



# *BUDGET* AND *ECONOMIC FORECAST*



**NOVEMBER 2023**

Produced by Minnesota Management and Budget

# Current Surplus Grows, Budget Outlook Constrained

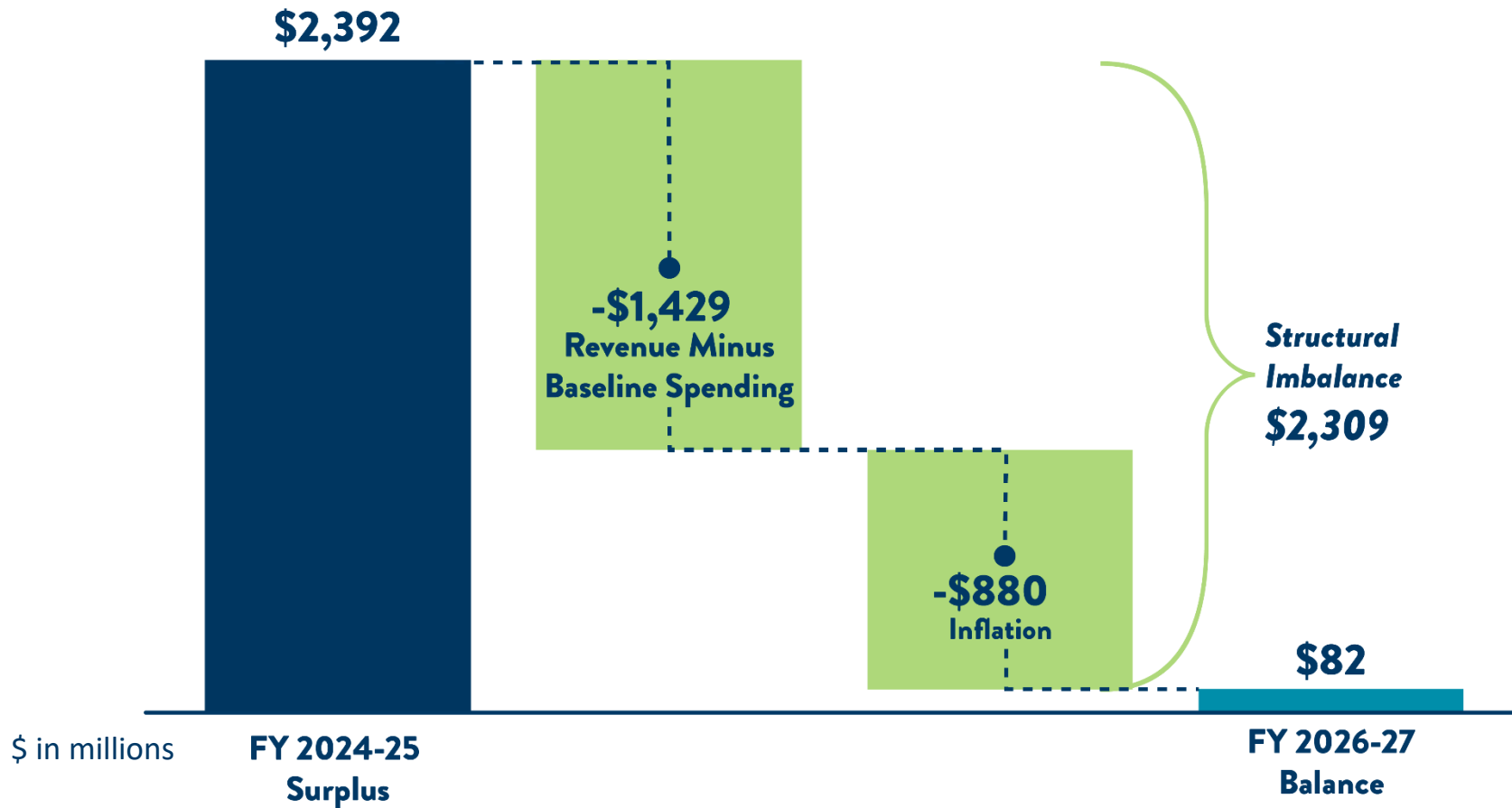
- The projected general fund surplus in FY 2024-25 improved to \$2.4 billion, up \$808 million.
- Near-term U.S. economic outlook improves, driven by stronger than expected consumer spending, business investment, and employment.
- Higher consumer spending and corporate profits raise the FY 2024-25 tax revenue forecast.
- Health and human services and education estimates up, raising spending forecast in all years.
- Significant structural imbalance in FY 2026-27. Spending expected to exceed revenues through FY 2027.

