Taxes	15	3,014	2,999
Statewide Property Tax	359,758	355,098	(4,659)
DHS SOS Collections	48,319	57,436	9,116
Investment Income	12,816	12,150	(665)
Tobacco Settlement	154,467	161,683	7,216
Dept. Earnings & MSOP Recov.	125,119	127,798	2,679
Fines and Surcharges	31,639	26,281	(5,358)
Lottery Revenues	31,326	35,872	4,547
Revenues yet to be allocated	146	2,811	2,666
Residual Revenues	119,737	127,254	7,517
Other Subtotal	2,033,687	2,091,223	57,536
Other Refunds	2,458	2,030	(427)
Other Net	2,031,229	2,089,193	57,963
Total Gross	15,536,973	16,872,395	1,335,422
Total Refunds	855,799	709,448	(146,351)
Total Net	14,681,174	16,162,947	1,481,773

The November forecast for FY 2022-23 has been adjusted to include all S Corp receipts which now are predominantly Pass-Through Entity Tax receipts in Individual income tax. This adjustment will also be made moving forward.

FY 2022-23 Current BienniumFebruary 2022 Forecast
(\$ in thousands)

	Feb FY 2022	Feb FY 2023	Biennial Total FY 2022-23
<u>Actual & Estimated Resources</u>			
Balance Forward From Prior Year	7,025,957	9,817,727	7,025,957
Current Resources:			
Tax Revenues	26,552,098	28,042,318	54,594,416
Non-Tax Revenues	850,481	776,268	1,626,749
Subtotal - Non-Dedicated Revenue	27,402,579	28,818,586	56,221,165
Dedicated Revenue	5	5	10
Transfers In	176,896	782,285	959,181
Prior Year Adjustments	71,378	37,103	108,481
Subtotal - Other Revenue	248,279	819,393	1,067,672
Subtotal-Current Resources	27,650,858	29,637,979	57,288,837
Total Resources Available	34,676,815	39,455,706	64,314,794
<u>Actual & Estimated Spending</u>			
E-12 Education	10,077,280	10,425,655	20,502,935
Higher Education	1,756,101	1,755,767	3,511,868
Property Tax Aids & Credits	2,075,125	2,078,514	4,153,639
Health & Human Services	7,038,752	9,263,503	16,302,255
Public Safety & Judiciary	1,353,431	1,327,247	2,680,678
Transportation	327,502	149,722	477,224
Environment	207,650	190,477	398,127
Economic Development, Energy, Ag and Housing	527,882	298,445	826,327
State Government & Veterans	731,786	628,895	1,360,681
Debt Service	592,426	604,322	1,196,748
Capital Projects & Grants	176,153	162,621	338,774
Estimated Cancellations	-5,000	-15,000	-20,000
Total Expenditures & Transfers	24,859,088	26,870,168	51,729,256
Balance Before Reserves	9,817,727	12,585,538	12,585,538
Cash Flow Account	350,000	350,000	350,000
Budget Reserve	2,655,745	2,655,745	2,655,745
Stadium Reserve	212,600	326,761	326,761
Budgetary Balance	6,599,382	9,253,032	9,253,032

Biennial ComparisonFebruary 2022 Forecast
(\$ in thousands)

