# *BUDGET AND ECONOMIC FORECAST*

MINNESOTA

## NOVEMBER 2025

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 inflation and variables outside the control of the legislature.

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).

Wage and price inflation is included in revenue estimates.

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# EXECUTIVE SUMMARY

Minnesota's budget and economic outlook remains stable in the current biennium; however, structural budget challenges remain. A better than expected fiscal year close and higher near term revenue collections, partially offset by increased spending estimates, result in a projected surplus of $2.465 billion in the current biennium. Higher health care costs and slow economic growth drive an increased structural imbalance in the FY 2028-29 planning estimates where the balance is now projected to be negative $2.960 billion. Total general fund reserves remain strong and at their statutory target of $3.771 billion.

**U.S. Economic Outlook.** Since Minnesota's *Budget and Economic Forecast* was last prepared in February 2025, the economy has seen substantial changes in policy at the federal level, from trade to immigration to taxes to spending. In this environment of policy uncertainty, we are forecasting with the additional uncertainty of missing and delayed federal data on economic conditions due to the recently ended federal government shutdown. Standard & Poor's Global Market Intelligence (SPGMI), our macroeconomic consultant, prepares a monthly forecast of macroeconomic conditions, which we rely upon in producing our revenue forecast. This *Budget and Economic Forecast* relied on SPGMI's November 2025 forecast, released to us beginning on November 5, 2025. While SPGMI is our main consultant, we compare their forecasts to those of other commercial, academic, and government forecasts. These other forecasts include those referenced in the "Blue Chip Economic Indicators" (Haver Analytics), the Philadelphia Federal Reserve Bank's "Survey of Professional Forecasters," and the Congressional Budget Office, among others.

In reviewing the revenue and economic outlooks for the U.S. and Minnesota, the reader should consider the type of year: calendar, fiscal, or tax. Macroeconomic data and forecasts are usually presented on a calendar year basis. Minnesota revenue data and forecasts are usually on a fiscal year basis. For the State of Minnesota, the fiscal year is July of the calendar year prior through the following June.[1] Tax years coincide with calendar years by date, which results in a tax year being allocated to two different fiscal years. In addition, while most tax revenues are received by the state in the same calendar year, a substantial amount of revenues are received in the next calendar year, for example, the fourth estimated tax payment (Jan. 15) and final payments with filed returns (April 15). Final payments for returns with extensions may not be received until late in the calendar year (Oct. 15) following the tax year, which is also a subsequent fiscal year.[2] In

[1] For example, the state's fiscal year 2026 is July 1, 2025, through June 30, 2026. The federal fiscal year begins on October 1.

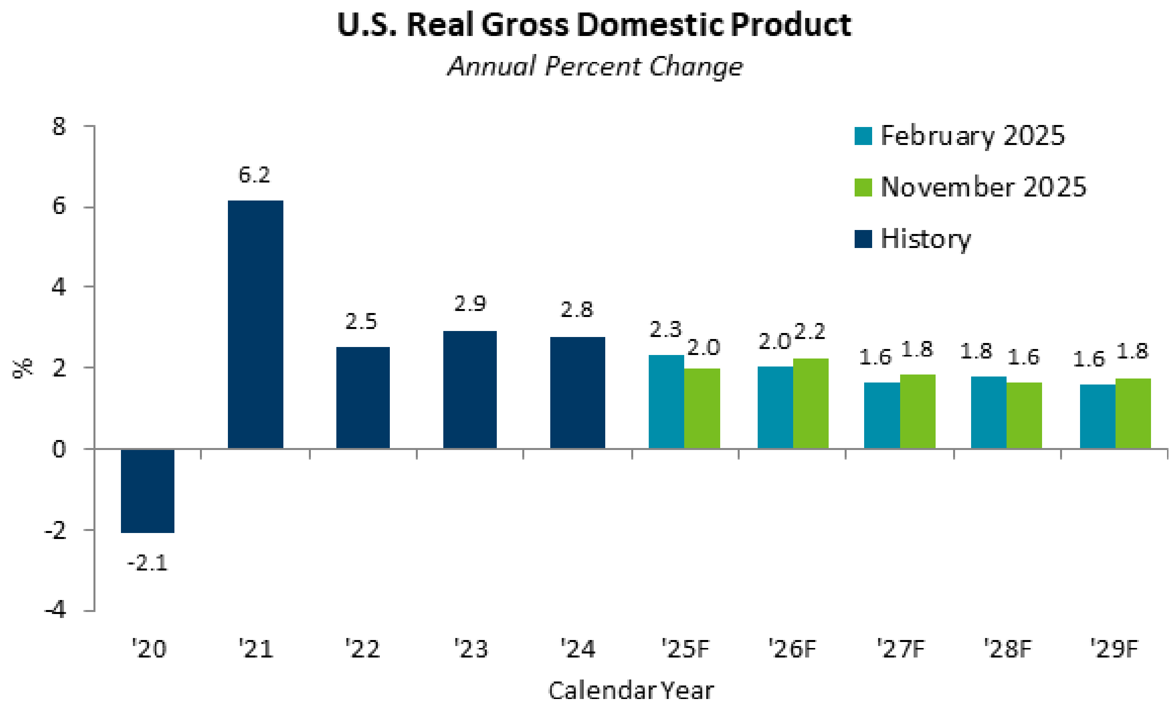
[2] For example, an extension for a personal income tax return for tax year 2024 requires filing and final payment by October 15, 2025, which is fiscal year 2026.

the Revenue Outlook, we will refer to fiscal years and tax years. In the Economic Outlook, we will refer to calendar years.

**Real gross domestic product.** Since Minnesota's *February 2025 Budget and Economic Forecast*, the forecast for U.S. economic growth has been revised downward for 2025, and upward for 2026 and 2027. SPGMI, Minnesota's macroeconomic consultant, forecasts 2.0 percent growth in real gross domestic product (GDP) in 2025, 0.3 percentage points lower than their February forecast. In the current forecast, the compound annual growth rate (CAGR) for real GDP for 2026 through 2029 is 1.9 percent, which is a slight upward revision from the February forecast CAGR of 1.8 percent. Nonetheless, a real GDP annual growth rate below two percent is well below historic experience.[2]

The primary driver of SPGMI's downward revision in real GDP for 2025 is lower-than-predicted real GDP growth in the first quarter and a forecast of low growth (0.8 percent annual rate) in the fourth quarter. Personal consumption, government consumption and gross investment, and exports all grew more slowly in real terms than forecast in February. As of this writing, the Bureau of Economic Analysis (BEA) has not released updated estimates of second quarter 2025 real GDP or the advance estimate of third quarter real GDP growth due to the federal government shutdown. As a result, SPGMI's estimate of macroeconomic aggregates for 2025 is based on two quarters of BEA data (Q1 and Q2) and two quarters of their own estimates (Q3) and forecasts (Q4).

SPGMI expects real GDP to grow 2.2 and 1.8 percent in 2026 and 2027, an improvement from 2.0 and 1.6 percent in their February forecast. The upward revision to GDP growth in 2026 and 2027 is driven by the assumption that tariffs will redirect demand towards domestic producers and that a weaker U.S. dollar will support export growth. For 2026, new spending on defense and border security is also expected to lift government consumption and investment. Despite the stronger real GDP figures, the underlying forecasts for real business fixed investment and real consumer spending have been revised down in 2026.




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

*SPGMI expects real GDP to grow 2.2 and 1.8 percent in 2026 and 2027, an improvement from 2.0 and 1.6 percent in their February forecast. The upward revision to GDP growth in 2026 and 2027 is driven by the assumption that tariffs will redirect demand towards domestic producers and that a weaker U.S. dollar will support export growth.*

**Minnesota Economic Outlook.** The economic outlook for Minnesota has weakened since MMB's February 2025 *Budget and Economic Forecast*. We forecast limited growth in employment, as we did in the February forecast. The state's unemployment rate remains below the national rate, and we anticipate that this will continue throughout the forecast period. Minnesota's job market remains favorable to job seekers, with more vacancies than unemployed workers. Minnesota's economic outlook is informed by SPGMI's forecasts for both the nation and Minnesota, data from the Minnesota Department of Economic and Employment Development (DEED), Quarterly Census of Employment and Wages (QCEW), and Minnesota tax revenues. *The November 2025 Budget and Economic Forecast* has been prepared with substantial missing data due to the federal government shutdown, including federal and state labor and employment data for September and October. As such, when we refer to the most recent data available for the state, we are referencing data through August 2025.

We estimate that, after all revisions and data become available, Minnesota's payroll employment will have declined by about 700 jobs (0.0 percent) in 2025, following an increase of 25,000 jobs (0.8 percent) in 2024. Employment is forecast to contract slightly in 2026, with payrolls declining by about 400 jobs (0.0 percent). From 2027 to 2029, employment is projected to increase by an average of approximately 9,000 jobs per year. This slower payroll growth reflects structural factors that limit long-term labor force expansion: an aging population, declining birth rates, and lower projected levels of international immigration.

The state's unemployment rate rose to 3.6 percent in August 2025, up 0.6 percentage points from February 2025, but still 0.7 percentage points below the U.S. unemployment rate. Additionally, broader labor-market indicators suggest the employment outlook is worsening, with the number of long-term unemployed (those unemployed for more than 27 weeks) nearly doubling year-over-year and an increasing number of part-time workers unable to find full-time employment. A lower forecast for international immigration, declining birth rates, and the continuing retirements of Baby Boomers will limit the state's labor force and further constrain employment growth in the coming years. Without sustained worker inflows either from international immigration or domestic migration, Minnesota employers may struggle to fill jobs, potentially slowing the growth of total wage and salary disbursements and constraining the expansion of overall economic activity.

SPGMI projects U.S. real GDP growth will average 1.9 percent per year from 2025 through 2029, reflecting very low payroll employment growth, low growth in consumption and business investment, and elevated inflation. Minnesota is closely tied to national economic trends, and our current state data aligns with that outlook.

**Budget Outlook: Current Biennium.** When the general fund budget for the FY 2026-27 biennium was enacted in May and June, $1.886 billion was left unallocated and available to carry into the next biennium. A larger closing balance in the previous biennium and an increased revenue forecast, partially offset by increases to estimated spending and an allocation to the budget reserve, result in a projected surplus of $2.465 billion for the current biennium, an improvement of $579 million.

**Current Biennium: FY 2026-27 General Fund Budget**
End-of-Session vs. November 2025 Forecast Comparison

| ($ in millions) | End-of-Session | November 2025 Forecast | $ Change | % Change |
|---|---|---|---|---|
| **Beginning Balance** | **$7,464** | **$10,273** | **$2,808** | **37.6%** |
| **Revenues** | | | | |
| Taxes | 62,003 | 63,191 | 1,188 | 1.9 |
| Non-Tax Revenues | 2,359 | 2,612 | 253 | 10.7 |
| Transfers, Other Resources | 460 | 459 | (1) | (0.2) |
| **Total Revenues** | **$64,823** | **$66,262** | **$1,440** | **2.2%** |
| **Expenditures** | | | | |
| E-12 Education | 25,697 | 25,869 | 173 | 0.7 |
| Property Tax Aids | 4,755 | 4,841 | 86 | 1.8 |
| Health & Human Services | 23,999 | 25,808 | 1,809 | 7.5 |
| Debt Service | 1,205 | 1,165 | (41) | (3.4) |
| All Other | 11,218 | 12,616 | 1,397 | 12.5 |
| **Total Expenditures** | **$66,874** | **$70,299** | **$3,425** | **5.1%** |
| Budget Reserve | 3,177 | 3,422 | 244 | |
| Cash Flow Account | 350 | 350 | - | |
| **Budgetary Balance** | **$1,886** | **$2,465** | **$579** | |

The FY 2024-25 biennium ended with an unrestricted general fund balance $941 million higher than estimated at the end of the 2025 special legislative session in June. This increase contributes to a $2.808 billion improvement in the beginning balance for the FY 2026-27 biennium. The remainder of the change in beginning balance represents a $9 million statutory budget reserve allocation at close from a surplus in the workers compensation assigned risk plan and $1.859 billion in appropriations that carried forward but retain spending authority in FY 2026.

Final revenue, including taxes, other revenue, and accounting adjustments from prior fiscal years, for the FY 2024-25 biennium closed $1.313 billion (2.1 percent) higher than estimates.

Final FY 2024-25 spending totaled $69.285 billion, $1.495 billion (2.1 percent) lower than estimates. However, this variance is more than offset by $1.859 billion in unspent appropriations allowed to carry forward for spending in the next biennium. These appropriations are legally allowed to be spent in the current biennium and thus do not fall to the bottom line because they are not available to be appropriated for other purposes. After adjusting for appropriation carryforward, total spending was $364 million (0.5 percent) higher than projected at the end of the 2025 special session.

*Revenues.* Total general fund revenues for fiscal year (FY) 2026-27 are now forecast to be $66.262 billion, $1.440 billion (2.2 percent) more than in the prior (February 2025) forecast. Total tax revenues for the biennium are forecast to be $63.191 billion, $1.188 billion (1.9 percent) above the prior forecast. The forecasts for individual income tax and other tax revenues are higher than previously estimated. These higher forecasts offset lower forecasts for corporate tax revenues, sales tax revenues, and statewide property tax revenues.

**Current Biennium: FY 2026-27 General Fund Revenues**
Change from End-of-Session

| ($ in millions) | End-of-Session | November 2025 Forecast | $ Change | % Change |
|---|---|---|---|---|
| Individual Income Tax | $32,998 | $34,513 | $1,515 | 4.6% |
| General Sales Tax | 16,140 | 15,797 | (343) | (2.1) |
| Corporate Franchise Tax | 6,335 | 6,272 | (63) | (1.0) |
| State General Property Tax | 1,492 | 1,480 | (12) | (0.8) |
| Other Tax Revenue | 5,039 | 5,131 | 91 | 1.8 |
| **Total Tax Revenues** | **$62,003** | **63,191** | **1,188** | **1.9%** |
| Non-Tax Revenues | 2,359 | 2,612 | 253 | 10.7 |
| Other Resources | 460 | 459 | (1) | (0.2) |
| **Total Revenues** | **$64,823** | **$66,262** | **$1,440** | **2.2%** |

Revenues for FY 2026-27 are now expected to exceed their FY 2024-25 levels by $3.221 billion (5.1 percent). Total tax revenues are projected to be 4.264 billion (7.2 percent) more than in FY 2024-25. Current biennium individual income tax revenues are now forecast to be $2.984 billion higher (9.5 percent) than in the FY 2024-25 biennium.

*Expenditures*. Total state general fund expenditures for the FY 2026-27 biennium are projected to be $70.299 billion, $3.425 million (4.9 percent) higher than previously forecast. However, $1.859

billion of the spending increase is appropriations left unspent in the prior biennium. Across the two biennia, the impact of this carryforward has a net $0 impact on the general fund bottom line. Comparing spending in FY 2026-27 without the addition of these appropriations shows a spending increase this forecast of $1.565 billion (2.3 percent) compared to prior estimates.

**Current Biennium: FY 2026-27 General Fund Expenditures**
End-of-Session vs. November 2025 Forecast Comparison

| ($ in millions) | November 2025 Forecast | $ Forecast Change | $ Carry-forward | $ Net Change | % Net Change |
|---|---|---|---|---|---|
| E-12 Education | $25,869 | $173 | $57 | $115 | 0.4% |
| Property Tax Aids & Credits | 4,841 | 86 | 2 | 84 | 1.8 |
| Health & Human Services | 25,808 | 1,809 | 403 | 1,406 | 5.9 |
| Debt Service | 1,165 | (41) | 0 | (41) | (3.4) |
| All Other | 12,616 | 1,397 | 1,396 | 1 | 0 |
| **Total** | **$70,299** | **$3,425** | **1,859** | **$1,566** | **2.3%** |

E-12 expenditures are forecast to reach $25.869 billion in FY 2026-27, $173 million (0.7 percent) above end of session estimates. Of that change, $57 million carried forward from FY 2025 to FY 2026 across the E-12 education agencies. The change in forecast program spending from end of session is $115 million. This largely due to higher estimates for special education expenditures.

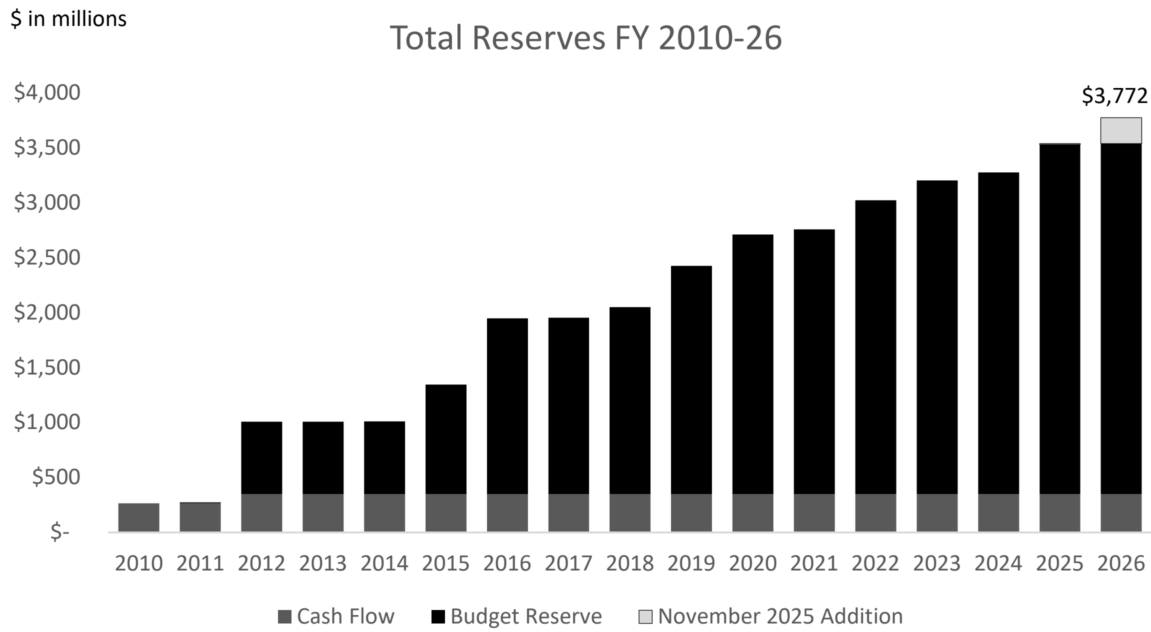
In the FY 2026-27 biennium, anticipated health and human services (HHS) general fund spending is $25.808 billion, up $1.809 billion (7.5 percent) from end of session estimates. Approximately $1.406 billion of this change is due to changes in spending for forecast programs, and $403 million of this change is the carryforward amount from FY 2025. Medical Assistance (MA) expenditures increased by $1.285 billion (7.3 percent) from end of session estimates. This is primarily explained by higher costs for basic health care services plus higher costs and enrollment in long term care waivers.

Debt service expenditures for the current biennium are forecast to be $1.165 billion, which is a decrease of $41 million (3.4 percent) from previous estimates. The reduction is primarily due to a smaller 2025 bond sale than previously forecast, along with lower interest rates realized in the September 2025 bond sale than previously projected. Property tax aids and credits were $84 million higher (1.8 percent) largely due to higher homestead credit refunds. All other state spending is projected to total $12.616 billion in FY 2026-27, an increase of $1.397 billion (12.5 percent). Carryforward of unspent appropriations in FY 2025 increase spending in this area in the current biennium by $1.396 billion. If carryforward is excluded, all other state spending is $1 million up from end of session estimates.

**Reserves.** Minnesota Statutes 16A.152 directs MMB to allocate funds to the budget reserve account up to the recommended budget reserve level when there is a projected surplus in the current biennium in the *November Budget and Economic Forecast.* In September, MMB, in accordance with Minnesota Statutes section 16A.152 subd.8, recommended a budget reserve target of 5.2 percent.[3] When calculated using the updated revenue forecast with this release, the

[3] September 2025 Budget Reserve Report

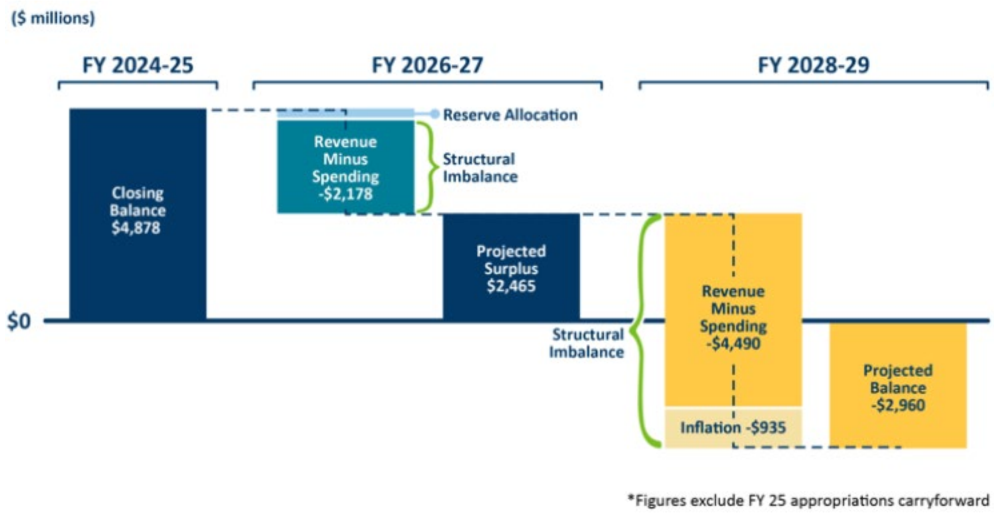
budget reserve target level is $3.422 billion. Because the reserve balance at the close of FY 2024-25 was below the new target level, $236 million from the projected surplus is allocated to the reserve so that the balance is now at the target level of $3.422 billion. The cash flow account balance is unchanged at $350 million.




**Budget Outlook: Planning Estimates.** The higher spending forecast continues into the FY 2028-29 biennium with estimated spending, including discretionary inflation, projected to reach $73.212 billion, $1.864 billion (2.6 percent) more than estimated at the end of session. Revenues in the planning biennium are projected to total $67.787 billion, $570 million (0.8 percent) lower than prior forecast. The structural balance, the difference between revenue and spending in each budget period, in the planning biennium is negative $4.490 billion before inflation is added to spending estimates and negative $5.425 billion after including inflation.

The planning estimates for the FY 2028-29 biennium inherently carry a higher degree of uncertainty than estimates for FY 2026-27. Revenue projections for FY 2026-27 are based on the November Baseline economic 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. After determining base expenditures as determined by current law formulas, the expenditure forecast assumes inflationary growth for programs that do not already have allowances for cost growth built into current law formulas. [4]

[4] Inflationary growth estimates are based on the consumer price index forecast and are estimated to be 2.3 percent in FY 2028 and 2.2 percent in FY 2029. The discretionary inflation calculation grows the estimated general fund spending base in each year by the projected CPI growth rate after removing general education, special education, debt service, property tax refunds, and the state share for managed and some long-term care in HHS.




*The positive FY 2024-25 closing balance carries into the current biennium and is offset by the negative structural balance projected in this forecast for FY 2026-27. The projected current biennium surplus of $2.465 billion carries into the FY 2028-29 planning estimates where a structural deficit of $5.425 billion reduces to projected balance to negative $2.960 billion.*

Planning estimates are not intended to predict surpluses or deficits four 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 2028-29 planning estimates provide an important baseline against which the longer-term impacts and affordability of budget decisions can be measured.

| **($ in millions)** | **FY 2026-27** | **FY 2028-29** | **$ Change** | **Annual % Change** |
|---|---|---|---|---|
| **Forecast Revenues** | **$66,262** | **$67,787** | **$1,525** | **1.1%** |
| ***Baseline Spending*** | ***68,440*** | ***72,277*** | ***3,837*** | ***2.8*** |
| *Discretionary inflation* | *n/a* | *935* | | |
| *Carry Forward from FY 2025* | *1,859* | *n/a* | | |
| Total Projected Spending | $70,299 | $73,212 | $2,913 | 2.1% |
| **Structural Balance with Inflation** | | **$(5,425)** | | |
| *Structural Balance excluding Inflation* | | *$(4,490)* | | |

# ECONOMIC OUTLOOK

## U.S. Economic Outlook

Since Minnesota's *Budget and Economic Forecast* was last prepared in February 2025, the economy has seen substantial changes in policy at the federal level, from trade to immigration to taxes to spending. In this environment of policy uncertainty, we are forecasting with the additional uncertainty of missing and delayed federal data on economic conditions due to the recently ended federal government shutdown. Standard & Poor's Global Market Intelligence (SPGMI), our macroeconomic consultant, prepares a monthly forecast of macroeconomic conditions, which we rely upon in producing our revenue forecast. This *Budget and Economic Forecast* relied on SPGMI's November 2025 forecast, released to us beginning on November 5, 2025. While SPGMI is our main consultant, we compare their forecasts to those of other commercial, academic, and government forecasts. These other forecasts include those referenced in the "Blue Chip Economic Indicators" (Haver Analytics), the Philadelphia Federal Reserve Bank's "Survey of Professional Forecasters," and the Congressional Budget Office, among others.

**SPGMI Key Forecast Assumptions for November 2025.** The SPGMI November forecast depends on several important assumptions. If these assumptions prove inaccurate or false, economic outcomes may differ substantially from SPGMI's baseline forecast.

Federal fiscal policy: SPGMI's November 2025 forecast assumes a six-week federal government shutdown.[5] It assumes implementation of all provisions of the reconciliation act (H.R. 1), including new expensing provisions for business capital expenses, expanded corporate deductions, the permanent extension of cuts to marginal personal income tax rates from the 2017 Tax Cuts and Jobs Act (TCJA), and new deductions for tip income and overtime pay. In the act, most Inflation Reduction Act (IRA) energy tax credits are rescinded. The act also increases federal spending but reduces outlays for Medicaid, ACA premium tax credits, and SNAP.

Tariffs and Trade: SPGMI's November 2025 baseline assumes an average effective tariff rate of 18 percent. These tariffs include Section 232 tariffs of from 10 to 25 percent on semiconductors and critical materials, International Emergency Economic Powers Act (IEEPA) tariffs tied to fentanyl and immigration on imports from China (10 percent), Canada (45 percent), and Mexico (25 percent), the latter two stepping down to 15 percent by mid-2026. For reciprocal tariffs, their forecast assumes the rates announced on August 1 or later, which range from 10 to 40 percent.

[5] The shutdown lasted 43 days.

Population: SPGMI assumes that net international migration is 500,000 lower each year, relative to Census projections, for all four years of the Trump administration.

Global outlook: Trade-weighted GDP growth remains at 2.1 percent in 2025, slowing to 1.9 percent in 2026. Foreign CPI inflation falls to 2.3 percent for 2025 and 2026. Global energy prices, as measured by the Brent crude price, continue to fall with crude oil falling from $81 per barrel in 2024 to $69 per barrel in 2025 and $58 per barrel by 2026.

Monetary policy: SPGMI assumes the Federal Reserve will reduce the federal funds rate target range by 25 basis points in December and then pause cuts until mid-2026. Thereafter, SPGMI assumes a gradual reduction of the federal funds rate target to 3.0-3.25 percent by September 2026.

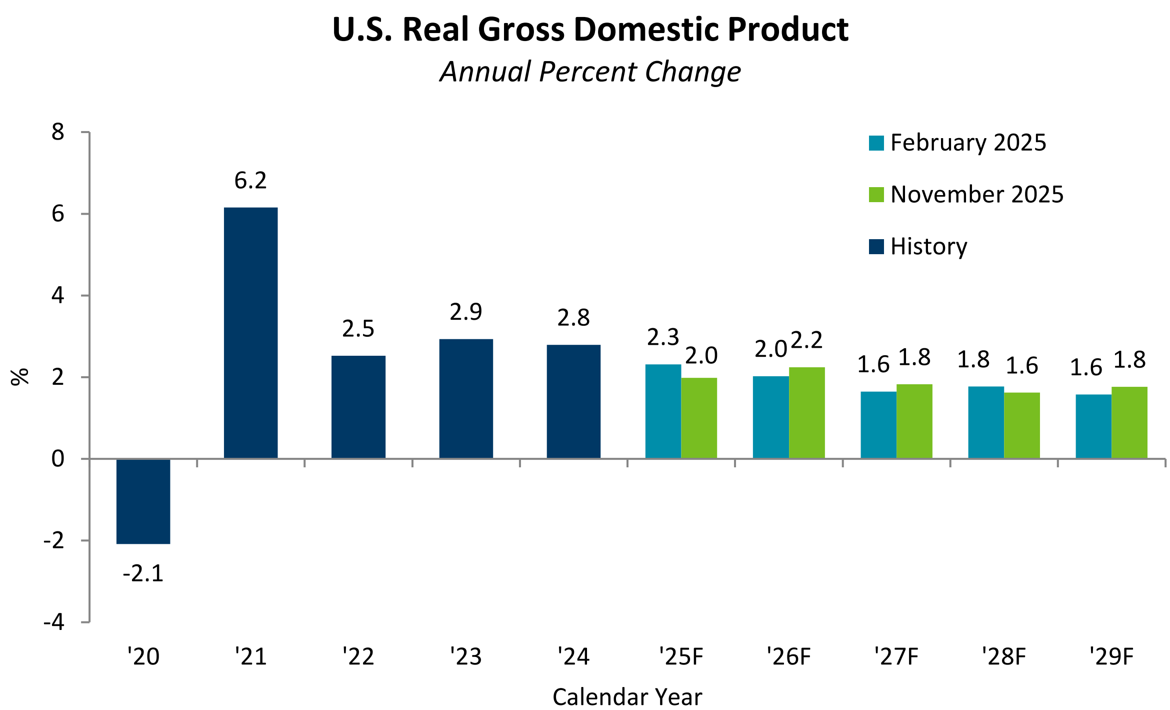
## The U.S. Macroeconomic Outlook

**Real gross domestic product.** Since Minnesota's *February 2025 Budget and Economic Forecast*, the forecast for U.S. economic growth has been revised downward for 2025, and upward for 2026 and 2027. SPGMI, Minnesota's macroeconomic consultant, forecasts 2.0 percent growth in real gross domestic product (GDP) in 2025, 0.3 percentage points lower than their February forecast. In the current forecast, the compound annual growth rate (CAGR) for real GDP for 2026 through 2029 is 1.9 percent, which is a slight upward revision from the February forecast CAGR of 1.8 percent. Nonetheless, a real GDP annual growth rate below two percent is well below historic experience.[6]

The primary driver of SPGMI's downward revision in real GDP for 2025 is lower-than-predicted real GDP growth in the first quarter and a forecast of low growth (0.8 percent annual ) the fourth quarter. Personal consumption, government consumption and gross investment, and exports all grew more slowly in real terms than forecast in February. As of this writing, the Bureau of Economic Analysis (BEA) has not released updated estimates of second quarter 2025 real GDP or the advance estimate of third quarter real GDP growth due to the federal government shutdown. As a result, SPGMI's estimate of macroeconomic aggregates for 2025 is based on two quarters of BEA data (Q1 and Q2) and two quarters of their own estimates (Q3) and forecasts (Q4).

SPGMI expects real GDP to grow 2.2 and 1.8 percent in 2026 and 2027, an improvement from 2.0 and 1.6 percent in their February forecast. The upward revision to GDP growth in 2026 and 2027 is driven by the assumption that tariffs will redirect demand towards domestic producers and that a weaker U.S. dollar will support export growth. For 2026, new spending on defense and border security is also expected to lift government consumption and investment. Despite the stronger real GDP figures, the underlying forecasts for real business fixed investment and real consumer spending have been revised down in 2026.

[6] From the first quarter of 1959 to the second quarter of 2025 (the last period for which data are available), the annual growth rate of real GDP averaged 2.9 percent. This can also be referred to as the long-term trend of real GDP growth where a rate below this level is referred to as "below-trend growth" and a rate above it is "above-trend growth."




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

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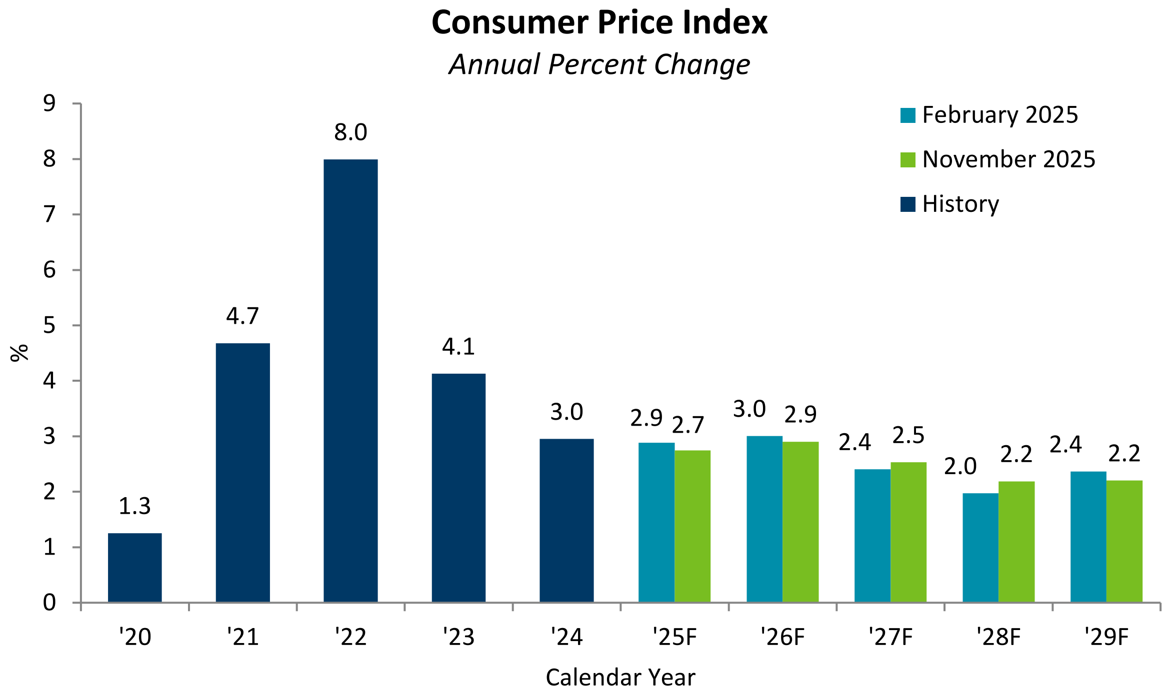
**Inflation.** In this forecast, the rate of inflation is not expected to be substantially different than that in SPGMI's February 2025 forecast. SPGMI projects CPI inflation will remain elevated at 2.7 percent in 2025 and 2.9 percent in 2026, before easing below 2.6 percent in years 2027-2029. Core PCE inflation is forecast to be 2.7 percent in 2025 and 3.0 percent in 2026, declining to 2.2 percent in 2027, 2.1 percent in 2028, and to the Federal Reserve's 2.0 percent target in 2029.

Tariffs contribute to elevated inflation through 2026 as higher import costs are passed through to customers. Inflation, as measured by all four major indexes, including CPI, PCE, core CPI, and core PCE, is expected to moderate to approximately 2.0 to 2.2 percent year-over-year towards the end of the forecast period.




Source: U.S. Bureau of Labor Statistics (BLS), SPGMI

*In this forecast, the rate of inflation is not expected to be substantially different than that in SPGMI's February 2025 forecast. SPGMI projects CPI inflation will remain elevated at 2.7 percent in 2025 and 2.9 percent in 2026, before easing below 2.6 percent in years 2027-2029.*

Throughout this forecast, careful attention must be given to the distinction between nominal and real growth to assess economic conditions accurately. Our revenue forecasts are in nominal values, as taxes are levied on and paid in nominal dollars. Since inflation is not expected to be substantially different than the inflation expected in SPGMI's February 2025 forecast, the current inflation forecast will not result in substantially different revenue forecasts, other things equal. Revenue forecast changes are largely due to other factors.

