



DECEMBER 2019

Produced by Minnesota Management and Budget

# *BUDGET AND ECONOMIC FORECAST*



Photo courtesy of Twin Cities In Motion

# 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
<b>Beginning Balance</b>	<b>\$3,080</b>	<b>\$3,971</b>	<b>\$891</b>
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
<b>Budgetary Balance</b>	<b>\$242</b>	<b>\$1,332</b>	<b>\$1,090</b>

# 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
<b>Amount Below Target</b>	<b>284</b>	
<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>		
<b>Allocate up to Reserve Target Level</b>	<b>\$284</b>	
<b>Reserve Balance After Allocation</b>	<b>\$2,359</b>	

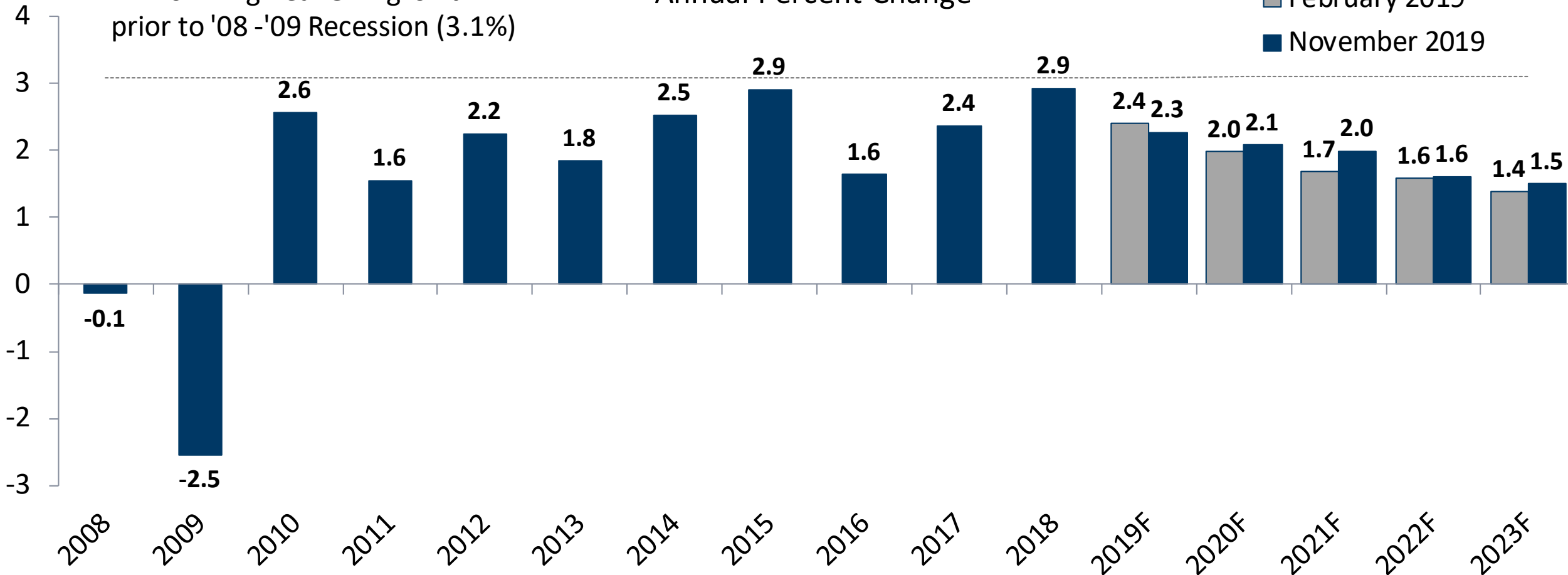
# U.S. Outlook Slightly Improved Since February; Slowdown Remains in Forecast

