



BUDGET AND ECONOMIC FORECAST

November 2021

Produced by Minnesota Management and Budget

State Budget Outlook Improved in This Biennium and Next

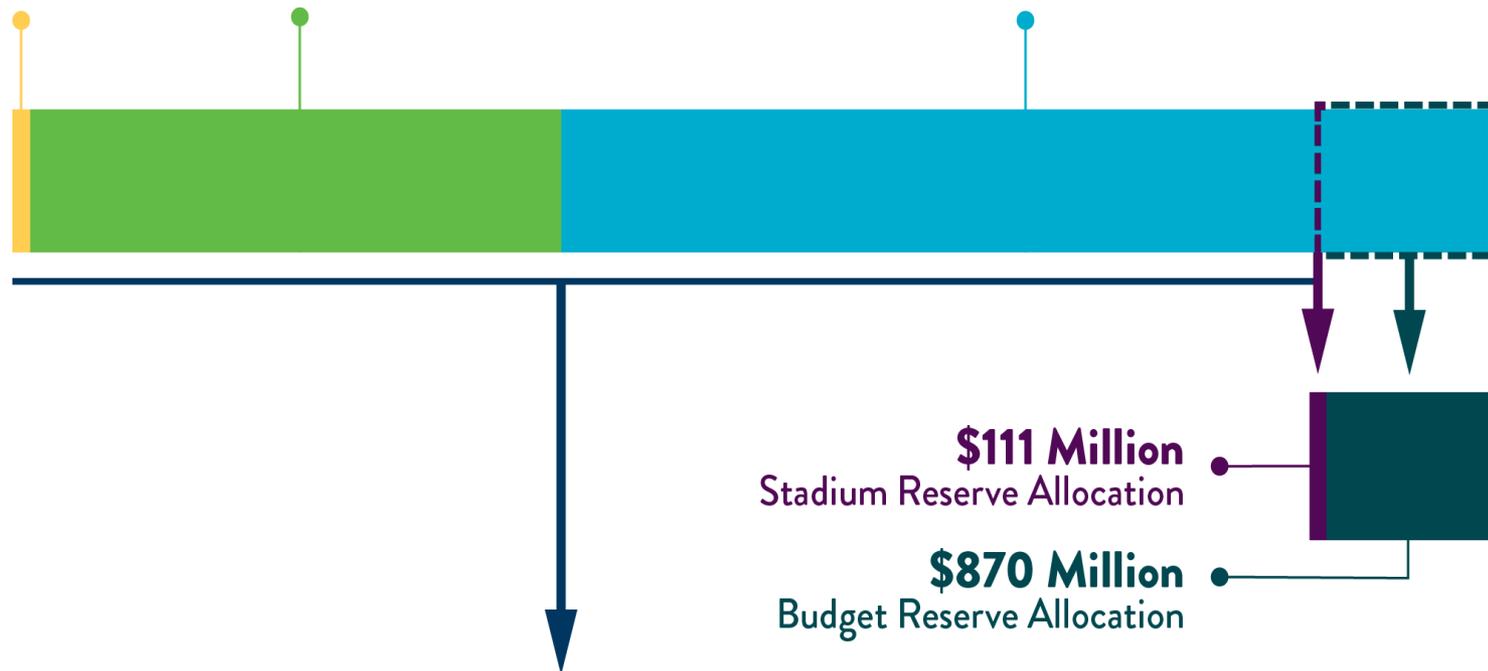
- Budget outlook significantly improved in all years; surplus of \$7.7 billion now projected in FY 2022-23.
- Strong growth in income, consumer spending, and profits drives extraordinary revenue growth in FY 2021, pushes \$3 billion into current biennium.
- Higher tax receipts to date and improved outlook for income, consumer spending, and profits raise revenue forecast for FY 2022-23.
- Budget reserve restored and target met; balance now \$2.656 billion.
- Improved outlook carries into FY 2024-25 planning estimates
- Economic uncertainty and the pandemic pose significant risk to the forecast.