**Monetary policy and interest rates.** The Federal Reserve Board lowered the federal funds rate target range by 25 basis points at both its September and October meetings, bringing the target range to 3.75 to 4.0 percent. SPGMI forecasts another rate cut at the December 2025 meeting, followed by a pause in cuts until mid-2026 as the Fed waits for inflation to moderate. SPGMI expects another 25-basis point cut in June 2026 and again in September as inflation falls further towards the Board's 2.0 percent target. SPGMI estimates that this will bring the federal funds rate to its neutral range of 3.0 to 3.25 percent, where SPGMI expects it to remain in 2029.[7]

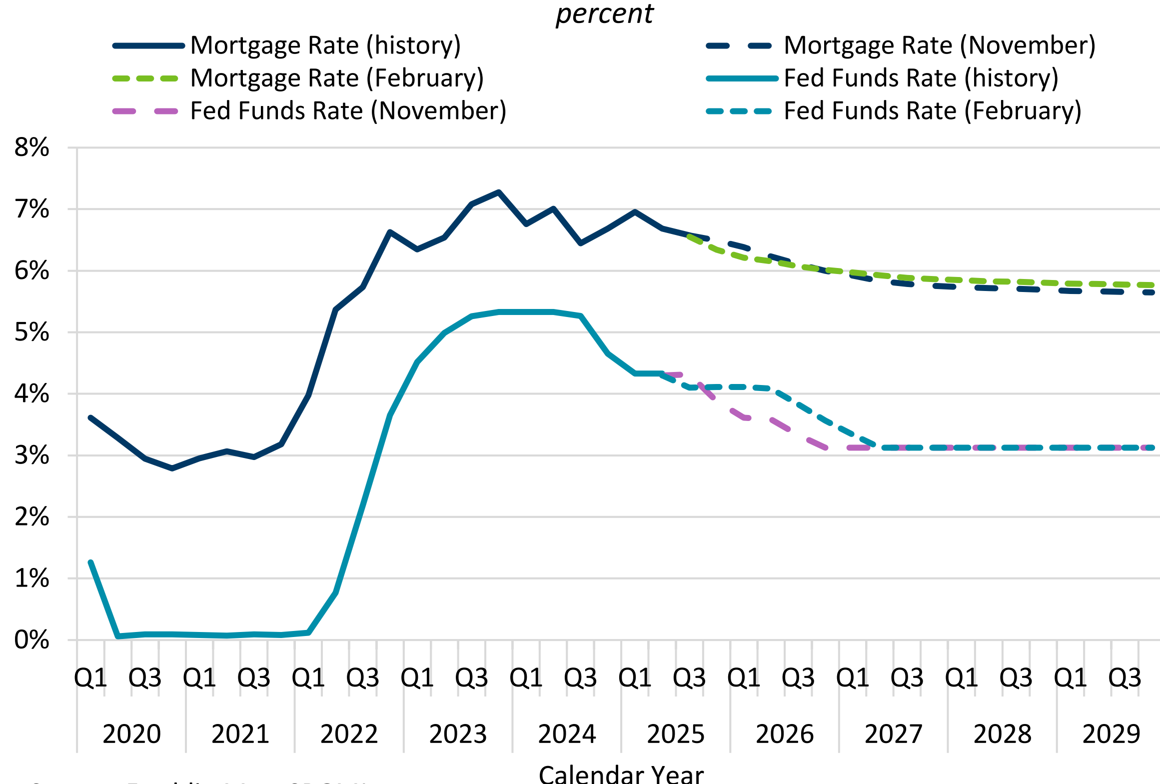
[7] The neutral rate is a theoretical rate for the federal funds rate which neither stimulates nor restricts economic growth. The neutral rate is a dynamic construct, and the value varies over time with changing economic conditions. There are several models which estimate its likely range. A recent commentary from the Cleveland Federal Reserve Bank estimates the neutral rate to be 3.7 percent using data through 2025 Q2. By this measure, the current federal funds target range of 3.75 to 4.0 percent is at most only slightly restrictive. See Taylor Horn and Saeed Zaman, "Neutral interest Rates and the Monetary Policy Stance,"

The federal funds rate and other key interest rates, such as the 30-year fixed mortgage rate, are related but not directly linked. When the Federal Reserve raises the federal funds rate, an overnight lending rate between banks, it puts upward pressure on rates for consumer loans and mortgage rates by increasing banks' borrowing costs. However, longer-term rates are also determined by the lenders' expectations of inflation over the life of the loan and the default risk of the loan.

SPGMI expects the 30-year fixed mortgage rate to stay above 6.0 percent until 2027 and then stabilize at between 5.8 and 5.9 percent through the end of the forecast period. Another key rate is the yield on 10-year U.S. Treasury securities. SPGMI forecasts the 10-year Treasury yield to stay above 4.0 percent until mid-2026 and to stabilize at 3.9 percent through our forecast horizon.

**Fed Funds Rate vs 30-Year Fixed Mortgage Rate**

*percent*




Source: Freddie Mac, SPGMI

*The Federal Reserve Board lowered the federal funds rate target range by 25 basis points at both its September and October meetings, bringing the target range to 3.75 to 4.0 percent. SPGMI forecasts another rate cut at the December 2025 meeting, followed by a pause in cuts until mid-2026 as the Fed waits for inflation to moderate. SPGMI expects the 30-year fixed mortgage rate to stay above 6.0 percent until 2027 and then stabilize at between 5.8 and 5.9 percent through the end of the forecast period.*

**Personal consumption and consumer spending.** Real personal consumer expenditures, also referred to as real consumer spending, are the primary driver of growth in real GDP, accounting

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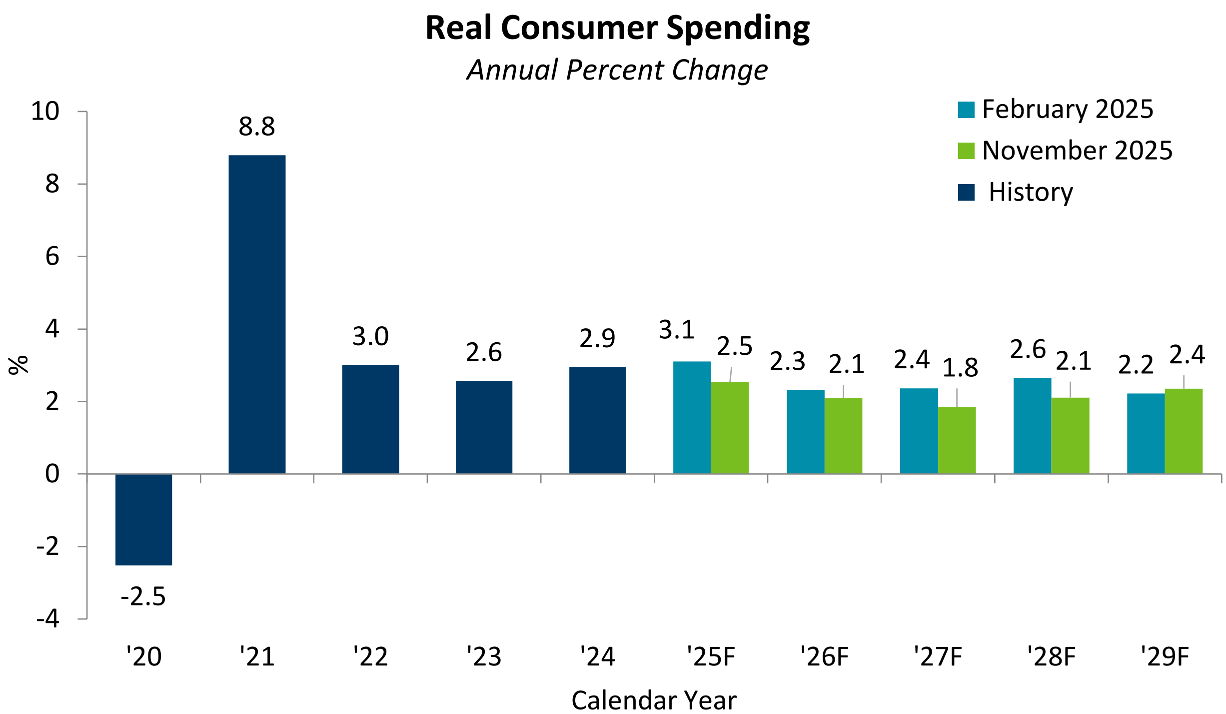
*Economic Commentary*, Federal Reserve Bank of Cleveland, EC 2025-08, Sept. 2, 2025. <https://doi.org/10.26509/frbc-ec-202508>

for roughly 70 percent of real GDP. SPGMI now forecasts real consumer spending to grow 2.5 percent in 2025, 0.6 percentage points lower than in their February 2025 forecast. From 2026-2029 real consumer spending is expected to grow 2.1 percent on average. This downward revision is a key factor contributing to the below-trend real GDP growth projected over the forecast period.




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

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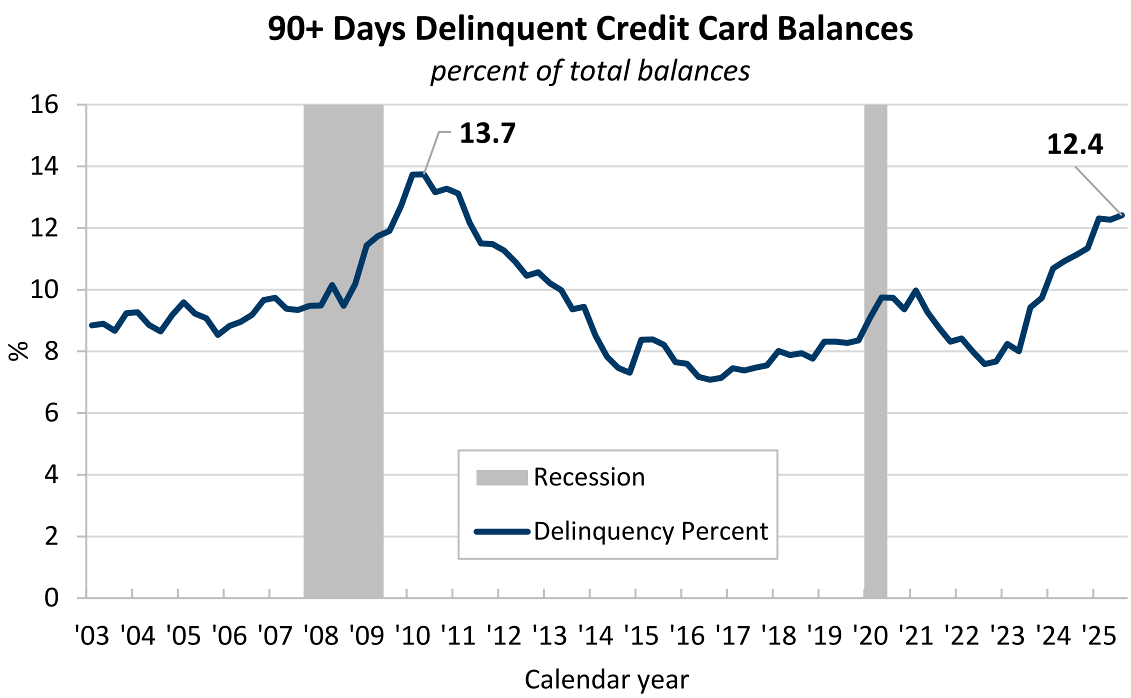
Low growth in personal consumption expenditures has several possible causes. Consumers' concerns over inflation and overall sentiment may be discouraging spending. Inflation concerns have remained high as reported in the University of Michigan "Surveys of Consumers," where consumers' expectations of inflation over the next year are now 4.5 percent.[8] The indexes of consumer sentiment, current economic conditions, and consumer expectations are all at least 20 percent lower than one year ago. The index of consumer sentiment fell to 51.0 in November, down from 71.8 percent one year ago, a decline of 29 percent.

Uncertainty about employment and tariff-related price effects, coupled with high interest rates, may also be discouraging consumption. While the unemployment rate has remained relatively stable, payroll employment numbers are signaling a less robust labor market. Labor market uncertainties, coupled with price uncertainty due to frequently shifting tariff policies, may be

[8] University of Michigan, "Surveys of Consumers: Final results for November 2025." <https://www.sca.isr.umich.edu/> Accessed November 30, 2025.

making consumers less willing to take on debt usually associated with big-ticket purchases, including vehicles and other durable goods.

While real household income has been growing, there is also evidence of growing stress in consumers' ability to pay for what they buy. The Federal Reserve Bank of New York reports that 12.4 percent of U.S. credit card balances were seriously delinquent (defined as 90 or more days delinquent) in the third quarter of 2025, the highest percentage of seriously delinquent credit card balances since early 2011.[9] The share of credit card balances that were seriously delinquent reached a record high of 13.7 percent in the second quarter of 2010, roughly one year after the end of the Great Recession.




Source: Federal Reserve Bank of New York, New York Fed Consumer Credit Panel/Equifax

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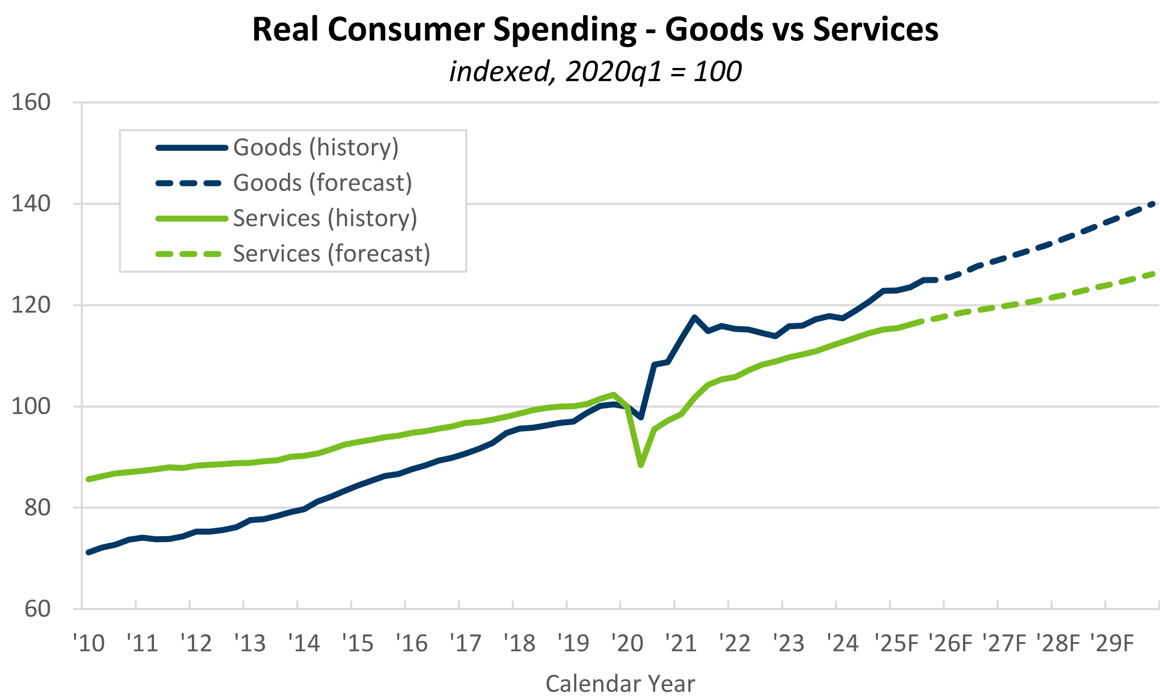
For decades, consumers have devoted a gradually smaller share of their budget to goods, reflecting broad price declines in many goods, and a larger share to services, such as housing and healthcare. From 2020 to 2022, these longstanding trends were temporarily interrupted by the pandemic, as high goods inflation added to real goods spending increases and consumers reduced

[9] Federal Reserve Bank of New York, Center for Microeconomic Data, "Quarterly Report on Household Debt and Credit: 2025:Q3," November 2025. <https://www.newyorkfed.org/medialibrary/interactives/householdcredit/data/pdf/HHDC_2025Q3> Accessed December 2, 2025.

services spending. Since 2022, consumers have once again spent increasing shares of their budget on services and decreasing shares of their budget on goods. SPGMI expects this trend to continue throughout the forecast horizon.

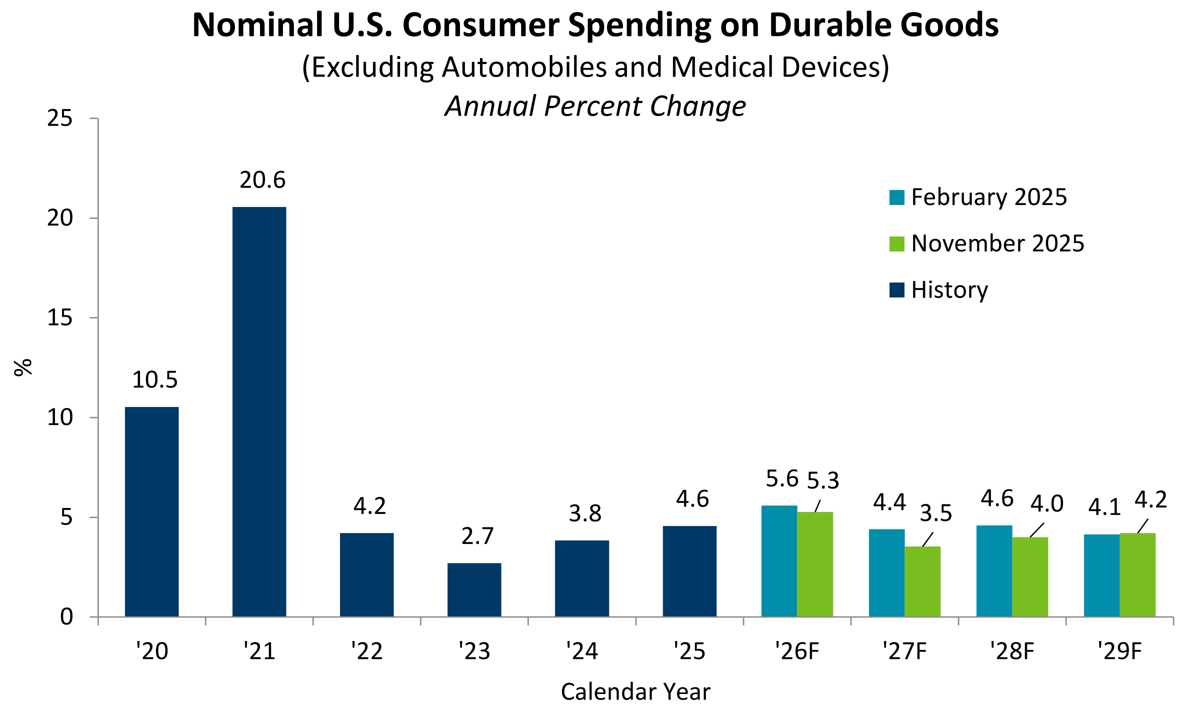



Source: U.S. Bureau of Economic Anaylsis (BEA), SPGMI

*Since 2022, consumers have once again spent increasing shares of their budget on services and decreasing shares of their budget on goods. SPGMI expects this trend to continue throughout the forecast horizon.*

The pattern is similar in nominal spending, which includes the effects of price changes. High goods inflation during the pandemic, coupled with the shift in real spending towards goods, caused nominal goods spending to exceed its pre-pandemic trend. Nominal services spending, on the other hand, suffered from decreases in real spending during the pandemic. Services spending has steadily recovered from its pandemic low, and growth in services spending is predicted to exceed growth in goods spending throughout the forecast horizon in both nominal and real terms.

SPGMI forecasts nominal consumer spending on durable goods (excluding automobiles and medical devices) to increase 5.3 percent in 2026, increase 3.5 percent in 2027, and to average 4.1 percent annual growth for 2028 through 2029.




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

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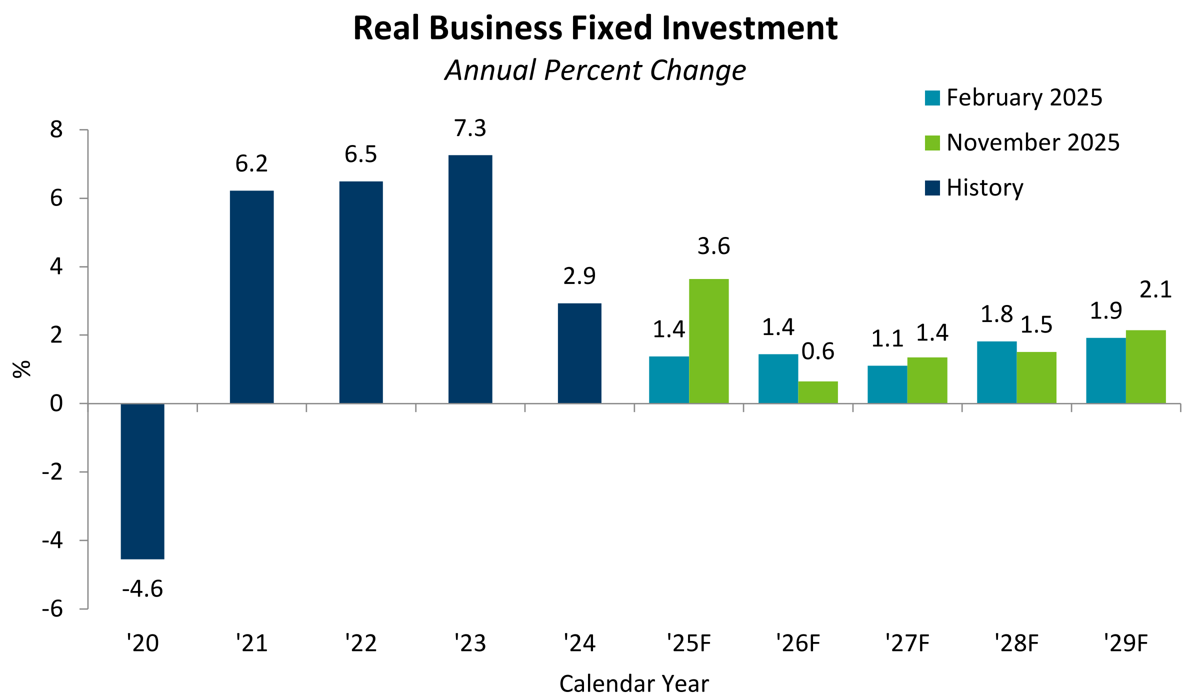
**Private investment.** Private investment is forecast to experience historically low rates of real growth through the forecast period. SPGMI forecasts that real non-residential fixed investment will grow at a rate of less than 2.0 percent per year in 2026 through 2028, and that real residential fixed investment will contract (negative growth) in 2025 and 2026 before growing at a rate of no more than 2.0 percent through 2029. As private investment is about 18 percent of final demand, the low growth rates of residential and non-residential investment will be a short-term drag on GDP growth. Further, investment is necessary to build the capital base for future production. From 2014-2024, growth in real non-residential fixed investment averaged 4.3 percent per year. For 2025 through 2029, SPGMI forecasts real business fixed investment to grow at an average annual rate of 1.9 percent, a marked slowdown from the previous decade. Low growth now and over the forecast period will mean lower growth for the economy in the long run.

Within private investment, real business fixed investment (BFI) was elevated in the first half of 2025 as firms responded to advance news of tariffs by accelerating purchases of equipment from abroad in early 2025. This has caused these firms to reduce planned investment in 2026. As a result, SPGMI forecasts real BFI to increase 3.6 percent in 2025, an upward revision of 2.2 percentage points from the February forecast. Although trade policy uncertainty has eased since peaking in April, uncertainty remains elevated. Uncertainty about trade policy could reduce businesses' willingness to undertake new investment spending in industries with high exposure to international trade. Higher borrowing costs for commercial and industrial real estate loans also continue to constrain access to credit. SPGMI anticipates that these factors will slow real BFI growth to 0.6 percent in 2026, followed by average annual growth of 1.7 percent from 2027 through 2029.




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

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**The role of artificial Intelligence (AI) in the economy.** Artificial intelligence (AI) shows up in the macroeconomic forecast in three ways. First, it shows up as investment spending to build data centers, high-performance computing clusters, specialized chips, and other AI capacity. Second, AI affects equity valuations of AI-related firms. Third, it will determine, in part, future productivity gains, though any gains will be realized years from now and are unlikely to affect the near-term economic outlook.

AI investment has been strong, especially in intellectual property products, data centers, and computers. But this investment still represents a small share of total investment spending, and much of the equipment is imported, so the effect on real GDP is limited.

Where AI has had an outsized influence is on equity valuations. Of the S&P 500's roughly 40 percent gain since January 2024, approximately half came from a small group of AI-related companies. SPGMI assumes that AI investment will slow in the future, and that markets will experience a roughly 12 percent decline in equity values beginning in 2026 and extending through

2028. AI introduces a downside risk to the forecast should investors move away from AI companies, as this might cause a sharp correction in equity prices, which would weaken the outlook.

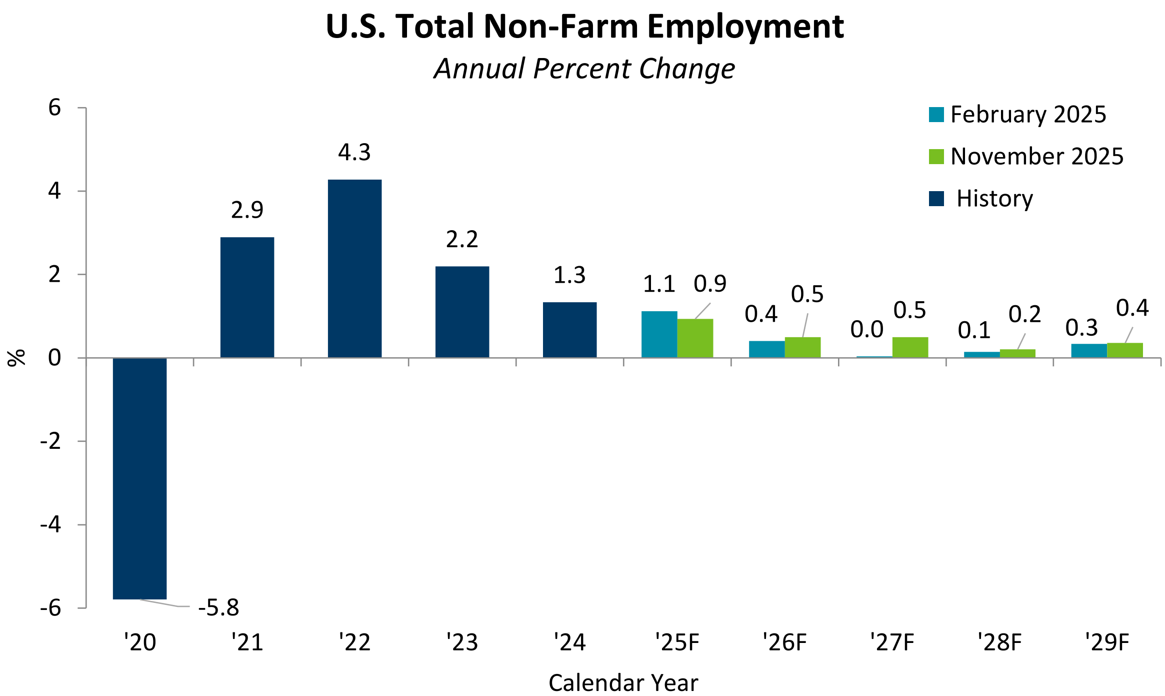
**Corporate Profits.** The SPGMI forecast for corporate profits has been revised upward for 2025 and 2026. SPGMI estimates that before-tax U.S. corporate profits will grow 4.7 percent in 2025, significantly stronger than the 0.6 percent decline expected in the February forecast. Similarly, SPGMI now expects corporate profits to decline 1.7 percent in 2026, compared to the decline of 2.4 percent in the February forecast. For the years 2027-2029, SPGMI expects average annual growth of roughly 1.0 percent per year.

**Labor Market.** After a robust expansion in payroll employment following the Covid pandemic, recent job growth has slowed markedly, and SPGMI's forecast is for continued low rates of job creation through the forecast horizon. From 2010 through 2019, U.S. employers added an average of 192,000 jobs per month. Payroll employment growth remained strong in 2024, increasing by an average of 175,000 jobs per month. SPGMI forecasts employment growth to continue in 2025, with an additional 1.5 million jobs, or an average of 125,000 jobs per month. However, beyond 2025, employment growth is forecasted to slow significantly to roughly 35,000 jobs per month, or about 600,000 new jobs per year.

This transition marks a structural change in employment growth in the United States. The lower level of projected job growth in this forecast reflects the changing demographics of the U.S. potential labor force caused by an aging population and lower birth rates. Demographics, coupled with lower projected levels of immigration, further constrain potential employment growth.

The U.S. unemployment rate (also called the U-3 rate) was 4.4 percent in September 2025, up slightly from 4.1 percent one year earlier. SPGMI forecasts the unemployment rate to rise to a peak of 4.5 percent in the first quarter of 2026 and remain at that level until 2028 Q3. In September, the broader U-6 unemployment rate was 8.0 percent, up from 7.3 percent a year earlier.[10]

[10] The U-6 rate, in addition to those unemployed, includes persons marginally attached to the labor force (including discouraged workers) and those working part time for economic reasons. More information on the BLS alternative measures of the labor underutilization can be found at https://www.bls.gov/cps/definitions.htm#altmeasures.




Source: U.S. Bureau of Labor Statistics (BLS), SPGMI

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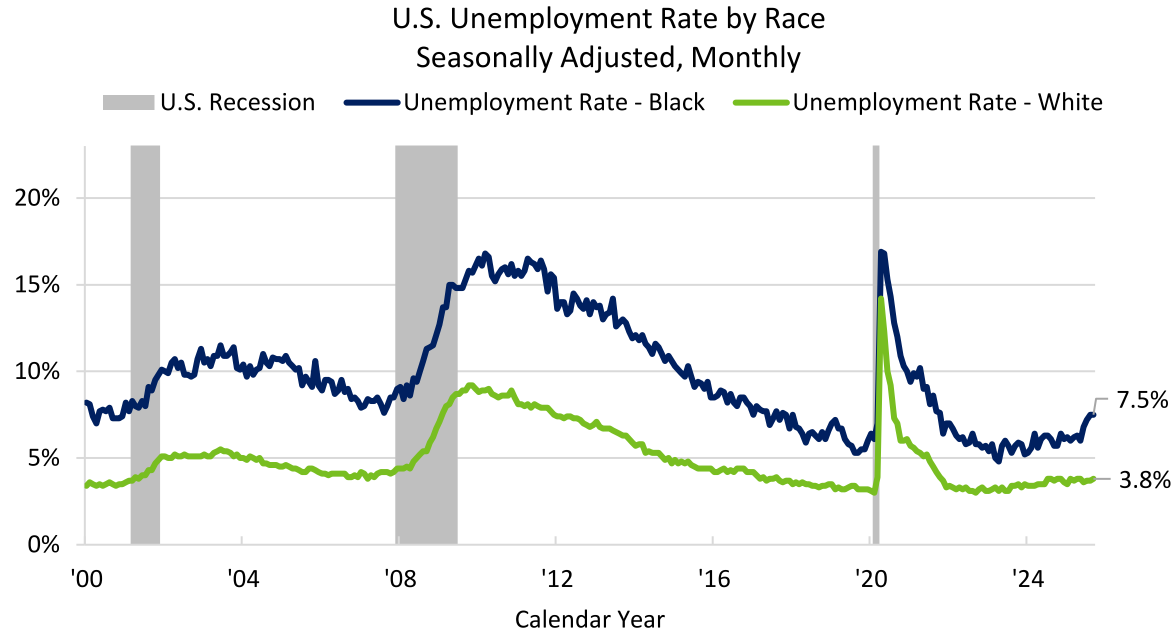
The unemployment gap between Black and White Americans reached a record low of 1.7 percentage points in late 2023. From 2010 through 2019, the gap averaged 5.3 percentage points, falling to an average of 3.1 percentage points from 2020 to 2024. However, in 2025, the gap started to widen again. In September 2025, the gap was 3.7 percentage points, as the unemployment rate for Black Americans climbed to 7.5 percent while the unemployment rate for White Americans was 3.8 percent. SPGMI does not provide forecasts for either employment growth or unemployment rates by race or ethnicity.




Source: U.S. Bereau of Labor Statistics (BLS), Federal Reserve Bank of St. Louis (FRED)

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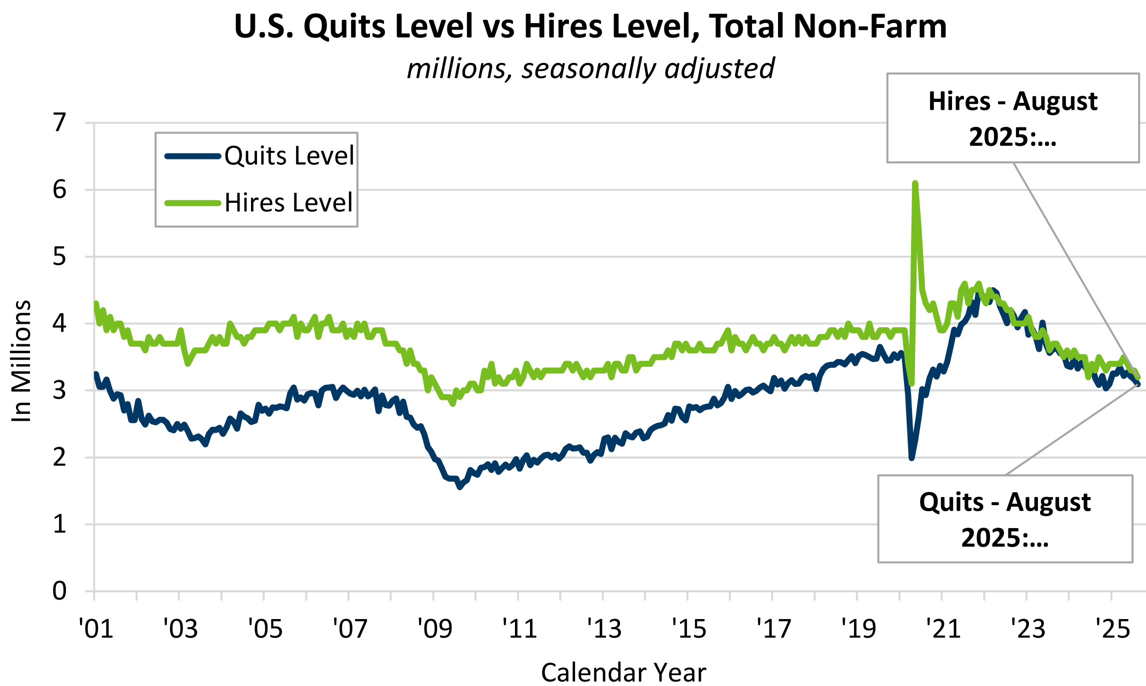
From 2010 to 2019, the gap between the unemployment rates for the Hispanic or Latino workers and White workers averaged 2.2 percentage points.[11] That gap narrowed slightly to 1.8 percentage points from 2020 through 2024. In September 2025, the gap was 1.7 percentage points, with the Hispanic or Latino unemployment rate at 5.5 percent compared to the White unemployment rate at 3.8 percent.

The U.S. labor force participation rate is the proportion of the noninstitutional population age 16 and older who are either employed or unemployed and actively seeking employment. The most recent BLS data reported the rate to be 62.4 percent in September 2025, where it has remained relatively stable over the past twelve months. The participation rate remains below its pre-pandemic level of 63.3 percent in February 2020. An aging population is one factor putting downward pressure on the labor force participation rate, something likely to continue throughout the forecast horizon.

In recent years, the U.S. labor market has experienced historically high levels of voluntary job separations, called "quits," in which individuals are comfortable leaving one job for other opportunities. Quits peaked at 4.5 million in March 2022, representing 4.5 million workers

[11] In the Current Population Survey (CPS, also called the "household survey"), the source of monthly unemployment data, "Hispanic or Latino" is an ethnicity, not a race, as persons classified as "Hispanic or Latino" can be of any race. As such, there is overlap between "Hispanic or Latino" workers and each of the racial categories.

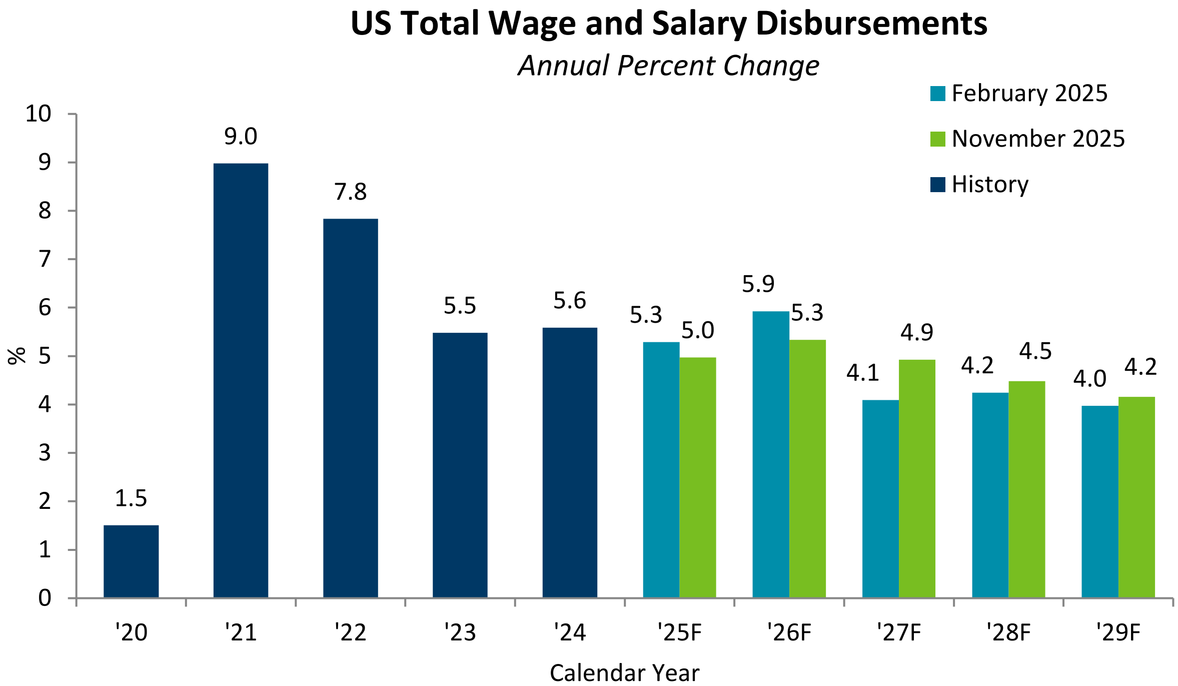
voluntarily leaving their jobs that month. Quits have slowly moderated to their current level of 3.1 million in August 2025, which is slightly below the levels seen immediately before the pandemic.




Source: U.S. Bureau of Labor Statistics (BLS), Federal Reserve Bank of St. Louis (FRED)

*Quits peaked at 4.5 million in March 2022, representing 4.5 million workers voluntarily leaving their jobs that month. Quits have slowly moderated to their current level of 3.1 million, which is slightly below the levels seen just before the pandemic.*

**Wage and Salary Income.** SPGMI forecasts wage and salary income to be the primary driver of personal income growth during the forecast period. Their forecast of steady growth in nominal wages and salaries, with growth rates above the rate of inflation, continues to support consumer spending in this forecast. The current forecast for total wage and salary growth is lower in 2025 and 2026 than in the February forecast. SPGMI expects 5.0 percent growth in 2025 and 5.3 percent growth in 2026, down from 5.3 percent and 5.9 percent in their February forecast. SPGMI expects growth to average 4.5 percent from 2027 to 2029.




