



BUDGET AND *ECONOMIC FORECAST*



DECEMBER 2019

Produced by Minnesota Management and Budget

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Budget Outlook Improved

- Projected balance now \$1.332 billion for FY 2020-21
- Budget reserve reaches \$2.359 billion target
- Economic outlook improved, but slowdown remains in forecast
- With increased revenue forecast, FY 2022-23 shows structural balance, however budget challenges remain

Current Biennium's Balance Increases

(\$ in millions)	FY 2020-21 End-of-Session	FY 2020-21 Nov. Forecast	Forecast Change
Beginning Balance	\$3,080	\$3,971	\$891
Revenues	48,155	48,656	501
Spending	48,470	48,463	(7)
Budget Reserve	2,075	2,359	284
Cash Flow Account	350	350	-
Stadium Reserve	98	124	25
Budgetary Balance	\$242	\$1,332	\$1,090

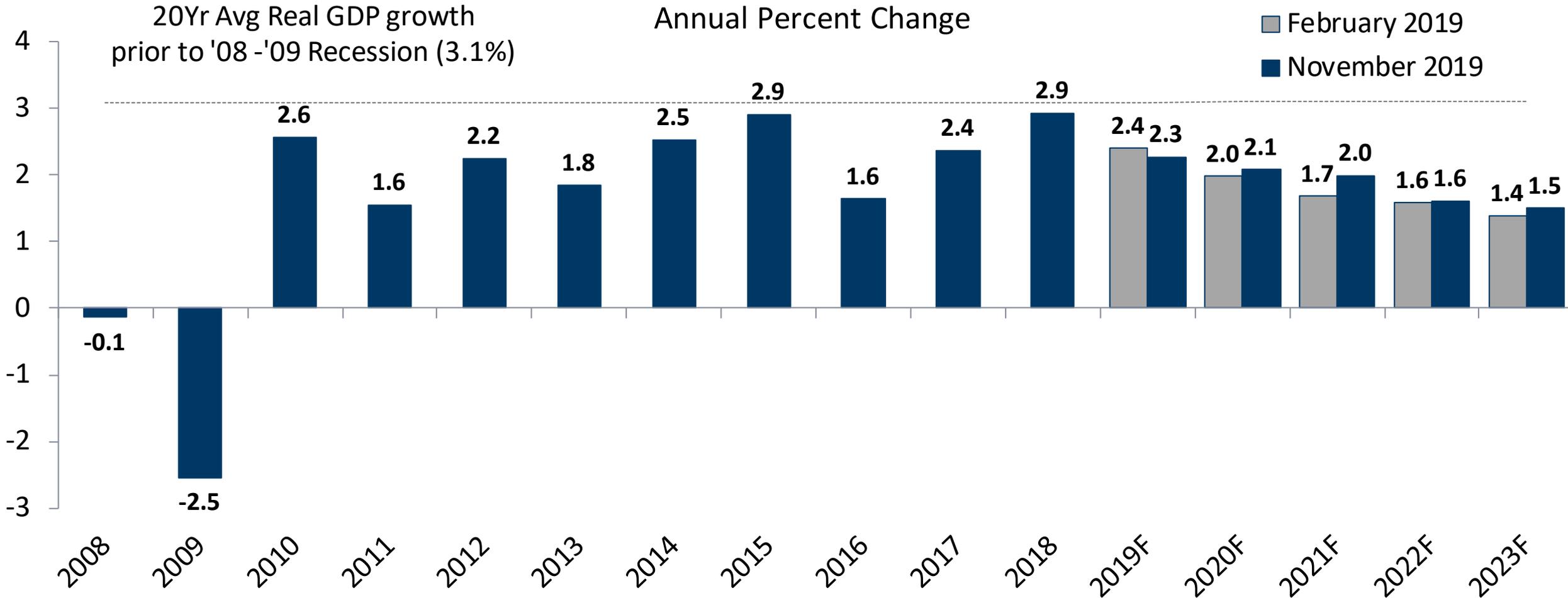
Allocation of Forecast Surplus to Budget Reserve