## Real Gross Domestic Product

Annual Percent Change

February 2019  
November 2019

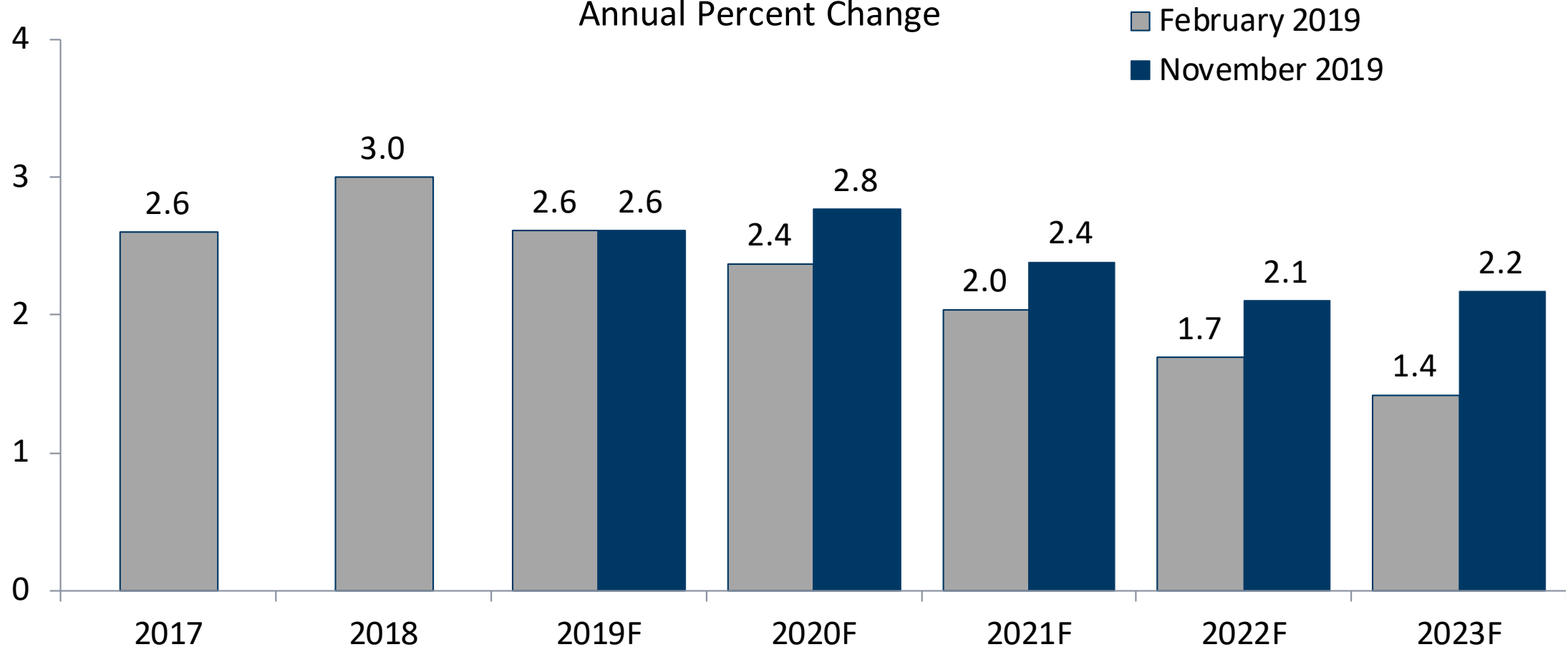
20Yr Avg Real GDP growth  
prior to '08 -'09 Recession (3.1%)