Source: Bureau of Economic Analysis (BEA), SPGMI

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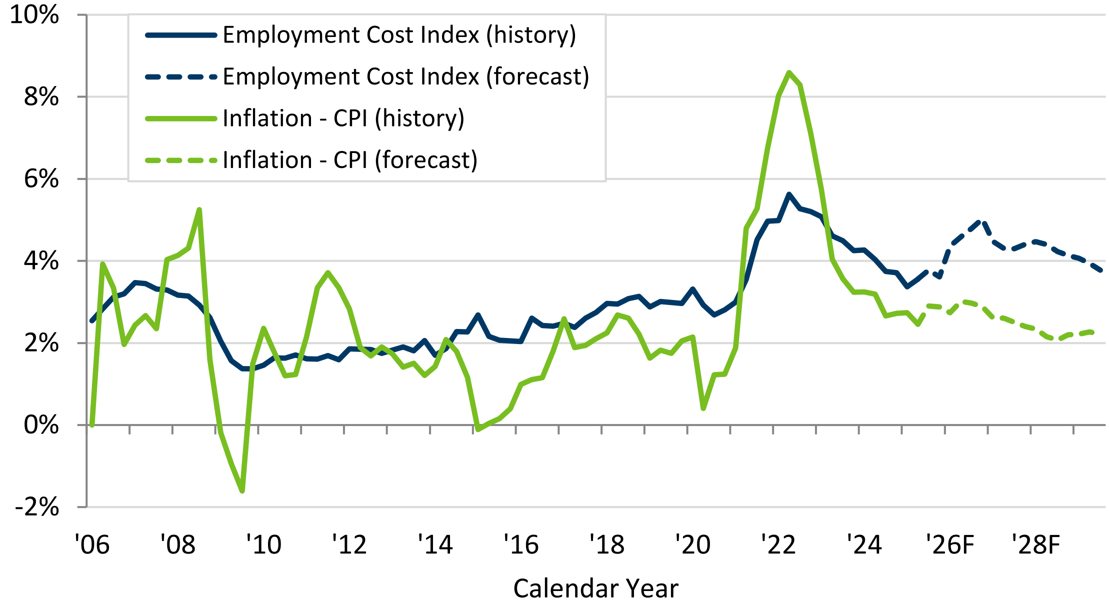
The BLS employment cost index (ECI) provides a measure of the change in the hourly labor cost to employers over time. The ECI uses a fixed "basket" of labor that removes the effects of employees moving between occupations and industries. The BLS provides employment cost indexes for total compensation and separate indexes for both wages and salaries and the cost of benefits. ECI indexes are also available for various types of employers (private, government, etc.).

The accompanying graph shows the ECI for wages and salaries alone (total compensation excluding benefits) and the rate of inflation in the CPI. Following the pandemic, the inflation rate exceeded the ECI for wages and salaries, indicating that wages and salaries were not keeping up with inflation and were falling in real terms. Beginning in the second quarter of 2023, the ECI for wages and salaries has exceeded the inflation rate, indicating growth in real wages and salaries.

In the current forecast, SPGMI expects the ECI for wages and salaries to increase from 3.6 percent in 2025 to 4.7 percent in 2026, while the CPI inflation rate is projected to be 2.8 percent in 2025 and 2.9 percent in 2026, implying continued growth in real wages. SPGMI projects that the ECI for wages and salaries will continue to be above the rate of inflation throughout the forecast horizon.

**U.S. Employment Cost Index for Wages and Salaries vs Inflation**

*Year-Over-Year Percent Change*




Source: Bureau of Economic Analysis (BEA), SPGMI

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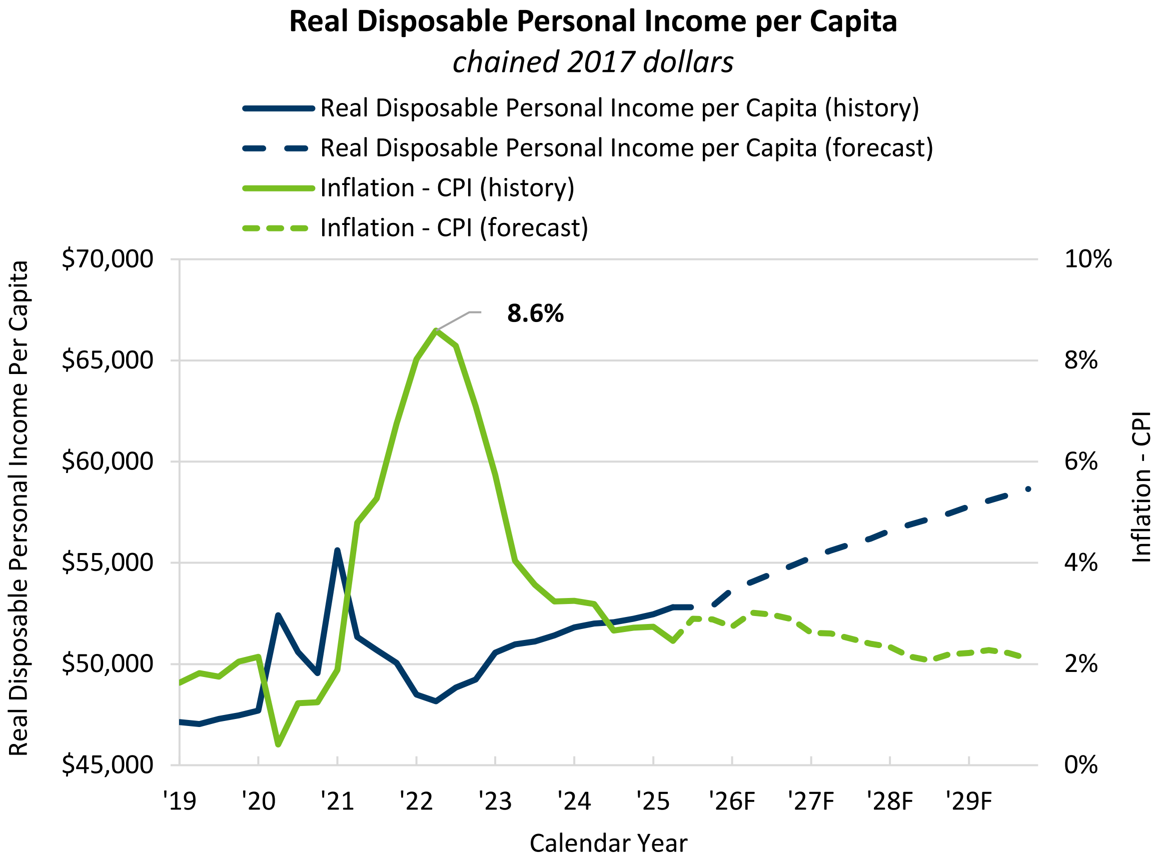
Real disposable personal income (DPI) per capita, one measure of consumers' purchasing power, declined sharply in 2022, falling 6.3 percent as CPI inflation peaked at 8.0 percent and Covid-era transfers phased out. Elevated real DPI in 2020 and 2021 had provided households with substantial savings, supporting spending even as real income per capita fell. As inflation has eased and nominal DPI has continued to rise, real DPI has begun to grow again. For 2025, SPGMI forecasts real DPI per capita to increase 1.4 percent, followed by 2.5 percent per year for 2026 and 2027, and at approximately 2.1 percent per year through the remainder of the forecast period.




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

*U.S. real disposable personal income per capita, a key measure of purchasing power, declined 6.3 percent in 2022; the same year, CPI inflation peaked at 8.0 percent. SPGMI forecasts real disposable personal income per capita to increase 1.4 percent in 2025, followed by an average of 2.5 percent in years 2026 through 2029.*

**Trade and exchange rates.** SPGMI expects exports to rise sharply and imports to fall in 2026. The rise in net exports, a measure of the trade balance, would be the fourth largest relative to GDP since 1960. The forecast for net exports may be partially a function of the forecast for exchange rates, where the U.S. dollar continues to trade between $1.17 and $1.20 per Euro through the forecast horizon. Of the U.S. major trading partners, the Dollar only gains value against the Mexican peso.

## Other forecasts and real GDP growth.

SPGMI's baseline forecast for real GDP to grow 2.0 percent in 2025 is generally consistent with those of other macroeconomic forecasters, but their forecast for 2.2 percent growth in 2026 is substantially higher. The November Blue Chip Consensus, the mean of 50 business and academic forecasts, is for real GDP to grow 1.9 percent in 2025 and 1.8 percent in 2026.[12] The Philadelphia

[12] "Blue Chip Economic Indicators," Haver Analytics, New York, NY. November 2025 edition.

Federal Reserve Bank's "Survey of Professional Forecasters" mean forecast is for 1.9 percent real GDP growth in 2025 and 1.8 percent in 2026.[13]

The Blue Chip Consensus (mean) for CPI inflation in 2025 and 2026 is 2.8 percent and 2.5 percent, respectively. SPGMI also forecasts inflation of 2.8 percent in 2025, but somewhat higher inflation of 2.9 percent for 2026. The Blue Chip Consensus (mean) unemployment rate is 4.3 percent for 2025 and 4.5 percent for 2026, compared with SPGMI's forecasts of 4.2 percent and 4.5 percent for the same years. The Survey of Professional Forecasters reports mean CPI inflation forecasts of 2.9 and 2.8 percent in 2025 and 2026, respectively. The Survey's unemployment rate forecasts are 4.2 and 4.5 percent for those years.

**Forecast risks.** Chief among the risks to this forecast are the policy uncertainties at the federal level, especially regarding trade, tariffs, and immigration. Numerous trade deals have been announced, but few details have been made official, and none have been formally ratified. This creates a great deal of uncertainty about the nature and scope of the agreements and their durability. Tariff levels also change frequently, as do exceptions to tariffs. The effective overall tariff rate is currently near 18 percent, the highest rate since 1934. It is estimated that if the Supreme Court invalidates the IEEPA tariffs, the effective tariff rate will drop to near nine percent.[14] Businesses with production or supply chains dependent on imports, and those considering domestic production of previously imported goods, are less likely to engage in substantial investment or expansion until they have more certainty about trade.

The administration's immigration policies also produce forecast risk through the potential for effects on labor markets. Without international migration, the U.S. will likely face a falling labor force in the coming years. Some industries — food service, hospitality, home care, etc. -- are highly dependent on entry-level workers, and a suspension of immigration will likely lead to labor shortages for these employers, driving up costs. Other industries, particularly in the technology sector and higher education and research, rely heavily on foreign workers under the H-1B visa program. The administration's shifting policies on this critical program create additional forecast risks.

Disruptions from federal agency closures and contract suspensions, and the effects of the recent federal shutdown, create risks to this forecast. The administration has proposed reductions in staffing at several agencies, and while some of these reductions are on hold due to legal challenges, others have resulted in disruptions of federal services. Often, the disruptions have been in the form of suspensions or cancellations of federal grants. Whether Congress will restore funding or not creates a forecast risk.

The recent federal shutdown disrupted the usual collection and dissemination of federal statistical data, particularly economic data published by the BLS and BEA. This forecast was prepared without access to substantial recent data on employment and labor market conditions, GDP, and

[13] "Fourth Quarter 2025 Survey of Professional Forecasters," Philadelphia Federal Reserve Bank, Philadelphia, PA. November 2025. <https://www.philadelphiafed.org/surveys-and-data/real-time-data-research/spf-q4-2025> Accessed November 19, 2025.

[14] The Budget Lab, "State of U.S. Tariffs: October 20, 2025" (updated November 10, 2025). <https://budgetlab.yale.edu/research/state-us-tariffs-october-30-2025> Accessed December 1, 2025.

the national income accounts, and price indexes (both CPI and PCE). Without these data, we have less confidence in the accuracy of SPGMI's and our forecasts.

Tariff and trade policies create their own risks, but they also pose forecast risks by creating uncertainty for consumer prices and inflation. In the same way that businesses may be less likely to invest domestically without a clearer trade and tariff picture, consumers may be less likely to take on debt for big-ticket items without a clearer picture of future inflation.

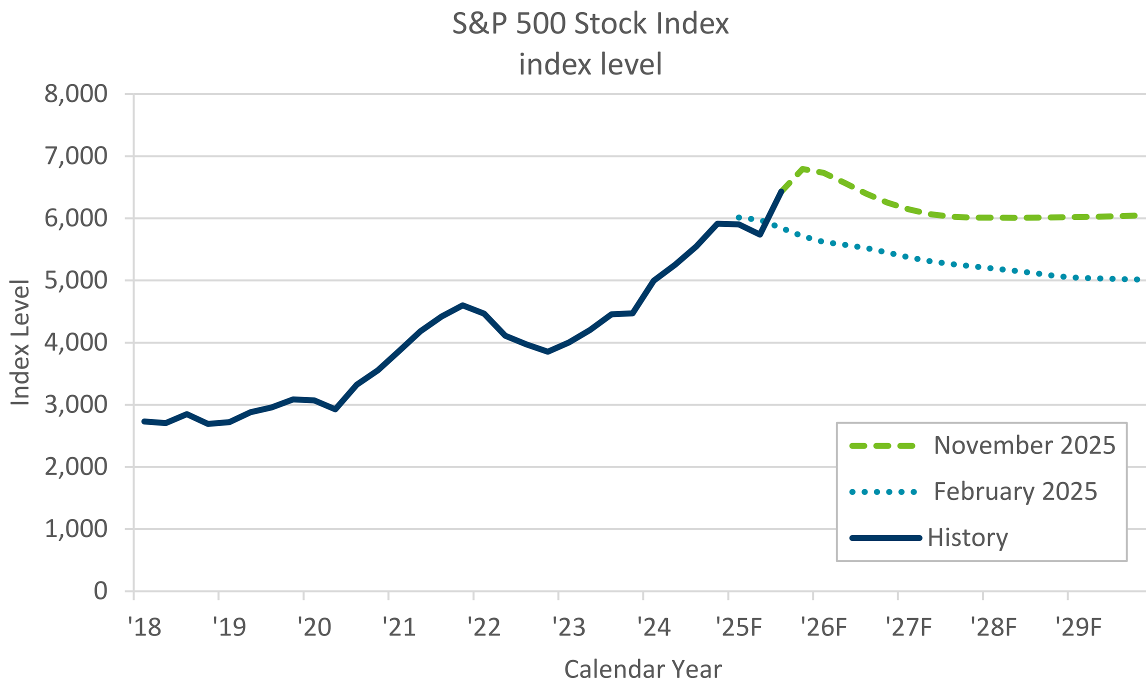
The future path of monetary policy depends on both inflation and labor markets because of the Federal Reserve's dual mandate for full employment and price stability. The current baseline forecast depends on the Federal Reserve's ability to further reduce annual inflation towards its target of 2.0 percent.[15] SPGMI assumes the Federal Reserve will reduce the federal funds rate by 25 basis points in December and then pause cuts until mid-2026. Because of the recent federal shutdown, we do not have a complete or current picture of labor market conditions, inflation, or national output to assess whether the monetary policy assumptions are likely to hold. This presents a forecast risk as our assessment of the path of monetary policy is less certain.

Equity markets present both upside and downside risks. A downward correction in equity markets could reduce household wealth and potential capital gains, especially among higher-wealth, higher-income households. Households in the top quintile of the income distribution hold a high proportion of the equities held by all U.S. households.[16] A downward correction in equity markets could cause outsized changes in personal consumption and retail sales, which would affect overall economic activity as well as State revenues. Alternatively, continued growth in equity values could continue to support consumption and the retail sector, and so presents a possible upside risk.

SPGMI's forecast predicts a roughly 12 percent downward correction in the S&P 500, with the market peaking in the fourth quarter of 2025 and declining through late 2028, when a gradual recovery is expected to begin. The accompanying graph compares the current forecast for the S&P 500 to the February 2025 forecast. Many macroeconomic forecasters have been expecting a correction in equity markets for years, a correction that has yet to materialize. This forecast for equities affects the forecast for Minnesota capital gains income. Deviations from this projection will affect the accuracy of our forecast for capital gains income, and as such, income tax revenue.

[15] The Federal Reserve's target inflation rate is inflation in the personal consumption expenditure (PCE) price index. Since 2010, the year-over-year inflation rate in the CPI has averaged approximately 0.4 percentage points more than the PCE year-over-year inflation rate.

[16] Bureau of Labor Statistics, "Consumer Expenditure Surveys," 2023. Table 1101. Quintiles of income before taxes: Shares of annual aggregate expenditures and sources of income. <https://www.bls.gov/cex/tables/calendar-year/aggregate-group-share/cu-income-quintiles-before-taxes-2023.xlsx> Accessed December 2, 2025.




Source: SPGMI; Minnesota Management & Budget (MMB)

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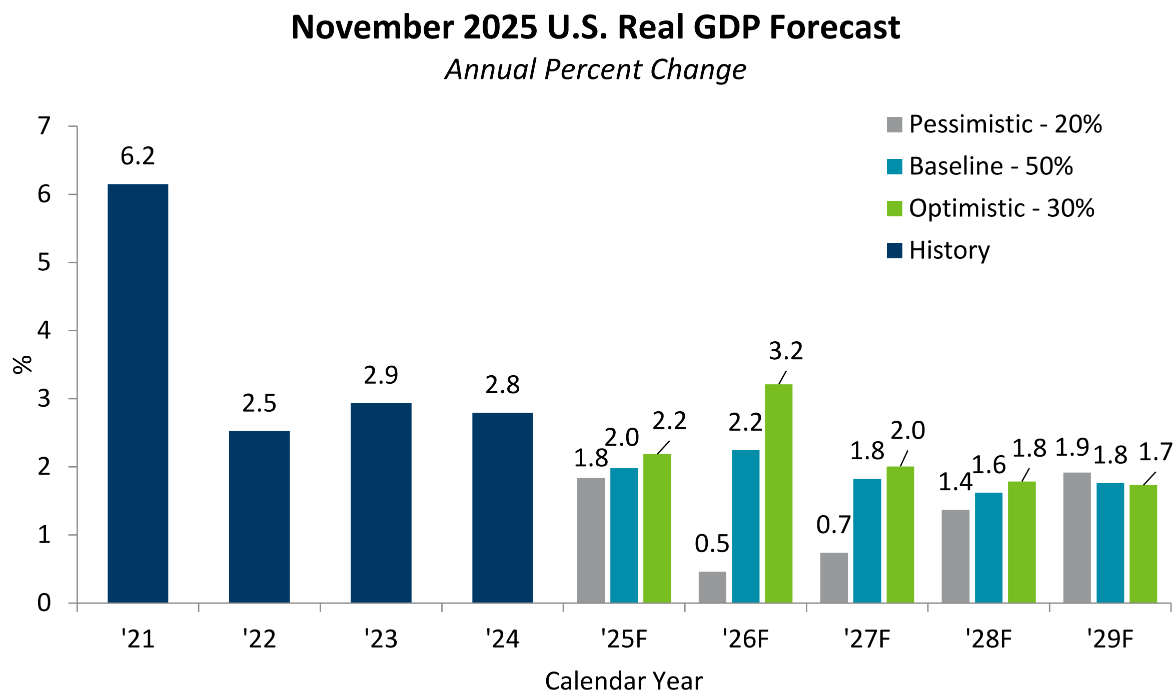
Finally, there are 20 months remaining until the end of the FY 2026-27 biennium. It is difficult to forecast macroeconomic conditions with great precision nearly two years ahead; thus, there are both upside and downside risks due to the long forecast horizon.

**Alternative scenarios.** SPGMI develops alternative scenarios to the baseline, which they call the "optimistic" and "pessimistic" scenarios. SPGMI assigns a 30 percent probability to their optimistic scenario forecast and a 20 percent probability to their pessimistic scenario forecast. The pessimistic scenario is characterized by higher across-the-board tariffs and more retaliatory actions by trading partners. It is assumed that higher tariffs cause higher inflation and lead to the Federal Reserve keeping interest rates elevated. Annual CPI inflation remains at or above 3.0 percent through 2026. Tight financial conditions create an additional source of weakness in the economy. The pessimistic scenario also assumes that deportations happen faster and on a larger scale relative to the baseline. Tight trade policy puts downward pressure on imports of goods and pushes net exports higher than in the baseline, while the stricter immigration policy has an adverse effect on the labor force, and by extension on economic output. There is a two-quarter contraction in real GDP in SPGMI's pessimistic scenario, and growth remains consistently below baseline. The unemployment rate rises to over 6.7 percent by early 2028.

The optimistic scenario (30 percent probability) is characterized by lower tariffs across the board and less severe retaliatory actions by trading partners. It is assumed that lower tariffs lead to faster moderation in inflation, which allows the Federal Reserve to lower interest rates more than in the baseline. This, along with improved financial conditions, is an additional source of strength in the economy. The optimistic scenario also assumes that deportations happen more slowly and on a smaller scale relative to the baseline, resulting in less stress on labor markets, and by extension, economic output. GDP growth remains consistently above baseline through early 2028 due to the joint effects of favorable financial conditions, lower tariffs, and higher labor force growth. The unemployment rate remains at approximately 4.4 percent through 2029.




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

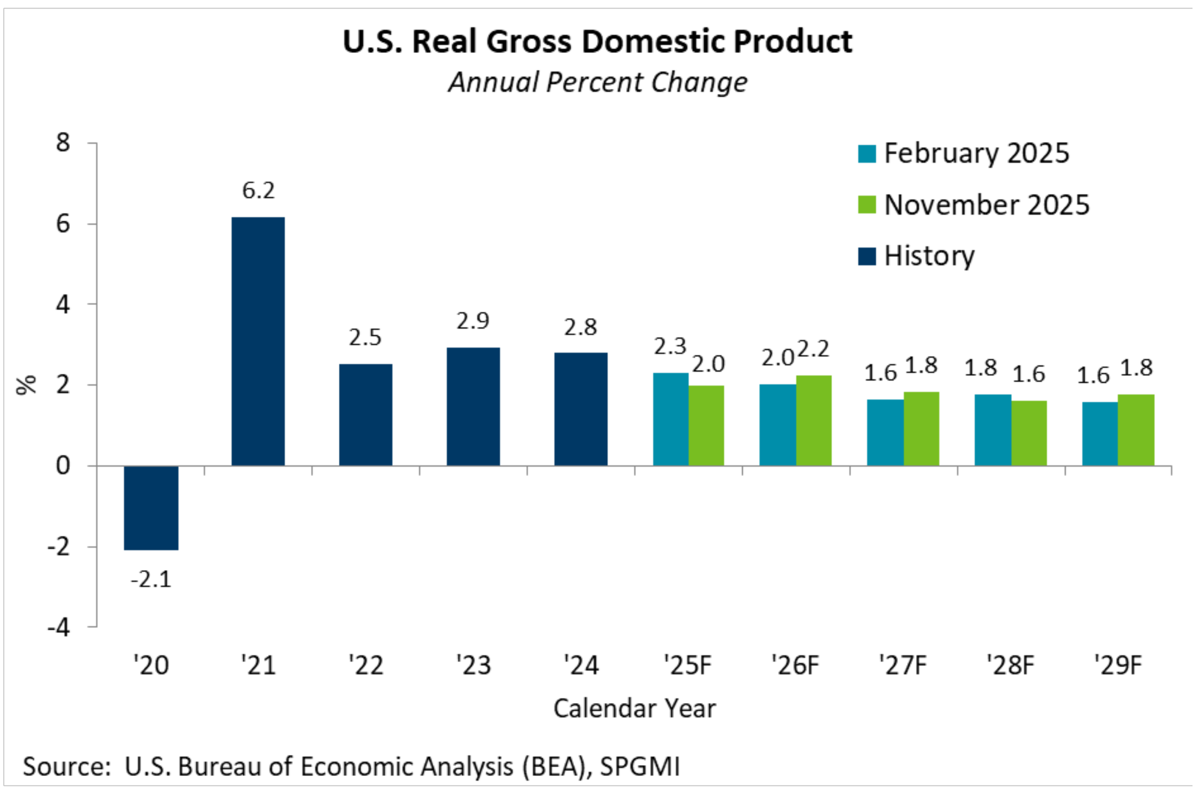
*SPGMI assigns a 30 percent probability to their optimistic scenario forecast and a 20 percent probability to their pessimistic scenario forecast. The pessimistic scenario is characterized by higher across-the-board tariffs and more retaliatory actions by trading partners. The pessimistic scenario also assumes that deportations happen faster and on a larger scale relative to the baseline. The optimistic scenario is characterized by lower tariffs across the board and less severe retaliatory actions by trading partners. The optimistic scenario also assumes that deportations happen more slowly and on a smaller scale relative to the baseline, resulting in less stress on labor markets, and by extension, economic output.*

## Council of Economic Advisors Statement

At its meeting on November 14, 2025, the Minnesota Council of Economic Advisors agreed that the Standard & Poor's Global Market Intelligence (SPGMI) November 2025 outlook for the U.S. economy, though somewhat stronger than consensus, provides a reasonable planning basis for MMB. However, they disagreed with SPGMI in that they felt the downside risks to that forecast outweigh the upside risks.

The Standard & Poor's forecast provides the macroeconomic assumptions incorporated in Minnesota's *November 2025 Budget and Economic Forecast*. Council members were in unanimous agreement that there remains substantial uncertainty in the current administration's policy initiatives, especially regarding trade and fiscal policies. Further, the pause in federal statistical data due to the recent government shutdown has added additional uncertainty.

Since the release of the *February 2025 Budget and Economic Forecast*, SPGMI's outlook for growth in real GDP for 2025 has been revised downward by 0.3 percentage points to 2.0 percent. However, SPGMI's current outlook is for higher growth in 2026 and 2027 than they had forecast in February.

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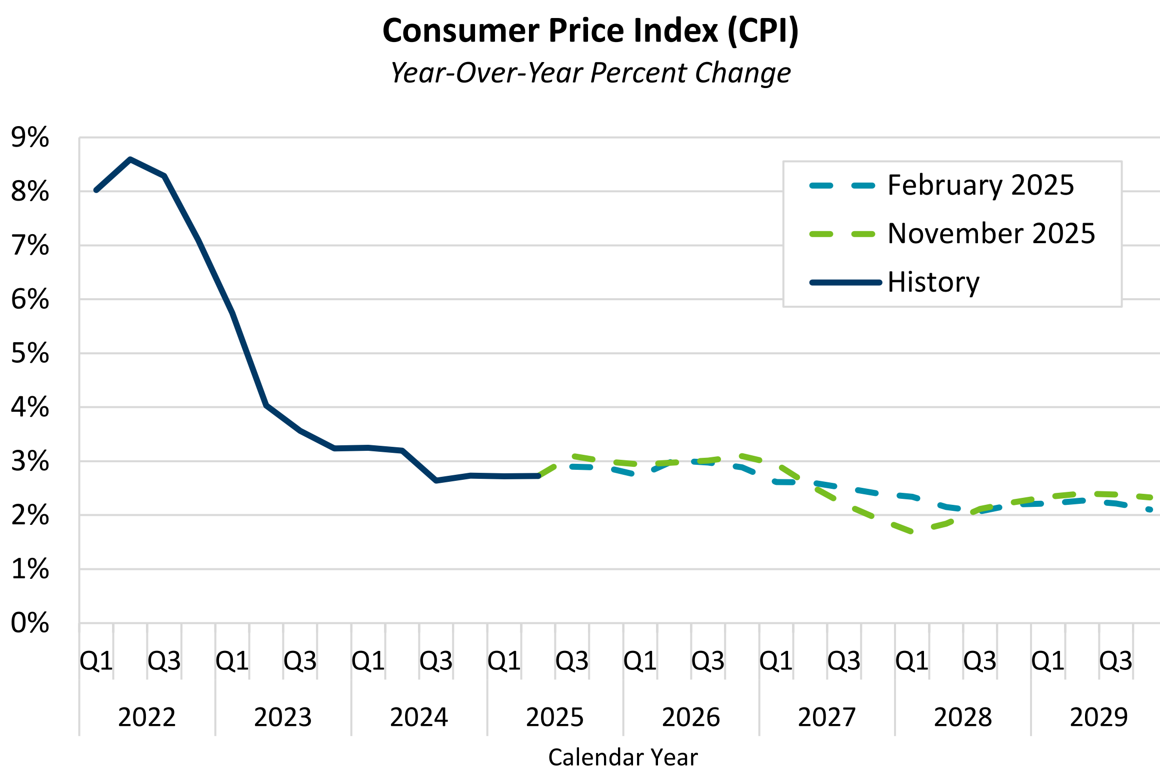
The U.S. inflation rate, as measured by the Consumer Price Index (CPI, all items), has come down substantially since 2022. The year-over-year inflation rate exceeded eight percent in 2022 and then dropped below three percent in 2024. However, the inflation rate has increased over the past several months and was at 3.0 percent in September, the latest month for which we have data. SPGMI now expects the inflation rate to average approximately three percent for 2025 and 2026 before declining to approximately two percent by mid-2028. This represents an upward revision in SPGMI's inflation forecasts for 2027 and 2028 compared to their February forecast.




Source: U.S. Bureau of Labor Statistics (BLS), SPGMI

*The U.S. inflation rate, as measured by the Consumer Price Index (CPI, all items), has come down substantially since 2022. SPGMI now expects the inflation rate to average approximately three percent for 2025 and 2026 before declining to approximately two percent by mid-2028. This represents an upward revision in SPGMI's inflation forecasts for 2027 and 2028 compared to their February forecast.*

SPGMI now expects that the Federal Reserve will lower the federal funds rate target range again in December 2025 and make a series of cuts in 2026 to reach a target range of 3.0 to 3.25 percent by the end of that year. Their February forecast anticipated a series of rate cuts in 2025 and 2026. This represents a faster decline in rates than in SPGMI's February 2025 forecast, where the federal funds rate did not reach the 3.0 to 3.25 percent range until mid-2027.

SPGMI's baseline forecast for real GDP to grow 2.0 percent in 2025 is generally consistent with those of other macroeconomic forecasters, but their forecast of 2.2 percent growth in 2026 is substantially higher. The November Blue Chip Consensus, the mean of 50 business and academic forecasts, is for real GDP to grow 1.9 percent in 2025 and 1.8 percent in 2026.[17] The Philadelphia Federal Reserve Bank's "Survey of Professional Forecasters" mean forecast is for 1.9 percent real GDP growth in 2025 and 1.8 percent in 2026.[18]

The Blue Chip Consensus (mean) for CPI inflation in 2025 and 2026 is 2.8 percent and 2.5 percent, respectively. SPGMI also forecasts inflation of 2.8 percent in 2025, but somewhat higher inflation of 2.9 percent for 2026. The Blue Chip Consensus (mean) unemployment rate is 4.3 percent for 2025 and 4.5 percent for 2026, compared with SPGMI's forecasts of 4.2 percent and 4.5 percent for the same years. The Survey of Professional Forecasters reports mean CPI inflation forecasts of 2.9 and 2.8 percent in 2025 and 2026, respectively. The Survey's unemployment rate forecasts are 4.2 and 4.5 percent for those years.

Subject to considerable uncertainties about U.S. economic policy in this year and beyond, Council members agreed that the SPGMI baseline forecast forms a reasonable basis for the *November 2025 Budget and Economic Forecast* in the near term, but they suggested that it may be too optimistic beyond that, and they caution that there are significant risks to the forecast. Council members can envision a variety of possible shocks that, separately or in combination, could throw the economy off the projected path. Most agree that, while there are some upside risks, at present the risks generally favor the downside. Many Council members expressed skepticism about SPGMI's 2026 relatively strong growth forecast compared with other forecasts. Many also believed SPGMI's baseline forecast of payroll growth in the near term is excessively optimistic, given recent labor market reports.

Downside risks from trade and immigration policies, possible resurgence in inflation in a weakening labor market, and a substantial downward correction in equity markets were principal among the council members' concerns. Members were concerned that U.S. tariffs could prove inflationary and that the enactment of retaliatory tariffs by U.S. trading partners would further fuel inflation. Renewed inflation could lead to tighter monetary policy, resulting in weakness throughout the economy and possibly a stagflation scenario.

Council members saw potential upside forecast risks that could lead to higher household or business spending than is currently expected. These factors include the possibility that the administration does not fully implement its tariffs as announced, avoiding an inflationary effect. Members also see some upside risk over the longer term from technological advances, especially in AI, that could improve productivity and raise economic growth above the baseline forecast.

SPGMI assigns a 50 percent probability to the baseline forecast, a 30 percent probability to their optimistic scenario forecast, and a 20 percent probability to their pessimistic scenario forecast. The pessimistic scenario is characterized by higher across-the-board tariffs and more retaliatory actions by trading partners. It is assumed that higher tariffs cause higher inflation and lead to the Federal Reserve keeping interest rates elevated. Annual CPI inflation remains at or above 3.0 percent through 2026. Tight financial conditions create an additional source of weakness in the economy. The scenario also assumes that deportations happen faster and on a larger scale relative to the baseline. Tight trade policy puts downward pressure on imports of goods and

[17] "Blue Chip Economic Indicators," Haver Analytics, New York, NY. November 2025 edition.

[18] "Fourth Quarter 2025 Survey of Professional Forecasters," Philadelphia Federal Reserve Bank, Philadelphia, PA. November 2025. <https://www.philadelphiafed.org/surveys-and-data/real-time-data-research/spf-q4-2025> Accessed November 19, 2025.

pushes net exports higher than in the baseline, while the stricter immigration policy has an adverse effect on the labor force, and by extension on economic output. There is a two-quarter contraction in real GDP in SPGMI's pessimistic scenario, and growth remains consistently below baseline. The unemployment rate rises to over 6.5 percent by mid-2027.

The optimistic scenario—30 percent probability—is characterized by lower tariffs across the board and less severe retaliatory actions by trading partners. It is assumed that lower tariffs lead to faster moderation in inflation, which allows the Federal Reserve to lower interest rates more than in the baseline. This, along with improved financial conditions, is an additional source of strength in the economy. The scenario assumes that deportations happen more slowly and on a smaller scale relative to the baseline, resulting in less stress on labor markets, and by extension, economic output. GDP growth remains consistently above baseline through early 2028 due to the joint effects of favorable financial conditions, the lower tariffs, and higher labor force growth. The unemployment rate remains at approximately 4.4 percent through 2029.

The Council members assigned a somewhat higher probability to the baseline path than did SPGMI and differed further in that they felt the pessimistic scenario more likely than the optimistic. Members were asked to assign their own probabilities to the baseline, optimistic, and pessimistic scenarios. The mean by members for the baseline scenario was 60 percent probability, higher than SPGMI's 50 percent. The mean probability assigned to the pessimistic scenario was 25 percent, five points higher than SPGMI's 20 percent. Finally, the mean of members' estimates of the optimistic scenario was 15 percent, substantially lower than SPGMI's 30 percent.

Council members believe that Minnesota's budget reserve target of $3.347 billion – 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 5.2 percent of biennial (two-year) general fund revenues.

## Minnesota Economic Outlook

The economic outlook for Minnesota has weakened since MMB's February 2025 *Budget and Economic Forecast*. We forecast limited growth in employment, as we did in the February forecast. The state's unemployment rate remains below the national rate, and we anticipate that this will continue throughout the forecast period. Minnesota's job market remains favorable to job seekers, with more vacancies than unemployed workers. Minnesota's economic outlook is informed by SPGMI's forecasts for both the nation and Minnesota, data from the Minnesota Department of Economic and Employment Development (DEED), Quarterly Census of Employment and Wages (QCEW), and Minnesota tax revenues. *The November 2025 Budget and Economic Forecast* has been prepared with substantial missing data due to the federal government shutdown, including federal and state labor and employment data for September and October. As such, when we refer to the most recent data available for the state, we are referencing data through August 2025.

We estimate that, after all revisions and data become available, Minnesota's payroll employment will have declined by about 700 jobs (0.0 percent) in 2025, following an increase of 25,000 jobs (0.8 percent) in 2024. Employment is forecast to contract slightly in 2026, with payrolls declining by about 400 jobs (0.0 percent). From 2027 to 2029, employment is projected to increase by an average of approximately 9,000 jobs per year. This slower payroll growth reflects structural factors that limit long-term labor force expansion: an aging population, declining birth rates, and lower projected levels of international immigration.

The state's unemployment rate rose to 3.6 percent in August 2025, up 0.6 percentage points from February 2025, but still 0.7 percentage points below the U.S. unemployment rate. Additionally, broader labor-market indicators suggest the employment outlook is worsening, with the number of long-term unemployed (those unemployed for more than 27 weeks) nearly doubling year-over-year and an increasing number of part-time workers unable to find full-time employment. A lower forecast for international immigration, declining birth rates, and the continuing retirements of Baby Boomers will limit the state's labor force and further constrain employment growth in the coming years. Without sustained worker inflows either from international immigration or domestic migration, Minnesota employers may struggle to fill jobs, potentially slowing the growth of total wage and salary disbursements and constraining the expansion of overall economic activity.

SPGMI projects U.S. real GDP growth will average 1.9 percent per year from 2025 through 2029, reflecting very low payroll employment growth, low growth in consumption and business investment, and elevated inflation. Minnesota is closely tied to national economic trends, and our current state data aligns with that outlook.