# FY 2024-25 Forecast Changes

(\$ in millions)	End-of-Session	FY 2024-25 Nov Forecast	Forecast Change
<b>Beginning Balance</b>	<b>\$15,485</b>	<b>\$16,516</b>	<b>\$1,031</b>
Revenues	58,818	59,716	837
Spending	69,518	70,515	998
Cash Flow Account	350	350	-
Budget Reserve	2,852	2,913	61
<b>Budgetary Balance</b>	<b>\$1,583</b>	<b>\$2,392</b>	<b>\$808</b>

# Current Surplus Supports FY 2026-27

## Biennium Balance Comparison: FY 2024-25 vs. FY 2026-27

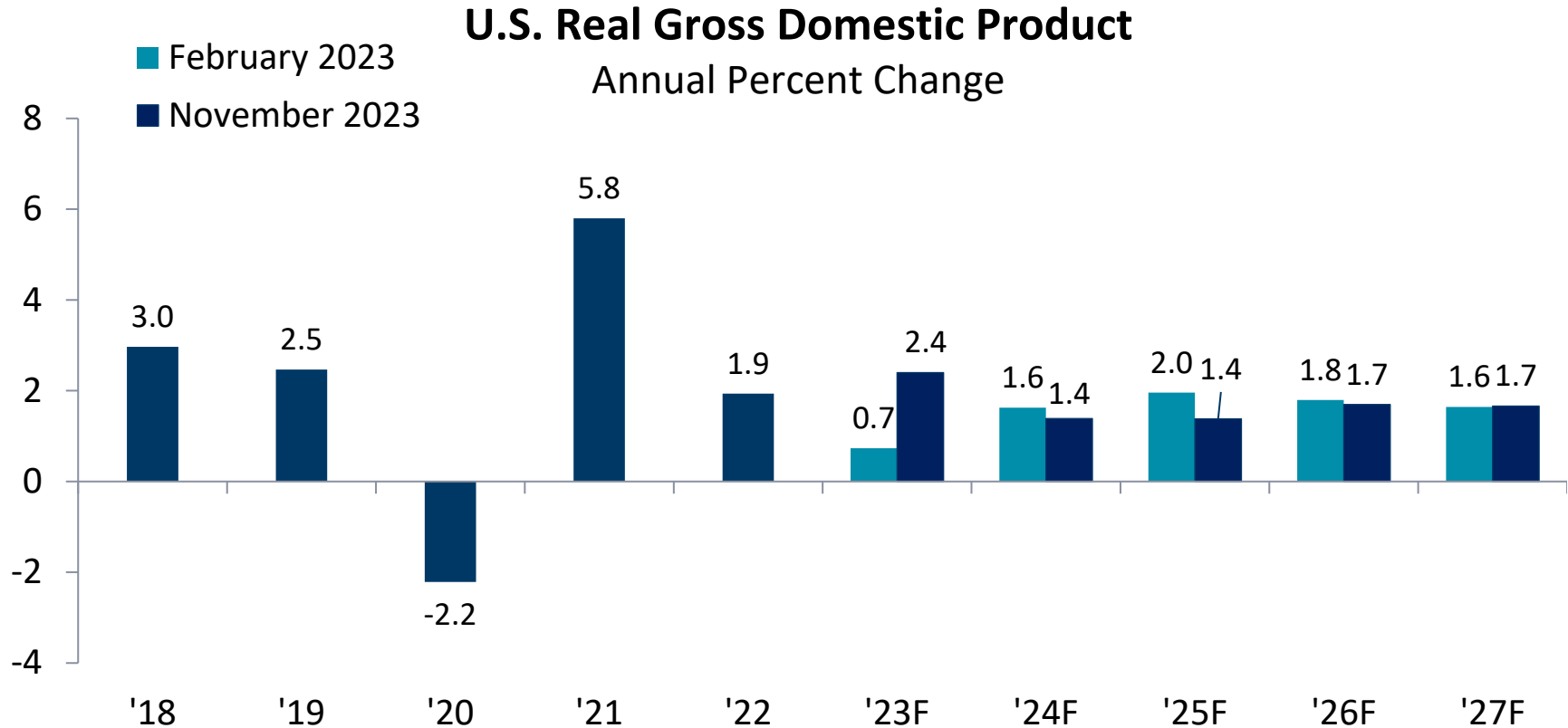


# Economic and Revenue Outlook

- U.S. Economic Outlook
- Minnesota Labor Market
- Revenue Forecast
- Forecast Risks