	Actual FY 2020-21	Feb FY 2022-23	\$ Change
<u>Actual & Estimated Resources</u>			
Balance Forward From Prior Year	3,971,359	7,025,957	3,054,598
Current Resources:			
Tax Revenues	47,737,661	54,594,416	6,856,755
Non-Tax Revenues	1,738,968	1,626,749	-112,219
Subtotal - Non-Dedicated Revenue	49,476,629	56,221,165	6,744,536
Dedicated Revenue	800	10	-790
Transfers In	687,937	959,181	271,244
Prior Year Adjustments	313,776	108,481	-205,295
Subtotal - Other Revenue	1,002,513	1,067,672	65,159
Subtotal-Current Resources	50,479,142	57,288,837	6,809,695
Total Resources Available	54,450,501	64,314,794	9,864,293
<u>Actual & Estimated Spending</u>			
E-12 Education	19,754,874	20,502,935	748,061
Higher Education	3,407,717	3,511,868	104,151
Property Tax Aids & Credits	3,892,681	4,153,639	260,958
Health & Human Services	13,646,402	16,302,255	2,655,853
Public Safety & Judiciary	2,550,656	2,680,678	130,022
Transportation	345,570	477,224	131,654
Environment	348,634	398,127	49,493
Economic Development, Energy, Ag and Housing	604,702	826,327	221,625
State Government & Veterans	1,513,327	1,360,681	-152,646
Debt Service	1,055,625	1,196,748	141,123
Capital Projects & Grants	304,356	338,774	34,418
Estimated Cancellations	0	-20,000	-20,000
Total Expenditures & Transfers	47,424,544	51,729,256	4,304,712
Balance Before Reserves	7,025,957	12,585,538	5,559,581
Cash Flow Account	350,000	350,000	0
Budget Reserve	2,406,352	2,655,745	249,393
Stadium Reserve	106,709	326,761	220,052
Appropriations Carried Forward	111,033	0	-111,033
Budgetary Balance	4,051,863	9,253,032	5,201,169

FY 2022-23 Current BienniumFebruary 2022 Forecast vs November 2021 Forecast
(\$ in thousands)

	Nov FY 2022-23	Feb FY 2022-23	\$ Change
<u>Actual & Estimated Resources</u>			
Balance Forward From Prior Year	7,025,957	7,025,957	0
Current Resources:			
Tax Revenues	53,440,332	54,594,416	1,154,084
Non-Tax Revenues	1,529,186	1,626,749	97,563
Subtotal - Non-Dedicated Revenue	54,969,518	56,221,165	1,251,647
Dedicated Revenue	10	10	0
Transfers In	959,181	959,181	0
Prior Year Adjustments	108,481	108,481	0
Subtotal - Other Revenue	1,067,672	1,067,672	0
Subtotal-Current Resources	56,037,190	57,288,837	1,251,647
Total Resources Available	63,063,147	64,314,794	1,251,647
<u>Actual & Estimated Spending</u>			
E-12 Education	20,660,548	20,502,935	-157,613
Higher Education	3,511,868	3,511,868	0
Property Tax Aids & Credits	4,168,586	4,153,639	-14,947
Health & Human Services	16,409,852	16,302,255	-107,597
Public Safety & Judiciary	2,680,711	2,680,678	-33
Transportation	477,224	477,224	0
Environment	385,583	398,127	12,544
Economic Development, Energy, Ag and Housing	823,029	826,327	3,298
State Government & Veterans	1,364,453	1,360,681	-3,772
Debt Service	1,198,836	1,196,748	-2,088
Capital Projects & Grants	338,772	338,774	2
Estimated Cancellations	-20,000	-20,000	0
Total Expenditures & Transfers	51,999,462	51,729,256	-270,206
Balance Before Reserves	11,063,685	12,585,538	1,521,853
Cash Flow Account	350,000	350,000	0
Budget Reserve	2,655,745	2,655,745	0
Stadium Reserve	312,108	326,761	14,653
Budgetary Balance	7,745,832	9,253,032	1,507,200

FY 2024-25 Planning Estimates

February 2022 Forecast
(\$ in thousands)