**Labor Market.** In preparing our forecast of labor market conditions, we rely on two major data sources: the Current Employment Statistics[19] (CES) and the Quarterly Census of Employment and Wages (QCEW). Both provide estimates of nonfarm employment, hours, and earnings of workers

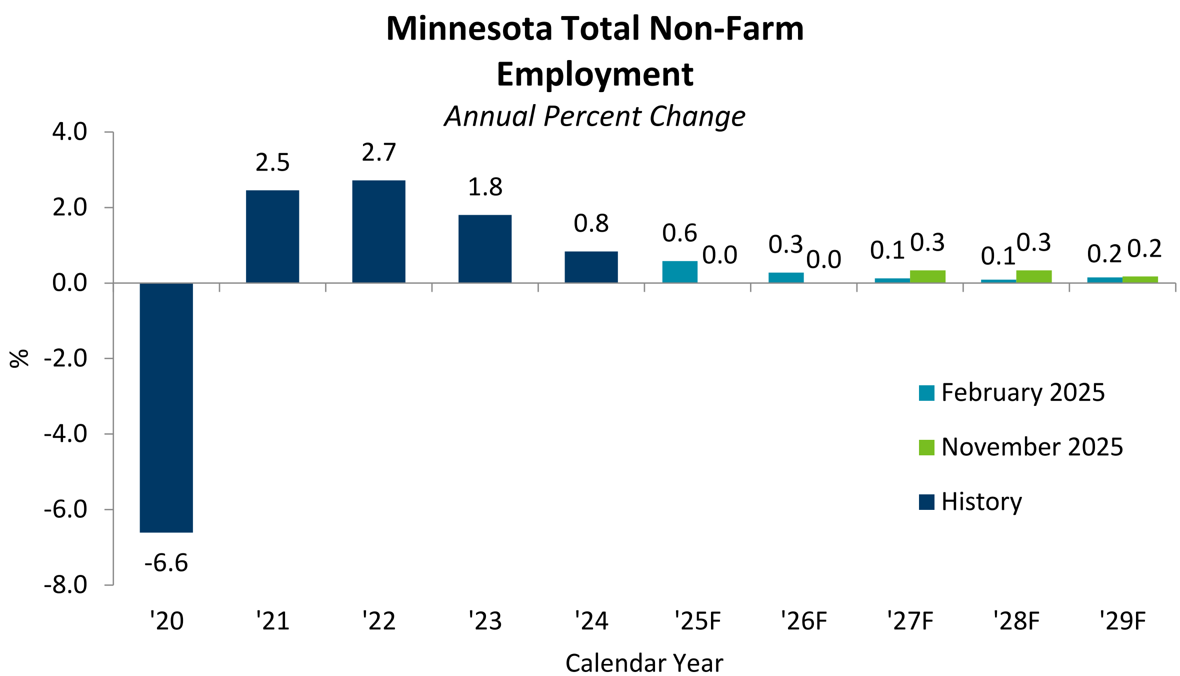
[19] The CES is also referred to as the Establishment Survey and produces detailed estimates of nonfarm employment, hours, and earnings by industry. Data are reported for the nation, states (including D.C., P.R., and V.I.), and 450 metropolitan areas. More information on the CES program is available at: https://www.bls.gov/ces/.

on payrolls. The CES is a monthly survey of approximately 121,000 businesses and government agencies and provides timely estimates of labor market indicators. Due to the federal government shutdown, national CES data for September was delayed, and the October release has been canceled. State and metro-area CES data for September and October will not be available for this forecast. The QCEW is a quarterly census that captures employment and wages reported by employers, covering more than 95 percent of U.S. jobs. Its primary data source is administrative data from state unemployment insurance programs. Because QCEW data are more comprehensive, each March, CES data beginning with the previous September are revised (benchmarked) to align with the QCEW data.

For the November and February forecasts, MMB conducts an internal benchmark to align Minnesota CES data with the most recent QCEW data. Typically, the difference between the CES data and QCEW data is small. This year, however, there is a wider than usual divergence. The QCEW shows meaningfully weaker job growth than the CES, suggesting that CES employment levels are currently overstated. CES employment data indicate that Minnesota payrolls grew by 1.2 percent in 2024 Q4, 1.4 percent in 2025 Q1, and 1.3 percent in 2025 Q2. Because CES data is revised each March to align with QCEW data for these quarters, we expect notable downward revisions. Our forecast reflects our estimates of those quarters. We estimate that revised employment growth will be closer to 0.8 percent in 2024 Q4, 0.2 percent in 2025 Q1, and 0.0 percent in 2025 Q3.

Given our expectations of employment growth from 2024 Q4 to 2025 Q2, our forecast anticipates year-over-year declines in state employment of 0.1 percent in 2025 Q3 and 0.2 percent in 2025 Q4. On an annual basis, we expect that revised data will show essentially 0.0 percent employment growth in 2025.

MMB estimates Minnesota payroll employment increased by 0.8 percent in 2024, following strong growth of 1.8 percent in 2023. Elevated immigration levels in 2023 and 2024 contributed to employment growth both nationally and in Minnesota. We forecast employment growth to be negligible in both 2025 and 2026, with relatively low growth in 2027 to 2029, when increases are expected to average about 0.3 percent per year.




Source: Minnesota Department of Employment and Economic Development (DEED),

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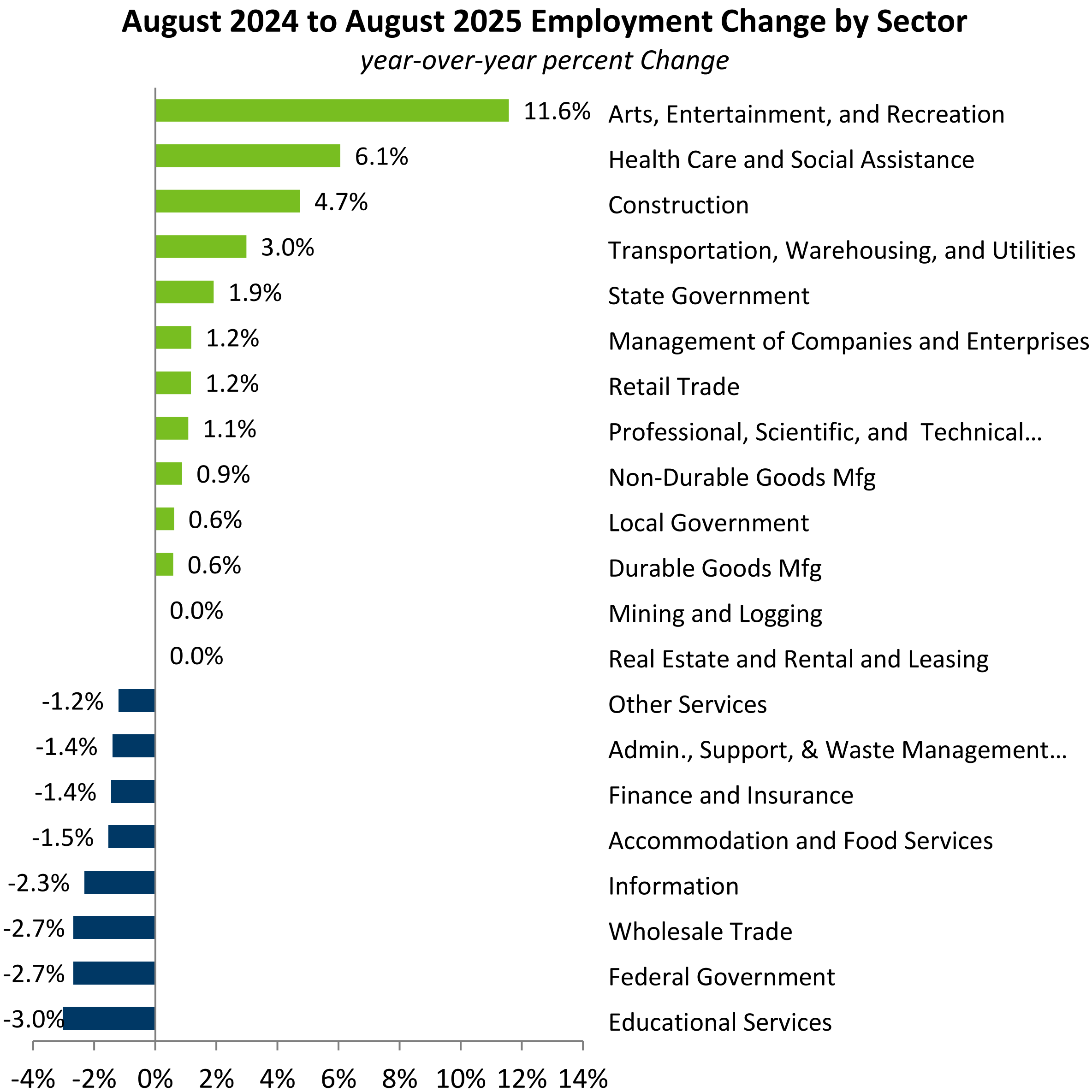
The BLS CES data through August 2025 indicates that growth in the state's largest employment sector, health care and social assistance, accounts for 18 percent of total employment and accounted for almost all state employment growth between August 2024 and August 2025. While this sector's employment increased by 6.1 percent, total employment in all other sectors increased by only 0.5 percent. Several sectors showed year-over-year declines in employment, as shown in the chart below.




Source: U.S. Bureau of Labor Statistics (BLS), SPGMI

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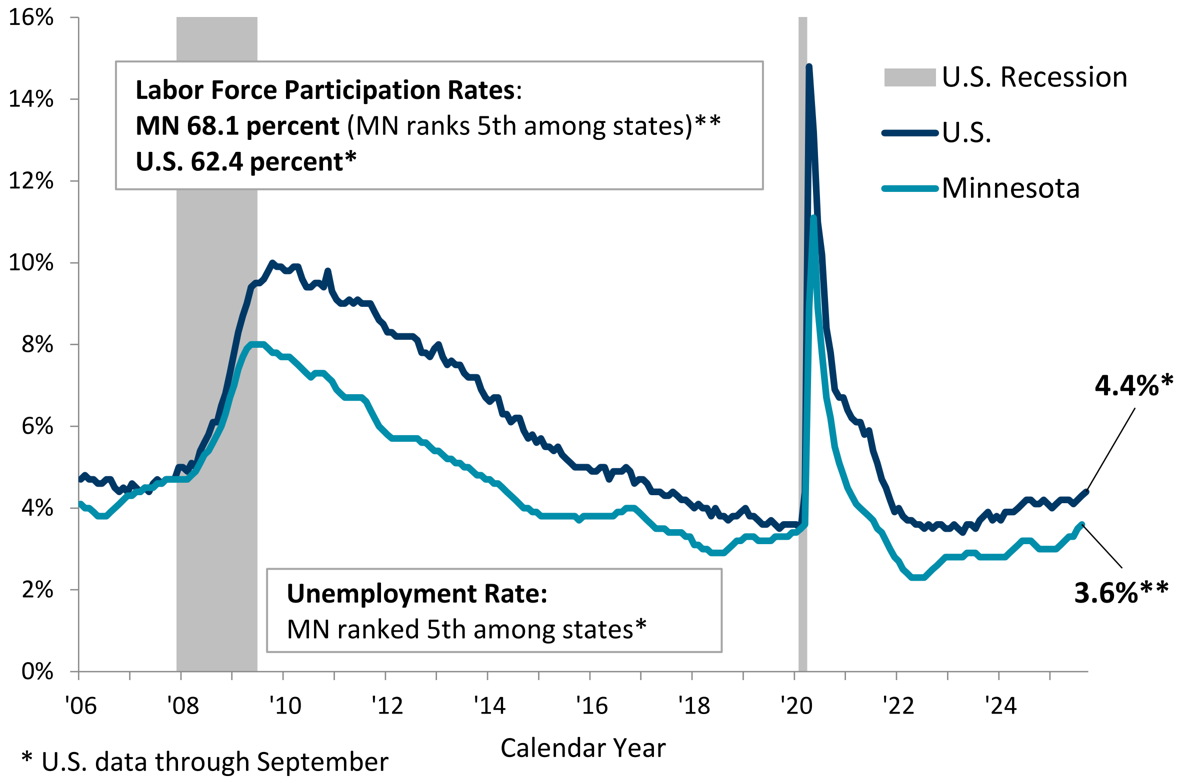
The state's unemployment rate rose to 3.6 percent in August 2025, up 0.6 percentage points from February 2025 and still 0.8 percentage points below the September U.S. rate. The national unemployment rate has also been trending upward, reflecting an increase from 4.1 percent in February 2025 to 4.4 percent in September 2025.

Broader measures of unemployment also show weakness in Minnesota's labor market. In August, the number of long-term unemployed (those unemployed for more than 27 weeks) was 21,300, almost double the level one year prior. The U-6 unemployment rate, the broadest measure of unemployment, was 7.0 percent in August 2025, up from 6.1 percent a year earlier.[20]

About three-quarters of the difference between Minnesota's official (also called U-3) and U-6 unemployment rates is due to persons employed part-time for economic reasons. Most of these are willing and able to accept full-time employment but cannot find it. In August 2025, there were 83,900 such workers, up from 72,200 in August 2024.

**Unemployment Rate**

*Monthly, Seasonally Adjusted, August 2025*




* U.S. data through September

** Minnesota data through August

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

*The state's unemployment rate rose to 3.6 percent in August 2025, up 0.6 percentage points from February 2025, and still 0.8 percentage points below the September U.S. Rate.*

Minnesota's job-market recovery since the pandemic has been slower than that of the nation. Through August, total payroll employment in Minnesota was 1.9 percent above its pre-pandemic level, compared with 4.8 percent above nationwide. This gap is driven in part by labor force

[20] More information on the BLS alternative measures of the labor underutilization can be found at https://www.bls.gov/cps/definitions.htm#altmeasures.

dynamics; Minnesota's labor force in August 2025 was 1.1 percent above its February 2020 level, while the U.S. labor force was 3.8 percent higher.

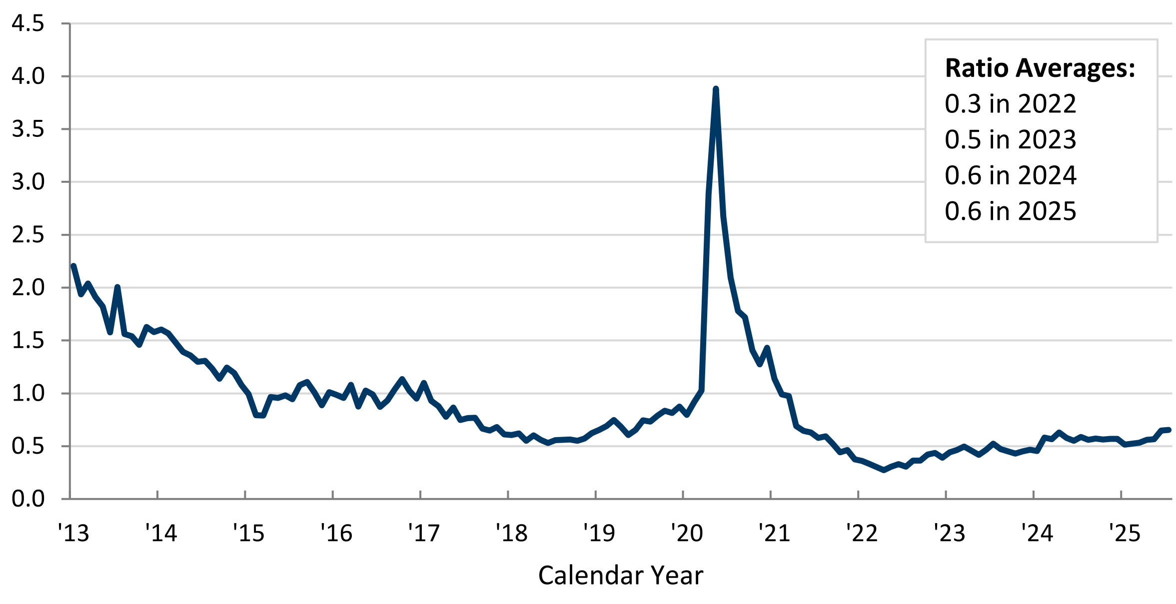
Regional differences also play a significant role. Payroll employment in the Minneapolis-St. Paul (MSP) Metropolitan Statistical Area was 1.9 percent above its pre-pandemic level in August. Non-MSP employment in Minnesota has expanded 8.4 percent over its pre-pandemic level.

Minnesota's labor force participation rate, the share of the over-16 population employed or actively seeking employment, was 68.1 percent in August, 5.7 percentage points above the September U.S. rate (62.4 percent), and the fifth highest among states. However, both state and national participation rates remain below pre-pandemic levels. Additionally, the gap between the Minnesota and U.S. participation rates has narrowed, shrinking from 6.7 percentage points in February 2020 to the current gap of 5.7 percentage points.

Minnesota's labor market remains favorable to job seekers. The BLS reports that there has been an average of six unemployed workers for every 10 job vacancies in Minnesota on average this year. This ratio has been trending upward in recent months, suggesting improved alignment between job seekers and available positions. The current ratio indicates that the state's labor market is still constrained, though it appears to be moving gradually in the direction of balance.

**Minnesota Unemployed Persons per Job Opening Ratio**

*Seasonally Adjusted, Monthly: Through July 2025*




Source: U.S. Bureau of Labor Statistics (BLS), Minnesota Management and Budget (MMB)

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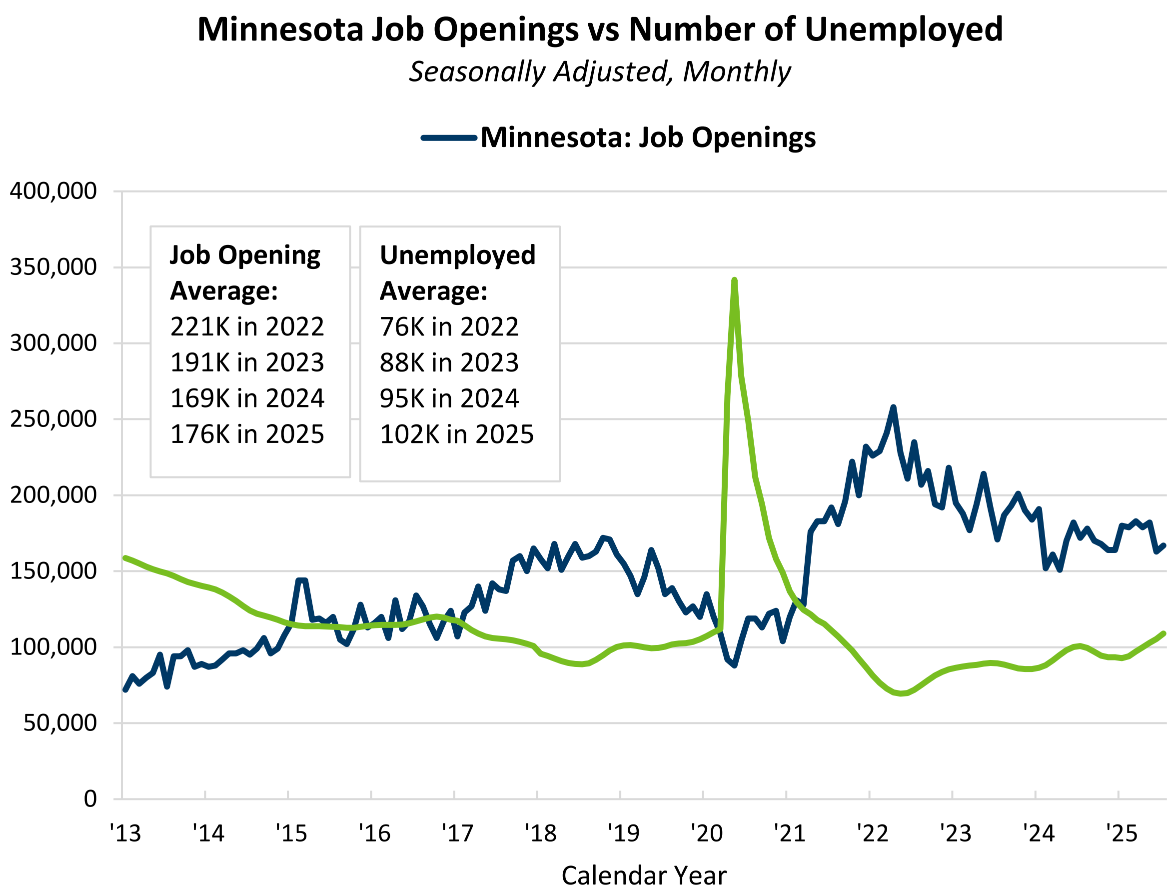
However, looking only at the unemployed persons per job vacancy ratio alone cannot give a full picture of labor-market conditions. The convergence reflects two simultaneous trends: a decline in job openings and an increase in the number of unemployed individuals. Job openings averaged 221,000 in 2022 and have fallen to a year-to-date average of 176,000 in 2025. At the same time, the average number of unemployed has increased from a low of 76,000 in 2022 to a year-to-date average of 102,000 in 2025. This narrowing gap between the number of job openings and the number of unemployed persons is a labor market indicator we will be watching closely in the coming months.




Source: U.S. Bureau of Labor Statistics (BLS), Minnesota Management and Budget (MMB)

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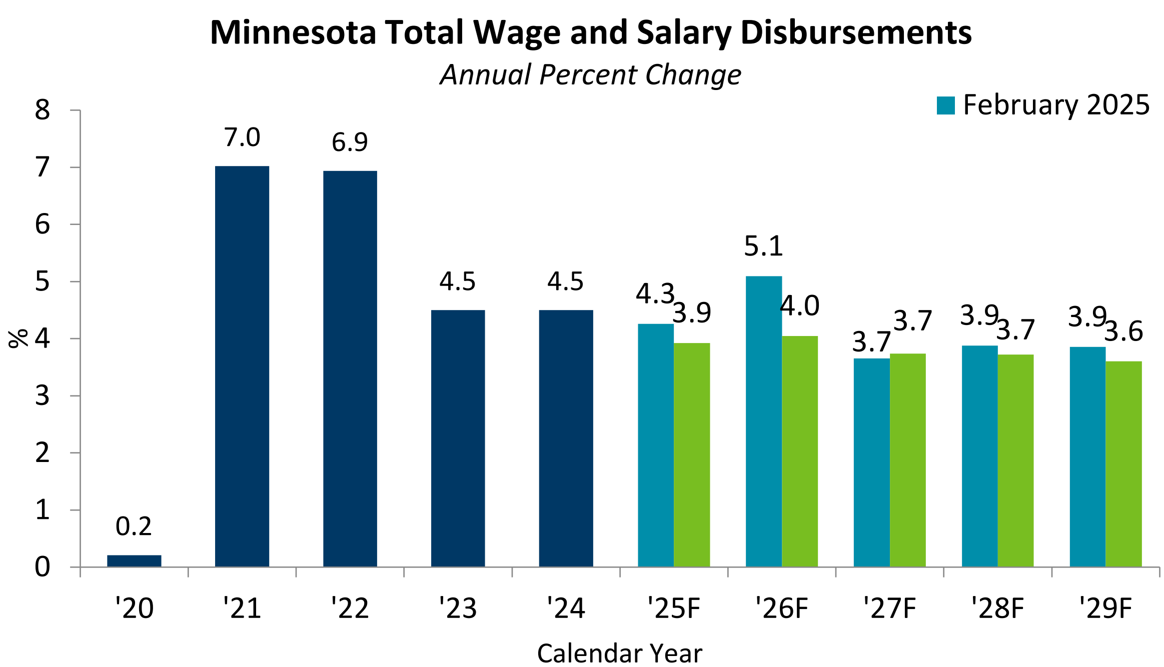
Despite low payroll employment growth, Minnesota's unemployment rate remained relatively constant from January 2023 through January 2025 at approximately three percent before beginning to trend upward to 3.6 percent by August 2025. Minnesota's rate has remained well below the national rate because the state's labor market is adjusting primarily through reduced hiring rather than separations. Employers continue to retain workers at higher rates after several years of difficulty recruiting and high turnover, resulting in fewer separations. At the same time, labor force growth has been constrained by demographic trends, offering businesses a limited number of new job seekers. These dynamics have allowed the state's unemployment rate to remain low even when net job creation is minimal. While we do not have evidence of a recession, and our macroeconomic forecaster is not predicting one in its baseline forecast, we note that low labor force growth can constrain economic growth and slow recovery from a recession.

**Wage and Salary Income.** The main factor determining Minnesota's individual income tax liability is total wage and salary income, estimated to account for 66 percent of federal adjusted gross income (FAGI) for Minnesota residents in tax year 2024. Generally, as employers compete to fill open positions in a labor market with relatively few available workers, and as businesses invest in technologies that increase worker productivity, wage and salary income per worker rises. Under these conditions, and assuming that nominal wages rise at a rate higher than inflation, we would predict higher FAGI leading to higher individual income tax liability.

In this forecast, we estimate that total (aggregate) wage income, the sum of all wages and salaries disbursed, will increase 3.9 percent in 2025 and 4.0 percent in 2026. The annual growth rate of disbursements is projected to slow to 3.7 percent per year for 2027 through 2029.




Source: Bureau of Economic Analysis (BEA), U.S. Bureau of Labor Statistics (BLS), SPGMI, Minnesota Management and Budget (MMB)

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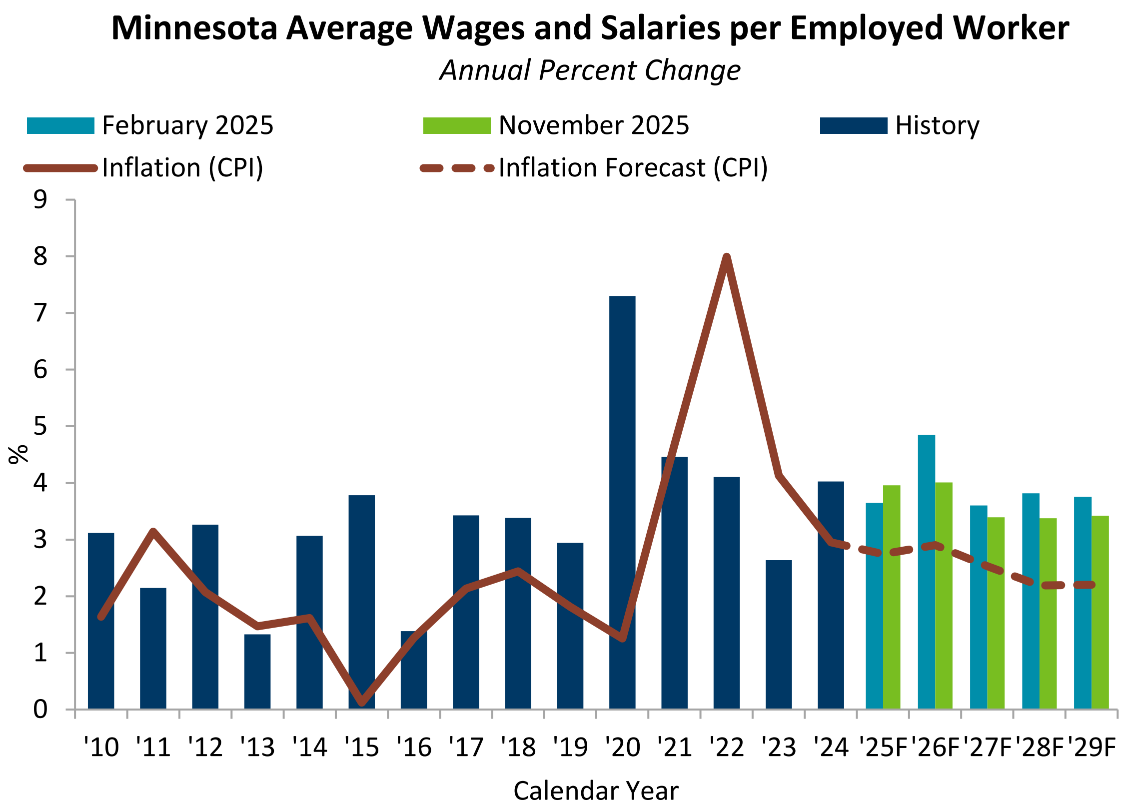
With only moderate growth in Minnesota employment expected in this forecast, the increase in wage and salary income per worker will be the primary driver of total nominal wage and salary disbursements growth through our forecast horizon, rather than increases in the number of workers. When nominal wage growth exceeds the rate of inflation, as in this forecast, real wages and workers' purchasing power rise.




Source: Bureau of Economic Analysis (BEA); Minnesota Department of Employment and Economic Development (DEED); Minnesota Management & Budget (MMB)

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From 2010-2019, average wage and salary income per worker grew at an annual average rate of 2.8 percent, exceeding the average annual inflation rate of 1.8 percent over the same period. From 2020-2024, average wage income per worker increased at an average annual rate of 4.5 percent, only slightly above the average annual inflation rate of 4.2 percent. We forecast that the growth rate in average wage and salary income per worker will average 3.6 percent per year in 2025-2029, and SPGMI forecasts that the annual inflation rate will average 2.5 percent over the same years.

**Comparison of February 2025 and November 2025 Forecasts: Minnesota & U.S.**
Forecasts for 2025 to 2029, Calendar Years

| | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 |
|---|---|---|---|---|---|---|
| **Total Non-Farm Payroll Employment (Thousands)** | | | | | | |
| **Minnesota** | | | | | | |
| November 2025 | 3,010 | 3,009 | 3,009 | 3,015 | 3,025 | 3,036 |
| Pct. Change | 0.8 | 0.0 | 0.0 | 0.2 | 0.3 | 0.4 |
| February 2025 | 3,014 | 3,032 | 3,040 | 3,044 | 3,047 | 3,052 |
| Pct. Change | 1.0 | 0.6 | 0.3 | 0.1 | 0.1 | 0.2 |
| **U.S.** | | | | | | |
| November 2025 | 157,960 | 159,437 | 160,225 | 161,018 | 161,348 | 161,923 |
| Pct. Change | 1.3 | 0.9 | 0.5 | 0.5 | 0.2 | 0.4 |
| February 2025 | 157,959 | 159,731 | 160,373 | 160,428 | 160,662 | 161,207 |
| Pct. Change | 1.3 | 1.1 | 0.4 | 0.0 | 0.1 | 0.3 |
| **Wage and Salary Disbursements (Billions of Current Dollars)** | | | | | | |
| **Minnesota** | | | | | | |
| November 2025 | 225.2 | 234.0 | 243.5 | 252.6 | 262.0 | 271.5 |
| Pct. Change | 4.9 | 3.9 | 4.0 | 3.7 | 3.7 | 3.6 |
| February 2025 | 224.7 | 234.3 | 246.2 | 255.2 | 265.1 | 275.3 |
| Pct. Change | 4.6 | 4.3 | 5.1 | 3.7 | 3.9 | 3.9 |
| **U.S.** | | | | | | |
| November 2025 | 12,388 | 13,004 | 13,698 | 14,372 | 15,017 | 15,642 |
| Pct. Change | 5.6 | 5.0 | 5.3 | 4.9 | 4.5 | 4.2 |
| February 2025 | 12,422 | 13,079 | 13,854 | 14,421 | 15,033 | 15,630 |
| Pct. Change | 5.9 | 5.3 | 5.9 | 4.1 | 4.2 | 4.0 |
| **Non-Wage Personal Income (Billions of Current Dollars)** | | | | | | |
| **Minnesota** | | | | | | |
| November 2025 | 213.0 | 222.3 | 231.9 | 244.7 | 256.0 | 267.9 |
| Pct. Change | 4.7 | 4.4 | 4.3 | 5.5 | 4.6 | 4.7 |
| February 2025 | 208.4 | 217.7 | 230.5 | 244.8 | 258.3 | 271.7 |
| Pct. Change | 3.4 | 4.4 | 5.9 | 6.2 | 5.5 | 5.2 |
| **U.S.** | | | | | | |
| November 2025 | 12,518 | 13,151 | 13,873 | 14,723 | 15,433 | 16,176 |
| Pct. Change | 5.6 | 5.1 | 5.5 | 6.1 | 4.8 | 4.8 |
| February 2025 | 12,271 | 12,863 | 13,567 | 14,406 | 15,195 | 15,957 |
| Pct. Change | 5.1 | 4.8 | 5.5 | 6.2 | 5.5 | 5.0 |
| **Total Personal Income (Billions of Current Dollars)** | | | | | | |
| **Minnesota** | | | | | | |
| November 2025 | 438.2 | 456.4 | 475.5 | 497.3 | 518.0 | 539.4 |
| Pct. Change | 4.8 | 4.2 | 4.2 | 4.6 | 4.2 | 4.1 |
| February 2025 | 433.1 | 451.9 | 476.7 | 500.0 | 523.4 | 547.0 |
| Pct. Change | 4.0 | 4.3 | 5.5 | 4.9 | 4.7 | 4.5 |
| **U.S.** | | | | | | |
| November 2025 | 24,906 | 26,154 | 27,570 | 29,095 | 30,450 | 31,817 |
| Pct. Change | 5.6 | 5.0 | 5.4 | 5.5 | 4.7 | 4.5 |
| February 2025 | 24,692 | 25,942 | 27,420 | 28,827 | 30,229 | 31,587 |
| Pct. Change | 5.5 | 5.1 | 5.7 | 5.1 | 4.9 | 4.5 |

Source: SPGMI, Minnesota Management & Budget (MMB) November 2025 Forecast

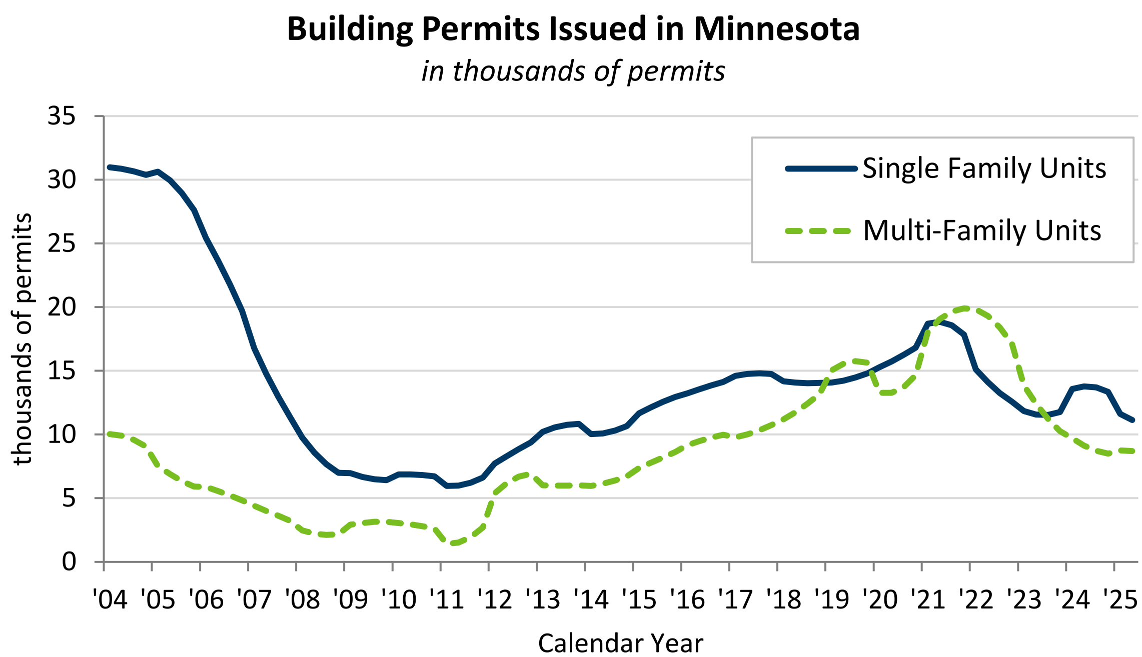
**Homebuilding Activity.** Homebuilding activity is likely to remain suppressed because of high mortgage rates, high home prices, and tariffs on Canadian building materials. After reaching a low of 2.65 percent in January 2021, the average interest rate on a 30-year-fixed mortgage (FRM), the most popular home loan in the U.S., began to rise steadily through October 2023, when the rate peaked at 7.80 percent. The rate has remained above 6.0 percent throughout 2024 and 2025. SPGMI forecasts that the FRM rate will remain above 6.0 percent into 2027 and remain between 5.75 and 6.0 percent from 2027 through 2029.

Higher mortgage rates suppress demand for new homes in two ways. First, high rates reduce affordability for first-time and low- and moderate-income buyers by raising their monthly mortgage payment, all else equal. Second, existing owners who bought or refinanced when rates were low can feel "locked in" to their existing homes by the prospect of higher monthly payments should they purchase a new home.

Homebuilders are also seeing higher costs from interest rates on loans, which are necessary to finance some development projects, and from tariffs on building materials, especially those from Canada. Coupled with lower demand due to high mortgage rates, fewer units are being planned. There are also reports of oversupply and falling rental rates in the rental housing market, which further reduces demand for new construction.[21]

The U.S. Census Bureau reports that, over the eight months from January through August, the number of authorized residential building permits (not seasonally adjusted) in Minnesota fell from 14,693 in 2024 to 13,990 in 2025, a decline of 4.8 percent. There was a decline of 9.7 percent in multi-family housing permits and a decline of 1.8 percent in single-family permits. In this forecast, we expect total housing permits to average 20,800 per (full) year for 2025 through 2029.

[21] Rebecca Picciotto, "Renters have the Upper Hand. And they are Probably Keeping It." *The Wall Street Journal*, October 26, 2025. <https://www.wsj.com/real-estate/renters-have-the-upper-hand-and-they-are-probably-keeping-it-cc2eb760> Accessed November 23, 2025.