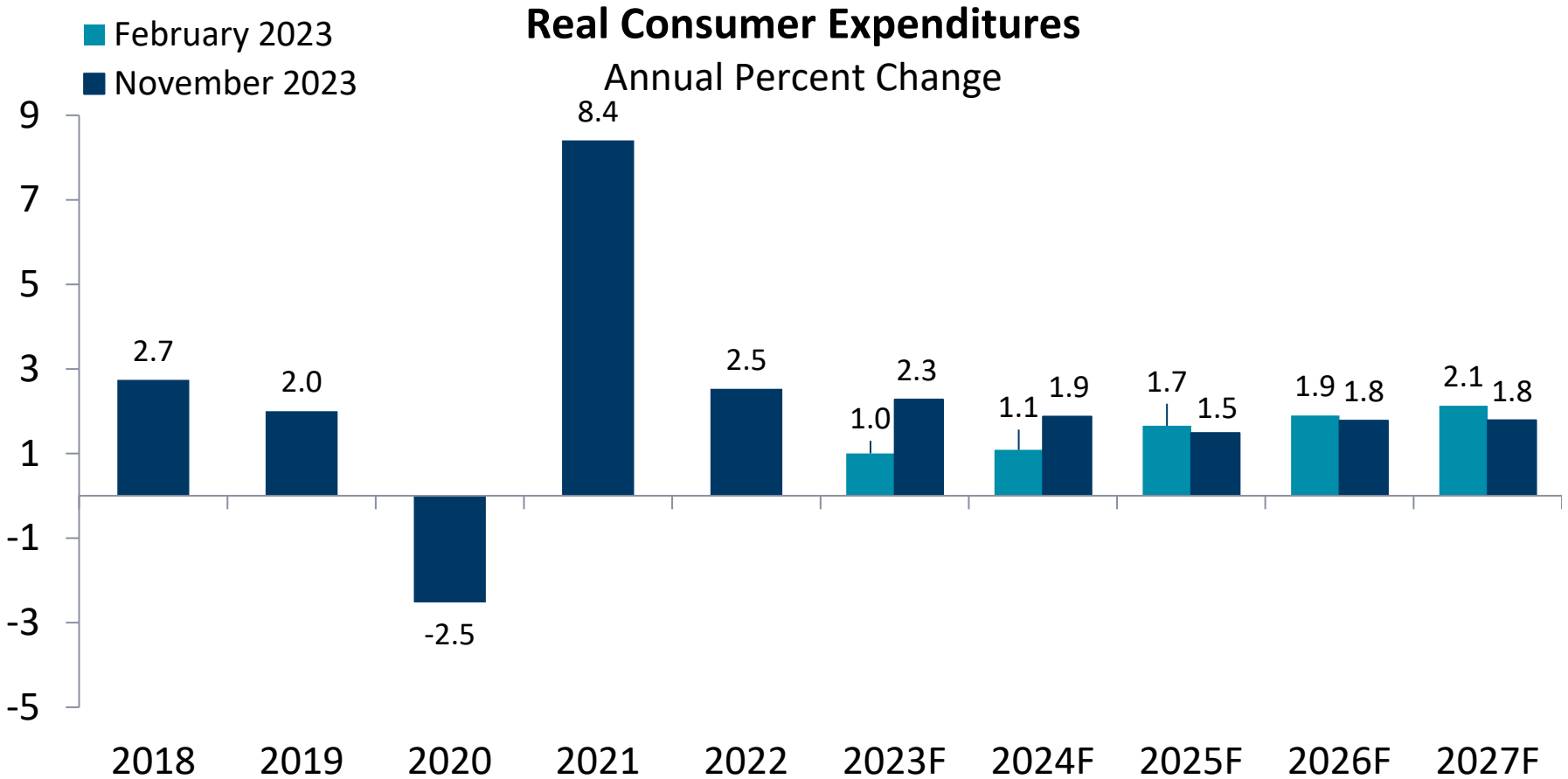


# U.S. Economic Outlook Improves in Near-Term



Source: U.S. Bureau of Economic Analysis (BEA), S&P Global Market Intelligence, IHS Intelligence (SPGMI)