	Feb FY 2024	Feb FY 2025	Biennial Total FY 2024-25
<u>Actual & Estimated Resources</u>			
Balance Forward From Prior Year	12,585,538	16,035,964	12,585,538
Current Resources:			
Tax Revenues	28,768,606	29,337,281	58,105,887
Non-Tax Revenues	783,371	783,018	1,566,389
Subtotal - Non-Dedicated Revenue	29,551,977	30,120,299	59,672,276
Dedicated Revenue	5	5	10
Transfers In	700,336	149,252	849,588
Prior Year Adjustments	37,064	37,024	74,088
Subtotal - Other Revenue	737,405	186,281	923,686
Subtotal-Current Resources	30,289,382	30,306,580	60,595,962
Total Resources Available	42,874,920	46,342,544	73,181,500
<u>Actual & Estimated Spending</u>			
E-12 Education	10,576,507	10,665,948	21,242,455
Higher Education	1,752,914	1,752,914	3,505,828
Property Tax Aids & Credits	2,151,796	2,191,007	4,342,803
Health & Human Services	8,988,759	9,499,171	18,487,930
Public Safety & Judiciary	1,324,472	1,324,920	2,649,392
Transportation	135,730	135,730	271,460
Environment	178,901	178,738	357,639
Economic Development, Energy, Ag and Housing	302,331	302,692	605,023
State Government & Veterans	632,574	624,312	1,256,886
Debt Service	627,160	629,974	1,257,134
Capital Projects & Grants	172,812	177,611	350,423
Estimated Cancellations	-5,000	-15,000	-20,000
Total Expenditures & Transfers	26,838,956	27,468,017	54,306,973
Balance Before Reserves	16,035,964	18,874,527	18,874,527
Cash Flow Account	350,000	350,000	350,000
Budget Reserve	2,655,745	2,655,745	2,655,745
Stadium Reserve	449,427	581,221	581,221
Budgetary Balance	12,580,792	15,287,561	15,287,561

Biennial ComparisonFebruary 2022 Forecast
(\$ in thousands)

	Feb FY 2022-23	Feb FY 2024-25	\$ Change
<u>Actual & Estimated Resources</u>			
Balance Forward From Prior Year	7,025,957	12,585,538	5,559,581
Current Resources:			
Tax Revenues	54,594,416	58,105,887	3,511,471
Non-Tax Revenues	1,626,749	1,566,389	-60,360
Subtotal - Non-Dedicated Revenue	56,221,165	59,672,276	3,451,111
Dedicated Revenue	10	10	0
Transfers In	959,181	849,588	-109,593
Prior Year Adjustments	108,481	74,088	-34,393
Subtotal - Other Revenue	1,067,672	923,686	-143,986
Subtotal-Current Resources	57,288,837	60,595,962	3,307,125
Total Resources Available	64,314,794	73,181,500	8,866,706
<u>Actual & Estimated Spending</u>			
E-12 Education	20,502,935	21,242,455	739,520
Higher Education	3,511,868	3,505,828	-6,040
Property Tax Aids & Credits	4,153,639	4,342,803	189,164
Health & Human Services	16,302,255	18,487,930	2,185,675
Public Safety & Judiciary	2,680,678	2,649,392	-31,286
Transportation	477,224	271,460	-205,764
Environment	398,127	357,639	-40,488
Economic Development, Energy, Ag and Housing	826,327	605,023	-221,304
State Government & Veterans	1,360,681	1,256,886	-103,795
Debt Service	1,196,748	1,257,134	60,386
Capital Projects & Grants	338,774	350,423	11,649
Estimated Cancellations	-20,000	-20,000	0
Total Expenditures & Transfers	51,729,256	54,306,973	2,577,717
Balance Before Reserves	12,585,538	18,874,527	6,288,989
Cash Flow Account	350,000	350,000	0
Budget Reserve	2,655,745	2,655,745	0
Stadium Reserve	326,761	581,221	254,460
Budgetary Balance	9,253,032	15,287,561	6,034,529

FY 2024-25 Planning EstimatesFebruary 2022 Forecast vs November 2021 Forecast
(\$ in thousands)