Source: U.S. Census Bureau - Building Permits Survey (BPS)

*The U.S. Census Bureau reports that, over the eight months from January through August, the number of authorized residential building permits (not seasonally adjusted) in Minnesota fell from 14,693 in 2024 to 13,990 in 2025, a decline of 4.8 percent. There was a decline of 9.7 percent in multi-family housing permits and a decline of 1.8 percent in single-family permits.*

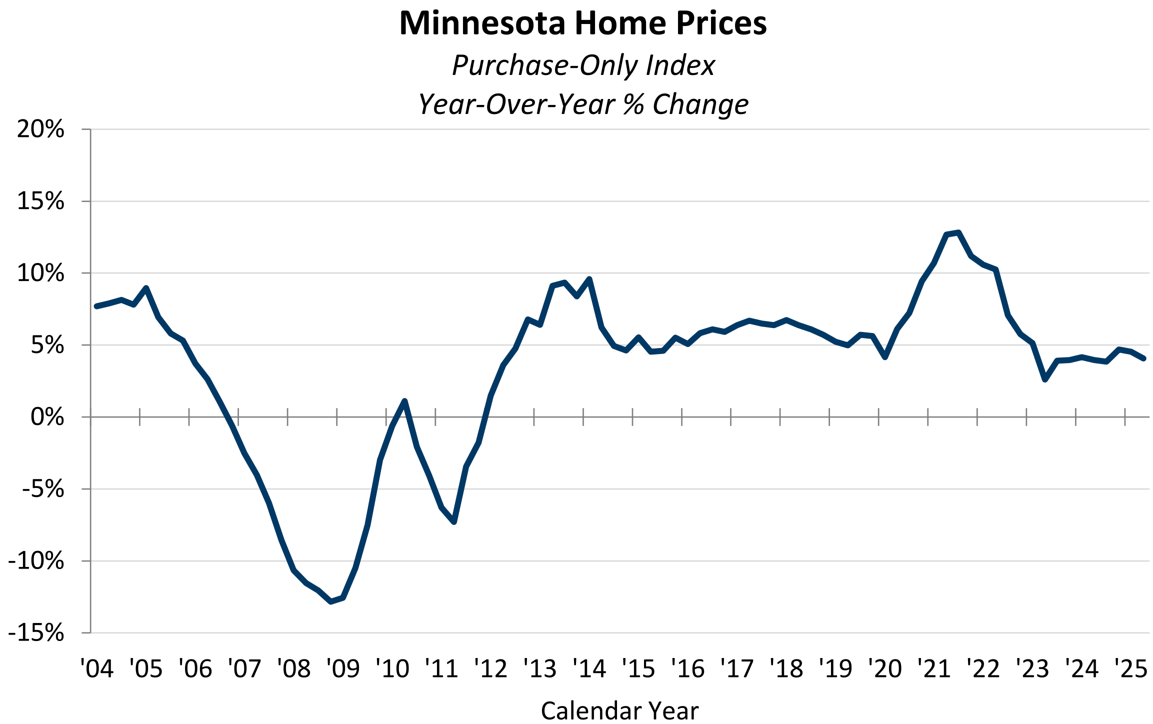
**Existing Homes.** The housing affordability index, published by the Minnesota Association of Realtors, [22] provides another measure of households' ability to enter the housing market. The index describes the percentage of income necessary to qualify for a mortgage on a median-priced home that the median household owns.[23] In October 2025, the Minnesota housing affordability index was 96, up 2.1 percent from the previous year. This indicates that the median household in Minnesota had 96 percent of the income necessary to qualify for a mortgage on the median-priced home.

While new residential construction faces challenges, the market for existing homes appears healthy. Despite high mortgage rates, new listings in Minnesota are up 3.3 percent in October 2025 compared to the same period last year, and available inventory remained steady at 3.1 months of supply. Home prices in Minnesota also remain at record highs despite high mortgage rates. In October 2025, the median sales price statewide reached $351,000, a 0.9 percent increase compared to the previous year. According to the Federal Housing Finance Agency (FHFA),

[22] "Local Market Update for October 2025." *The Minnesota Association of Realtors*, November 7, 2025. <https://higherlogicdownload.s3.amazonaws.com/MNREALTOR/488b06e6-56a7-4890-bb7a-ab79ba70337a/UploadedImages/Housing_Report/2025/October/MNR_October_2025_Housing_Market_Report.pdf> Accessed November 26, 2025.

[23] An index of 100 means that the median household has 100 percent of the income necessary to qualify for a mortgage on the median priced home, assuming a 20-percent down payment and current mortgage rates. An index of 110 means the median household has 110 percent of the income necessary to qualify.

Minnesota home prices were 4.1 percent higher in the second quarter of 2025 compared to the year prior. On average, Minnesota sellers received 96.9 percent of the original list price at closing.




*According to the Federal Housing Finance Agency (FHFA), Minnesota home prices were 4.1 percent higher in the second quarter of 2025 compared to the year prior. On average, Minnesota sellers received 96.9 percent of the original list price at closing.*

**Agriculture and Farm Income.** The Minnesota Department of Agriculture reports that Minnesota ranks seventh in the U.S. in total agricultural production by value, fourth in crop production, and eighth in livestock production. Minnesota is also the fourth largest agricultural exporting state in terms of export value.[24]

Net farm income is a factor in Minnesota's individual income tax liability. The U.S. Department of Agriculture's (USDA) farm income forecast[25] estimates that overall U.S. net farm income in 2025, a broad measure of profitability, will increase by $52.0 billion (40.7 percent) from 2024, reaching $180.7 billion in nominal dollars. This increase is supported by a forecasted $30.4 billion increase in direct government payments from 2024. Crop cash receipts are forecasted to decline by $12.3 billion (4.9 percent) from 2024 levels, primarily due to lower corn and soybean receipts. Conversely, total animal and animal product receipts are predicted to increase by $30.0 billion

[24] Minnesota Department of Agriculture, "Minnesota Agricultural Profile," 2025. Forthcoming.

[25] U.S. Department of Agriculture, Economic Research Service. (2025, September 3). *Farm sector income & finances: Farm sector income forecast.* https://www.ers.usda.gov/topics/farm-economy/farm-sector-income-finances/farm-sector-income-forecast Accessed November 26, 2025

(11.2 percent) to $298.6 billion in 2025 due to increases in receipts for hogs, calves, eggs, and broilers relative to 2024.

Minnesota's net farm income may be adversely affected by lower prices in some sectors important for the state's producers. According to the latest USDA Agricultural Prices Report for August[26] 2025, the average price received for corn during August 2025 was $3.96 per bushel, up from a price of $3.84 in August 2024 (up 3.1 percent). The average price for soybeans was $10.00 per bushel, down from a price of $12.50 in August 2024 (down 20.0 percent). The average price for turkeys was $1.06 per pound, up from a price of $0.68 in August 2024 (up 35.8 percent). Crops generate two-thirds of the state's agricultural production by value, and with the steep drop in soy prices, we expect farm income to be adversely affected in 2025.

[26] "Agricultural Prices." *United States Department of Agriculture September 30, 2025.* https://esmis.nal.usda.gov/sites/default/release-files/c821gj76b/xg94kp17m/c534hn55p/agpr0925.pdf Accessed November 25, 2025.

# BUDGET OUTLOOK

## Current Biennium

When the general fund budget for the FY 2026-27 biennium was enacted in May and June, $1.886 billion was left unallocated and available to carry into the next biennium. A larger closing balance in the previous biennium and an increased revenue forecast, partially offset by increases to estimated spending and an allocation to the budget reserve, result in a projected surplus of $2.465 billion for the current biennium, an improvement of $579 million.

**Current Biennium: FY 2026-27 General Fund Budget**
End-of-Session vs. November 2025 Forecast Comparison

| ($ in millions) | End-of-Session | November 2025 Forecast | $ Change | % Change |
|---|---|---|---|---|
| **Beginning Balance** | **$7,464** | **$10,273** | **$2,808** | **37.6%** |
| **Revenues** | | | | |
| Taxes | 62,003 | 63,191 | 1,188 | 1.9 |
| Non-Tax Revenues | 2,359 | 2,612 | 253 | 10.7 |
| Transfers, Other Resources | 460 | 459 | (1) | (0.2) |
| **Total Revenues** | **$64,823** | **$66,262** | **$1,440** | **2.2%** |
| **Expenditures** | | | | |
| E-12 Education | 25,697 | 25,869 | 173 | 0.7 |
| Property Tax Aids | 4,755 | 4,841 | 86 | 1.8 |
| Health & Human Services | 23,999 | 25,808 | 1,809 | 7.5 |
| Debt Service | 1,205 | 1,165 | (41) | (3.4) |
| All Other | 11,218 | 12,616 | 1,397 | 12.5 |
| **Total Expenditures** | **$66,874** | **$70,299** | **$3,425** | **5.1%** |
| Budget Reserve | 3,177 | 3,422 | 244 | |
| Cash Flow Account | 350 | 350 | - | |
| **Budgetary Balance** | **$1,886** | **$2,465** | **$579** | |

**Closed Biennium.** The FY 2024-25 biennium ended with an unrestricted general fund balance $941 million higher than estimated at the end of the 2025 special legislative session in June. This increase contributes to a $2.808 billion improvement in the beginning balance for the FY 2026-27 biennium. The remainder of the change in beginning balance represents a $9 million statutory budget reserve allocation at close from a surplus in the workers compensation assigned risk plan and $1.859 billion in appropriations that carried forward but retain spending authority in FY 2026.

Final revenue, including taxes, other revenue, and accounting adjustments from prior fiscal years, for the FY 2024-25 biennium closed $1.313 billion (2.1 percent) higher than estimates.

Final FY 2024-25 spending totaled $69.285 billion, $1.495 billion (2.1 percent) lower than estimates. However, this variance is more than offset by $1.859 billion in unspent appropriations allowed to carry forward for spending in the next biennium. These appropriations are legally allowed to be spent in the current biennium and thus do not fall to the bottom line because they are not available to be appropriated for other purposes. After adjusting for appropriation carryforward, total spending was $364 million (0.5 percent) higher than projected at the end of the 2025 special session.

**Closed Biennium: FY 2024-25 General Fund Budget**

Comparison to End of 2025 Special Session Estimates

| **($ in millions)** | **End of 2025 Special Session** | **Actual Close** | **$ Change** | **% Change** |
|---|---|---|---|---|
| **Beginning Balance** | **$16,516** | **$16,516** | **$0** | **0.0%** |
| Revenue | 61,729 | 63,042 | 1,313 | 2.1 |
| Net Spending | 70,780 | 71,143 | 364 | 0.5 |
| *Total Spending* | *70,780* | *69,285* | *(1,495)* | *(2.1)* |
| *Appropriations Carried Forward* | - | *1,859* | *1,859* | - |
| Budget Reserve | 3,177 | 3,186 | 9 | - |
| Cash Flow Account | 350 | 350 | 0 | - |
| **Budgetary Balance** | **$3,937** | **$4,878** | **$941** | |

The $1.859 billion appropriation carryforward is uncharacteristically large for the end of a biennium. The majority of the carryforward is related to one-time appropriations for grants and capital projects appropriated in the 2023 and 2024 legislative sessions, which were provided extended timelines to be spent. This carryforward total comes in the context of the 2023 legislative session having appropriated significant funding for one-time initiatives. In many cases, agencies were given four or more years to spend these in recognition of the significant size of the appropriation and the time required to implement a program. The bulk of these appropriations fall across several key categories, which are outlined in the table below. Many of these appropriations fund infrastructure, such as transportation and transit, lead service lines, and improvements to state outdoor recreation facilities. Some appropriations supported major technology improvements, while others were grants within the health and human services area, which received one-time appropriations to be spent over several years. End of session estimates assumed all of these dollars would be spent in the FY 2024-25 biennium. In this forecast, the $1.859 billion in carryforward is reflected as increased spending in the current biennium.

**FY 2025 General Fund Appropriation Carryforward by Category**

| **($ in millions)** | **% Change** |
|---|---|
| Transportation and Transit Projects | $509 |
| Operating | |
| *State Agencies* | *260* |
| *Legislative Branch* | *55* |
| *Judicial Branch* | *23* |
| Environment Programs and Projects | 222 |
| Lead Line Replacement | 197 |
| DHS Grant Programs | 184 |
| IT Projects | 103 |
| Great Start and DCYF Grants | 85 |
| Workforce and Economic Development | 63 |
| All Other Carryforward | 158 |
| **Total General Fund Carryforward** | **$1,859** |

**Revenues.** Revenue in FY 2026-27 is now forecast to total $66.262 billion, $1.440 billion more than end of session estimates. Near term gains in individual income tax receipts result in a $1.515 billion (4.6 percent) forecast improvement. All other revenue is also higher in this forecast, driven by increases to the estate tax and the forecast on interest earnings for funds held in the state treasury. Overall forecast revenue increases are partially offset by lower estimated growth in sales and corporate tax receipts.

**Expenditures.** Total state general fund expenditures for the FY 2026-27 biennium are projected to be $70.299 billion, $3.425 million (4.9 percent) higher than previously forecast. However, $1.859 billion of the spending increase is appropriations left unspent in the prior biennium. Across the two biennia, the impact of this carryforward has a net $0 impact on the general fund bottom line. Comparing spending in FY 2026-27 without the addition of these appropriations shows a spending increase this forecast of $1.565 billion (2.3 percent) compared to prior estimates.

**Current Biennium: FY 2026-27 General Fund Expenditures**

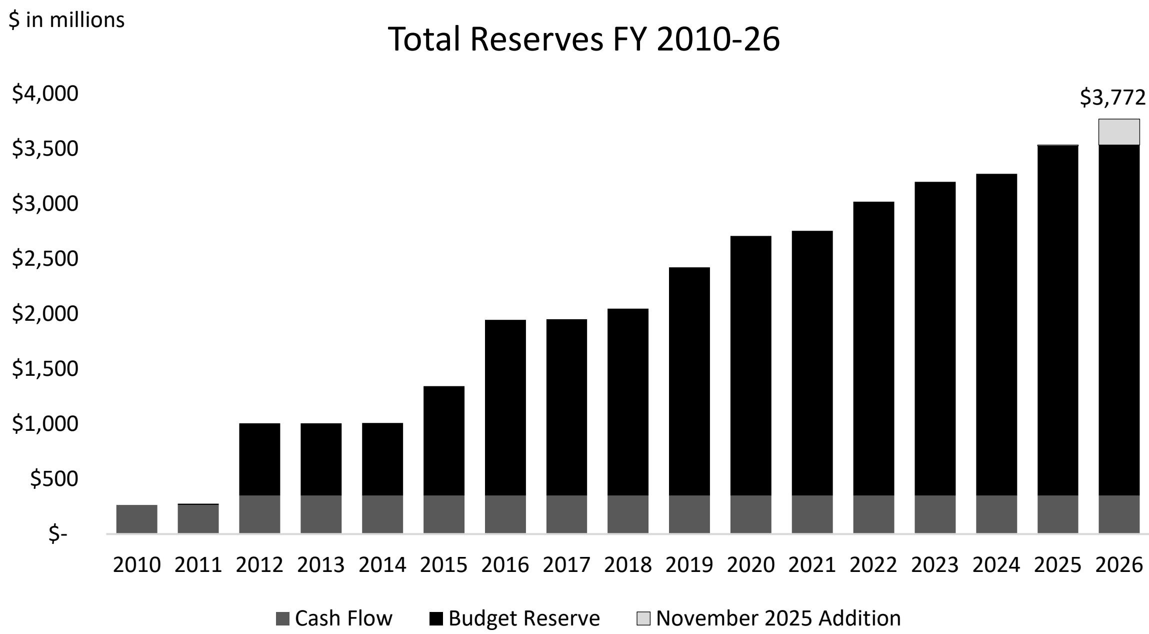
End-of-Session vs. November 2025 Forecast Comparison

| **($ in millions)** | **November 2025 Forecast** | **$ Forecast Change** | **$ Carry-forward** | **$ Net Change** | **% Net Change** |
|---|---|---|---|---|---|
| E-12 Education | $25,869 | $173 | $57 | $115 | 0.4% |
| Property Tax Aids & Credits | 4,841 | 86 | 2 | 84 | 1.8 |
| Health & Human Services | 25,808 | 1,809 | 403 | 1,406 | 5.9 |
| Debt Service | 1,165 | (41) | 0 | (41) | (3.4) |
| All Other | 12,616 | 1,397 | 1,396 | 1 | 0 |
| **Total** | **$70,299** | **$3,425** | **1,859** | **$1,566** | **2.3%** |

E-12 expenditures are forecast to reach $25.869 billion in FY 2026-27, $173 million (0.7 percent) above end of session estimates. Of that change, $57 million carried forward from FY 2025 to FY 2026 across the E-12 education agencies. The change in forecast program spending from end of session is $115 million. This largely due to higher estimtates for special education expenditures.

In the FY 2026-27 biennium, anticipated health and human services (HHS) general fund spending is $25.808 billion, up $1.809 billion (7.5 percent) from end of session estimates. Approximately $1.406 billion of this change is due to changes in spending for forecast programs, and $403 million of this change is the carryforward amount from FY 2025. Medical Assistance (MA) expenditures increased by $1.285 billion (7.3 percent) from end of session estimates. This is primarily explained by higher costs for basic health care services plus higher costs and enrollment in long term care waivers.

Debt service expenditures for the current biennium are forecast to be $1.165 billion, which is a decrease of $41 million (3.4 percent) from previous estimates. The reduction is primarily due to a smaller 2025 bond sale than previously forecast, along with lower interest rates realized in the September 2025 bond sale than previously projected. Property tax aids and credits were $84 million higher (1.8 percent) largely due to higher homestead credit refunds. All other state spending is projected to total $12.616 billion in FY 2026-27, an increase of $1.397 billion (12.5 percent). Carryforward of unspent appropriations in FY 2025 increase spending in this area in the current biennium by $1.396 billion. If carryforward is excluded, all other state spending is up $1 million from end of session estimates.



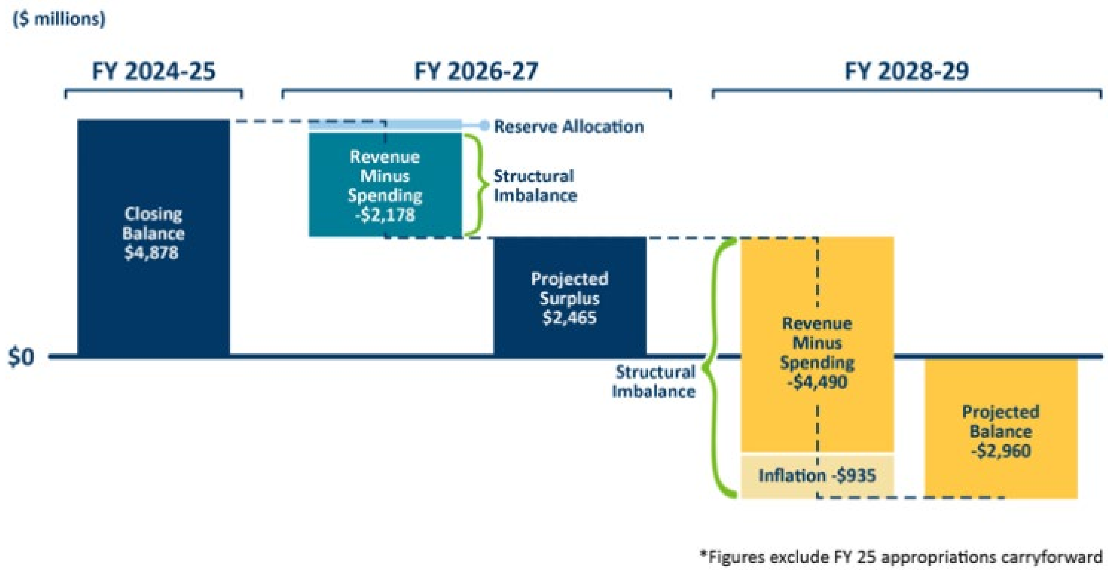

**Reserves.** Minnesota Statutes 16A.152 directs MMB to allocate funds to the budget reserve account up to the recommended budget reserve level when there is a projected surplus in the current biennium in the *November Budget and Economic Forecast.* In September, MMB, in accordance with Minnesota Statutes section 16A.152 subd.8, recommended a budget reserve target of 5.2 percent.[27] When calculated using the updated revenue forecast with this release, the budget reserve target level is $3.422 billion. Because the reserve balance at the close of FY 2024-25 was below the new target level, $236 million from the projected surplus is allocated to

[27] September 2025 Budget Reserve Report

the reserve so that the balance is now at the target level of $3.422 billion. The cash flow account balance is unchanged at $350 million.

## Planning Estimates

The higher spending forecast continues into the FY 2028-29 biennium with estimated spending, including discretionary inflation, projected to reach $73.212 billion, $1.864 billion (2.6 percent) more than estimated at the end of session. Revenues in the planning biennium are projected to total $67.787 billion, $570 million (0.8 percent) lower than prior forecast. The structural balance, the difference between revenue and spending in each budget period, in the planning biennium is negative $4.490 billion before inflation is added to spending estimates and negative $5.425 billion after including inflation.




*The positive FY 2024-25 closing balance carries into the current biennium and is offset by the negative structural balance projected in this forecast for FY 2026-27. The projected current biennium surplus of $2.465 billion carries into the FY 2028-29 planning estimates where a structural deficit of $5.425 billion reduces to projected balance to negative $2.960 billion.*

The planning estimates for the FY 2028-29 beinnium inherently carry a higher degree of uncertainty than estimates for FY 2026-27. Revenue projections for FY 2026-27 are based on the November Baseline economic 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. After determining base expenditures as determined by current law formulas, the expenditure forecast assumes inflationary growth for programs that do not already have allowances for cost growth built into current law formulas. [28]

[28] Inflationary growth estimates are based on the consumer price index forecast and are estimated to be 2.3 percent in FY 2028 and 2.2 percent in FY 2029. The discretionary inflation calculation grows the estimated general fund spending base in each year by the projected CPI growth rate after removing general

| **($ in millions)** | **FY 2026-27** | **FY 2028-29** | **$ Change** | **Annual % Change** |
|---|---|---|---|---|
| **Forecast Revenues** | **$66,262** | **$67,787** | **$1,525** | **1.1%** |
| ***Baseline Spending*** | ***68,440*** | ***72,277*** | ***3,837*** | ***2.8*** |
| *Discretionary inflation* | *n/a* | *935* | | |
| *Carry Forward from FY 2025* | *1,859* | *n/a* | | |
| Total Projected Spending | $70,299 | $73,212 | $2,913 | 2.1% |
| **Structural Balance with Inflation** | | **$(5,425)** | | |
| *Structural Balance excluding Inflation* | | *$(4,490)* | | |

Planning estimates are not intended to predict surpluses or deficits four 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 2028-29 planning estimates provide an important baseline against which the longer-term impacts and affordability of budget decisions can be measured.

education, special education, debt service, property tax refunds, and the state share for managed and some long-term care in HHS.

# REVENUE OUTLOOK

## Current Biennium

Total general fund revenues for fiscal year (FY) 2026-27 are now forecast to be $66.262 billion, $1.440 billion (2.2 percent) more than in the prior (February 2025) forecast. Total tax revenues for the biennium are forecast to be $63.191 billion, $1.188 billion (1.9 percent) above the prior forecast. The forecasts for individual income tax and other tax revenues are higher than previously estimated. These higher forecasts offset lower forecasts for corporate tax revenues, sales tax revenues, and statewide property tax revenues.

**Current Biennium: FY 2026-27 General Fund Revenues**
Change from End-of-Session

| **($ in millions)** | **End-of-Session** | **November 2025 Forecast** | **$ Change** | **% Change** |
|---|---|---|---|---|
| Individual Income Tax | $32,998 | $34,513 | $1,515 | 4.6% |
| General Sales Tax | 16,140 | 15,797 | (343) | (2.1) |
| Corporate Franchise Tax | 6,335 | 6,272 | (63) | (1.0) |
| State General Property Tax | 1,492 | 1,480 | (12) | (0.8) |
| Other Tax Revenue | 5,039 | 5,131 | 91 | 1.8 |
| **Total Tax Revenues** | **$62,003** | **63,191** | **1,188** | **1.9%** |
| Non-Tax Revenues | 2,359 | 2,612 | 253 | 10.7 |
| Other Resources | 460 | 459 | (1) | (0.2) |
| **Total Revenues** | **$64,823** | **$66,262** | **$1,440** | **2.2%** |

Revenues for FY 2026-27 are now expected to exceed their FY 2024-25 levels by $3.221 billion (5.1 percent). Total tax revenues are projected to be 4.264 billion (7.2 percent) more than in FY 2024-25. Current biennium individual income tax revenues are now forecast to be $2.984 billion higher (9.5 percent) than in the FY 2024-25 biennium.

**Biennial Comparison: FY 2024-25 vs. FY 2026-27 General Fund Revenues**
November 2025 Forecast

| ($ in millions) | FY 2024-25 | FY 2026-27 | $ Change | % Change |
|---|---|---|---|---|
| Individual Income Tax | $31,529 | $34,513 | $2,984 | 9.5% |
| General Sales Tax | 14,983 | 15,797 | 814 | 5.4 |
| Corporate Franchise Tax | 6,363 | 6,272 | (92) | (1.4) |
| State General Property Tax | 1,463 | 1,480 | 16 | 1.1 |
| Other Tax Revenue | 4,589 | 5,131 | 542 | 11.8 |
| **Total Tax Revenues** | **$58,927** | **$63,191** | **$4,264** | **7.2%** |
| Non-Tax Revenues | 3,362 | 2,612 | (750) | (22.3) |
| Other Resources | 752 | 459 | (293) | (38.9) |
| **Total Revenues** | **$63,042** | **$66,262** | **$3,221** | **5.1%** |

This is the first forecast of FY 2026-27 since FY 2026 began on July 1, 2025. After four months of observed collections (through October 2025), receipts for FY 2026-27 are $10.255 billion, 15.5 percent of the total expected over the biennium. With 20 months of FY 2026-27 collections left to observe, 84.5 percent of forecast receipts are outstanding.

**Individual Income Tax.** Minnesota individual income tax receipts are now forecast to be $1.515 billion (4.6 percent) more than the February forecast adjusted for law changes. At the close of FY 2025, net income tax revenue was $1.103 billion (7.1 percent) more than forecast. The positive variance is due to higher-than-forecast income tax payments associated with TY 2024 individual M1 liability, and lower than expected refunds for tax year 2024. So far in FY 2026, net income tax receipts are $25 million (0.5 percent) less than forecast.

Minnesota's individual income tax receipts increased 12.0 percent ($1.783 billion) in FY 2025 over FY 2024. This strong year-over-year growth is primarily attributed to the one-time tax rebate payment that was paid out in FY 2024. If this rebate had not been paid out in FY 2024, net income tax collections in FY 2025 would have grown approximately 5.3 percent.

This forecast builds from estimated final TY 2024 M1 individual income tax liability net of the Pass-Through Entity (PTE) tax credit. In constructing the estimate, we used information from processed income tax returns (including S-Corporation, partnership, and fiduciary tax returns), revenue in the state accounting system, and projections of returns remaining to be received and/or processed.

We estimate that final TY 2024 income tax liability, net of the PTE credit, reported on individual tax returns is $12.793 billion, $996 million more than our February estimate. We estimate that TY 2024 liability rose 7.0 percent from TY 2023. As a result, the forecast starts from a higher base, increasing anticipated individual income tax liability in TY 2025 and TY 2026, increasing the FY 2026-27 revenue forecast. On its own, a higher estimate of base year tax liability directly increases the forecast of future liabilities.

Calibrating the income tax model to produce our higher estimated base-year liability requires making assumptions about base-year growth rates for specific income types. The estimate for TY 2024 liability is now higher in part due to higher assumed growth in capital gains income, interest and dividend income, and wage income. Lower forecasts for the refundable PTE Credit and the refundable Renter's Credit also add to TY 2024 liability. These factors and many others increase TY 2024 liability by $996 million, on net, with individual effects varying in magnitude. (1) To produce estimated TY 2024 liability, capital gains realized by Minnesota residents were assumed to increase 52 percent in TY 2024 from TY 2023, compared to the 15 percent increase assumed in February. This adjustment increased TY 2024 liability by about $637 million from the prior estimate. (2) Dividend and interest income was assumed to increase 10.8 percent in TY 2024 from TY 2023, compared to the 12.2 percent decline assumed in February, adding about $215 million to TY 2024 liability. (3) Higher assumed wage growth adds approximately $44 million to TY 2024 liability. (4) A lower assumed refundable PTE Credit and lower assumed refundable Renter's Credit contribute to the higher estimate of TY 2024 liability. The PTE Credit is estimated at $2.111 billion in this forecast, $74 million lower than the $2.185 billion assumed in February. This forecast change is correlated with lower forecasts for net partnership and S Corporation collections. The Renter's Credit is estimated at $370 million in this forecast, $49 million lower than the February estimate. (5) Two sources of change partially offset the additions to TY 2024 liability. Lower assumed growth in nonfarm business income subtracts approximately $79 million from TY 2024 liability, and the refundable Child and Working Family Credit is now estimated at $764 million, $34 million higher than the February estimate. The identified adjustments account for nearly all of the $996 million increase in TY 2024 liability, though many other factors influence the final estimate.

The higher estimated base year income tax liability in TY 2024 largely carries forward into TY 2025-26, increasing the individual income tax forecast for FY 2026-27. The forecast for TY 2025-26 M1 income tax liability has increased by $1.776 billion from the February estimate. This higher forecast is partially offset by a $335 million reduction in the FY 2026-27 forecast for net partnership and S corporation collections.

Improved forecasts for non-wage income types in TY 2025 and TY 2026 increase the FY 2026-27 income tax forecast. Capital gains realizations, interest and dividend income, and Individual Retirement Account (IRA) income are all expected to be higher in TY 2025-26 compared to February estimates, generally carrying forward from their higher assumed base year TY 2024 levels. Capital gains realizations reported by Minnesota residents are now assumed to decrease 4.9 percent in TY 2025 and increase 2.8 percent in TY 2026, compared to decreases of 5.1 percent in 2025 and 3.3 percent in 2026, respectively, in February. The increased forecast for capital gains realizations increases the forecast for TY 2025-26 liability by about $1.283 billion. We do not expect capital gains realizations to add a similar amount to the TY 2027-28 liability forecast, largely due to the assumption of a future stock market correction affecting realizations in those years. Higher forecasts for interest and dividend income increase the forecast for TY 2025-26 liability by about $343 million and increase the liability forecasts for TY's 2027-29. A higher forecast for IRA income in TY 2026, largely due to a stronger stock market, increases the TY 2025-26 liability forecast by about $121 million and increases the liability forecast for TY's 2027-29.

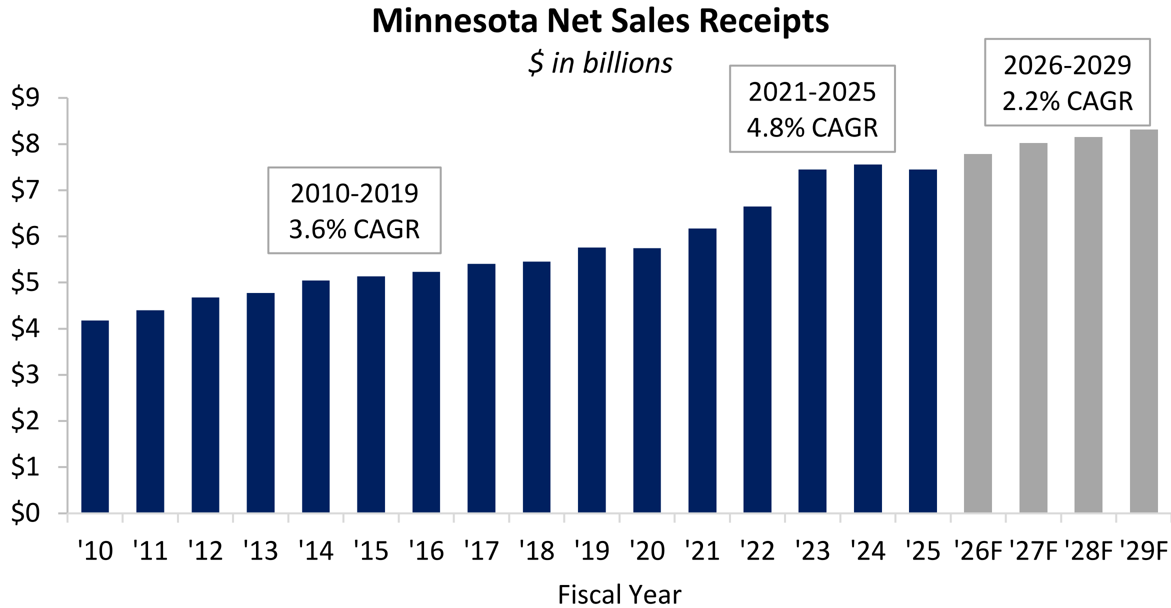
Changes to the TY 2025-26 forecasts of the PTE Credit, Renter's Credit, Child and Working Family Credit, and Dependent Care Credit raise the forecast for TY 2025-26 liability by about $168 million, on net.

Changes in expected growth rates for wage and salary income and non-farm business income decrease the TY 2025-26 M1 income tax liability forecast, decreasing the individual income tax forecast for FY 2026-27. Information from the BEA, Quarterly Census of Employment and Wages (QCEW), income tax withholding collections, and our Minnesota economic forecasting model suggest that Minnesota's growth in wage and salary income has been weaker in 2025 than we forecast in February. Annual wage growth is now forecast to be 3.9 percent in 2025 and 4.0 percent in 2026, compared to 4.3 and 5.1 percent, respectively, in February. The reduced forecast for wage income decreases the forecast for TY 2025-26 liability by about $175 million and decreases the liability forecast for TY's 2027-29. Non-farm business income is now forecast to be 2.6 percent in both 2025 and 2026, compared to 5.5 percent and 5.4 percent, respectively, in February. The reduced forecast for business income decreases the forecast for TY 2025-26 liability by about $378 million and decreases the liability forecast for TY's 2027-29.

New information that is expected to become available between now and February 2026 may change the income tax forecast for FY 2026. In late January we expect to learn more about actual tax liability for TY 2024, the year on which this forecast is based. In early January we should get a reasonably accurate estimate of TY 2024 partnership and S Corporation liabilities, which include PTE tax liability. In December and January, we will observe fourth quarter estimated payments of partnerships and S Corporations. Many such entities will make payments in late December so that their PTE tax will be deductible on TY 2025 federal income forms. In late January we will also observe fourth quarter income tax withholding and estimated tax payments, which typically provide new information about the liability year that just ended. Finally, in February, we expect to have the first Minnesota-specific information about TY 2024 growth rates in various income types, including capital gains, from a preliminary sample of TY 2024 tax returns.

**General Sales Tax.** Net general sales tax receipts for FY 2026-27 are forecast to exceed FY 2024-25 levels by $814 million (5.4 percent). Regarding forecast change, net general sales tax revenue in FY 2026-27 is now forecast to be $343 million (2.1 percent) less than the prior estimate. Revenue estimates for recent sales tax law changes are built into this forecast.

Minnesota's net sales tax receipts declined 1.4 percent ($106 million) in FY 2025 after growing 1.5 percent in FY 2024. The 1.4% decrease in net sales tax collections was largely due to a 56% increase in refunds, reflecting in part one-time sales tax refunds issued for exempt data centers. Gross sales tax collections increased 0.2% in FY 2025, which is a better reflection of underlying FY 2025 economic activity. So far in FY 2026, net sales tax receipts are $13 million (0.5 percent) above the February estimate. Current biennium sales tax revenues are now forecast to increase $814 million (5.4 percent) from the FY 2024-25 level. The compound annual growth rate (CAGR) for FY 2026-29 is forecast to be 2.2 percent.




Source: Minnesota Management and Budget (MMB)

*Minnesota's net sales tax receipts declined 1.4 percent ($106 million) in FY 2025 after growing 1.5 percent in FY 2024. The 1.4% decrease in net sales tax collections was largely due to a 56% increase in refunds, reflecting in part one-time sales tax refunds issued for exempt data centers. Gross sales tax collections increased 0.2% in FY 2025, which is a better reflection of underlying FY 2025 economic activity. The compound annual growth rate (CAGR) for 2026 through 2029 is forecast to be 2.2 percent.*

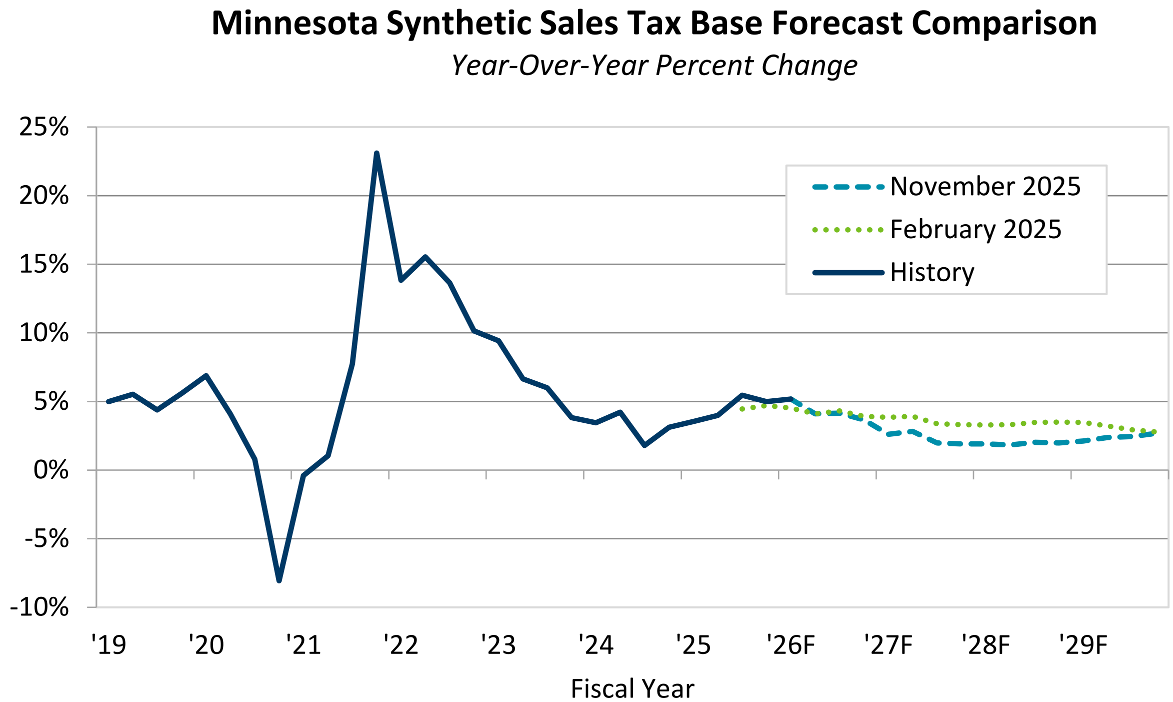
The decreased forecast in the current biennium for gross sales tax receipts reflects weaker than expected collections since February and a lower forecast for the Minnesota synthetic sales tax base.[29] Using forecasts for spending on a wide range of taxable goods and services, we construct the Minnesota synthetic sales tax base, a proxy for the actual sales tax base. In this forecast, the synthetic base is forecast to grow 4.3 percent in FY 2026 and 2.3 percent in FY 2027, compared to 4.2 percent and 3.6 percent, respectively, in February. The synthetic base is also expected to grow at a lower rate in the next biennium compared to the February outlook.