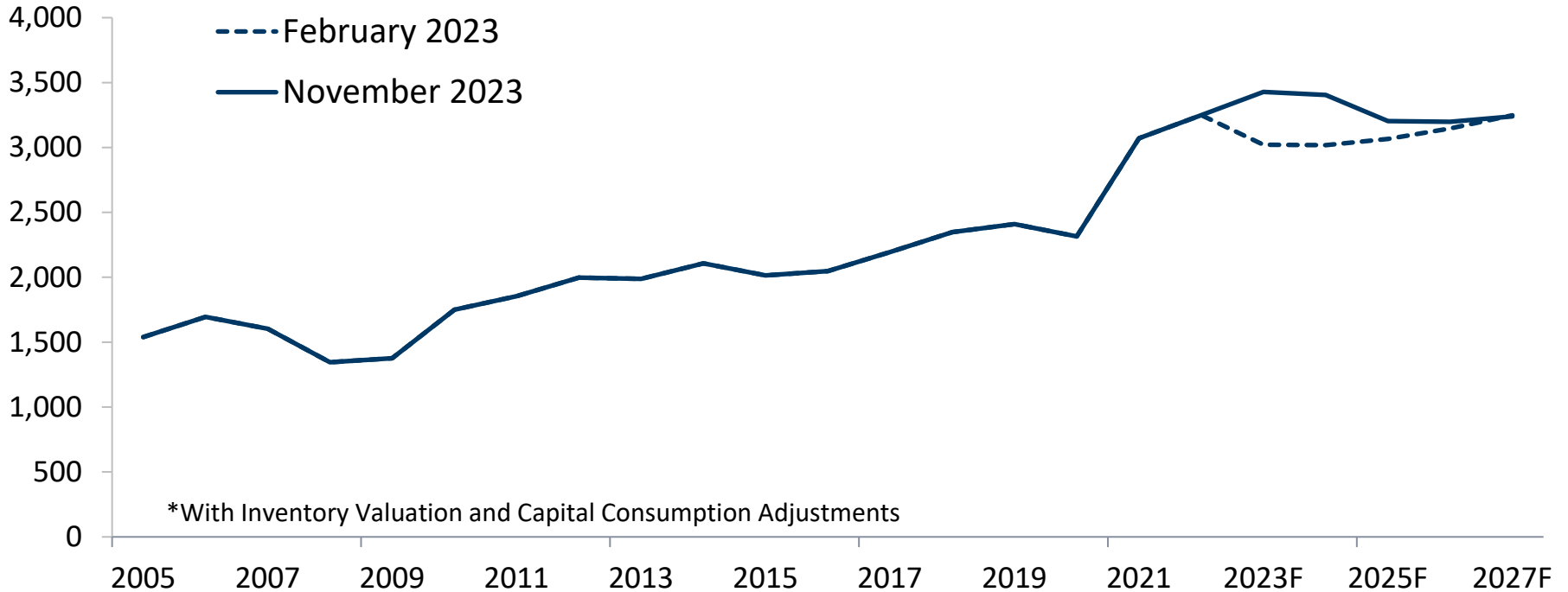
# Consumer Spending Supports Growth



Source: U.S. Bureau of Economic Analysis (BEA), S&P Global Market Intelligence, IHS Intelligence (SPGMI)

# Corporate Profits Stronger in Near-Term

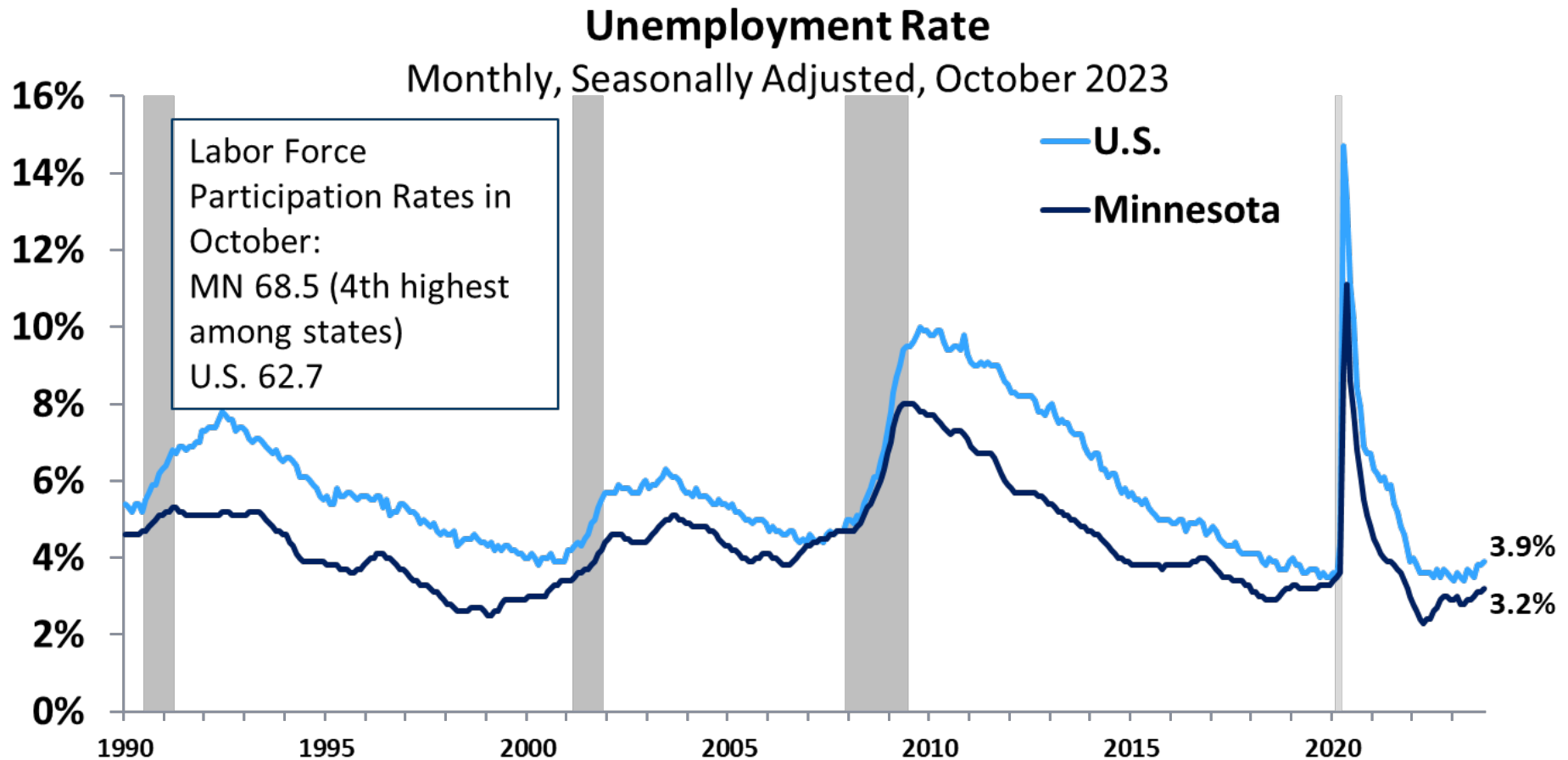
**U.S. Corporate Profits Before Tax\***  
Billions of Dollars, Annual Rate