	Nov FY 2024-25	Feb FY 2024-25	\$ Change
<u>Actual & Estimated Resources</u>			
Balance Forward From Prior Year	11,063,685	12,585,472	1,521,787
Current Resources:			
Tax Revenues	57,825,811	58,105,887	280,076
Non-Tax Revenues	1,535,993	1,566,389	30,396
Subtotal - Non-Dedicated Revenue	59,361,804	59,672,276	310,472
Dedicated Revenue	10	10	0
Transfers In	849,584	849,588	4
Prior Year Adjustments	74,088	74,088	0
Subtotal - Other Revenue	923,682	923,686	4
Subtotal-Current Resources	60,285,486	60,595,962	310,476
Total Resources Available	71,349,171	73,181,434	1,832,263
<u>Actual & Estimated Spending</u>			
E-12 Education	21,294,353	21,242,455	-51,898
Higher Education	3,505,828	3,505,828	0
Property Tax Aids & Credits	4,367,225	4,342,803	-24,422
Health & Human Services	18,420,746	18,487,930	67,184
Public Safety & Judiciary	2,649,392	2,649,392	0
Transportation	271,460	271,460	0
Environment	355,626	357,639	2,013
Economic Development, Energy, Ag and Housing	604,976	605,023	47
State Government & Veterans	1,259,954	1,256,886	-3,068
Debt Service	1,272,723	1,257,134	-15,589
Capital Projects & Grants	350,527	350,423	-104
Estimated Cancellations	-20,000	-20,000	0
Total Expenditures & Transfers	54,332,810	54,306,973	-25,837
Balance Before Reserves	17,016,361	18,874,461	1,858,100
Cash Flow Account	350,000	350,000	0
Budget Reserve	2,655,745	2,655,745	0
Stadium Reserve	550,332	581,221	30,889
Budgetary Balance	13,460,284	15,287,495	1,827,211

FY 2020-25 Planning Horizon

February 2022 Forecast
(\$ in thousands)

	Actual FY 2020-21	Feb FY 2022-23	Feb FY 2024-25
Actual & Estimated Resources			
Balance Forward From Prior Year	3,971,359	7,025,957	12,585,538
Current Resources:			
Tax Revenues	47,737,661	54,594,416	58,105,887
Non-Tax Revenues	1,738,968	1,626,749	1,566,389
Subtotal - Non-Dedicated Revenue	49,476,629	56,221,165	59,672,276
Dedicated Revenue	800	10	10
Transfers In	687,937	959,181	849,588
Prior Year Adjustments	313,776	108,481	74,088
Subtotal - Other Revenue	1,002,513	1,067,672	923,686
Subtotal-Current Resources	50,479,142	57,288,837	60,595,962
Total Resources Available	54,450,501	64,314,794	73,181,500
Actual & Estimated Spending			
E-12 Education	19,754,874	20,502,935	21,242,455
Higher Education	3,407,717	3,511,868	3,505,828
Property Tax Aids & Credits	3,892,681	4,153,639	4,342,803
Health & Human Services	13,646,402	16,302,255	18,487,930
Public Safety & Judiciary	2,550,656	2,680,678	2,649,392
Transportation	345,570	477,224	271,460
Environment	348,634	398,127	357,639
Economic Development, Energy, Ag and Housing	604,702	826,327	605,023
State Government & Veterans	1,513,327	1,360,681	1,256,886
Debt Service	1,055,625	1,196,748	1,257,134
Capital Projects & Grants	304,356	338,774	350,423
Estimated Cancellations	0	-20,000	-20,000
Total Expenditures & Transfers	47,424,544	51,729,256	54,306,973
Balance Before Reserves	7,025,957	12,585,538	18,874,527
Cash Flow Account	350,000	350,000	350,000
Budget Reserve	2,406,352	2,655,745	2,655,745
Stadium Reserve	106,709	326,761	581,221
Appropriations Carried Forward	111,033	0	0
Budgetary Balance	4,051,863	9,253,032	15,287,561

Historical and Projected Revenue Growth

February 2022 Forecast - General Fund
(\$ in millions)