The CAGR for the synthetic base from FY 2026-29 is forecast to be 2.7 percent, nearly two percentage points lower than the CAGR in the synthetic base from FY 2015-25 (4.6 percent). Multiple types of spending on taxable goods and services, a few of which are outlined in the Appendix (see *Factors Affecting Tax Revenue*), are forecast to grow slower in the forecast window than in the past. For example, Minnesota's proxy share of U.S. consumer durable spending (excluding autos) is now forecast to grow at a CAGR of 3.4 percent from FY 2026-29, compared to a CAGR of 5.9 percent from FY 2015-25. Similarly, Minnesota's proxy share of U.S. construction spending is now forecast to grow at a CAGR of 2.5 percent from FY 2026-29, compared to a CAGR of 5.2 percent from FY 2015-25.

As in the past, the forecast percentage changes in the synthetic base have been reduced by 5 percent to correct for a tendency for growth in the base to overstate observed revenue growth.

[29] The synthetic sales tax base is a constructed proxy for Minnesota's sales tax base.

For example, in our forecast, a one percent change in the synthetic tax base implies a 0.95 percent change in sales tax revenue.




Source: Bureau of Economic Analysis (BEA), Minnesota Management and Budget (MMB), SPGMI

*In this forecast, the proxy for Minnesota's sales tax base is forecast to grow 4.3 percent in FY 2026, -0.1 percentage points less than we projected in February.*

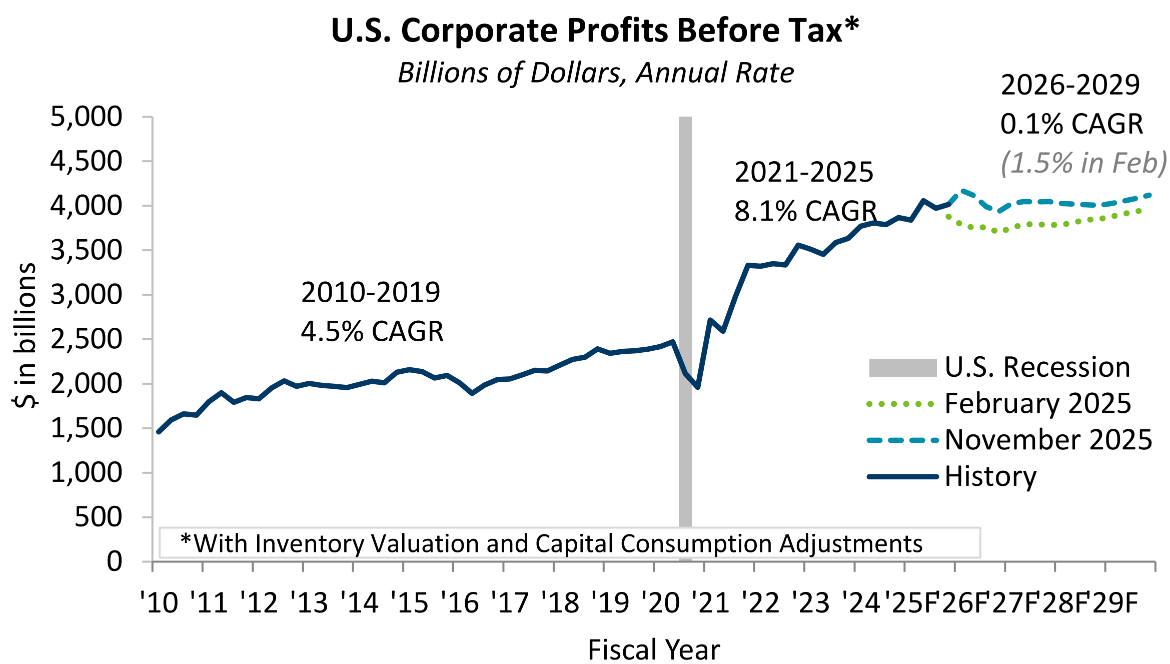
**Corporate Franchise Tax.** Corporate franchise tax revenue is now projected to decrease $92 million (1.4 percent) in FY 2026-27 over FY 2024-25. Regarding forecast change, the corporate franchise tax is forecast to generate $6.272 billion in FY 2026-27, $63 million (1.0 percent) less than the February estimate.

FY 2025 ended with corporate estimated payment receipts (called Declarations in the *Current Biennium: Forecast Comparison* table, which can be found in the Appendix) $122 million (3.8 percent) lower than forecast in February. So far, in FY 2026, net corporate receipts are below the February forecast level by $202 million (22.5 percent). Nearly all of the shortfall is in corporate estimated payments, which are $189 million (21.6 percent) below the forecast. We think the revenue shortfall is due to at least two factors: (1) lower net corporate tax liability in TY 2025 than we forecast in February, and (2) corporations lowering their estimated payments to the state in response to *federal* tax law changes.

H.R. 1 restored or extended preferential provisions around research and development, expensing, and bonus depreciation (sections 70301, 70302, 70306, and 70307), leading some corporations to anticipate lower federal tax liability in TY 2025 and to reduce their federal estimated payments in response. Some corporations may have applied that change to their state estimated payments even in states like Minnesota that do not automatically conform to federal corporate tax law. If this is correct, then some corporations will have under-paid their Minnesota estimated payments for TY 2025. We can expect them to make higher final payments when they submit their Minnesota returns next year. Subsequently, we have raised our forecast of FY 2026 final corporate payments and estimated payments in 2026 Q2 by $315 million (30 percent). We assume these 2026 Q2 payments will partially offset the current shortfall. However, we still forecast a decline in net corporate revenues in FY 2026 due to lower TY 2025 liability.

Before-tax U.S. corporate profits grew 4.3 percent in FY 2025, and SPGMI projects profits will grow 2.1 percent in FY 2026, 5.9 percentage points higher than projected in February. Beyond FY 2026, the forecast for corporate profits has weakened slightly. SPGMI projects a -0.3 percent decline in FY 2027 and a -0.6 percent decline in FY28.

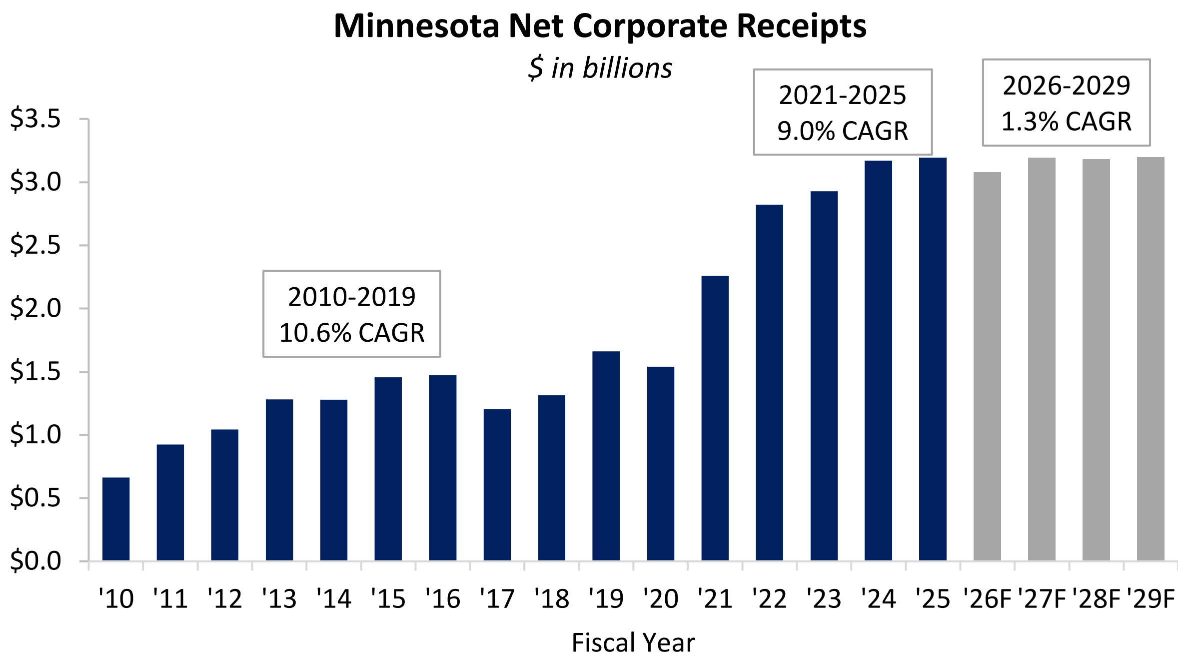
The CAGR for before-tax U.S. corporate profits was 4.5 percent from FY 2010 to FY 2019 and 8.1 percent from FY 2021 through 2025. SPGMI's current forecast anticipates a CAGR of 0.1 percent from FY 2025 through FY 2029, down slightly from the February forecast of 1.5 percent for the same period.




Source: U.S. Bureau of Economic Analysis (BEA), SPGMI, Minnesota Management & Budget (MMB)

*The CAGR for before-tax U.S. corporate profits was 4.5 percent from FY 2010 to FY 2019 and 8.1 percent from FY 2021 through 2025. SPGMI's current forecast anticipates a CAGR of 0.1 percent from FY 2026 through FY 2029, down slightly from the February forecast of 1.5 percent for the same period.*

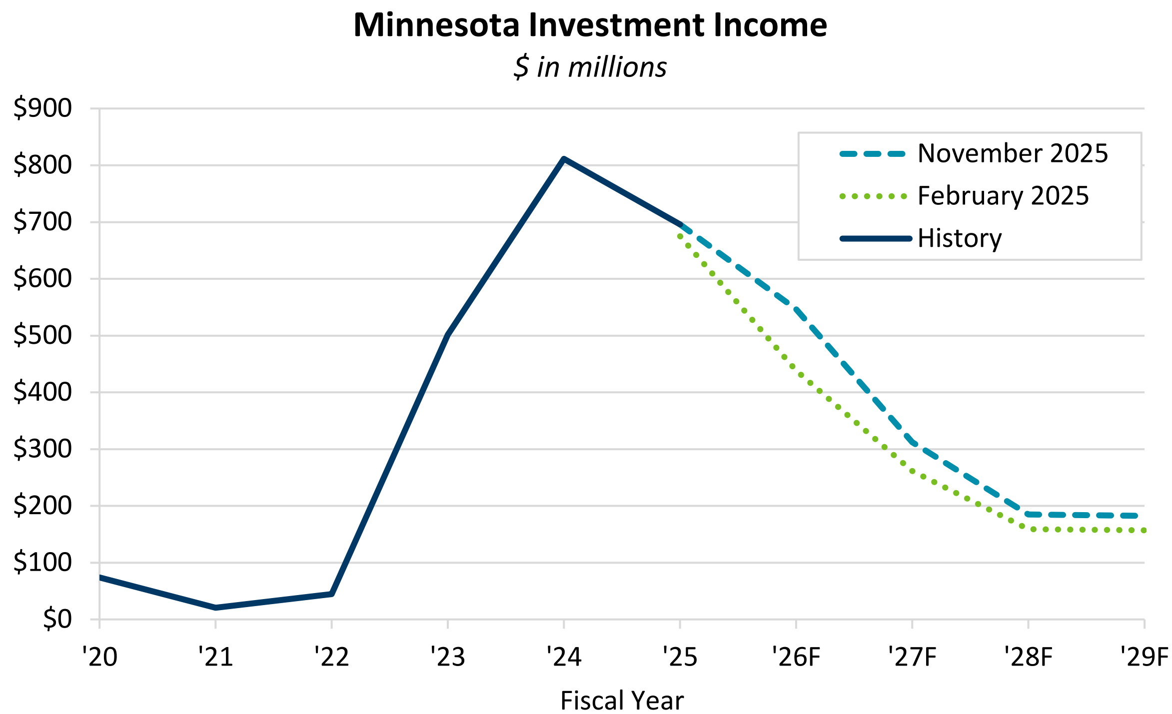
The CAGR for Minnesota's net corporate receipts was 10.6 percent from FY 2010 to FY 2019 and 9.0 percent from FY 2021 through 2025. The MMB forecast for corporate receipts anticipates a CAGR of 1.3 percent for years 2026 through 2029.




Source: Minnesota Management and Budget (MMB)

The CAGR for Minnesota's net corporate receipts was 10.6 percent from FY 2010 to FY 2019 and 9.0 percent from FY 2021 through 2025. The MMB forecast for corporate receipts anticipates a CAGR of 1.3 for years 2026 through 2029.

**Other Tax Revenue, Non-Tax Revenue, Other Resources.** Other tax revenue is now projected to increase $542 million (11.8 percent) in FY 2026-27 over FY 2024-25. So far in FY26, net other revenues are $97 million (8.7 percent) ahead of the February forecast. Regarding forecast change, other tax revenues are now forecast to be $91 million (1.8 percent) higher than the prior estimate. Among other taxes, the estate tax shows the largest dollar amount change, $69.6 million (4.1 percent) higher than the prior estimate. Among non-tax revenues, the largest dollar amount change is in investment income, now projected to generate $158.9 million (22.7 percent) more than the prior estimate.




Source: Minnesota Management and Budget (MMB)

*Among non-tax revenues, the largest dollar amount change is in investment income, now projected to generate $159 million (22.7 percent) more than the prior estimate.*

## Planning Estimates

Total revenues for FY 2028-29 are now estimated to be $67.787 billion, an increase of $1.524 billion (2.3 percent) over the current forecast for FY 2026-27 revenues. Total tax revenues for FY 2028-29 are estimated to be $65.480 billion, a 3.6 percent increase over FY 2026-27 forecast revenues.

The individual income tax is expected to grow $1.003 billion (2.9 percent) and to contribute 43.8 percent of the biennial change in total tax revenue. General sales tax revenues are expected to exceed FY 2026-27 forecast levels by $665 million (4.2 percent), accounting for 29.1 percent of the growth in total tax revenues. Other tax revenues show the largest percent increase, growing by $511 million (10.0) percent. Receipts from the corporate franchise tax are expected to increase $105 million (1.7 percent) from FY 2026-27 levels, and statewide property tax receipts are expected to increase $6 million (0.4 percent).

**Planning Estimates: FY 2028-29 General Fund Revenues**
Biennial Comparison; February 2025 Forecast

| ($ in millions) | FY 2026-27 | FY 2028-29 | $ Change | % Change |
|---|---|---|---|---|
| Individual Income Tax | $34,513 | $35,515 | $1,003 | 2.9% |
| General Sales Tax | 15,797 | 16,462 | 665 | 4.2 |
| Corporate Franchise Tax | 6,272 | 6,377 | 105 | 1.7 |
| State General Property Tax | 1,480 | 1,486 | 6 | 0.4 |
| Other Tax Revenue | 5,131 | 5,641 | 511 | 10.0 |
| **Total Tax Revenues** | **$63,191** | **$65,480** | **$2,289** | **3.6%** |
| Non-Tax Revenues | 2,612 | 2,177 | (435) | (16.7) |
| Other Resources | 459 | 129 | (330) | (71.9) |
| **Total Revenues** | **$66,262** | **$67,787** | **$1,524** | **2.3%** |

The revenue planning estimates are based on the SPGMI baseline forecast, which assumes U.S. real GDP will grow 1.8 percent in calendar year (CY) 2027, followed by 1.6 percent in CY 2028, and 1.8 percent in CY 2029.

The planning estimates for FY 2028-29 should be used with caution. First, the projections will be affected by any revenue changes in the supplemental budget for FY 2026-27. Second, in subsequent forecasts, changes to our estimates of individual income tax liability for tax years 2024 through 2029, as well as changes to the base levels of other revenue types for FY 2025 through 2029, will change the FY 2028-29 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 2028-29 will deteriorate. Finally, Minnesota’s Council of Economic Advisers warns that the difficulty of projecting long-range economic conditions warrants caution when using economic forecasts for 2028 and 2029. The SPGMI baseline forecast calls for modest real GDP growth of less than 2.0 percent from 2027-2029. This slow growth leaves the economy vulnerable to negative shocks, such as geopolitical conflicts, natural disasters, and financial market volatility, which could cause growth in the planning estimate years to underperform SPGMI’s projections.

# EXPENDITURE OUTLOOK

## Current Biennium

Total state general fund expenditures for the FY 2026-27 biennium are projected to be $70.299 billion, $3.425 billion (4.9 percent) higher than previously forecast. Spending is higher than end of session estimates across all major areas, with the exception of the cost of debt service on state-issued bonds.

**Current Biennium: FY 2026-27 General Fund Expenditures**
End of Session vs. November 2025 Forecast Comparison

| ($ in millions) | November 2025 Forecast | $ Forecast Change | $ Carry-forward | $ Net Change | % Net Change |
|---|---|---|---|---|---|
| E-12 Education | $25,869 | $173 | $57 | $115 | 0.4% |
| Property Tax Aids & Credits | 4,841 | 86 | 2 | 84 | 1.8 |
| Health & Human Services | 25,808 | 1,809 | 403 | 1,406 | 5.9 |
| Debt Service | 1,165 | (41) | 0 | (41) | (3.4) |
| All Other | 12,616 | 1,397 | 1,396 | 1 | 0 |
| **Total** | **$70,299** | **$3,425** | **1,859** | **$1,566** | **2.3%** |

In FY 2026-27, $1.859 billion of the higher spending represents money carried forward from FY 2025. These appropriations are legally allowed to be spent in the current biennium and thus do not fall to the bottom line because they are not available to be appropriated for other purposes. The appropriation carryforward is uncharacteristically large for the end of a biennium. The majority of the carryforward is related to one-time appropriations for grants and capital projects appropriated in the 2023 and 2024 legislative sessions, which were provided extended timelines to be spent. This forecast reflects the funds carried forward from FY 2025 as spent in FY 2026-27. The bulk of these appropriations fall across several key categories, which are outlined in the table below. Many of these appropriations fund infrastructure, such as transportation and transit, lead service lines, and improvements to state outdoor recreation facilities. Some appropriations supported major technology improvements, while others were grants within the health and human services area, which received one-time appropriations to be spent over several years.

**FY 2025 General Fund Appropriation Carryforward by Category**

| ($ in millions) | $ Carryforward |
|---|---|
| Transportation and Transit Projects | 509 |
| Operating | |
| *State Agencies* | *260* |
| *Legislative Branch* | *55* |
| *Judicial Branch* | *23* |
| Environment Programs and Projects | 222 |
| Lead Line Replacement | 197 |
| DHS Grant Programs | 184 |
| IT Projects | 103 |
| Great Start and DCYF Grants | 85 |
| Workforce and Economic Development | 63 |
| All Other Carryforward | 158 |
| **Total General Fund Carryforward** | **$1,859** |

**E-12 Education.** Education finance is the largest category of state general fund spending. It consists of aid programs for general education, special 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 expenditures are forecast to reach $25.869 billion in FY 2026-27, $173 million (0.7 percent) above end of session estimates. Of that change, $57 million represents funds carried forward from FY 2025 to FY 2026. Most of the carryforward is related to grant appropriations made in the 2023 and 2024 legislative sessions that received extended spending authority. The remaining change reflects $115 million in higher forecast program spending relative to end of session. This higher-than-expected spending is largely due to special education expenditures, which are estimated to be up $133 million compared to end of session.

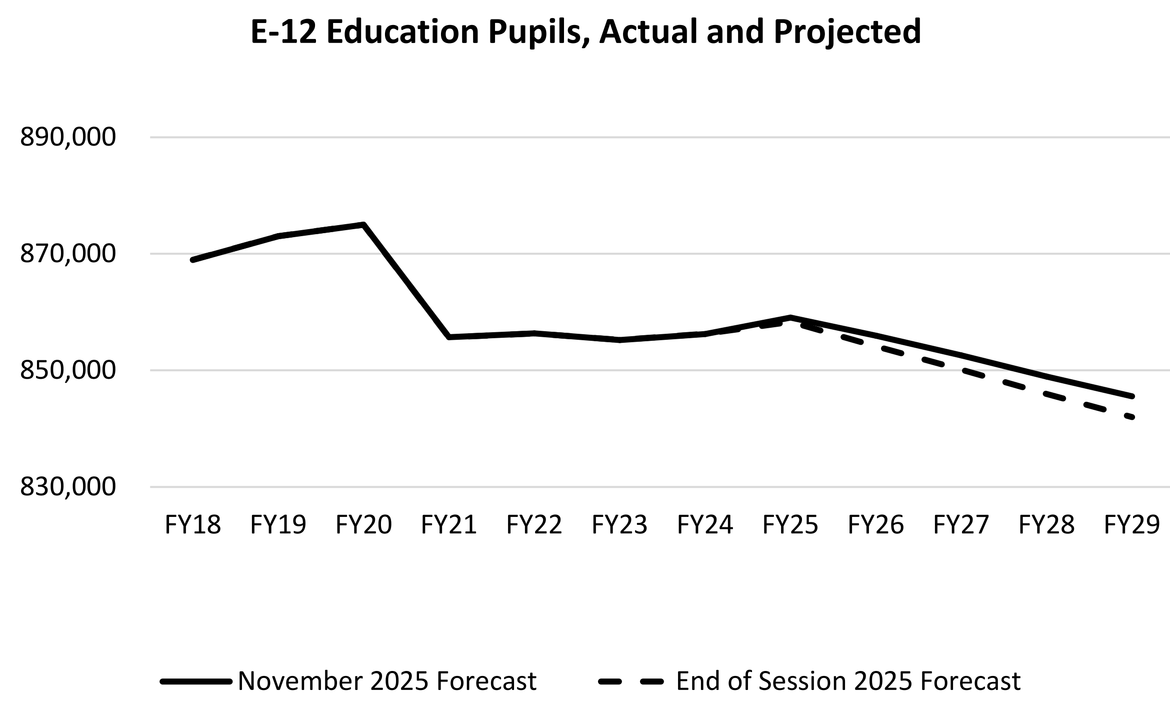
**General Fund Education Expenditures**

End of Session vs. November 2025 Forecast Comparison

| | FY 2026-27 | | FY 2028-29 | |
|---|---|---|---|---|
| ($ in millions) | $ Change | % Change | $ Change | % Change |
| Basic Formula | $31 | 0.2% | $63 | 0.4% |
| Compensatory | (19) | (1.1) | (62) | (3.4) |
| Other General Education | (7) | (0.4) | 4 | (0.3) |
| **General Education Subtotal** | **$5** | **0.0%** | **$5** | **0.0%** |
| Special Education | 133 | 2.3 | 287 | 4.4 |
| Nutrition Programs | (24) | (3.6) | (13) | (1.9) |
| Other Categoricals | 1 | 0.1 | 9 | 0.6 |
| **E-12 Change Excluding Carryforward** | **$115** | **0.4%** | **-** | **-** |
| FY 2025 Carryforward | 57 | - | - | - |
| **Total E-12 General Fund Forecast Change** | **$173** | **0.7%** | **$288** | **1.1%** |

Special education is a reimbursement-based aid with the state funding a portion of prior year costs. Salaries, benefits, and transportation costs account for most of districts' special education expenditures. Higher spending on salaries and benefits in FY 2025 primarily drives the increase in special education aid. The number of students receiving special education services is growing year-over-year and is expected to be slightly higher than end of session estimates. Because special education aid is largely based on prior year costs, this results in increased aid in FY 2026 and forward.

General education expenditures are $5 million higher than prior estimates. Within the general education formula, increases in the basic formula aid offset lower spending on compensatory revenue. Greater-than-expected student enrollment drives increased spending on general education basic formula aid and other smaller aid streams. Student enrollment is measured by pupil counts, the primary factor determining E-12 education spending in Minnesota. Pupils are projected by the Minnesota Department of Education (MDE) using near-term growth trends based on historic data and other factors. Pupil projections are higher than end of session estimates by 755 (0.1 percent) students in FY 2025, and by FY 2029 pupil counts are 3,584 (0.4 percent) higher than previously forecast. While pupil projections are higher than previously forecast, pupils are still expected to decrease year-over-year after FY 2025. This change can be attributed to preliminary data from districts showing higher than expected kindergarten enrollment and participation in postsecondary enrollment options.




*E-12 education pupil projections are higher than end of session estimates across the forecast horizon.*

Compensatory revenue, a component of general education, is $19 million (1.1 percent) below end of session estimates. Compensatory revenue is calculated for each school site and is dependent on the number and percentage of students at a site that are eligible for free or reduced-price meals using federal definitions via direct certification. Compensatory spending is down because both the projected number and percentage of students who qualify for free and reduced-price meals is lower than previous estimates. Additionally, nutrition program spending is down $24 million (3.6 percent) from end of session estimates primarily due to actual meals served in FY 2025 being lower than expected, lowering the base spending in the program in FY 2026-27 and forward.

**Health and Human Services.** Health and Human Services (HHS) is approximately 36.7 percent of total state general fund spending. Most of these expenditures (81 percent) are forecast programs including Medical Assistance (MA), the 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 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. MA covers both health care services ("basic care") and long term care in facilities and community-based settings. In the FY 2026-27 biennium, anticipated HHS general fund spending is $25.808 billion, up $1.809 billion (7.5 percent) from end of session estimates. Approximately $1.406 billion of this change is due to changes in spending for forecast programs, and $403 million of this change is the carryforward amount from FY 2025.

**Health and Human Services Expenditures**

End of Session vs. November 2025 Forecast Comparison

| | **FY 2026-27** | | **FY 2028-29** | |
|---|---|---|---|---|
| **($ in millions)** | **$ Change** | **% Change** | **$ Change** | **% Change** |
| Managed Care Rates | $742 | 8.1% | $834 | 8.2% |
| Basic Care Fee for Service Payments | 167 | 1.8 | 169 | 1.7 |
| Basic Care Enrollment | 195 | 2.1 | 159 | 1.6 |
| DD & CADI Waiver Average Costs | 204 | 1.2 | 193 | 1.0 |
| DD & CADI Waiver Enrollment | 102 | 0.6 | 153 | 0.8 |
| Increase Baseline FMAP to 51.36% | (109) | (0.6) | (337) | (1.7) |
| All other MA | (16) | (0.1) | 21 | (0.1) |
| **Total MA General Fund Change** | **1,285** | **7.3** | **1,192** | **6.1** |
| Housing Support | 61 | 11.0 | 97 | 16.0 |
| MFIP Child Care | (51) | (21.5) | (23) | (6.5) |
| All other HHS changes (including FFP) | 111 | 0.5 | 96 | 0.4 |
| **HHS Change Excluding Carryforward** | **$1,406** | **5.9%** | **$1,362** | **5.2%** |
| Carryforward from FY 2025 | 403 | - | - | - |
| **Total HHS General Fund Change** | **$1,809** | **7.5%** | **$1,362** | **5.2%** |

*Medical Assistance Program*

MA expenditures increased $1.285 billion (7.3 percent) from end of session estimates in FY 2026-27. This is primarily explained by higher costs of basic health care services plus higher costs and enrollment in long term care waivers.

The largest increase in MA is explained by updates to managed care rates, which account for $742 million of the change relative to end of session estimates. Managed care is how most individuals on MA access health care services. The state provides monthly payments, referred to as capitation payments, to health plans to cover health care services for enrollees. Every calendar year, the Department of Human Services (DHS) uses information from health plans and works with actuaries to set rates for the upcoming year based on past experience and projected growth trends. During calendar year 2024 and early 2025, health plans experienced higher-than-expected utilization and price of health care services. This resulted in two increases to 2025 rates in the middle of the calendar year. Calendar year 2026 rates will receive increases over the updated 2025 rates, but these increases are more in line with historical trends. The increases result in substantially higher capitation payments compared to what was assumed for calendar year 2026 rates in end of session estimates. The table below summarizes these changes.

**2026 Managed Care Rates Compared to Previous Estimates**

| Category | % Change |
|---|---:|
| Elderly | 12.5% |
| Disabled | 13.5 |
| Families With Children | 8.0 |
| Adults Without Kids | 28.3 |

Higher utilization and cost of health care services drive the increase in managed care rates. Health actuaries used by the state attribute about three-quarters of the growth to increased utilization of services and one quarter to growth in the cost of health care services. The one notable exception is for pharmacy services, where increased utilization of high-cost drugs is the primary driver of growth. Growth is spread throughout all services but highest among those services with the most claims by volume are pharmacy, outpatient hospital, and professional services.

Of the total forecast change resulting from higher managed care rates, changes for families with children explain almost half ($309 million) of the increase. Although they had the smallest average rate change, roughly 65 percent of MA enrollees are in this group. Disabled and elderly basic care represent $146 million and $163 million of the change, respectively. While rates grew fastest among adults without kids, their share of the general fund change is smallest ($125 million) because the of enhanced federal matching funds, which cover 90 percent of the cost of services.

The rate of growth in costs is not isolated to MA, other public and private insurance plans are also seeing significant increases for the upcoming calendar year. The Department of Commerce notes an average 22 percent increase over the current year for marketplace plans, and the state employee group insurance plan also notes a 17 percent increase over 2025.

While most basic care is provided through managed care, some services, including retroactive coverage for individuals is provided on a fee-for-service (FFS) basis. This means the state pays a provider directly after a service is delivered, rather than paying a health plan in advance. FFS payments also increase expenditures by about $167 million (1.8 percent) in FY 2026-27 over end of session estimates. Recent trends have shown higher average payments for these services, similar to trends experienced in managed care. The forecast assumes this trend continues over the forecast horizon.

Higher enrollment in basic care increases forecast expenditures by $195 million (2.1 percent) in FY 2026-27 over end of session estimates. Higher than expected enrollment among people with disabilities increases expenditures by $106 million (1.2 percent), and higher enrollment in families with children increased expenditures by $109 million (1.2 percent). Partially offsetting this increase is lower enrollment among adults without children.

Growth in the Developmental Disability (DD) and the Community Access for Disability Inclusion (CADI) waivers increases state spending in the current biennium, due to both higher average cost of services and more people using these services. DD and CADI waivers, both long-term care waivers, provide services for individuals who need the level of care provided in a nursing home or other long-term care facility but choose to receive these supports in their homes and communities. Higher than expected average costs in these waivers increased state expenditures by $204 million (1.2 percent) in the FY 2026-27 biennium relative to end of session estimates. Growth in average payments in the DD waiver is the primary driver with $144 million in increased spending. Higher average payments in the CADI increased state spending by $60 million.

Higher enrollment in DD and CADI waivers increases state expenditures by $102 million (0.6 percent) relative to end of session estimates. Of that change, enrollment growth in the DD waiver increases state expenditures by $48 million, while higher CADI caseload increases costs by $54 million. The largest growing population in the DD waiver is children under 19 years. Within the CADI waiver program there is growth happening at all age levels.

An increase in the federal matching rate for MA, starting on October 1, 2026, decreases expected general fund spending by $109 million (0.6 percent) compared to end of session estimates. The Centers for Medicaid and Medicare (CMS) recently announced a 0.68 percentage point increase to Minnesota’s baseline federal Medical Assistance percentage (FMAP) to 51.36 percent from 50.68. The reduction is a result of changes in how Minnesota’s per capita personal income compares to the national average personal income, as measured annually by the federal government. The forecast assumes this higher federal share continues through the forecast horizon.

This forecast also includes the impact of the termination of the Housing Stabilization Services and is included with all other changes in MA. Elimination of this program impacts fee-for-service and managed care claims. This forecast assumes the program ended and no services are rendered after October 31, 2025, and no future costs related to the program.

Other Health and Human Services Expenditures

Housing Support increases state spending by $61 million (11.0 percent) in the current biennium relative to end of session estimates. The Housing Support program pays for room and board for seniors and adults with disabilities who have low incomes. Higher caseload explains about two-thirds of the increase in expenditures and higher average costs per recipient explains the remaining change. This is partially due to a 2023 law that changed how unearned income is used to determine eligibility for the program.[30] Actual impacts on enrollment have been larger than those projected when the law was enacted. Average costs are also higher than expected due to more individuals in supportive housing using services such as transportation or case management. People in supportive housing also receive a higher room and board rate, which contributes to higher average costs.

Lower than expected participation in the Child Care Assistance Program decreased state expenditures by $51 million (21.5 percent) in FY 2026-27. This is due to fewer families accessing care and declining MFIP participation trends.

[30] *Chapter 70, article 10, section 33*

***State Impacts from Federal HR1***

*The November forecast is the first forecast to incorporate impacts of HR1, the federal reconciliation bill signed by President Trump on July 4, 2025. HR1 made significant changes to federal programs with notable impacts to federal tax policy, health care, and nutrition programs.*

*HR1 has many impacts on programs administered by state government. However, the expenditure forecast only reflects impacts of changes where there is a preexisting state obligation to provide a benefit. Some of the provisions require state law changes before Minnesota can conform with federal law. Others require federal guidance before the state can estimate their fiscal impact. Some provisions of HR1 impact programs that are not supported by state appropriations, such as changes to the health care marketplace and renewable energy tax credits. As a result, they are not incorporated in the expenditure forecast. The sections below cover impacts in this forecast by state program.*

*The table below summarizes the impacts of HR1 incorporated in this forecast. The fiscal impact to the state is estimated to be $222 million in FY 2026-27 and $480 million in FY 2028-29 across the general and health care access funds.*

***State Budget Impacts of HR1***

***($ in millions)***

| ***HR1 Provision*** | ***State Program*** | ***FY 2026-27*** | ***FY 2028-29*** |
|---|---|---|---|
| ***General Fund*** | | | |
| *MA Retroactive Coverage Changes* | *MA* | *12* | *80* |
| *Emergency MA Federal Share Reduction* | *MA* | *10* | *39* |
| *Changes to MA Coverage for Noncitizens* | *MA* | *(12)* | *(34)* |
| *SNAP Legal Noncitizen Changes* | *MFIP* | *15* | *20* |
| ***GF Subtotal*** | | ***25*** | ***105*** |
| ***Health Care Access Fund*** | | | |
| *Changes to MA Coverage for Noncitizens* | *MinnesotaCare* | *36* | *103* |
| *Tax Credit Eligibility Impact on BHP Funding* | *MinnesotaCare* | *161* | *272* |
| ***HCAF Subtotal*** | | ***197*** | ***375*** |
| ***Total Impact*** | | ***222*** | ***480*** |

*Medical Assistance*

*The state program with the most related provisions in HR1 is Medical Assistance. In total HR1 increases MA expenditures by around $11 million in the current biennium and $85 million in the planning biennium. However, this forecast does not include the impact of several provisions with significant impacts on the program.*

*The largest forecast impact of HR1 on MA is on retroactive coverage. Prior to HR1, MA provided three months of retroactive coverage to eligible individuals funded by both state and federal funds. Effective January 1, 2027, the federal government will only reimburse the state for one month of retroactive coverage for adults without children and two months for all other enrollees. Because state law defines retroactive coverage as a three-month window, the forecast assumes those costs* *are fully covered by the state budget. This loss of federal funding increases state expenditures by $12 million in the current biennium and $80 million in the planning years.*

*Changes in eligibility and federal financing also impacts this forecast. HR1 reduced federal funding for some emergency MA recipients from 90 percent to 51.36 percent of the cost. This increases state spending by $10 million in this biennium and $39 million in the planning years.*

*HR1 also eliminated MA eligibility for some lawfully present noncitizens including refugees and asylum seekers. This reduces state general fund expenditures by $12 million this biennium and $34 million in the planning biennium. However, these individuals will become eligible for state-only funded MinnesotaCare, resulting in higher spending in the health care access fund of $36 million this biennium and $103 million in the planning biennium. HR1 makes other lawfully present noncitizens no longer eligible for premium tax credits. Previously, the state would receive 95 percent of the tax credits these individuals would have received on the exchange if they qualified for MinnesotaCare. This change increases health care access fund spending on MinnesotaCare by $161 million this biennium and $272 million in the planning estimates.*

*The forecast does not include any impact related to work requirements for adults nor to the six-month redetermination requirement for MA eligibility, which the state will need to implement by January 1, 2027. There is no state law authorizing or directing the process of implementing work nor redetermination requirements for this program. For similar reasons, this forecast does not include the state imposing cost sharing on expansion individuals because state law does not authorize this cost sharing.*

*Starting in FY 2028, provider tax caps imposed by HR1 will limit additional payments made through MA to hospitals which are financed partially through an assessment on hospitals passed during the 2025 legislative session. This provider tax limitation decreases payments, and the cap decreases by half a percent every year from 2028 to 2032, until the new 3.5 percent cap is fully implemented. These changes do not impact general fund spending, so they are not reflected in the forecast.*

*Supplemental Nutrition Assistance Program (SNAP)*

*HR1 also makes significant changes to SNAP. However, many of those changes do not impact this forecast. SNAP is a federally funded program that provides monthly benefits to eligible low-income households to help purchase food. Eligibility is determined by a variety of factors including household size, income, and work status.*

*The largest change to SNAP is new nonfederal match for both benefits and administrative costs. The nonfederal share for benefits will range from 0 to 15 percent beginning October 1, 2027, as determined by the state's federal Payment Error Rate. The nonfederal share of administrative costs will increase from 50 percent to 75 percent on October 1, 2026. Neither of these required changes impact this forecast because SNAP benefits and administration are not forecast programs under state law.*

*However, HR1 changes to legal non-citizen SNAP eligibility are reflected in this forecast. Legal noncitizens remain eligible for food assistance through MFIP. This results in a shift of $15 million in FY 2026-27 and $20 million in FY 2028-29 from the federal SNAP program to MFIP, a state general fund program.*

**Property Tax, Aids, and Credits.** Property tax aids and credits are approximately 7 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, such as property tax refunds for homeowners and renters, are also included in this category because they provide targeted property tax relief.