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



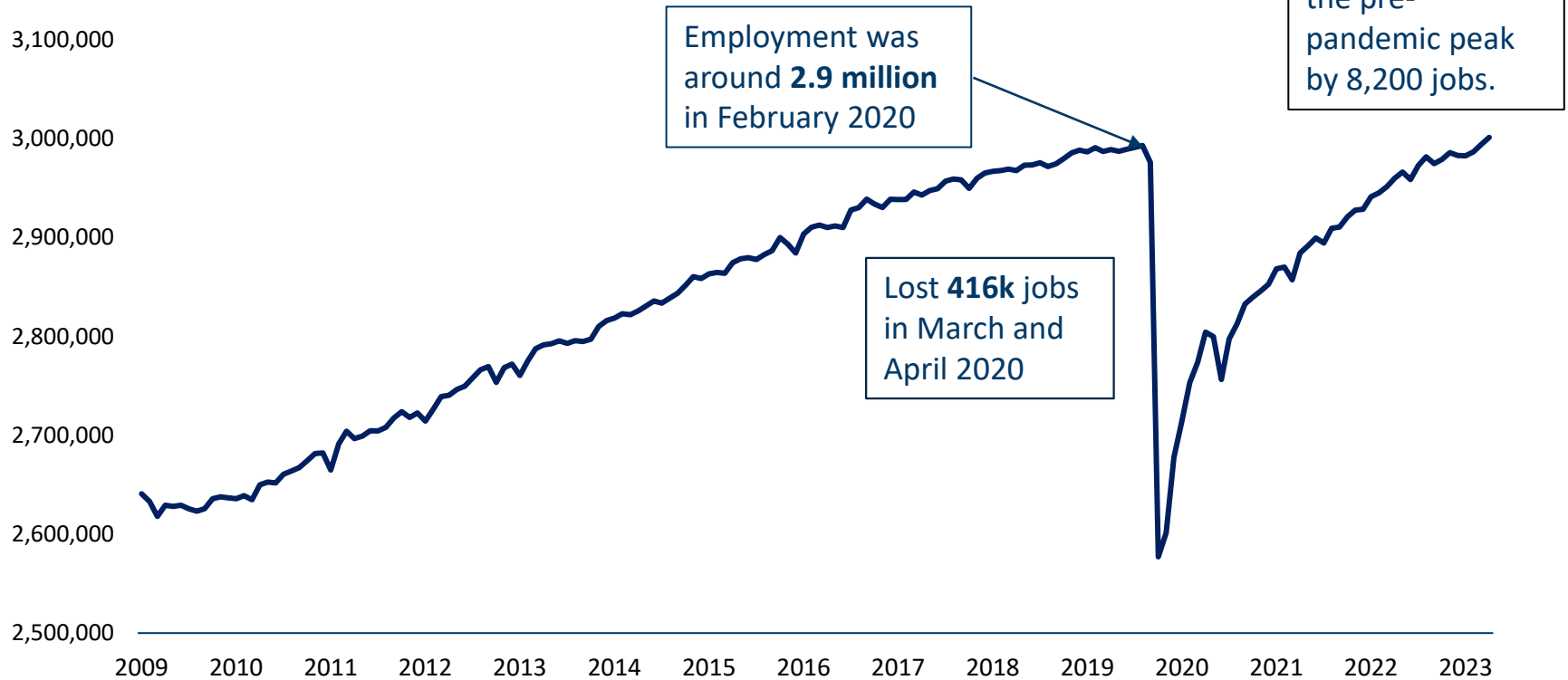
# State Unemployment Rate Remains Below U.S.