# U.S. Consumer Spending Outlook Improved

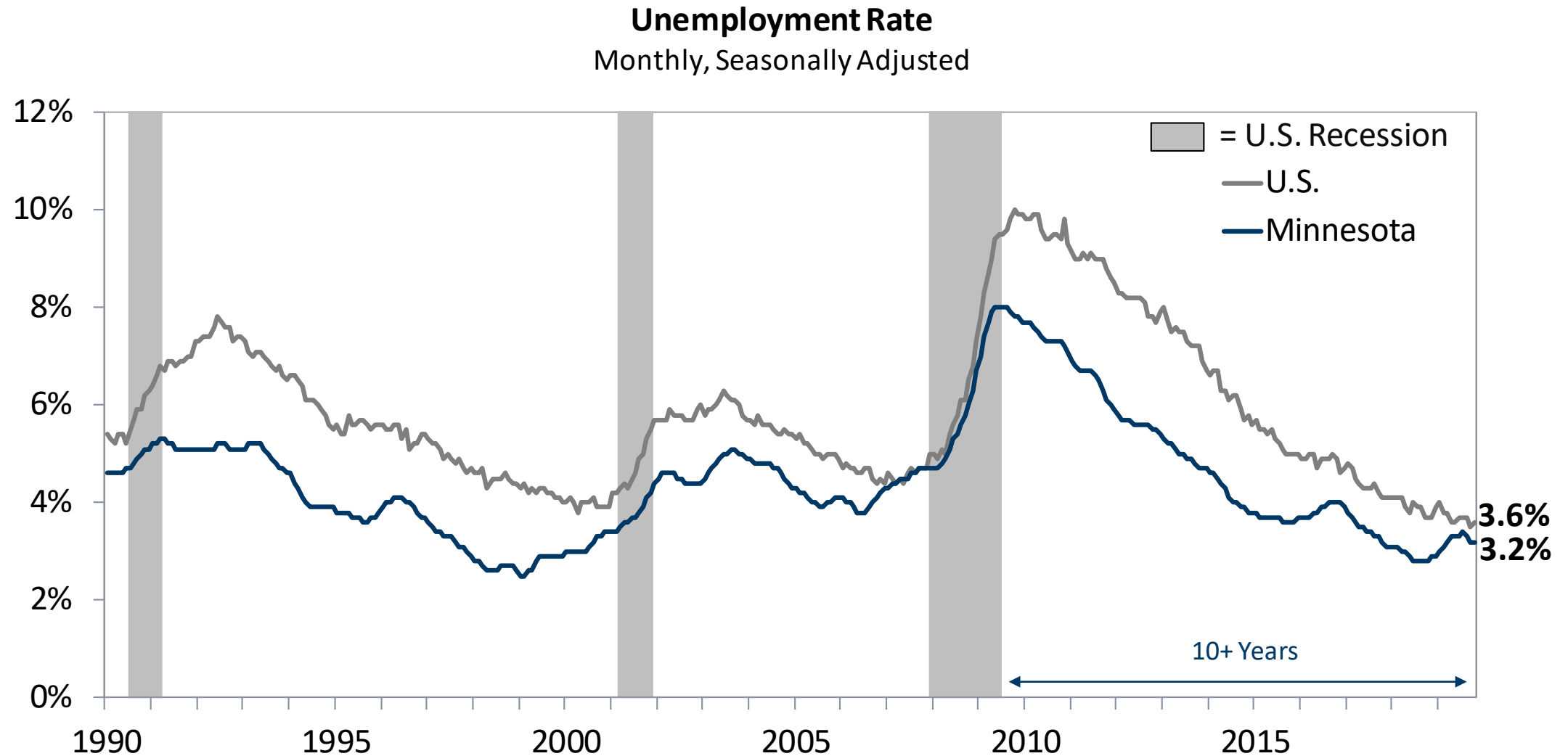
## Real Consumer Expenditures

Annual Percent Change



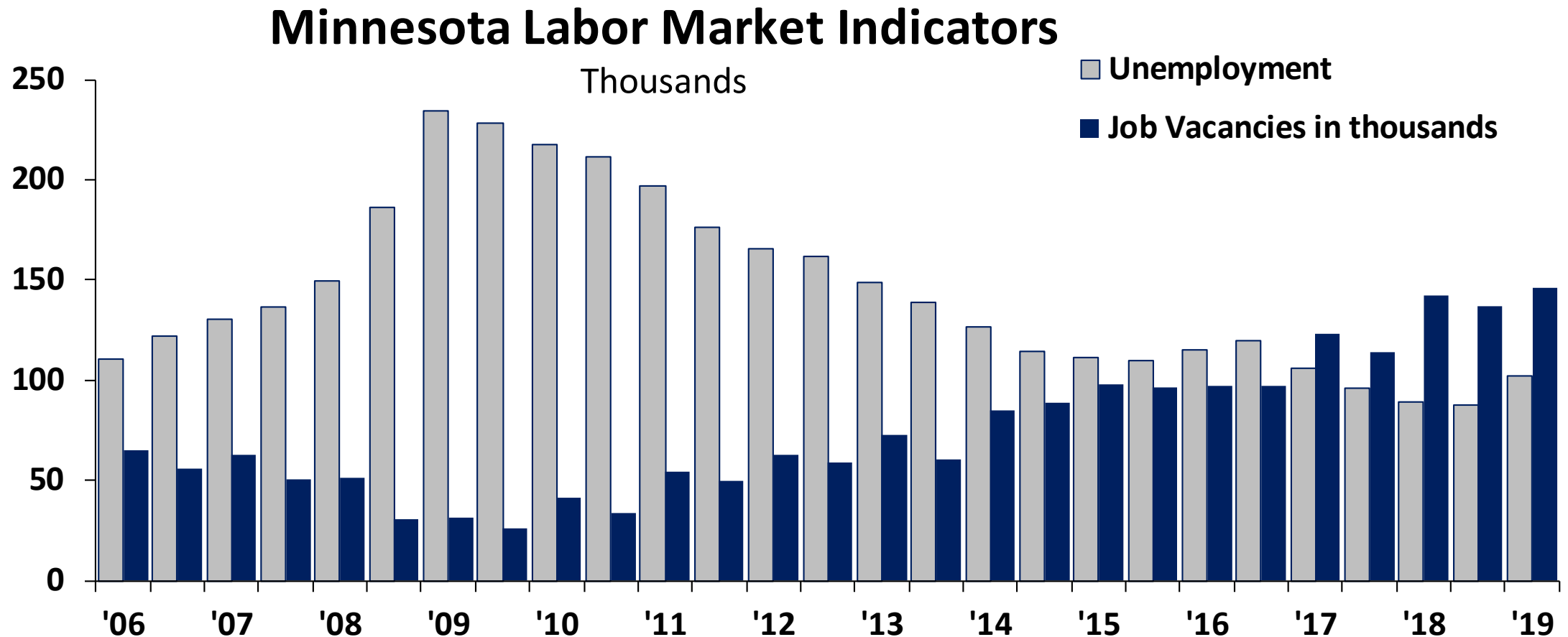


# State Unemployment Rate has Risen; Remains Below U.S. Rate



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

# 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
<b>Total Revenue</b>	<b>\$48,656</b>	<b>\$501</b>

# 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)	<b>FY 2020-21 Nov. Forecast</b>	