(\$ in millions)

	\$ Level	% FY 2020-21 Revenue
Budget Reserve Target	\$2,359	4.9%
Budget Reserve Balance Prior to this Forecast	2,075	4.3
Amount Below Target	284	
<i>General Fund Balance Prior to Reserve Allocation</i>	<i>\$1,616</i>	
Allocate 33% of General Fund Balance to Reserve	533	
<i>or</i>		
Allocate up to Reserve Target Level	\$284	
Reserve Balance After Allocation	\$2,359	

U.S. Outlook Slightly Improved Since February; Slowdown Remains in Forecast

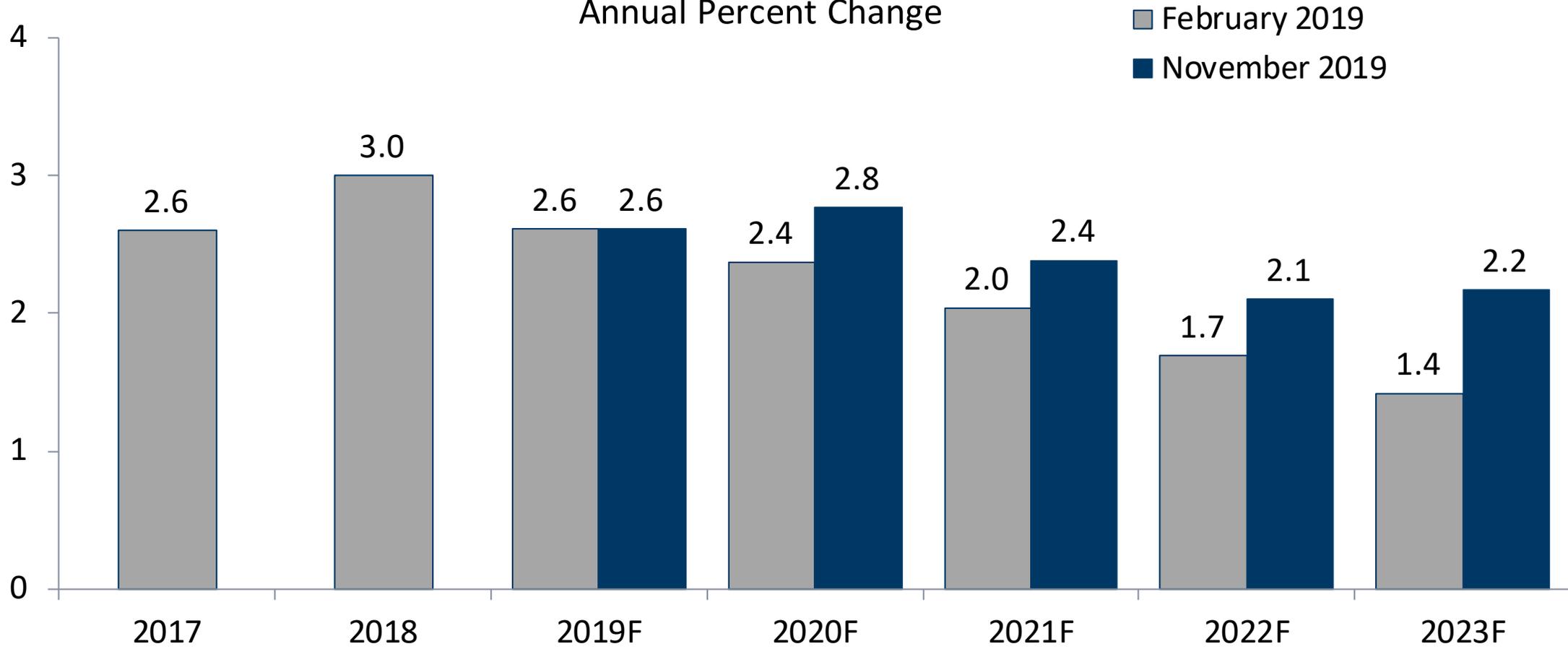
Real Gross Domestic Product