FY 2026-27 spending for property tax aids and credits is forecast to be $4.841 billion, $86 million (1.8 percent) higher than end of session estimates. Approximately $84 million of this change is due to changes in spending for forecast programs and $2 million of this change is the carryforward amount of electric-assist bicycle rebates from FY 2025. Property tax refunds account for the most significant part of this forecast change. Homestead credit refunds are forecast to increase $28 million (1.7 percent), primarily due to higher local property tax levies. Actual refund counts and average refund amounts drive the forecast up in FY 2026 and increase the base in FY 2027. Higher-than-expected residential homestead property taxes and lower personal income growth provide additional upward pressure on homestead credit refunds in FY 2027. Special property tax refunds, which are for homeowners experiencing significant increases in net property taxes, are $8 million (51 percent) above end of session estimates due to the higher actual refunds in FY 2026 and higher property tax levies in FY 2027.

Police and fire state aids are $17 million (7.1 percent) and $13 million (12.1 percent) higher, respectively, due to higher actual and forecast growth in auto and fire insurance premium taxes, a portion of which are distributed to units of local government to offset law enforcement pension costs.

**Debt Service and All Other.** Debt service expenditures for the current biennium are forecast to be $1.165 billion, which is a decrease of $41 million (3.4 percent) from previous estimates. The reduction is primarily due to a smaller 2025 bond sale than previously forecast, along with lower interest rates realized in the September 2025 bond sale than previously projected. Additional savings resulted from refinancing previously sold bonds and additional collections for user financed bonds. Overall savings were partially offset by higher interest rates forecast for the remainder of the current biennium, which raise future borrowing costs.

This forecast does not include an assumption of future issuance of state general obligation bonds. The 2025 Legislature passed a law removing assumptions of future authorizations of state general obligation bonds from the expenditure forecast. Previously, future debt service expenditures included an assumption of future bonding authorizations. The assumptions were based on the average size of general obligation (GO) bonds authorized in capital budget bills over the past ten years. Now, under current law, debt service reflected in the forecast reflects only the amounts owed for bonds that have been authorized by the legislature. This change to law was included in end of session estimates.

All other state spending is projected to total $12.616 billion in FY 2026-27, an increase of $1.397 billion (12.5 percent). Carryforward of unspent appropriations from FY 2025 increases spending in the current biennium by $1.396 billion. If carryforward is excluded, all other state spending is up $1 million from end of session estimates. This small change obscures offsetting changes across programs. The cost of special transportation services provided by Metropolitan Council is higher than previously projected. This forecast also reflects higher public safety expenditures in FY 2026 resulting from a transfer to the disaster assistance contingency account per Minnesota Statutes 16A.286. The FY 2025 general fund ending balance exceeded previous projections which triggered a transfer of $25 million to the disaster assistance contingency account. These increases are offset by a higher assumption of cancelations.

**Biennial Budgetary Growth**

Biennial growth in state expenditures is primarily concentrated in E-12 education and Health and Human Services programs. One-time money appropriated in the FY 2024-25 biennium contributes to a drop in all other state spending areas from FY 2024-25 to FY 2028-29.

Special education and general education contribute to year-over-year increases in education expenditures. Because special education aid is reimbursement based, districts' year-over-year increases to compensation and staff benefits drive growth in state spending. The basic formula pupil allowance increases annually between two and three percent, so even while pupils are expected to decline after FY 2025, inflationary increases in the basic allowance grow education spending.

**Budget Horizon: FY 2024-29 General Fund Spending**
Biennial Comparison; November 2025 Forecast

| **($ in millions)** | **FY 2024-25** | **FY 2026-27** | **FY 2028-29** | **Annual % Change** |
|---|---|---|---|---|
| E-12 Education | 24,565 | 25,869 | 27,168 | 2.9 |
| Property Tax Aids | 5,566 | 4,841 | 5,046 | (2.0) |
| Health & Human Services | 20,951 | 25,808 | 27,633 | 7.4 |
| Debt Service | 1,066 | 1,165 | 1,218 | 3.5 |
| All Other | 7,137 | 12,616 | 11,211 | (11.1) |
| Estimated Inflation | - | - | 935 | n/a |
| **Total Expenditures** | **$69,285** | **$70,299** | **$73,212** | **1.1%** |

Growth in Medical Assistance (MA) is the most significant driver of biennial growth in Health and Human Services expenditures due to higher costs from Basic Care, and higher costs and enrollment in long term care waivers.

## Planning Estimates

General fund spending in FY 2028-29 is expected to be $73.212 billion, $1.865 billion (2.6 percent) higher than end of session estimates. This change is primarily the result of higher spending in health and human services, due to an increase in MA spending on managed care and long-term care waivers. E-12 education, property tax aids and credits, and higher cost estimates for discretionary inflation add to this increase.

**Planning Estimates: FY 2028-29 General Fund Expenditures**
End of Session vs. November 2025 Forecast Comparison

| ($ in millions) | End of Session | November 2025 Forecast | $ Change | % Change |
|---|---|---|---|---|
| E-12 Education | $26,879 | $27,168 | $288 | 1.1% |
| Property Tax Aids & Credits | 4,931 | 5,046 | 116 | 2.3 |
| Health & Human Services | 26,271 | 27,633 | 1,362 | 5.2 |
| Debt Service | 1,230 | 1,218 | (12) | (1.0) |
| All Other | 11,220 | 11,211 | (9) | (0.1) |
| Inflation | 816 | 935 | 119 | 14.6 |
| **Total Expenditures** | **$71,347** | **73,212** | **$1,865** | **2.6%** |

**E-12 Education.** Spending on E-12 education is expected to reach $27.168 billion, a $288 million (1.1 percent) increase from prior estimates. This change is primarily driven by growth in special education spending, which is up $287 million (4.4 percent) in FY 2028-29 compared to end of session estimates. Higher expenditures are primarily attributable to faster growth in salaries and benefits of special education staff at local education agencies. These increases are slightly offset by lower growth in special education transportation costs.

General education spending is $5 million above previous estimates in FY 2028-29. While basic formula aid is up $63 million (0.4 percent) over end of session estimates, compensatory spending is down $62 million (3.4 percent) leaving the remaining change to be primarily driven by the impact of higher pupil counts in smaller aid streams. Basic formula aid increases are due to higher pupil projections and a higher than previously forecast increase to the basic formula allowance in FY 2029. This forecast assumes a 2.78 percent increase in FY 2028 and a 2.62 percent increase in FY 2029.

**Health & Human Services.** In the FY 2028-29 biennium, anticipated Health and Human Services spending is expected to reach $27.633 billion, an increase of $1.362 billion (5.2 percent) from end of session estimates. This increase is explained mainly by changes in the Medical Assistance (MA) program, which is up $1.192 billion (6.1 percent).

Higher managed care rates, fee-for-service payments, and enrollment within basic care drive the increase in expenditures. Additionally, CADI and DD growth increase expenditures in the planning biennium.

Managed care rates account for more than half of the increase in MA expenditures in FY 2028-29, increasing basic care expenditures by $834 million (8.2 percent) from end of session estimates due to the 2025 midyear adjustments, and their continued impact on rates in the planning years. Continued higher than previously forecast levels of enrollment in Disabled Basic Care and Families with Children, increase MA expenditures by $159 million in the FY 2028-29 biennium. Similarly to the prior biennium, increased basic care fee-for-services payments increase MA expenditures by $169 million.

Average payment growth and higher enrollment in DD and CADI waivers is anticipated to extend into the next biennium. Rising average costs increase state expenditures by $193 million (1.0

percent), while enrollment increases add $153 million in general fund spending (0.8 percent) relative to previous estimates.

These higher costs are partially offset by the higher FMAP rate starting on October 1, 2026. The higher FMAP impacts both fiscal years in the FY 2028-29 biennium and decreases MA expenditures by $337 million (1.7 percent) from end of session estimates. MA expenditures also reflect the impact from HR1, which increases expenditures by $85 million in FY 2028-29.

Outside of MA, Housing Support expenditures are up by $97 million, or 16.0 percent in FY 2028-29. This is due to a continuation of current biennium trends, including more people enrolling in the program and increases to average cost per recipient. A 2025 law terminated freestanding room and board coverage by the Behavioral Health Fund, effective July 1, 2027.[31] Many will still receive services through Certified Recovery Residences under Housing Support, which will shift people from the free standing room and board program to Housing Support. Because of a recent increase in free standing room and board recipients, this forecast estimates that more people will move into Housing Support at a higher rate than previously anticipated.

**Property Tax, Aids, and Credits.** Property tax aids and credits spending is projected to total $5.046 billion in FY 2028-29, an increase of $116 million (2.3 percent) compared to end of session estimates. Homestead credit refunds are $64 million (3.8 percent) higher than previously forecast. Higher average refund size is driven by higher residential property tax levels and lower income growth. Police and fire state aids are $19 million (7.4 percent) and $14 million (12.4 percent) higher, respectively, due to continued growth in auto and fire insurance premium taxes, a portion of which are distributed to units of local government to offset law enforcement pension costs.

**Debt Service and All Other.** Debt service expenditures are forecast to be $1.218 billion in the next biennium, $12 million (1.0 percent) less than previous estimates. Interest rates are projected to remain at levels near previous estimates, and investment income earnings are projected to grow slightly resulting in net overall savings.

All other state spending is projected to total $11.211 billion in FY 2028-29, a decrease of $9 million (0.1 percent). This is primarily driven by $27 million more in assumed cancelations offset by higher spending on Destination Medical Center and special transportation services. Spending on Destination Medical Center is forecast to be $11 million (28.2 percent) higher than previous estimates due to higher estimated local contributions. Special transportation service (Metro Mobility and Metro Move) is now forecast to cost $274 million, an increase of $11 million (4.2 percent) from prior estimates. This increase is primarily due to increased contracted provider costs.

[31] Laws 2025 1st Special Session, Chapter 9, article 4, section 32

# APPENDIX

**ECONOMIC DATA**



**REVENUE EXPERIENCE**



**GENERAL FUND BALANCE SHEETS**



**OTHER DATA**

## Minnesota Economic Forecast Summary

Forecast 2025 to 2029 - Calendar Years

| | 2025 | 2026 | 2027 | 2028 | 2029 |
|---|---|---|---|---|---|
| **Current Dollar Income (Billions of Dollars)** | | | | | |
| Personal Income | 456.375 | 475.450 | 497.270 | 517.955 | 539.370 |
| %Chg | 4.2 | 4.2 | 4.6 | 4.2 | 4.1 |
| Wage & Salary Disbursements | 234.028 | 243.498 | 252.603 | 262.000 | 271.500 |
| %Chg | 3.9 | 4.0 | 3.7 | 3.7 | 3.6 |
| Non-Wage Personal Income | 222.345 | 231.943 | 244.673 | 255.953 | 267.875 |
| %Chg | 4.4 | 4.3 | 5.5 | 4.6 | 4.7 |
| Supplements to Wages & Salaries | 49.801 | 51.995 | 53.789 | 55.818 | 57.934 |
| %Chg | 5.6 | 4.4 | 3.4 | 3.8 | 3.8 |
| Dividends, Interest, & Rent Income | 93.008 | 98.009 | 104.513 | 110.365 | 116.178 |
| %Chg | 1.9 | 5.4 | 6.6 | 5.6 | 5.3 |
| Farm Proprietors Income | 2.670 | 2.101 | 2.350 | 2.749 | 3.042 |
| %Chg | 50.7 | -21.3 | 11.9 | 17.0 | 10.7 |
| Non-Farm Proprietors Income | 33.389 | 34.246 | 36.129 | 37.091 | 38.393 |
| %Chg | 2.6 | 2.6 | 5.5 | 2.7 | 3.5 |
| Personal Current Transfer Receipts | 83.168 | 86.357 | 89.649 | 93.024 | 96.880 |
| %Chg | 6.8 | 3.8 | 3.8 | 3.8 | 4.1 |
| Less: Contrib. for Gov. Social Ins. | 37.915 | 38.982 | 39.977 | 41.313 | 42.773 |
| %Chg | 5.2 | 2.8 | 2.6 | 3.3 | 3.5 |
| **Real Income (Billions of 2012 Dollars)** | | | | | |
| Real Personal Income | 359.463 | 363.758 | 372.115 | 379.805 | 387.585 |
| %Chg | 1.5 | 1.2 | 2.3 | 2.1 | 2.0 |
| Real Wage & Salary Disbursements | 184.330 | 186.300 | 189.025 | 192.123 | 195.098 |
| %Chg | 1.2 | 1.1 | 1.5 | 1.6 | 1.5 |
| **Employment (Thousands)** | | | | | |
| Employment - Total Non-Farm Payrolls | 3,009.3 | 3,009.0 | 3,015.4 | 3,025.0 | 3,036.3 |
| %Chg | 0.0 | 0.0 | 0.2 | 0.3 | 0.4 |
| Construction | 138.5 | 137.9 | 138.5 | 140.1 | 142.3 |
| %Chg | 0.7 | -0.4 | 0.4 | 1.1 | 1.5 |
| Manufacturing | 317.0 | 315.8 | 315.5 | 316.6 | 317.8 |
| %Chg | -1.3 | -0.4 | -0.1 | 0.4 | 0.4 |
| Private Service-Providing | 2,114.2 | 2,119.4 | 2,124.0 | 2,129.2 | 2,135.5 |
| %Chg | 0.0 | 0.2 | 0.2 | 0.2 | 0.3 |
| Government | 433.2 | 429.3 | 430.9 | 432.5 | 434.1 |
| %Chg | 0.6 | -0.9 | 0.4 | 0.4 | 0.4 |
| Minnesota Civilian Labor Force | 3,150.9 | 3,154.8 | 3,162.5 | 3.2 | 3.2 |
| Unemployment Rate (%) | 3.3 | 3.4 | 3.3 | 0.0 | 0.0 |
| **Demographic Indicators (Millions)** | | | | | |
| Total Population | 5.825 | 5.843 | 5.859 | 5.875 | 5.892 |
| %Chg | 0.5 | 0.3 | 0.3 | 0.3 | 0.3 |
| Total Population Age 16 & Over | 4.694 | 4.720 | 4.744 | 4.767 | 4.792 |
| %Chg | 0.7 | 0.5 | 0.5 | 0.5 | 0.5 |
| Total Population Age 65 & Over | 1.091 | 1.117 | 1.140 | 1.161 | 1.179 |
| %Chg | 2.8 | 2.4 | 2.1 | 1.8 | 1.5 |
| Total Households | 2.358 | 2.377 | 2.397 | 2.416 | 2.434 |
| %Chg | 0.7 | 0.8 | 0.8 | 0.8 | 0.7 |
| **Housing Indicators (Thousands)** | | | | | |
| Total Housing Permits (Authorized) | 19.763 | 19.876 | 20.790 | 21.489 | 22.319 |
| %Chg | -12.6 | 0.6 | 4.6 | 3.4 | 3.9 |
| Single-Family | 11.041 | 10.933 | 11.874 | 12.001 | 12.109 |
| %Chg | -18.8 | -1.0 | 8.6 | 1.1 | 0.9 |

Source: Minnesota Management & Budget (MMB) November 2025 Forecast

## U.S. Economic Forecast Summary

Forecast 2025 to 2029, Calendar Years

| | 2025 | 2026 | 2027 | 2028 | 2029 |
|---|---|---|---|---|---|
| **Real National Income Accounts (Billions of 2012 Dollars)** | | | | | |
| Real Gross Domestic Product (GDP) | 23,821.5 | 24,356.0 | 24,800.3 | 25,201.9 | 25,646.0 |
| %Chg | 2.0 | 2.2 | 1.8 | 1.6 | 1.8 |
| Real Consumption | 16,496.9 | 16,842.4 | 17,153.6 | 17,515.3 | 17,927.9 |
| %Chg | 2.5 | 2.1 | 1.8 | 2.1 | 2.4 |
| Real Nonresidential Fixed Investment | 3,646.9 | 3,670.5 | 3,720.1 | 3,776.3 | 3,857.3 |
| %Chg | 3.6 | 0.6 | 1.4 | 1.5 | 2.1 |
| Real Residential Investment | 773.3 | 767.7 | 781.2 | 796.5 | 812.5 |
| %Chg | -2.2 | -0.7 | 1.8 | 2.0 | 2.0 |
| Real Personal Income | 20,600.6 | 21,093.1 | 21,772.2 | 22,327.9 | 22,863.3 |
| %Chg | 2.3 | 2.4 | 3.2 | 2.6 | 2.4 |
| **Current Dollar National Income Accounts (Billions of Dollars)** | | | | | |
| Gross Domestic Product (GDP) | 30,700.6 | 32,306.1 | 33,657.4 | 34,980.5 | 36,388.1 |
| %Chg | 4.8 | 5.2 | 4.2 | 3.9 | 4.0 |
| Personal Income | 26,154.4 | 27,570.3 | 29,095.2 | 30,449.7 | 31,817.2 |
| %Chg | 5.0 | 5.4 | 5.5 | 4.7 | 4.5 |
| Wage & Salary Disbursements | 13,003.9 | 13,697.8 | 14,372.5 | 15,017.0 | 15,641.6 |
| %Chg | 5.0 | 5.3 | 4.9 | 4.5 | 4.2 |
| Non-Wage Personal Income | 13,150.5 | 13,872.6 | 14,722.7 | 15,432.7 | 16,175.6 |
| %Chg | 5.1 | 5.5 | 6.1 | 4.8 | 4.8 |
| **Price and Wage Indexes** | | | | | |
| U.S. GDP Deflator (2005=1.0) | 128.880 | 132.636 | 135.710 | 138.797 | 141.882 |
| %Chg | 2.8 | 2.9 | 2.3 | 2.3 | 2.2 |
| U.S. Consumer Price Index (1982-84=1.0) | 3.223 | 3.317 | 3.401 | 3.475 | 3.552 |
| %Chg | 2.7 | 2.9 | 2.5 | 2.2 | 2.2 |
| Employment Cost Index (Dec 2005=1.0) | 1.713 | 1.772 | 1.828 | 1.887 | 1.941 |
| %Chg | 3.4 | 3.4 | 3.2 | 3.2 | 2.9 |
| **Employment (Thousands)** | | | | | |
| Employment - Total Non-Farm Payrolls | 159.4 | 160.2 | 161.0 | 161.3 | 161.9 |
| %Chg | 0.9 | 0.5 | 0.5 | 0.2 | 0.4 |
| Construction | 8.3 | 8.3 | 8.3 | 8.4 | 8.5 |
| %Chg | 1.0 | -0.4 | 0.4 | 1.2 | 1.5 |
| Manufacturing | 12.7 | 12.5 | 12.4 | 12.3 | 12.1 |
| %Chg | -0.7 | -1.4 | -1.1 | -1.1 | -1.4 |
| Private Service-Providing | 114.3 | 115.3 | 116.1 | 116.4 | 117.0 |
| %Chg | 1.2 | 0.9 | 0.7 | 0.3 | 0.5 |
| Government | 23.5 | 23.5 | 23.6 | 23.6 | 23.7 |
| %Chg | 0.7 | -0.3 | 0.4 | 0.3 | 0.3 |
| U.S. Civilian Labor Force | 170.8 | 171.4 | 172.0 | 172.2 | 172.6 |
| Employment - Household Survey | 163.5 | 163.7 | 164.2 | 164.5 | 165.1 |
| Unemployment Rate (%) | 4.2 | 4.5 | 4.5 | 4.5 | 4.4 |
| **Other Key Measures** | | | | | |
| Non-Farm Productivity (index, 2005=1.0) | 1.230 | 1.257 | 1.277 | 1.298 | 1.319 |
| %Chg | 1.7 | 2.1 | 1.6 | 1.7 | 1.6 |
| Total Ind. Production (index, 2007=100) | 103.637 | 103.140 | 103.442 | 103.817 | 104.704 |
| %Chg | 1.1 | -0.5 | 0.3 | 0.4 | 0.9 |
| Manhours in Private Non-Farm Estab. | | | | | |
| Billions of Hours | 224.9 | 225.8 | 226.7 | 227.0 | 227.8 |
| %Chg | 0.7 | 0.4 | 0.4 | 0.1 | 0.4 |
| Average Weekly Hours | 32.5 | 32.5 | 32.5 | 32.5 | 32.5 |
| Manufacturing Workweek | 40.9 | 40.9 | 40.8 | 40.8 | 40.8 |

Source: SPGMI, Minnesota Management & Budget (MMB) November 2025 Forecast

## Alternative Forecast Comparison

Calendar Years

| | 24Q1 | 24Q2 | 24Q3 | 24Q4 | 25Q1 | 25Q2 | 2025 | 2026 | 2027 | 2028 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Real Gross Domestic Product (GDP), Percent Change, Seasonally Adjusted at Annual Rate** | | | | | | | | | | |
| Blue Chip Consensus (11-25) | 0.8 | 3.6 | 3.3 | 1.9 | -0.6 | 3.8 | 1.9 | 1.8 | ** | ** |
| S&P Global (11-25) | 0.8 | 3.6 | 3.3 | 1.9 | -0.6 | 3.8 | 2.0 | 2.2 | 1.8 | 1.6 |
| Moody's Analytics (11-25) | 0.8 | 3.6 | 3.3 | 1.9 | -0.6 | 3.8 | 1.9 | 1.7 | ** | ** |
| Wells Fargo (11-25) | 0.8 | 3.6 | 3.3 | 1.8 | -0.6 | 3.8 | 2.0 | 2.3 | 2.2 | ** |
| CBO Outlook (9-25) | 1.6 | 3.0 | 3.1 | 2.4 | -0.5 | 3.3 | 1.7 | 2.0 | 1.9 | 1.8 |
| Philadephia Fed (11-25) | 0.8 | 3.6 | 3.3 | 1.9 | -0.6 | 3.8 | 1.9 | 1.8 | 2.1 | 1.8 |
| **Consumer Price Index (CPI), Percent Change, Seasonally Adjusted at Annual Rate (except where noted)** | | | | | | | | | | |
| Blue Chip Consensus (11-25) * | 3.7 | 2.8 | 1.4 | 3.0 | 3.8 | 1.8 | 2.8 | 2.9 | ** | ** |
| S&P Global (11-25) | 3.7 | 2.8 | 1.4 | 3.0 | 3.8 | 1.6 | 2.7 | 2.9 | 2.5 | 2.2 |
| Moody's Analytics (11-25) | 3.7 | 2.8 | 1.4 | 3.0 | 3.8 | 1.7 | 2.8 | 3.2 | 2.6 | 2.1 |
| Wells Fargo (11-25) * | 3.2 | 3.2 | 2.7 | 2.7 | 2.7 | 2.5 | 2.7 | 2.7 | 2.4 | ** |
| CBO Outlook (9-25) | 3.8 | 3.5 | 2.5 | 2.3 | 2.4 | 2.4 | 3.2 | 2.4 | 2.2 | 2.2 |
| Philadephia Fed (11-25) | 3.7 | 2.8 | 1.4 | 3.0 | 3.8 | 1.6 | 2.9 | 2.7 | 2.3 | ** |

* Year-over-Year Percent Change
** Not Available

## SPGMI Economics Baseline Forecast Comparison

Calendar Years

| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Real Gross Domestic Product (GDP), Annual Percent Change** | | | | | | | | | | |
| April 2020 | -5.4 | 6.3 | 4.0 | 1.6 | | | | | | |
| November 2020 | -3.6 | 3.1 | 2.5 | 2.5 | 2.9 | 3.0 | | | | |
| February2021 | -3.5 | 5.7 | 4.1 | 2.3 | 2.6 | 2.6 | | | | |
| November 2021 | -3.4 | 5.5 | 4.3 | 2.9 | 2.7 | 2.6 | | | | |
| February 2022 | -3.4 | 5.7 | 3.7 | 2.7 | 2.6 | 2.5 | | | | |
| November 2022 | -2.8 | 5.9 | 1.8 | -0.2 | 1.3 | 1.8 | 1.9 | 1.8 | | |
| February 2023 | -2.8 | 5.9 | 2.1 | 0.7 | 1.6 | 2.0 | 1.8 | 1.6 | | |
| November 2023 | -2.2 | 5.8 | 1.9 | 2.4 | 1.4 | 1.4 | 1.7 | 1.7 | | |
| February 2024 | -2.2 | 5.8 | 1.9 | 2.5 | 2.4 | 1.6 | 1.7 | 1.8 | | |
| November 2024 | -2.2 | 6.1 | 2.5 | 2.9 | 2.7 | 2.0 | 2.1 | 1.8 | | |
| February 2025 | -2.2 | 6.1 | 2.5 | 2.9 | 2.8 | 2.3 | 2.0 | 1.6 | | |
| November 2025 | -2.2 | 6.1 | 2.5 | 2.9 | 2.8 | 2.0 | 2.2 | 1.8 | 1.6 | 1.8 |
| **Consumer Price Index (CPI), Annual Percent Change** | | | | | | | | | | |
| April 2020 | 0.7 | 2.1 | 2.7 | 2.7 | | | | | | |
| November 2020 | 1.3 | 2.3 | 2.6 | 2.2 | 2.1 | 2.2 | | | | |
| February 2021 | 1.3 | 2.1 | 2.1 | 2.0 | 2.1 | 2.2 | | | | |
| November 2021 | 1.2 | 4.5 | 3.3 | 2.1 | 2.2 | 2.2 | | | | |
| February 2022 | 1.3 | 4.7 | 4.5 | 1.9 | 2.1 | 2.1 | | | | |
| November 2022 | 1.2 | 4.7 | 8.1 | 4.3 | 2.7 | 2.3 | 2.2 | 2.2 | | |
| February 2023 | 1.3 | 4.7 | 8.0 | 4.0 | 2.3 | 2.2 | 2.1 | 2.2 | | |
| November 2023 | 1.3 | 4.7 | 8.0 | 4.1 | 2.7 | 2.0 | 2.5 | 2.2 | | |
| February 2024 | 1.3 | 4.7 | 8.0 | 4.1 | 2.8 | 1.9 | 2.3 | 2.4 | | |
| November 2024 | 1.2 | 4.7 | 8.0 | 4.1 | 2.9 | 2.1 | 2.4 | 2.4 | | |
| February 2025 | 1.2 | 4.7 | 8.0 | 4.1 | 3.0 | 2.9 | 3.0 | 2.4 | | |
| November 2025 | 1.2 | 4.7 | 8.0 | 4.1 | 3.0 | 2.7 | 2.9 | 2.5 | 2.2 | 2.2 |

Source: SPGMI, Minnesota Management & Budget (MMB) November 2025 Forecast

## Forecast Comparison: Minnesota & U.S.

Forecast 2025 to 2029, Calendar Years

| | 2025 | 2026 | 2027 | 2028 | 2029 |
|---|---|---|---|---|---|
| **Personal Income (Billions of Current Dollars)** | | | | | |
| **Minnesota** | | | | | |
| November 2025 | 456.4 | 475.5 | 497.3 | 518.0 | 539.4 |
| %Chg | 4.2 | 4.2 | 4.6 | 4.2 | 4.1 |
| February 2025 | 451.9 | 476.7 | 500.0 | | |
| %Chg | 4.3 | 5.5 | 4.9 | | |
| **U.S.** | | | | | |
| November 2025 | 26,154 | 27,570 | 29,095 | 30,450 | 31,817 |
| %Chg | 5.0 | 5.4 | 5.5 | 4.7 | 4.5 |
| February 2025 | 25,942 | 27,420 | 28,827 | | |
| %Chg | 5.1 | 5.7 | 5.1 | | |
| **Wage and Salary Disbursements (Billions of Current Dollars)** | | | | | |
| **innesota** | | | | | |
| November 2025 | 234.0 | 243.5 | 252.6 | 262.0 | 271.5 |
| %Chg | 3.9 | 4.0 | 3.7 | 3.7 | 3.6 |
| February 2025 | 234.3 | 246.2 | 255.2 | | |
| %Chg | 4.3 | 5.1 | 3.7 | | |
| **U.S.** | | | | | |
| November 2025 | 13,004 | 13,698 | 14,372 | 15,017 | 15,642 |
| %Chg | 5.0 | 5.3 | 4.9 | 4.5 | 4.2 |
| February 2025 | 13,079 | 13,854 | 14,421 | | |
| %Chg | 5.3 | 5.9 | 4.1 | | |
| **Total Non-Farm Payroll Employment (Thousands)** | | | | | |
| **Minnesota** | | | | | |
| November 2025 | 3,009 | 3,009 | 3,015 | 3,025 | 3,036 |
| %Chg | 0.0 | 0.0 | 0.2 | 0.3 | 0.4 |
| February 2025 | 3,032 | 3,040 | 3,044 | | |
| %Chg | 0.6 | 0.3 | 0.1 | | |
| **U.S.** | | | | | |
| November 2025 | 159,437 | 160,225 | 161,018 | 161,348 | 161,923 |
| %Chg | 0.9 | 0.5 | 0.5 | 0.2 | 0.4 |
| February 2025 | 159,731 | 160,373 | 160,428 | | |
| %Chg | 1.1 | 0.4 | 0.0 | | |
| **Average Annual Non-Farm Wage (Current Dollars)** | | | | | |
| **Minnesota** | | | | | |
| November 2025 | 77,767 | 80,924 | 83,770 | 86,612 | 89,419 |
| %Chg | 3.9 | 4.1 | 3.5 | 3.4 | 3.2 |
| February 2025 | 77,269 | 80,977 | 83,829 | | |
| %Chg | 3.7 | 4.8 | 3.5 | | |
| **U.S.** | | | | | |
| November 2025 | 81,561 | 85,491 | 89,260 | 93,072 | 96,599 |
| %Chg | 4.0 | 4.8 | 4.4 | 4.3 | 3.8 |
| February 2025 | 81,880 | 86,384 | 89,890 | | |
| %Chg | 4.1 | 5.5 | 4.1 | | |

Source: SPGMI, Minnesota Management & Budget (MMB) November 2025 Forecast

## Factors Affecting Tax Revenue

Billions of Current Dollars

| | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 |
|---|---|---|---|---|---|---|---|---|
| **Individual Income Tax (Calendar Year)** | | | | | | | | |
| **Minnesota Non-Farm Tax Base** | | | | | | | | |
| November 2023 | 311.508 | 327.541 | 345.718 | 364.393 | 381.460 | 398.020 | | |
| %Chg | 7.5 | 5.1 | 5.5 | 5.4 | 4.7 | 4.3 | | |
| February 2024 | 311.508 | 327.085 | 344.385 | 362.988 | 381.210 | 398.915 | | |
| %Chg | 7.5 | 5.0 | 5.3 | 5.4 | 5.0 | 4.6 | | |
| November 2024 | 312.177 | 331.771 | 346.145 | 360.125 | 376.865 | 394.643 | 412.583 | 430.360 |
| %Chg | 6.6 | 6.3 | 4.3 | 4.0 | 4.6 | 4.7 | 4.5 | 4.3 |
| February 2025 | 312.177 | 331.770 | 346.139 | 359.380 | 377.648 | 395.345 | 413.218 | 430.905 |
| %Chg | 6.6 | 6.3 | 4.3 | 3.8 | 5.1 | 4.7 | 4.5 | 4.3 |
| November 2025 | 311.199 | 333.145 | 349.049 | 360.423 | 375.758 | 393.240 | 409.458 | 426.070 |
| %Chg | 5.8 | 7.1 | 4.8 | 3.3 | 4.3 | 4.7 | 4.1 | 4.1 |
| **Minnesota Wage and Salary Disbursements** | | | | | | | | |
| November 2023 | 205.241 | 215.088 | 225.498 | 234.968 | 245.165 | 255.950 | | |
| %Chg | 6.8 | 4.8 | 4.8 | 4.2 | 4.3 | 4.4 | | |
| February 2024 | 205.241 | 214.559 | 225.270 | 234.705 | 244.638 | 254.800 | | |
| %Chg | 6.8 | 4.5 | 5.0 | 4.2 | 4.2 | 4.2 | | |
| November 2024 | 205.614 | 214.828 | 224.445 | 233.980 | 243.205 | 252.235 | 262.063 | 272.225 |
| %Chg | 7.0 | 4.5 | 4.5 | 4.2 | 3.9 | 3.7 | 3.9 | 3.9 |
| February 2025 | 205.614 | 214.826 | 224.704 | 234.273 | 246.203 | 255.198 | 265.100 | 275.3175 |
| %Chg | 7.0 | 4.5 | 4.6 | 4.3 | 5.1 | 3.7 | 3.9 | 3.9 |
| November 2025 | 205.463 | 214.682 | 225.193 | 234.028 | 243.498 | 252.603 | 262.000 | 271.500 |
| %Chg | 6.9 | 4.5 | 4.9 | 3.9 | 4.0 | 3.7 | 3.7 | 3.6 |
| **Minnesota Dividends, Interest, & Rental Income** | | | | | | | | |
| November 2023 | 78.843 | 83.792 | 90.586 | 99.107 | 105.223 | 109.875 | | |
| %Chg | 9.9 | 6.3 | 8.1 | 9.4 | 6.2 | 4.4 | | |
| February 2024 | 78.843 | 83.572 | 88.498 | 95.810 | 102.603 | 108.898 | | |
| %Chg | 9.9 | 6.0 | 5.9 | 8.3 | 7.1 | 6.1 | | |
| November 2024 | 79.382 | 87.609 | 91.094 | 94.364 | 100.265 | 106.793 | 112.715 | 118.105 |
| %Chg | 7.9 | 10.4 | 4.0 | 3.6 | 6.3 | 6.5 | 5.5 | 4.8 |
| February 2025 | 79.382 | 87.610 | 91.246 | 94.753 | 100.323 | 107.403 | 114.200 | 120.3625 |
| %Chg | 7.9 | 10.4 | 4.2 | 3.8 | 5.9 | 7.1 | 6.3 | 5.4 |
| November 2025 | 78.625 | 88.074 | 91.299 | 93.008 | 98.009 | 104.513 | 110.365 | 116.178 |
| %Chg | 5.2 | 12.0 | 3.7 | 1.9 | 5.4 | 6.6 | 5.6 | 5.3 |
| **Minnesota Non-Farm Proprietors' Income** | | | | | | | | |
| November 2023 | 27.424 | 28.661 | 29.633 | 30.317 | 31.072 | 32.190 | | |
| %Chg | 6.2 | 4.5 | 3.4 | 2.3 | 2.5 | 3.6 | | |
| February 2024 | 27.424 | 28.955 | 30.614 | 32.470 | 33.973 | 35.217 | | |
| %Chg | 6.2 | 5.6 | 5.7 | 6.1 | 4.6 | 3.7 | | |
| November 2024 | 27.181 | 29.334 | 30.609 | 31.779 | 33.395 | 35.614 | 37.808 | 40.031 |
| %Chg | 0.3 | 7.9 | 4.3 | 3.8 | 5.1 | 6.6 | 6.2 | 5.9 |
| February 2025 | 27.181 | 29.334 | 30.188 | 31.836 | 33.565 | 35.596 | 37.324 | 39.24125 |
| %Chg | 0.3 | 7.9 | 2.9 | 5.5 | 5.4 | 6.1 | 4.9 | 5.1 |
| November 2025 | 27.111 | 30.389 | 32.557 | 33.389 | 34.246 | 36.129 | 37.091 | 38.393 |
| %Chg | -0.2 | 12.1 | 7.1 | 2.6 | 2.6 | 5.5 | 2.7 | 3.5 |