<b>Forecast Change</b>
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
<b>Total Spending</b>	<b>\$48,463</b>	<b>\$(7)</b>

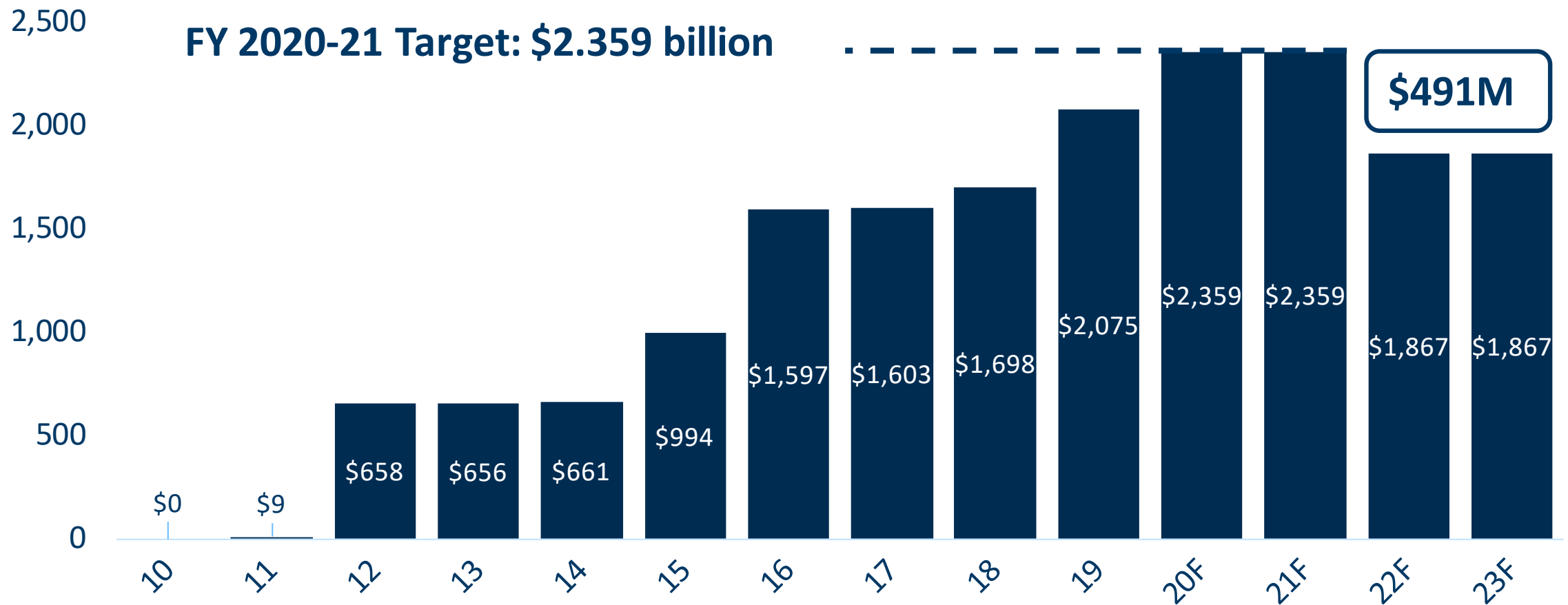
# Planning Estimates and Reserve Change

(\$ in millions)	FY 2020-21	Reserve Change	FY 2022-23
<b>Beginning Balance</b>	<b>\$3,971</b>		<b>\$4,164</b>
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
<b>Available Balance</b>	<b>\$1,332</b>		<b>\$1,919</b>
<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