\$7.7 Billion Surplus Projected for FY 22-23

\$127 Million
Surplus at End
of Session

\$3.1 Billion
Rollover
from FY21

\$5.5 Billion
Forecast Gain
FY22-23



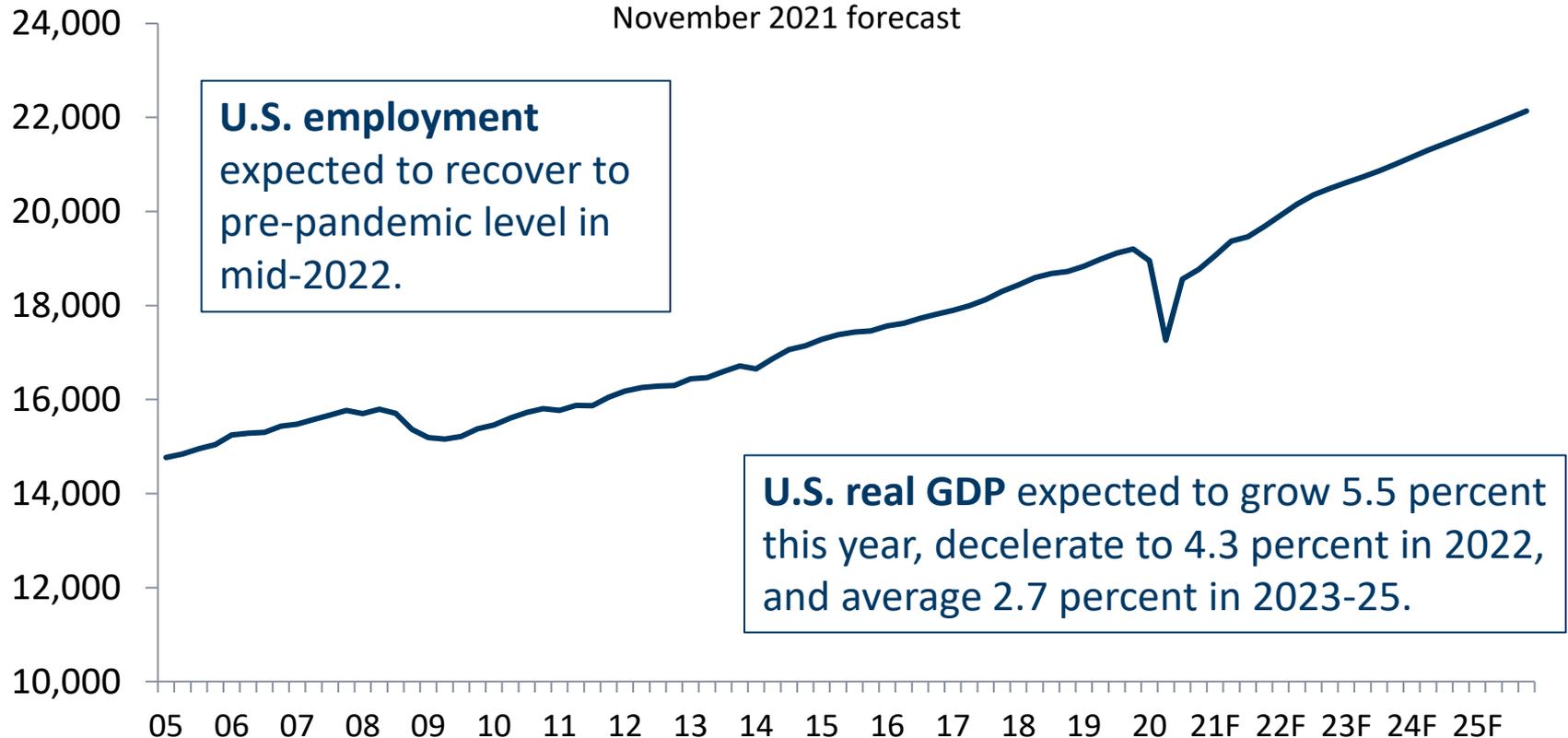
\$7.7 Billion Projected Surplus for FY 22-23