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

# Minnesota Employment Surpassed Pre-Pandemic Level

**MN Non-Farm Total Employment**  
Seasonally Adjusted Monthly Level, August 2023



# Revenue Forecast

(\$ in millions)

	FY 2024-25		FY 2026-27	
	Nov. 2023 Forecast	Forecast Change	Nov. 2023 Forecast	Forecast Change
Individual Income Tax	\$30,347	\$206	\$33,765	\$(504)
General Sales Tax	15,232	156	16,312	240
Corporate Franchise Tax	5,413	250	5,346	145
All Other Revenue	8,663	225	8,483	89
<b>Total Revenues</b>	<b>\$59,655</b>	<b>\$837</b>	<b>\$63,907</b>	<b>\$(30)</b>

# Forecast Risks



Inflation



Monetary policy



Geo-political risks



19 months until the end of FY 2024-25

# Spending and Long Term Budget Outlook

- Expenditure Forecast
- Long Term Budget Outlook

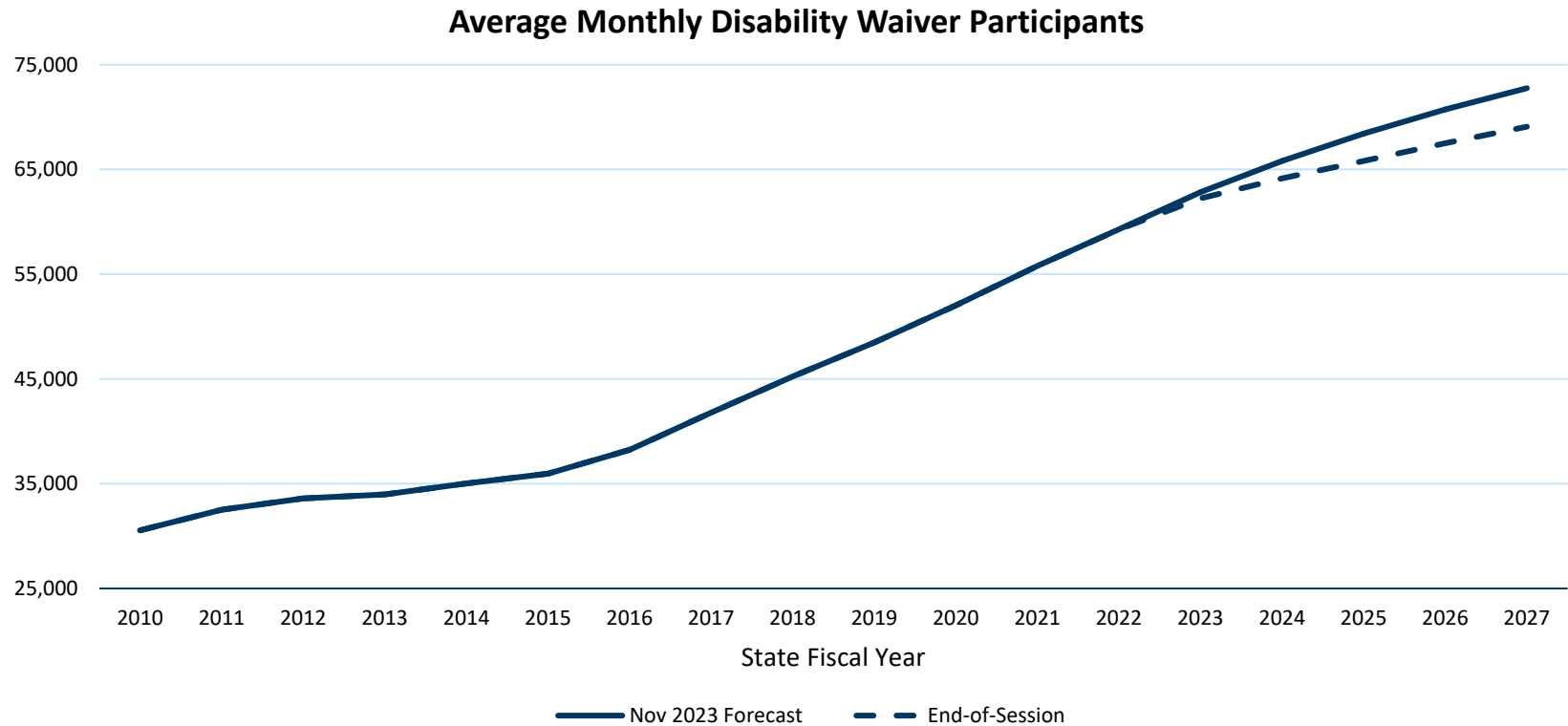


# Spending Forecast

(\$ in millions)