U.S. Consumer Spending Outlook Improved

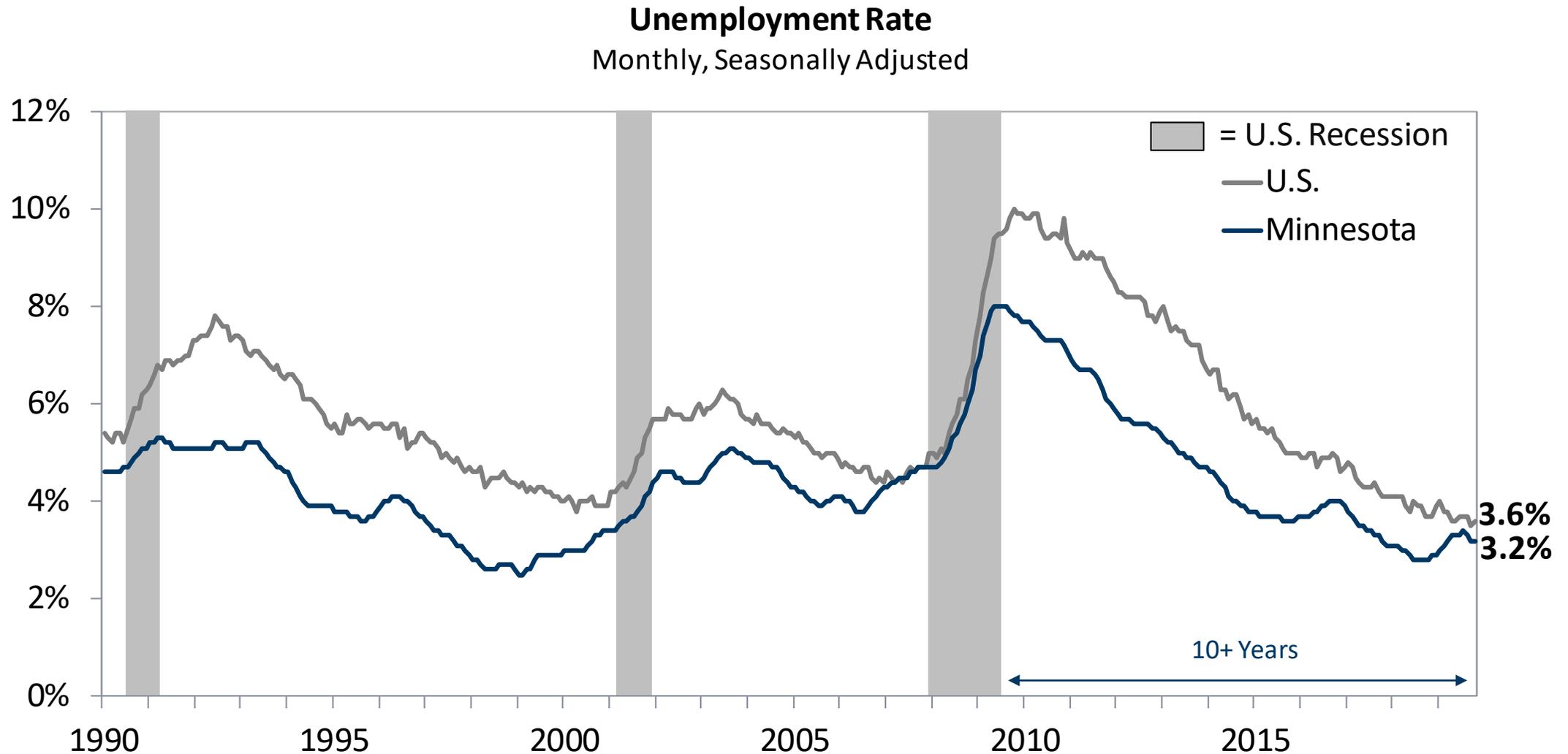
Real Consumer Expenditures

Annual Percent Change

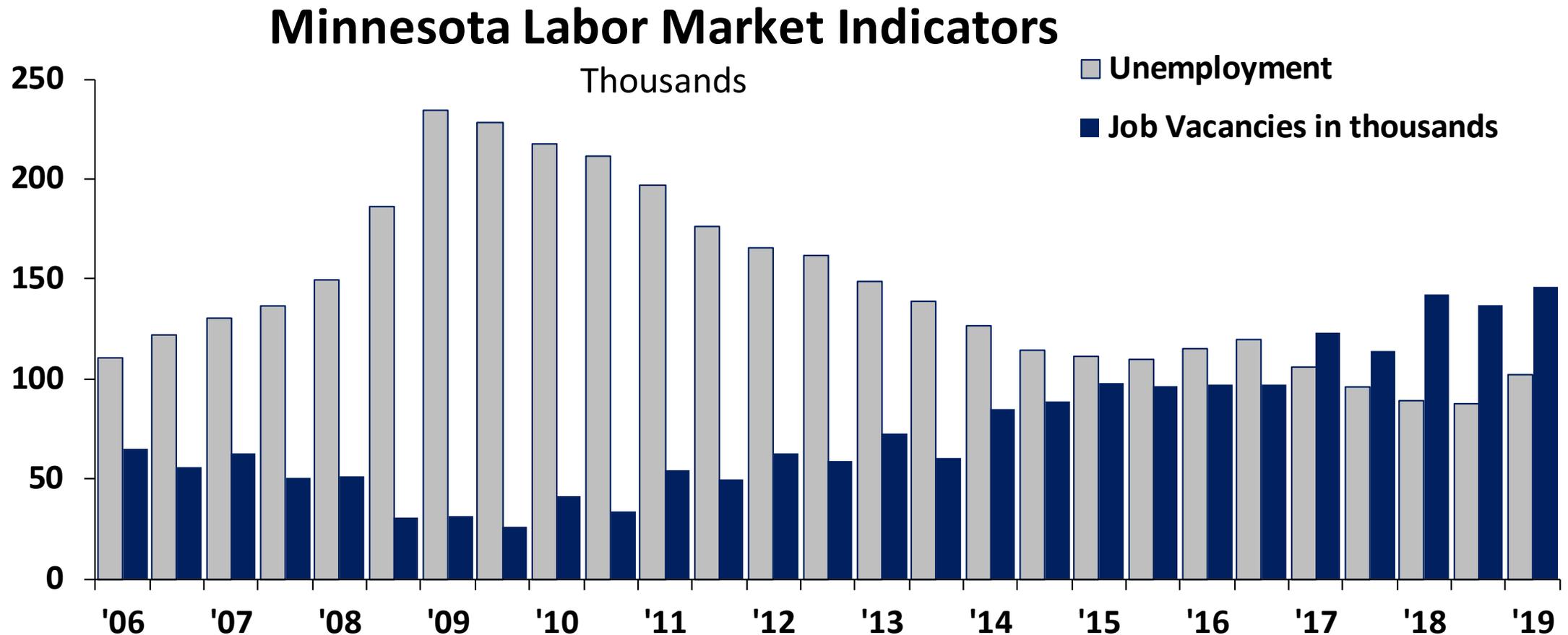


Source: U.S. Bureau of Economic Analysis (BEA), IHS Economics (IHS)

State Unemployment Rate has Risen; Remains Below U.S. Rate



High Demand for Workers in Minnesota



Revenue Forecast Higher

(\$ in millions)	FY 2020-21 Nov. Forecast	Forecast Change
Individual Income Tax	\$26,039	\$493
General Sales Tax	12,125	252
Corporate Franchise Tax	2,897	(294)
All Other Revenue	7,596	51
Total Revenue	\$48,656	\$501

Forecast Risks



Consumer confidence



Trade policy uncertainty



Business investment slowdown



Geo-political events



19 months remain until the end of FY 2020-21

Offsetting Factors Leave Total Spending Nearly Unchanged

(\$ in millions)	FY 2020-21 Nov. Forecast	Forecast Change
E-12 Education	\$20,098	\$(24)
Property Tax Aids & Credits	3,865	61
Health & Human Services	14,677	(97)
Debt Service	1,132	(51)
Other	8,691	104
Total Spending	\$48,463	\$(7)