FY 22-23 Forecast Changes

(\$ in millions)	FY 2022-23 End of Session	FY 2022-23 Nov. Forecast	Forecast Change
Beginning Balance	\$3,920	\$7,026	\$3,106
Revenues	50,907	56,037	5,130
Spending	52,363	51,999	(364)
Budget Reserve	1,786	2,656	870
Cash Flow Account	350	350	-
Stadium Reserve	201	312	111
Budgetary Balance	\$127	\$7,746	\$7,619

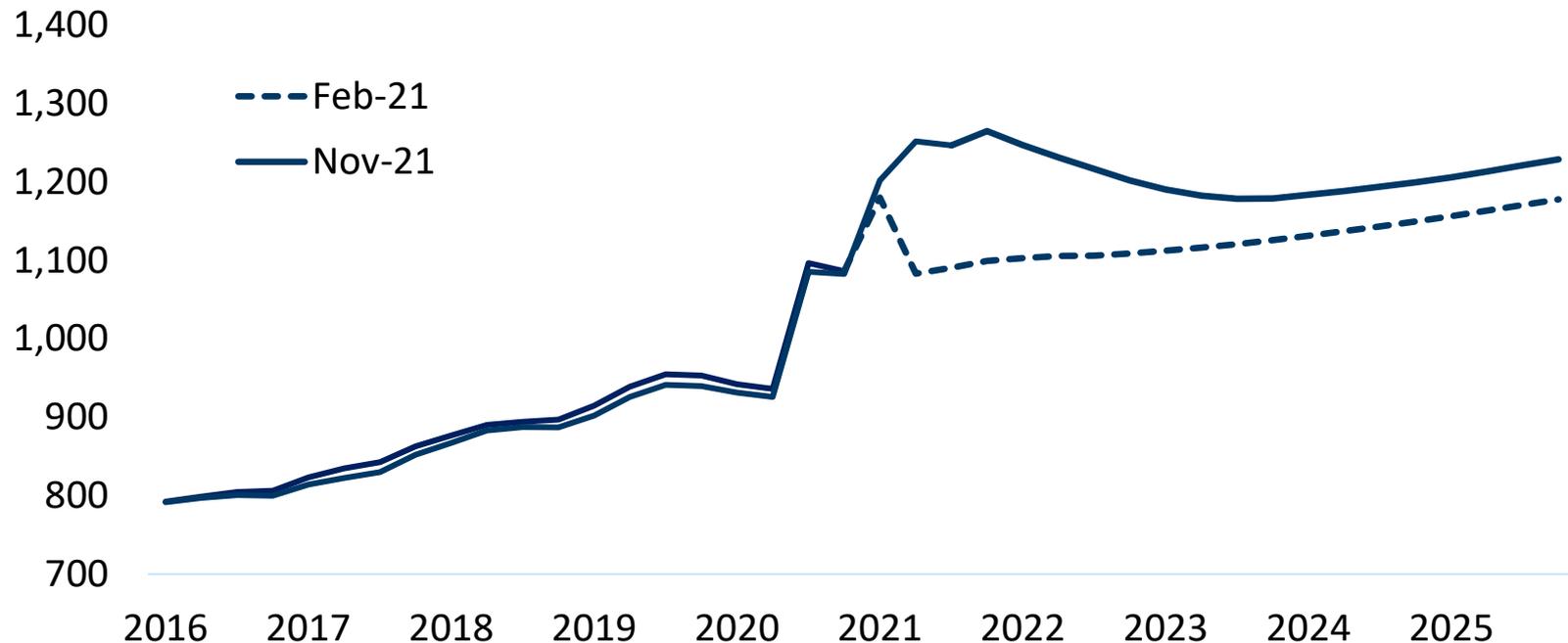
U.S. Economic Recovery Expected to Continue

U.S. Real Gross Domestic Product
(Billions, chained U.S. Dollars 2012)
November 2021 forecast