	Actual FY 2018	Actual FY 2019	Actual FY 2020	Actual FY 2021	Feb FY 2022	Feb FY 2023	Pling FY 2024	Pling FY 2025	Average Annual
Individual Income Tax	\$11,841	\$12,444	\$12,135	\$14,233	\$14,477	\$15,697	\$16,400	\$16,740	
\$ change	910	603	(309)	2,097	245	1,220	703	340	
% change	8.3%	5.1%	-2.5%	17.3%	1.7%	8.4%	4.5%	2.1%	4.4%
Sales Tax	\$5,453	\$5,762	\$5,746	\$6,169	\$6,603	\$7,220	\$7,422	\$7,642	
\$ change	48	309	(17)	424	433	617	202	220	
% change	0.9%	5.7%	-0.3%	7.4%	7.0%	9.3%	2.8%	3.0%	4.3%
Corporate Tax	\$1,257	\$1,621	\$1,539	\$2,258	\$2,376	\$2,051	\$1,850	\$1,804	
\$ change	51	364	(82)	719	117	(325)	(201)	(46)	
% change	4.3%	29.0%	-5.1%	46.7%	5.2%	-13.7%	-9.8%	-2.5%	4.6%
Statewide Property Tax	\$811	\$811	\$753	\$803	\$772	\$764	\$748	\$749	
\$ change	(47)	(1)	(57)	50	(31)	(8)	(16)	0	
% change	-5.5%	-0.1%	-7.1%	6.6%	-3.9%	-1.0%	-2.1%	0.0%	-1.0%
Other Tax Revenue	\$1,885	\$1,961	\$1,904	\$2,197	\$2,324	\$2,310	\$2,348	\$2,403	
\$ change	53	76	(58)	293	127	(14)	38	55	
% change	2.9%	4.0%	-2.9%	15.4%	5.8%	-0.6%	1.6%	2.3%	3.1%
Total Tax Revenue	\$21,248	\$22,600	\$22,077	\$25,660	\$26,552	\$28,042	\$28,769	\$29,337	
\$ change	1,015	1,352	(522)	3,583	892	1,490	726	569	
% change	5.0%	6.4%	-2.3%	16.2%	3.5%	5.6%	2.6%	2.0%	4.1%
Non-Tax Revenues	\$814	\$879	\$817	\$922	\$850	\$776	\$783	\$783	
\$ change	(5)	65	(62)	105	(71)	(74)	7	(0)	
% change	-0.6%	8.0%	-7.0%	12.8%	-7.7%	-8.7%	0.9%	0.0%	-0.5%
Transfers, All Other	\$235	\$264	\$256	\$746	\$248	\$819	\$737	\$186	
\$ change	(47)	29	(8)	490	(498)	571	(82)	(551)	
% change	-16.6%	12.3%	-3.0%	191.4%	-66.7%	230.0%	-10.0%	-74.7%	-2.9%
Total Revenue	\$22,297	\$23,743	\$23,150	\$27,329	\$27,651	\$29,638	\$30,289	\$30,307	
\$ change	963	1,446	(592)	4,178	322	1,987	651	17	
% change	4.5%	6.5%	-2.5%	18.0%	1.2%	7.2%	2.2%	0.1%	3.9%

Historical and Projected Spending Growth

February 2022 Forecast - General Fund
(\$ in millions)

	Actual FY 2018	Actual FY 2019	Actual FY 2020	Actual FY 2021	Feb FY 2022	Feb FY 2023	Pling FY 2024	Pling FY 2025	Average Annual
E-12 Education	\$9,233	\$9,588	\$9,836	\$9,919	\$10,077	\$10,426	\$10,577	\$10,666	
\$ change	332	355	248	83	158	348	151	89	
% change	3.7%	3.8%	2.6%	0.8%	1.6%	3.5%	1.4%	0.8%	1.8%
Higher Education	\$1,651	\$1,642	\$1,693	\$1,714	\$1,756	\$1,756	\$1,753	\$1,753	
\$ change	95	(9)	51	21	42	(0)	(3)	-	
% change	6.1%	-0.5%	3.1%	1.2%	2.4%	0.0%	-0.2%	0.0%	0.8%
Prop. Tax Aids & Credits	\$1,724	\$1,927	\$1,867	\$2,026	\$2,075	\$2,079	\$2,152	\$2,191	
\$ change	49	203	(60)	159	49	3	73	39	
% change	2.9%	11.8%	-3.1%	8.5%	2.4%	0.2%	3.5%	1.8%	3.0%
Health & Human Services	\$6,622	\$6,677	\$7,035	\$6,611	\$7,039	\$9,264	\$8,989	\$9,499	
\$ change	678	55	359	(424)	428	2,225	(275)	510	
% change	11.4%	0.8%	5.4%	-6.0%	6.5%	31.6%	-3.0%	5.7%	4.6%
Public Safety & Judiciary	\$1,130	\$1,226	\$1,237	\$1,314	\$1,353	\$1,327	\$1,324	\$1,325	
\$ change	(4)	96	11	77	40	(26)	(3)	0	
% change	-0.3%	8.5%	0.9%	6.2%	3.0%	-1.9%	-0.2%	0.0%	2.3%
Debt Service	\$563	\$550	\$540	\$516	\$592	\$604	\$627	\$630	
\$ change	34	(13)	(10)	(25)	77	12	23	3	
% change	6.4%	-2.4%	-1.8%	-4.5%	14.9%	2.0%	3.8%	0.4%	1.4%
All Other	\$1,424	\$1,444	\$1,570	\$1,547	\$1,966	\$1,415	\$1,417	\$1,404	
\$ change	124	20	125	(23)	419	(551)	2	(13)	
% change	9.5%	1.4%	8.7%	-1.4%	27.1%	-28.0%	0.2%	-0.9%	-0.2%
Total Spending	\$22,347	\$23,053	\$23,778	\$23,647	\$24,859	\$26,870	\$26,839	\$27,468	
\$ change	1,308	707	724	(131)	1,213	2,011	(31)	629	
% change	6.2%	3.2%	3.1%	-0.6%	5.1%	8.1%	-0.1%	2.3%	2.6%