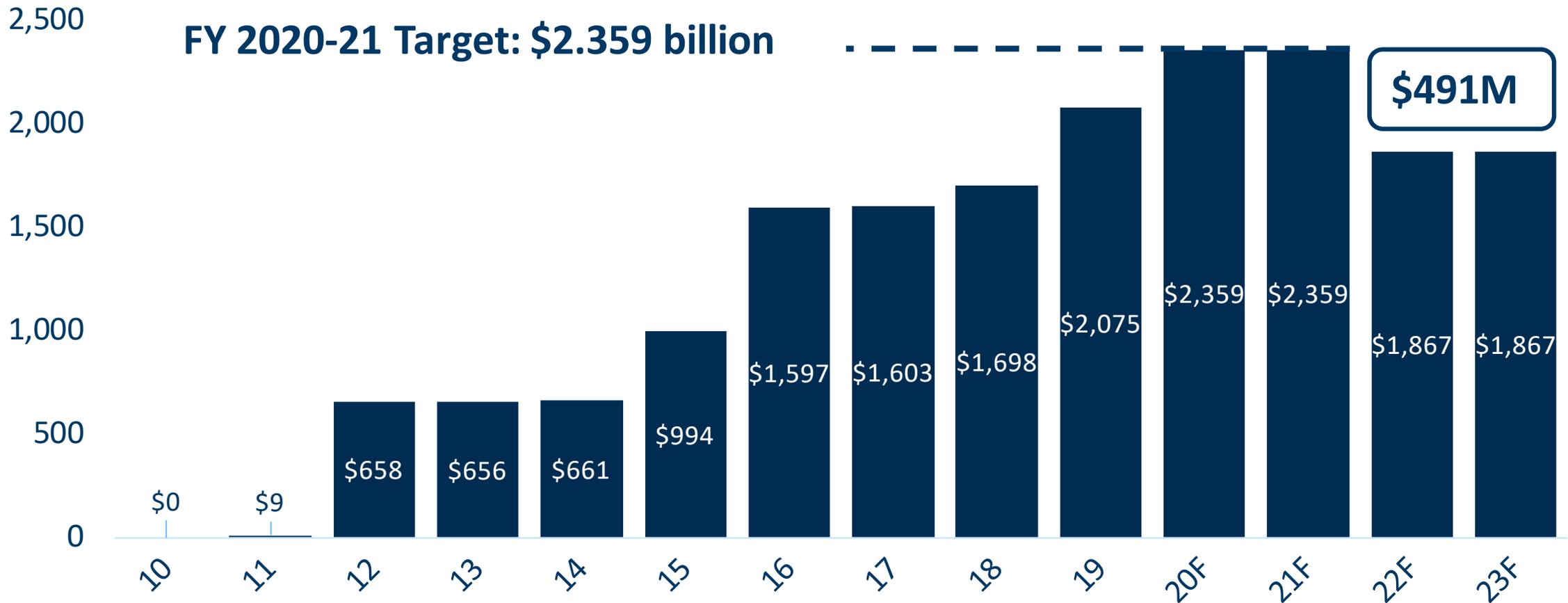
Planning Estimates and Reserve Change

(\$ in millions)	FY 2020-21	Reserve Change	FY 2022-23
Beginning Balance	\$3,971		\$4,164
Forecast Revenues	48,656		51,477
Projected Spending	48,463		51,257
Budget Reserve	2,359	-491	1,867
Cash Flow Account	350		350
Stadium Reserve	124	+124	248
Available Balance	\$1,332		\$1,919
<i>Balance w/o Carryforward</i>			<i>\$587</i>
<i>Estimated Inflation</i>			<i>\$1,211</i>

Budget Reserve Reaches Target

(\$ in millions)

Budget Reserve: FY 2010-23





Congrats Minnesota, you saved
\$2.359 billion for a rainy day!



Photo courtesy of Twin Cities In Motion