Durable Goods Spending Higher than Expected

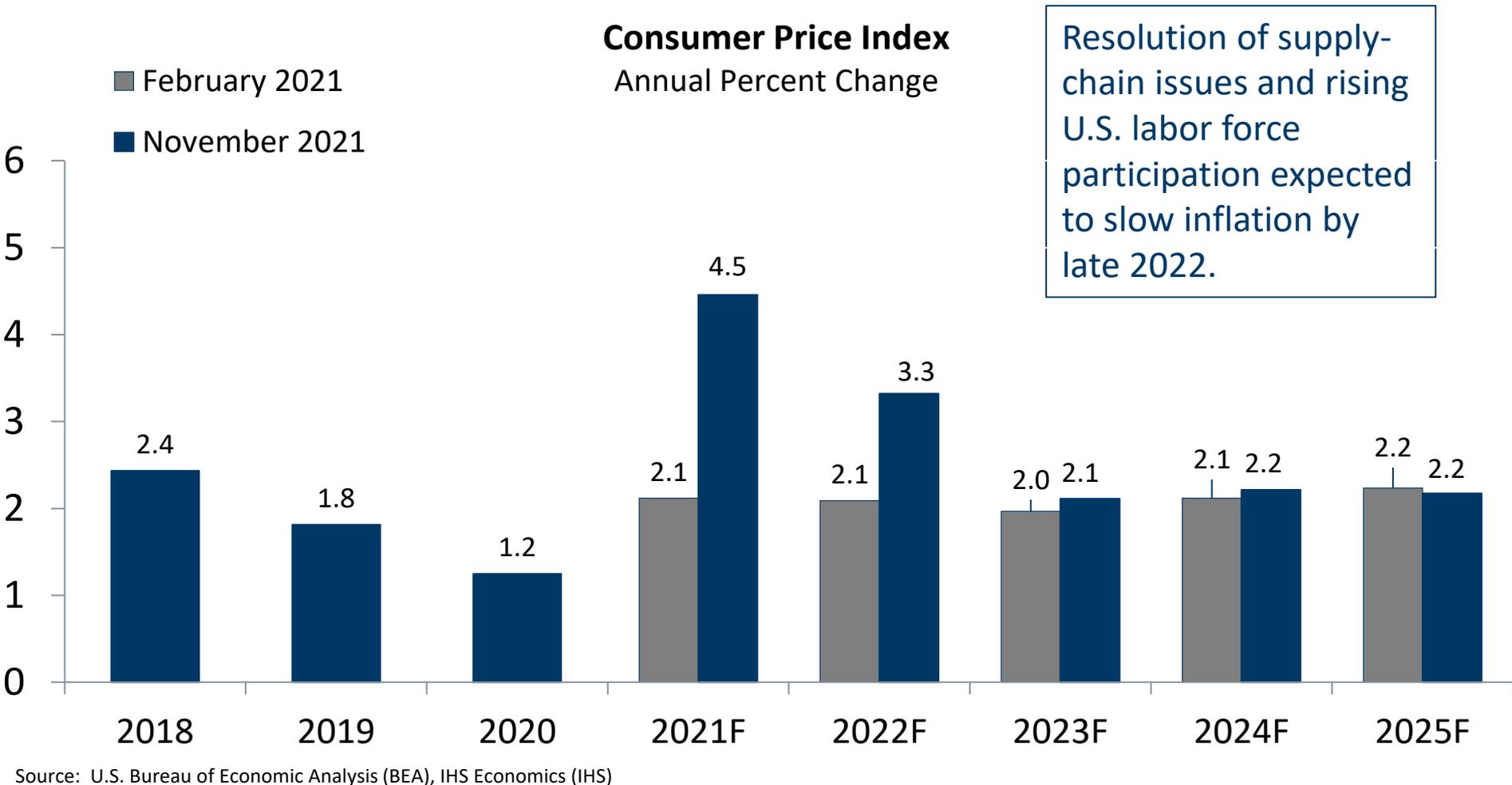
U.S. Consumer Spending on Non-Auto Durable Goods
Billions of Dollars (Nominal)



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

Spending on durable goods other than autos and medical devices is expected to grow 23 percent in 2021, more than double the rate forecast in February.