	FY 2024-25		FY 2026-27	
	Nov. 2023 Forecast	Forecast Change	Nov. 2023 Forecast	Forecast Change
E-12 Education	\$24,464	\$205	\$25,479	\$112
Health and Human Services	21,118	495	22,861	564
Property Tax Aids and Credits	5,478	163	4,650	145
Debt Service	1,141	(39)	1,340	(13)
All Other	18,315	174	11,006	112
<i>Estimated Inflation</i>	<i>n/a</i>	-	880	63
<b>Total Spending</b>	<b>\$70,516</b>	<b>\$998</b>	<b>\$66,216</b>	<b>\$982</b>

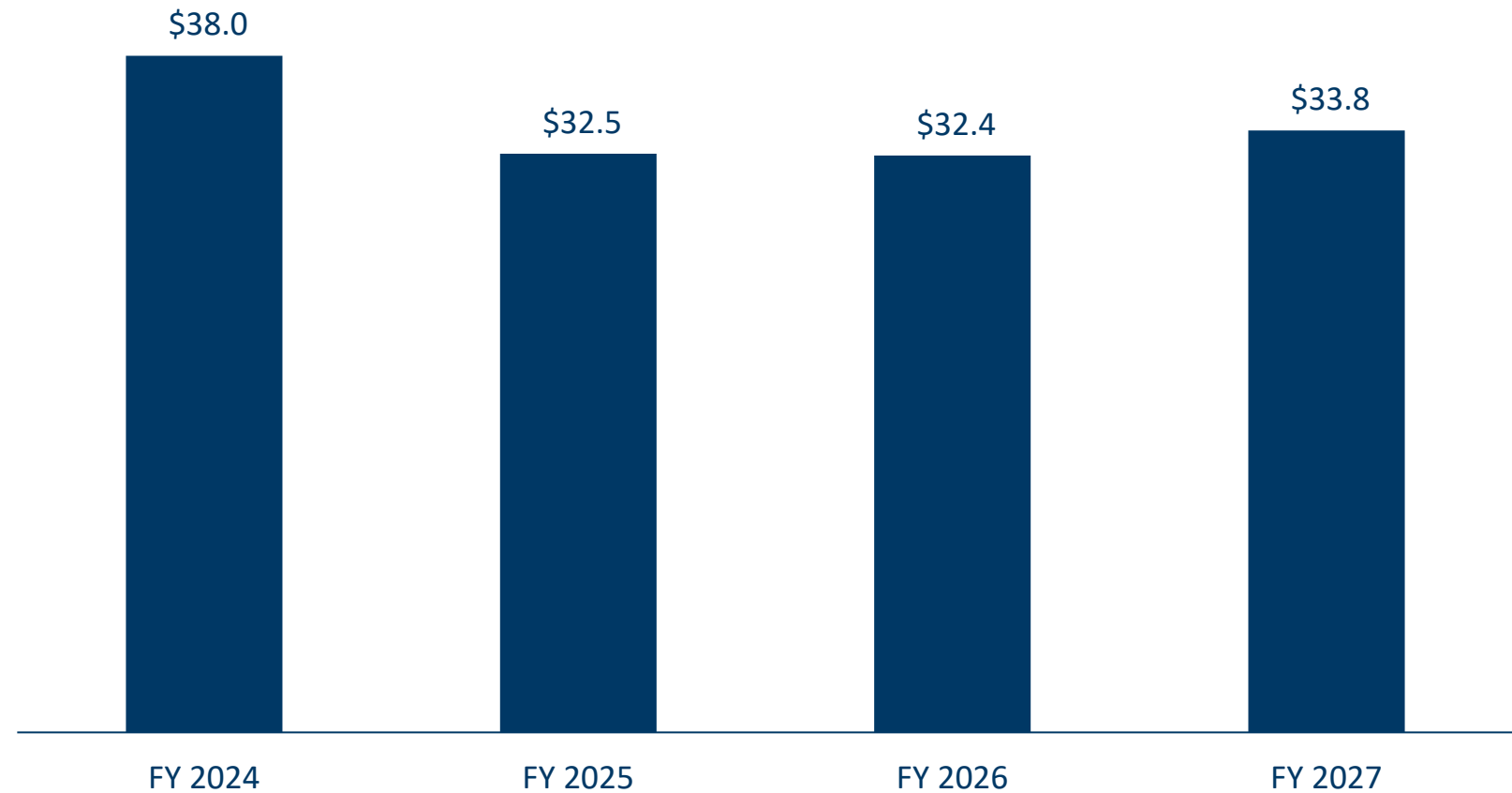
# Disability Waiver Enrollment Above Previous Forecast, Growing Over Time