Source: SPGMI, Minnesota Management & Budget (MMB) November 2025 Forecast

## Factors Affecting Tax Revenue (Continued)

Billions of Current Dollars

| | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 |
|---|---|---|---|---|---|---|---|---|
| **General Sales Tax (Fiscal Year)** | | | | | | | | |
| **Minnesota Synthetic Sales Tax Base** | | | | | | | | |
| November 2023 | 115.697 | 123.430 | 127.788 | 131.711 | 136.174 | 141.058 | | |
| %Chg | 13.3 | 6.7 | 3.5 | 3.1 | 3.4 | 3.6 | | |
| February 2024 | 115.684 | 123.374 | 128.494 | 132.560 | 136.579 | 141.629 | | |
| %Chg | 13.3 | 6.6 | 4.2 | 3.2 | 3.0 | 3.7 | | |
| November 2024 | 115.932 | 123.748 | 127.293 | 131.324 | 135.229 | 139.685 | 144.742 | 149.776 |
| %Chg | 13.3 | 6.7 | 2.9 | 3.2 | 3.0 | 3.3 | 3.6 | 3.5 |
| February 2025 | 115.931 | 123.747 | 127.575 | 132.611 | 138.196 | 143.187 | 148.046 | 152.627 |
| %Chg | 13.3 | 6.7 | 3.1 | 3.9 | 4.2 | 3.6 | 3.4 | 3.1 |
| November 2025 | 115.924 | 123.353 | 127.217 | 132.930 | 138.596 | 141.820 | 144.567 | 148.049 |
| %Chg | 13.2 | 6.4 | 3.1 | 4.5 | 4.3 | 2.3 | 1.9 | 2.4 |
| ** Historical data revised as a result of comprehensive GDP account revisions* | | | | | | | | |
| **Minnesota's Proxy Share of U.S. Consumer Durable Spending (Excluding Autos)** | | | | | | | | |
| November 2023 | 23.989 | 24.961 | 25.798 | 26.526 | 27.455 | 28.380 | | |
| %Chg | 10.1 | 4.0 | 3.4 | 2.8 | 3.5 | 3.4 | | |
| February 2024 | 23.989 | 24.964 | 25.788 | 26.486 | 27.371 | 28.374 | | |
| %Chg | 10.1 | 4.1 | 3.3 | 2.7 | 3.3 | 3.7 | | |
| November 2024 | 23.538 | 24.184 | 24.804 | 25.435 | 26.346 | 27.530 | 28.811 | 30.205 |
| %Chg | 8.9 | 2.7 | 2.6 | 2.5 | 3.6 | 4.5 | 4.7 | 4.8 |
| February 2025 | 23.538 | 24.184 | 24.807 | 25.862 | 27.325 | 28.467 | 29.638 | 30.928 |
| %Chg | 8.9 | 2.7 | 2.6 | 4.3 | 5.7 | 4.2 | 4.1 | 4.3 |
| November 2025 | 23.586 | 24.039 | 24.708 | 25.660 | 26.835 | 27.640 | 28.389 | 29.362 |
| %Chg | 9.1 | 1.9 | 2.8 | 3.9 | 4.6 | 3.0 | 2.7 | 3.4 |
| **Minnesota's Proxy Share of U.S. Capital Equipment Spending** | | | | | | | | |
| November 2023 | 14.212 | 14.846 | 14.650 | 14.856 | 15.304 | 15.997 | | |
| %Chg | 8.8 | 4.5 | -1.3 | 1.4 | 3.0 | 4.5 | | |
| February 2024 | 14.212 | 14.847 | 14.823 | 15.365 | 15.933 | 16.683 | | |
| %Chg | 8.8 | 4.5 | -0.2 | 3.7 | 3.7 | 4.7 | | |
| November 2024 | 14.089 | 14.888 | 15.066 | 15.852 | 16.300 | 16.722 | 17.186 | 17.693 |
| %Chg | 7.7 | 5.7 | 1.2 | 5.2 | 2.8 | 2.6 | 2.8 | 2.9 |
| February 2025 | 14.089 | 14.888 | 15.070 | 15.861 | 17.245 | 17.988 | 18.432 | 18.802 |
| %Chg | 7.7 | 5.7 | 1.2 | 5.2 | 8.7 | 4.3 | 2.5 | 2.0 |
| November 2025 | 14.060 | 14.614 | 14.857 | 16.077 | 17.420 | 17.242 | 17.075 | 17.119 |
| %Chg | 6.7 | 3.9 | 1.7 | 8.2 | 8.4 | -1.0 | -1.0 | 0.3 |
| **Minnesota's Proxy Share of U.S. Construction Spending** | | | | | | | | |
| November 2023 | 11.271 | 11.397 | 11.985 | 12.116 | 12.657 | 13.203 | | |
| %Chg | 10.7 | 1.1 | 5.2 | 1.1 | 4.5 | 4.3 | | |
| February 2024 | 11.267 | 11.344 | 12.384 | 12.663 | 13.159 | 13.664 | | |
| %Chg | 10.7 | 0.7 | 9.2 | 2.3 | 3.9 | 3.8 | | |
| November 2024 | 11.448 | 11.809 | 12.374 | 12.265 | 12.684 | 13.064 | 13.566 | 14.076 |
| %Chg | 11.7 | 3.2 | 4.8 | -0.9 | 3.4 | 3.0 | 3.8 | 3.8 |
| February 2025 | 11.445 | 11.814 | 12.654 | 12.814 | 12.962 | 13.186 | 13.595 | 14.070 |
| %Chg | 11.7 | 3.2 | 7.1 | 1.3 | 1.2 | 1.7 | 3.1 | 3.5 |
| November 2025 | 11.439 | 11.934 | 12.832 | 12.859 | 12.718 | 13.094 | 13.598 | 14.181 |
| %Chg | 11.7 | 4.3 | 7.5 | 0.2 | -1.1 | 3.0 | 3.9 | 4.3 |

Source: SPGMI, Minnesota Management & Budget (MMB) November 2025 Forecast

## Factors Affecting Tax Revenue (Continued)

Billions of Current Dollars

| | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 |
|---|---|---|---|---|---|---|---|---|
| **Corporate Franchise Tax (Fiscal Year)** | | | | | | | | |
| **U.S. Corporate Profits (w/ IVA and capital consumption adjustment)** | | | | | | | | |
| November 2023 | 3,175.5 | 3,259.2 | 3,529.4 | 3,274.7 | 3,194.4 | 3,214.3 | | |
| %Chg | 12.6 | 2.6 | 8.3 | -7.2 | -2.5 | 0.6 | | |
| February 2024 | 3,175.5 | 3,259.2 | 3,443.2 | 3,412.2 | 3,393.9 | 3,442.3 | | |
| %Chg | 12.6 | 2.6 | 5.6 | -0.9 | -0.5 | 1.4 | | |
| November 2024 | 3,336.9 | 3,463.3 | 3,804.3 | 3,842.2 | 3,738.8 | 3,786.3 | 3,826.8 | 3,928.3 |
| %Chg | 14.8 | 3.8 | 9.8 | 1.0 | -2.7 | 1.3 | 1.1 | 2.7 |
| February 2025 | 3,336.9 | 3,463.3 | 3,804.3 | 3,899.4 | 3,749.5 | 3,780.2 | 3,823.0 | 3,922.7 |
| %Chg | 14.8 | 3.8 | 9.8 | 2.5 | -3.8 | 0.8 | 1.1 | 2.6 |
| November 2025 | 3,464.6 | 3,699.0 | 3,888.7 | 4,069.9 | 3,999.0 | 4,033.6 | 4,024.3 | 4,131.4 |
| %Chg | 6.7 | 6.8 | 5.1 | 4.7 | -1.7 | 0.9 | -0.2 | 2.7 |
| **Deed & Mortgage Tax (Fiscal Year)** | | | | | | | | |
| **U.S. New and Existing Home Sales (Current $ Value)** | | | | | | | | |
| November 2023 | 2,391.4 | 1,851.8 | 1,831.2 | 2,090.9 | 2,350.2 | 2,586.3 | | |
| %Chg | 3.6 | -22.6 | -1.1 | 14.2 | 12.4 | 10.0 | | |
| February 2024 | 2,391.4 | 1,851.9 | 1,799.7 | 2,126.0 | 2,368.4 | 2,579.1 | | |
| %Chg | 3.6 | -22.6 | -2.8 | 18.1 | 11.4 | 8.9 | | |
| November 2024 | 2,387.5 | 1,842.0 | 1,800.3 | 1,865.8 | 2,189.4 | 2,488.4 | 2,674.8 | 2,857.9 |
| %Chg | 3.7 | -22.8 | -2.3 | 3.6 | 17.3 | 13.7 | 7.5 | 6.8 |
| February 2025 | 2,387.5 | 1,842.0 | 1,800.3 | 1,880.9 | 2,177.3 | 2,420.4 | 2,538.6 | 2,648.8 |
| %Chg | 3.7 | -22.8 | -2.3 | 4.5 | 15.8 | 11.2 | 4.9 | 4.3 |
| November 2025 | 2,381.9 | 1,840.7 | 1,798.8 | 1,864.6 | 1,962.2 | 2,185.5 | 2,333.9 | 2,478.2 |
| %Chg | 3.5 | -22.7 | -2.3 | 3.7 | 5.2 | 11.4 | 6.8 | 6.2 |

Source: SPGMI, Minnesota Management & Budget (MMB) November 2025 Forecast

## COMPARISON OF ACTUAL AND ESTIMATED

NON-RESTRICTED REVENUES
October YTD, 2025-FY2026
($ IN THOUSANDS)

| | FORECAST REVENUES | ACTUAL REVENUES | VARIANCE ACT-FCST |
|---|---|---|---|
| **Individual Income Tax** | | | |
| Withholding | 4,330,898 | 4,317,644 | (13,254) |
| Declarations | 491,298 | 521,492 | 30,194 |
| Miscellaneous | 279,133 | 308,504 | 29,371 |
| Partnership & S Corporation Gross | 631,740 | 607,836 | (23,904) |
| **Gross** | 5,733,069 | 5,755,476 | 22,407 |
| Partnership & S Corporation Refunds | 46,011 | 70,964 | 24,954 |
| Individual, Fiduciary, & Withholding Refunds | 168,275 | 190,646 | 22,371 |
| Total Refunds | 214,286 | 261,611 | 47,325 |
| Net Income Tax | 5,518,783 | 5,493,865 | (24,918) |
| **Corporate Franchise Tax** | | | |
| Declarations | 874,547 | 685,931 | (188,616) |
| Miscellaneous | 61,665 | 50,786 | (10,879) |
| Gross | 936,213 | 736,717 | (199,496) |
| Refund | 39,505 | 41,568 | 2,064 |
| Net | 896,708 | 695,149 | (201,559) |
| **General Sales and Use Tax** | | | |
| Gross | 2,872,874 | 2,861,945 | (10,929) |
| Mpls. sales tax transferred to MSFA | - | | - |
| MPLS Sales Tax w/Holding for NFL Stadium | 6,422 | 6,292 | (130) |
| Sales Tax Gross | 2,879,295 | 2,868,237 | (11,059) |
| Refunds (including Indian refunds) | 47,843 | 23,417 | (24,426) |
| Net | 2,831,452 | 2,844,820 | 13,367 |
| **Other Revenues:** | | | |
| Net Estate | 90,232 | 121,725 | 31,493 |
| Net Liquor/Wine/Beer | 31,967 | 32,131 | 164 |
| Net Cigarette/Tobacco | 132,873 | 130,963 | (1,910) |
| Deed and Mortgage | 85,172 | 88,421 | 3,249 |
| Net Insurance Premiums Taxes | 143,792 | 146,487 | 2,695 |
| Net Lawful Gambling | 51,292 | 55,446 | 4,154 |
| Health Care Surcharge | 102,803 | 37,876 | (64,926) |
| Other Taxes | | | |
| Statewide Property Tax | 172,148 | 173,357 | 1,209 |
| DHS SOS Collections | 42,368 | 39,524 | (2,844) |
| Investment Income | 115,546 | 189,690 | 74,144 |
| Tobacco Settlement | | | |
| Dept. Earnings & MSOP Recov. | 61,616 | 67,795 | 6,179 |
| Fines and Surcharges | 16,606 | 18,186 | 1,580 |
| Lottery Revenues | 14,628 | 17,816 | 3,188 |
| Revenues yet to be allocated | - | 14,535 | 14,535 |
| Residual Revenues | 64,839 | 87,278 | 22,439 |
| Other Subtotal | 1,125,881 | 1,221,231 | 95,350 |
| Other Refunds | 2,167 | 351 | (1,816) |
| Other Net | 1,123,714 | 1,220,881 | 97,166 |
| **Total Gross** | **10,674,458** | **10,581,661** | **(92,797)** |
| **Total Refunds** | **303,801** | **326,947** | **23,146** |
| **Total Net** | **10,370,658** | **10,254,714** | **(115,944)** |

## Current Biennium: FY 2026-27

November 2025 Forecast
($ in thousands)

| | Nov FY 2026 | Nov FY 2027 | Biennial Total FY 2026-27 |
|---|---|---|---|
| **Actual & Estimated Resources** | | | |
| Balance Forward From Prior Year | 10,272,943 | 7,549,068 | 10,272,943 |
| Current Resources: | | | |
| Tax Revenues | 31,078,277 | 32,112,896 | 63,191,173 |
| Non-Tax Revenues | 1,443,492 | 1,168,481 | 2,611,973 |
| Subtotal - Non-Dedicated Revenue | 32,521,769 | 33,281,377 | 65,803,146 |
| Dedicated Revenue | 1,614 | 1,599 | 3,213 |
| Transfers In | 358,471 | 30,135 | 388,606 |
| Prior Year Adjustments | 34,016 | 33,471 | 67,487 |
| Subtotal - Other Revenue | 394,101 | 65,205 | 459,306 |
| Subtotal-Current Resources | 32,915,870 | 33,346,582 | 66,262,452 |
| **Total Resources Available** | **43,188,813** | **40,895,650** | **76,535,395** |
| **Actual & Estimated Spending** | | | |
| E-12 Education | 12,727,057 | 13,142,051 | 25,869,108 |
| Higher Education | 2,016,624 | 1,999,204 | 4,015,828 |
| Property Tax Aids & Credits | 2,360,154 | 2,480,816 | 4,840,970 |
| Health & Human Services | 12,929,790 | 12,878,475 | 25,808,265 |
| Public Safety & Judiciary | 1,891,095 | 1,749,532 | 3,640,627 |
| Transportation | 716,223 | 201,505 | 917,728 |
| Environment & Energy | 478,207 | 232,942 | 711,149 |
| Jobs, Commerce, Ag and Housing | 750,311 | 393,779 | 1,144,090 |
| State Government & Veterans | 1,098,260 | 894,817 | 1,993,077 |
| Debt Service | 550,289 | 614,402 | 1,164,691 |
| Capital Projects & Grants | 144,735 | 147,289 | 292,024 |
| Estimated Cancellations | -23,000 | -76,000 | -99,000 |
| **Total Expenditures & Transfers** | **35,639,745** | **34,658,812** | **70,298,557** |
| **Balance Before Reserves** | **7,549,068** | **6,236,838** | **6,236,838** |
| Cash Flow Account | 350,000 | 350,000 | 350,000 |
| Budget Reserve | 3,421,764 | 3,421,764 | 3,421,764 |
| **Budgetary Balance** | **3,777,304** | **2,465,074** | **2,465,074** |

## Current Biennium: FY 2026-27

November 2025 Forecast vs End of 2025 Legislative Session
($ in thousands)

| | EOS FY 2026-27 | Nov FY 2026-27 | $ Change |
|---|---|---|---|
| **Actual & Estimated Resources** | | | |
| Balance Forward From Prior Year | 7,464,476 | 10,272,943 | 2,808,467 |
| Current Resources: | | | |
| Tax Revenues | 62,003,310 | 63,191,173 | 1,187,863 |
| Non-Tax Revenues | 2,359,177 | 2,611,973 | 252,796 |
| Subtotal - Non-Dedicated Revenue | 64,362,487 | 65,803,146 | 1,440,659 |
| Dedicated Revenue | 3,213 | 3,213 | 0 |
| Transfers In | 388,606 | 388,606 | 0 |
| Prior Year Adjustments | 68,487 | 67,487 | -1,000 |
| Subtotal - Other Revenue | 460,306 | 459,306 | -1,000 |
| Subtotal-Current Resources | 64,822,793 | 66,262,452 | 1,439,659 |
| **Total Resources Available** | **72,287,269** | **76,535,395** | **4,248,126** |
| **Actual & Estimated Spending** | | | |
| E-12 Education | 25,696,531 | 25,869,108 | 172,577 |
| Higher Education | 4,014,190 | 4,015,828 | 1,638 |
| Property Tax Aids & Credits | 4,754,831 | 4,840,970 | 86,139 |
| Health & Human Services | 23,998,971 | 25,808,265 | 1,809,294 |
| Public Safety & Judiciary | 3,518,725 | 3,640,627 | 121,902 |
| Transportation | 375,531 | 917,728 | 542,197 |
| Environment & Energy | 472,803 | 711,149 | 238,346 |
| Jobs, Commerce, Ag and Housing | 833,905 | 1,144,090 | 310,185 |
| State Government & Veterans | 1,784,989 | 1,993,077 | 208,088 |
| Debt Service | 1,205,280 | 1,164,691 | -40,589 |
| Capital Projects & Grants | 290,298 | 292,024 | 1,726 |
| Estimated Cancellations | -72,000 | -99,000 | -27,000 |
| **Total Expenditures & Transfers** | **66,874,054** | **70,298,557** | **3,424,503** |
| **Balance Before Reserves** | **5,413,215** | **6,236,838** | **823,623** |
| Cash Flow Account | 350,000 | 350,000 | 0 |
| Budget Reserve | 3,177,370 | 3,421,764 | 244,394 |
| **Budgetary Balance** | **1,885,845** | **2,465,074** | **579,229** |

## Biennial Comparison

November 2025 Forecast
($ in thousands)

| | Actual FY 2024-25 | Nov FY 2026-27 | $ Change |
|---|---|---|---|
| **Actual & Estimated Resources** | | | |
| Balance Forward From Prior Year | 16,516,196 | 10,272,943 | -6,243,253 |
| Current Resources: | | | |
| Tax Revenues | 58,926,794 | 63,191,173 | 4,264,379 |
| Non-Tax Revenues | 3,362,438 | 2,611,973 | -750,465 |
| Subtotal - Non-Dedicated Revenue | 62,289,232 | 65,803,146 | 3,513,914 |
| Dedicated Revenue | 3,999 | 3,213 | -786 |
| Transfers In | 167,920 | 388,606 | 220,686 |
| Prior Year Adjustments | 580,421 | 67,487 | -512,934 |
| Subtotal - Other Revenue | 752,340 | 459,306 | -293,034 |
| Subtotal-Current Resources | 63,041,572 | 66,262,452 | 3,220,880 |
| **Total Resources Available** | **79,557,768** | **76,535,395** | **-3,022,373** |
| **Actual & Estimated Spending** | | | |
| E-12 Education | 24,564,965 | 25,869,108 | 1,304,143 |
| Higher Education | 4,190,475 | 4,015,828 | -174,647 |
| Property Tax Aids & Credits | 5,565,813 | 4,840,970 | -724,843 |
| Health & Human Services | 20,951,318 | 25,808,265 | 4,856,947 |
| Public Safety & Judiciary | 3,546,575 | 3,640,627 | 94,052 |
| Transportation | 786,304 | 917,728 | 131,424 |
| Environment & Energy | 844,393 | 711,149 | -133,244 |
| Jobs, Commerce, Ag and Housing | 3,638,348 | 1,144,090 | -2,494,258 |
| State Government & Veterans | 2,789,840 | 1,993,077 | -796,763 |
| Debt Service | 1,066,183 | 1,164,691 | 98,508 |
| Capital Projects & Grants | 1,340,611 | 292,024 | -1,048,587 |
| Estimated Cancellations | 0 | -99,000 | -99,000 |
| **Total Expenditures & Transfers** | **69,284,825** | **70,298,557** | **1,013,732** |
| **Balance Before Reserves** | **10,272,943** | **6,236,838** | **-4,036,105** |
| Cash Flow Account | 350,000 | 350,000 | 0 |
| Budget Reserve | 3,185,932 | 3,421,764 | 235,832 |
| Appropriations Carried Forward | 1,858,911 | 0 | -1,858,911 |
| **Budgetary Balance** | **4,878,100** | **2,465,074** | **-2,413,026** |

## Next Biennium: FY 2028-29

November 2025 Forecast
($ in thousands)

| | Nov FY 2028 | Nov FY 2029 | Biennial Total FY 2028-29 |
|---|---|---|---|
| **Actual & Estimated Resources** | | | |
| Balance Forward From Prior Year | 6,236,838 | 3,813,386 | 6,236,838 |
| Current Resources: | | | |
| Tax Revenues | 32,242,022 | 33,238,278 | 65,480,300 |
| Non-Tax Revenues | 1,124,989 | 1,051,951 | 2,176,940 |
| Subtotal - Non-Dedicated Revenue | 33,367,011 | 34,290,229 | 67,657,240 |
| Dedicated Revenue | 1,599 | 1,599 | 3,198 |
| Transfers In | 30,139 | 30,169 | 60,308 |
| Prior Year Adjustments | 33,081 | 32,690 | 65,771 |
| Subtotal - Other Revenue | 64,819 | 64,458 | 129,277 |
| Subtotal-Current Resources | 33,431,830 | 34,354,687 | 67,786,517 |
| **Total Resources Available** | **39,668,668** | **38,168,073** | **74,023,355** |
| **Actual & Estimated Spending** | | | |
| E-12 Education | 13,371,658 | 13,796,171 | 27,167,829 |
| Higher Education | 1,988,371 | 1,988,371 | 3,976,742 |
| Property Tax Aids & Credits | 2,498,855 | 2,547,554 | 5,046,409 |
| Health & Human Services | 13,418,469 | 14,214,857 | 27,633,326 |
| Public Safety & Judiciary | 1,755,155 | 1,750,156 | 3,505,311 |
| Transportation | 239,462 | 248,020 | 487,482 |
| Environment & Energy | 234,241 | 235,624 | 469,865 |
| Jobs, Commerce, Ag and Housing | 387,449 | 388,064 | 775,513 |
| State Government & Veterans | 909,070 | 885,240 | 1,794,310 |
| Debt Service | 614,971 | 603,246 | 1,218,217 |
| Capital Projects & Grants | 149,067 | 151,721 | 300,788 |
| Estimated Cancellations | -23,000 | -76,000 | -99,000 |
| **Total Expenditures & Transfers** | **35,543,768** | **36,733,024** | **72,276,792** |
| **Estimated Inflation** | **311,514** | **623,751** | **935,265** |
| **Balance Before Reserves** | **3,813,386** | **811,298** | **811,298** |
| Cash Flow Account | 350,000 | 350,000 | 350,000 |
| Budget Reserve | 3,421,764 | 3,421,764 | 3,421,764 |
| **Budgetary Balance** | **41,622** | **-2,960,466** | **-2,960,466** |
| **Budgetary Balance without Inflation** | **353,136** | **-2,025,201** | **-2,025,201** |

## Next Biennium: FY 2028-29

November 2025 Forecast vs End of 2025 Legislative Session
($ in thousands)

| | EOS FY 2028-29 | Nov FY 2028-29 | $ Change |
|---|---|---|---|
| **Actual & Estimated Resources** | | | |
| Balance Forward From Prior Year | 5,413,215 | 6,236,838 | 823,623 |
| Current Resources: | | | |
| Tax Revenues | 66,325,935 | 65,480,300 | -845,635 |
| Non-Tax Revenues | 1,899,143 | 2,176,940 | 277,797 |
| Subtotal - Non-Dedicated Revenue | 68,225,078 | 67,657,240 | -567,838 |
| Dedicated Revenue | 3,198 | 3,198 | 0 |
| Transfers In | 60,308 | 60,308 | 0 |
| Prior Year Adjustments | 67,572 | 65,771 | -1,801 |
| Subtotal - Other Revenue | 131,078 | 129,277 | -1,801 |
| Subtotal-Current Resources | 68,356,156 | 67,786,517 | -569,639 |
| **Total Resources Available** | **73,769,371** | **74,023,355** | **253,984** |
| **Actual & Estimated Spending** | | | |
| E-12 Education | 26,879,364 | 27,167,829 | 288,465 |
| Higher Education | 3,976,742 | 3,976,742 | 0 |
| Property Tax Aids & Credits | 4,930,670 | 5,046,409 | 115,739 |
| Health & Human Services | 26,270,900 | 27,633,326 | 1,362,426 |
| Public Safety & Judiciary | 3,505,311 | 3,505,311 | 0 |
| Transportation | 476,076 | 487,482 | 11,406 |
| Environment & Energy | 469,654 | 469,865 | 211 |
| Jobs, Commerce, Ag and Housing | 764,981 | 775,513 | 10,532 |
| State Government & Veterans | 1,797,520 | 1,794,310 | -3,210 |
| Debt Service | 1,230,178 | 1,218,217 | -11,961 |
| Capital Projects & Grants | 301,798 | 300,788 | -1,010 |
| Estimated Cancellations | -72,000 | -99,000 | -27,000 |
| **Total Expenditures & Transfers** | **70,531,194** | **72,276,792** | **1,745,598** |
| **Estimated Inflation** | **815,924** | **935,265** | **119,341** |
| **Balance Before Reserves** | **2,422,253** | **811,298** | **-1,610,955** |
| Cash Flow Account | 350,000 | 350,000 | 0 |
| Budget Reserve | 3,177,370 | 3,421,764 | 244,394 |
| **Budgetary Balance** | **-1,105,117** | **-2,960,466** | **-1,855,349** |
| **Budgetary Balance without Inflation** | **-289,193** | **-2,025,201** | **-1,736,008** |

## Biennial Comparison

November 2025 Forecast
($ in thousands)

| | Nov FY 2026-27 | Nov FY 2028-29 | $ Change |
|---|---|---|---|
| **Actual & Estimated Resources** | | | |
| Balance Forward From Prior Year | 10,272,943 | 6,236,838 | -4,036,105 |
| Current Resources: | | | |
| Tax Revenues | 63,191,173 | 65,480,300 | 2,289,127 |
| Non-Tax Revenues | 2,611,973 | 2,176,940 | -435,033 |
| Subtotal - Non-Dedicated Revenue | 65,803,146 | 67,657,240 | 1,854,094 |
| Dedicated Revenue | 3,213 | 3,198 | -15 |
| Transfers In | 388,606 | 60,308 | -328,298 |
| Prior Year Adjustments | 67,487 | 65,771 | -1,716 |
| Subtotal - Other Revenue | 459,306 | 129,277 | -330,029 |
| Subtotal-Current Resources | 66,262,452 | 67,786,517 | 1,524,065 |
| **Total Resources Available** | **76,535,395** | **74,023,355** | **-2,512,040** |
| **Actual & Estimated Spending** | | | |
| E-12 Education | 25,869,108 | 27,167,829 | 1,298,721 |
| Higher Education | 4,015,828 | 3,976,742 | -39,086 |
| Property Tax Aids & Credits | 4,840,970 | 5,046,409 | 205,439 |
| Health & Human Services | 25,808,265 | 27,633,326 | 1,825,061 |
| Public Safety & Judiciary | 3,640,627 | 3,505,311 | -135,316 |
| Transportation | 917,728 | 487,482 | -430,246 |
| Environment & Energy | 711,149 | 469,865 | -241,284 |
| Jobs, Commerce, Ag and Housing | 1,144,090 | 775,513 | -368,577 |
| State Government & Veterans | 1,993,077 | 1,794,310 | -198,767 |
| Debt Service | 1,164,691 | 1,218,217 | 53,526 |
| Capital Projects & Grants | 292,024 | 300,788 | 8,764 |
| Estimated Cancellations | -99,000 | -99,000 | 0 |
| **Total Expenditures & Transfers** | **70,298,557** | **72,276,792** | **1,978,235** |
| **Estimated Inflation** | **0** | **935,265** | **935,265** |
| **Balance Before Reserves** | **6,236,838** | **811,298** | **-4,490,275** |
| Cash Flow Account | 350,000 | 350,000 | 0 |
| Budget Reserve | 3,421,764 | 3,421,764 | 0 |
| **Budgetary Balance** | **2,465,074** | **-2,960,466** | **-5,425,540** |
| **Budgetary Balance without Inflation** | **2,465,074** | **-2,025,201** | **-4,490,275** |

## FY 2024-29 Planning Horizon

November 2025 Forecast
($ in thousands)

| | Actual FY 2024-25 | Nov FY 2026-27 | Nov FY 2028-29 |
|---|---|---|---|
| **Actual & Estimated Resources** | | | |
| Balance Forward From Prior Year | 16,516,196 | 10,272,943 | 6,236,838 |
| Current Resources: | | | |
| Tax Revenues | 58,926,794 | 63,191,173 | 65,480,300 |
| Non-Tax Revenues | 3,362,438 | 2,611,973 | 2,176,940 |
| Subtotal - Non-Dedicated Revenue | 62,289,232 | 65,803,146 | 67,657,240 |
| Dedicated Revenue | 3,999 | 3,213 | 3,198 |
| Transfers In | 167,920 | 388,606 | 60,308 |
| Prior Year Adjustments | 580,421 | 67,487 | 65,771 |
| Subtotal - Other Revenue | 752,340 | 459,306 | 129,277 |
| Subtotal-Current Resources | 63,041,572 | 66,262,452 | 67,786,517 |
| **Total Resources Available** | **79,557,768** | **76,535,395** | **74,023,355** |
| **Actual & Estimated Spending** | | | |
| E-12 Education | 24,564,965 | 25,869,108 | 27,167,829 |
| Higher Education | 4,190,475 | 4,015,828 | 3,976,742 |
| Property Tax Aids & Credits | 5,565,813 | 4,840,970 | 5,046,409 |
| Health & Human Services | 20,951,318 | 25,808,265 | 27,633,326 |
| Public Safety & Judiciary | 3,546,575 | 3,640,627 | 3,505,311 |
| Transportation | 786,304 | 917,728 | 487,482 |
| Environment & Energy | 844,393 | 711,149 | 469,865 |
| Jobs, Commerce, Ag and Housing | 3,638,348 | 1,144,090 | 775,513 |
| State Government & Veterans | 2,789,840 | 1,993,077 | 1,794,310 |
| Debt Service | 1,066,183 | 1,164,691 | 1,218,217 |
| Capital Projects & Grants | 1,340,611 | 292,024 | 300,788 |
| Estimated Cancellations | 0 | -99,000 | -99,000 |
| **Total Expenditures & Transfers** | **69,284,825** | **70,298,557** | **72,276,792** |
| **Estimated Inflation** | **0** | **0** | **935,265** |
| **Balance Before Reserves** | **10,272,943** | **6,236,838** | **811,298** |
| Cash Flow Account | 350,000 | 350,000 | 350,000 |
| Budget Reserve | 3,185,932 | 3,421,764 | 3,421,764 |
| Appropriations Carried Forward | 1,858,911 | 0 | 0 |
| **Budgetary Balance** | **4,878,100** | **2,465,074** | **-2,960,466** |
| **Budgetary Balance without Inflation** | **4,878,100** | **2,465,074** | **-2,025,201** |

## Historical and Projected Revenue Growth

November 2025 Forecast - General Fund

($ in millions)

| | Actual FY 2022 | Actual FY 2023 | Actual FY 2024 | Actual FY 2025 | Nov FY 2026 | Nov FY 2027 | Nov FY 2028 | Nov FY 2029 | Average Annual |
|---|---|---|---|---|---|---|---|---|---|
| **Individual Income Tax** | $16,873 | $15,778 | $14,873 | $16,656 | $17,014 | $17,499 | $17,397 | $18,118 | |
| $ change | 2,640 | (1,095) | (905) | 1,783 | 358 | 485 | (102) | 721 | |
| **% change** | **18.6%** | **-6.5%** | **-5.7%** | **12.0%** | **2.1%** | **2.8%** | **-0.6%** | **4.1%** | **1.0%** |
| **Sales Tax** | $6,644 | $7,446 | $7,546 | $7,436 | $7,781 | $8,016 | $8,151 | $8,310 | |
| $ change | 474 | 802 | 100 | (110) | 344 | 236 | 135 | 159 | |
| **% change** | **7.7%** | **12.1%** | **1.3%** | **-1.5%** | **4.6%** | **3.0%** | **1.7%** | **2.0%** | **3.2%** |
| **Corporate Tax** | $2,823 | $2,929 | $3,171 | $3,192 | $3,077 | $3,195 | $3,179 | $3,197 | |
| $ change | 564 | 106 | 242 | 21 | (115) | 118 | (15) | 18 | |
| **% change** | **25.0%** | **3.8%** | **8.3%** | **0.7%** | **-3.6%** | **3.8%** | **-0.5%** | **0.6%** | **1.8%** |
| **Statewide Property Tax** | $774 | $765 | $718 | $745 | $738 | $742 | $743 | $743 | |
| $ change | (29) | (9) | (47) | 27 | (7) | 3 | 1 | 1 | |
| **% change** | **-3.6%** | **-1.2%** | **-6.2%** | **3.8%** | **-1.0%** | **0.5%** | **0.1%** | **0.1%** | **-0.6%** |
| **Other Tax Revenue** | $2,277 | $2,221 | $2,253 | $2,336 | $2,469 | $2,662 | $2,772 | $2,869 | |
| $ change | 80 | (56) | 32 | 83 | 133 | 193 | 110 | 98 | |
| **% change** | **3.6%** | **-2.5%** | **1.4%** | **3.7%** | **5.7%** | **7.8%** | **4.1%** | **3.5%** | **3.4%** |
| **Total Tax Revenue** | $29,390 | $29,139 | $28,562 | $30,365 | $31,078 | $32,113 | $32,242 | $33,238 | |
| $ change | 3,730 | (251) | (577) | 1,803 | 713 | 1,035 | 129 | 996 | |
| **% change** | **14.5%** | **-0.9%** | **-2.0%** | **6.3%** | **2.3%** | **3.3%** | **0.4%** | **3.1%** | **1.8%** |
| **Non-Tax Revenues** | $927 | $1,346 | $1,747 | 1,616 | $1,443 | $1,168 | $1,125 | $1,052 | |
| $ change | 5 | 419 | 401 | (131) | (172) | (275) | (43) | (73) | |
| **% change** | **0.5%** | **45.3%** | **29.8%** | **-7.5%** | **-10.7%** | **-19.1%** | **-3.7%** | **-6.5%** | **1.8%** |
| **Transfers, All Other** | $313 | $162 | $264 | $489 | $394 | $65 | $65 | $64 | |
| $ change | (434) | (151) | 102 | 225 | (95) | (329) | (0) | (0) | |
| **% change** | **-58.1%** | **-48.2%** | **62.7%** | **85.4%** | **-19.4%** | **-83.5%** | **-0.6%** | **-0.6%** | **-20.2%** |
| **Total Revenue** | $30,629 | $30,647 | $30,572 | $32,470 | $32,916 | $33,347 | $33,432 | $34,355 | |
| $ change | 3,301 | 18 | (75) | 1,898 | 446 | 431 | 85 | 923 | |
| **% change** | **12.1%** | **0.1%** | **-0.2%** | **6.2%** | **1.4%** | **1.3%** | **0.3%** | **2.8%** | **1.7%** |

**Historical and Projected Spending Growth**
November 2025 Forecast - General Fund
($ in millions)

| | Actual FY 2022 | Actual FY 2023 | Actual FY 2024 | Actual FY 2025 | Nov FY 2026 | Nov FY 2027 | Nov FY 2028 | Nov FY 2029 | Average Annual |
|---|---|---|---|---|---|---|---|---|---|
| **E-12 Education** | $9,779 | $10,204 | $11,969 | $12,596 | $12,727 | $13,142 | $13,372 | $13,796 | |
| $ change | 43 | 425 | 1,765 | 627 | 131 | 415 | 230 | 425 | |
| **% change** | **0.4%** | **4.3%** | **17.3%** | **5.2%** | **1.0%** | **3.3%** | **1.7%** | **3.2%** | **5.0%** |
| **Higher Education** | $1,750 | $1,768 | $2,062 | $2,128 | $2,017 | $1,999 | $1,988 | $1,988 | |
| $change | 36 | 18 | 294 | 66 | (112) | (17) | (11) | - | |
| **%change** | **2.1%** | **1.0%** | **16.6%** | **3.2%** | **-5.2%** | **-0.9%** | **-0.5%** | **0.0%** | **1.8%** |
| **Prop.TaxAids&Credits** | $2,053 | $2,569 | $2,820 | $2,746 | $2,360 | $2,481 | $2,499 | $2,548 | |
| $change | 27 | 516 | 251 | (75) | (385) | 121 | 18 | 49 | |
| **%change** | **1.3%** | **25.1%** | **9.8%** | **-2.6%** | **-14.0%** | **5.1%** | **0.7%** | **1.9%** | **3.1%** |
| **Health&HumanServices** | $6,923 | $8,215 | $9,934 | $11,017 | $12,930 | $12,878 | $13,418 | $14,215 | |
| $change | 312 | 1,292 | 1,719 | 1,083 | 1,913 | (51) | 540 | 796 | |
| **%change** | **4.7%** | **18.7%** | **20.9%** | **10.9%** | **17.4%** | **-0.4%** | **4.2%** | **5.9%** | **10.8%** |
| **PublicSafety&Judiciary** | $1,292 | $1,430 | $1,681 | $1,866 | $1,891 | $1,750 | $1,755 | $1,750 | |
| $change | (21) | 138 | 251 | 185 | 25 | (142) | 6 | (5) | |
| **%change** | **-1.6%** | **10.6%** | **17.5%** | **11.0%** | **1.4%** | **-7.5%** | **0.3%** | **-0.3%** | **4.4%** |
| **DebtService** | $592 | $548 | $508 | $559 | $550 | $614 | $615 | $603 | |
| $change | 77 | (44) | (40) | 51 | (8) | 64 | 1 | (12) | |
| **%change** | **14.9%** | **-7.5%** | **-7.4%** | **10.1%** | **-1.5%** | **11.7%** | **0.1%** | **-1.9%** | **0.3%** |
| **AllOther** | $2,116 | $2,509 | $6,308 | $3,092 | $3,165 | $1,794 | $1,896 | $1,833 | |
| $change | 569 | 393 | 3,799 | (3,216) | 73 | (1,370) | 102 | (64) | |
| **%change** | **36.8%** | **18.6%** | **151.4%** | **-51.0%** | **2.4%** | **-43.3%** | **5.7%** | **-3.4%** | **-2.0%** |
| **TotalSpending** | $24,505 | $27,243 | $35,282 | $34,002 | $35,640 | $34,659 | $35,544 | $36,733 | |
| $change | 1,042 | 2,738 | 8,039 | (1,280) | 1,637 | (981) | 885 | 1,189 | |
| **%change** | **4.4%** | **11.2%** | **29.5%** | **-3.6%** | **4.8%** | **-2.8%** | **2.6%** | **3.3%** | **6.0%** |