FY 2016-2025 Stadium Reserve Balance

February 2022 Forecast

(\$ in thousands)

	Actual FY 2016	Actual FY 2017	Actual FY 2018	Actual FY 2019	Actual FY 2020	Actual FY 2021	Projected FY 2022	Projected FY 2023	Projected FY 2024	Projected FY 2025
Actual & Estimated Resources										
Beginning Balance	32,634	22,535	26,821	44,171	55,075	55,700	106,709	212,600	326,761	449,427
Prior Year Adjustments	0	0	0	0	42	1	0	0	0	0
Current Resources:										
Gambling Revenue	19,389	26,989	38,675	52,835	42,494	82,782	127,850	136,150	144,750	153,850
Sales Tax Exemption for Construction Equipment	(11,834)	(1,583)	0	0	0	0	0	0	0	0
Retained City of Minneapolis Revenue	0	0	0	0	0	10,539	21,215	21,704	22,148	22,551
Corporate Franchise Tax Revenue	20,000	20,000	20,000	0	0	0	0	0	0	0
Cigarette Floor Stocks Tax Reserve Deposit	0	0	0	0	0	0	0	0	0	0
Current Resources	27,555	45,406	58,675	52,835	42,494	93,321	149,065	157,854	166,898	176,401
Actual & Estimated Spending										
Debt Service	30,154	30,158	29,923	30,158	30,156	30,157	30,154	30,155	30,152	30,151
Total Payments for City Stadium Obligations	7,500	7,623	7,947	8,177	8,260	8,259	8,673	9,107	9,562	9,849
St. Paul Sports Facilities Grants	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700
Problem Gambling Appropriations	563	639	756	897	794	1,197	1,648	1,731	1,817	1,908
Total Uses	40,917	41,120	41,325	41,932	41,910	42,313	43,175	43,693	44,231	44,607
Sources Minus Uses	(13,362)	4,286	17,350	10,903	584	51,008	105,890	114,161	122,667	131,794
Expenses Covered By General Fund ¹	3,263	0	0	0	0	0	0	0	0	0
Use of the Reserve	[10,099]	0	0	0	0	0	0	0	0	0
Stadium Reserve Balance	22,535	26,821	44,171	55,075	55,700	106,709	212,600	326,761	449,427	581,221

1Per M.S. 297E.021, Subd. 4, the Commissioner of Minnesota Management and Budget, after consultation with the Legislative Commission on Planning and Fiscal Policy, has authority to use funds in the stadium reserve for uses related to the stadium. In FY 2015 and FY 2016 reserve funds were used to reimburse the general fund to the extent that current year revenues were not sufficient to cover stadium related expenses. St. Paul Sports Facilities Grants and problem gambling appropriations are not stadium related so reserve funds were not used to cover those expenses.