\* Disability Waivers include Developmental Disability (DD), Community Alternatives for Disability Inclusion (CADI), Community Alternatives Care (CAC), Brain Injury (BI)

# One-Time Spending Inflates Current Biennium

## Spending FY 2024-27



\$ in Billions



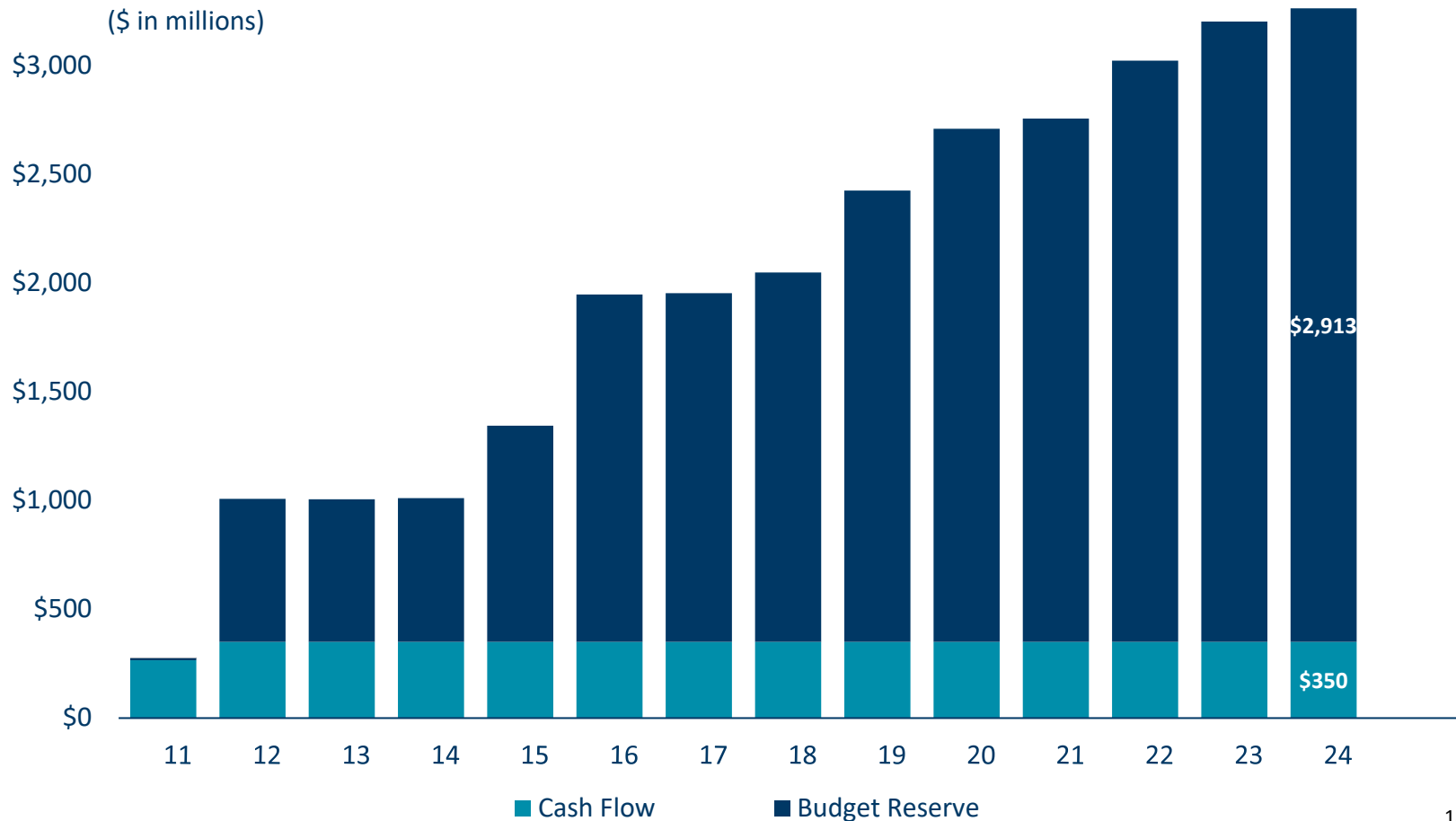
# Long Term Budget Outlook

(\$ in millions)	<u>FY 2024-25</u>	<u>FY 2026-27</u>
<b>Beginning Balance</b>	<b>\$16,516</b>	<b>\$5,655</b>
Forecast Revenues	59,655	63,907
Projected Spending*	70,516	66,216
Reserve & Cash Flow	3,263	3,263
<b>Remaining Balance</b>	<b>\$2,392</b>	<b>\$82</b>
<i>Structural Balance</i>		<i>\$(2,309)</i>

\*Projected spending includes \$880 million of discretionary inflation in FY 2026-27.

# Reserves at Target Level

## Total General Fund Reserves: FY 2011 - 2024





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