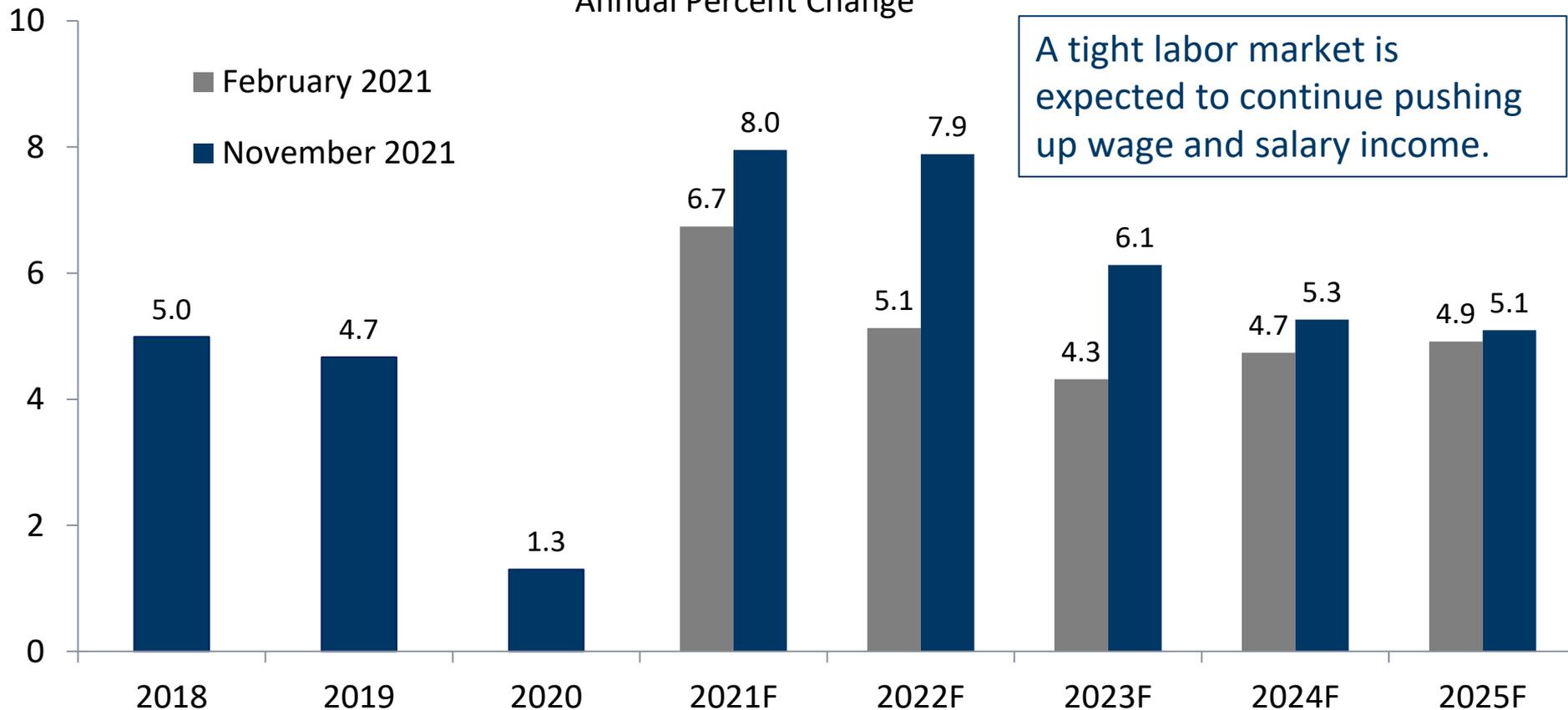
Inflation Higher this Year and Next, Settles at End of 2022



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

Strong Wage and Salary Income Growth Throughout Forecast

U.S. Total Wage and Salary Disbursements
Annual Percent Change



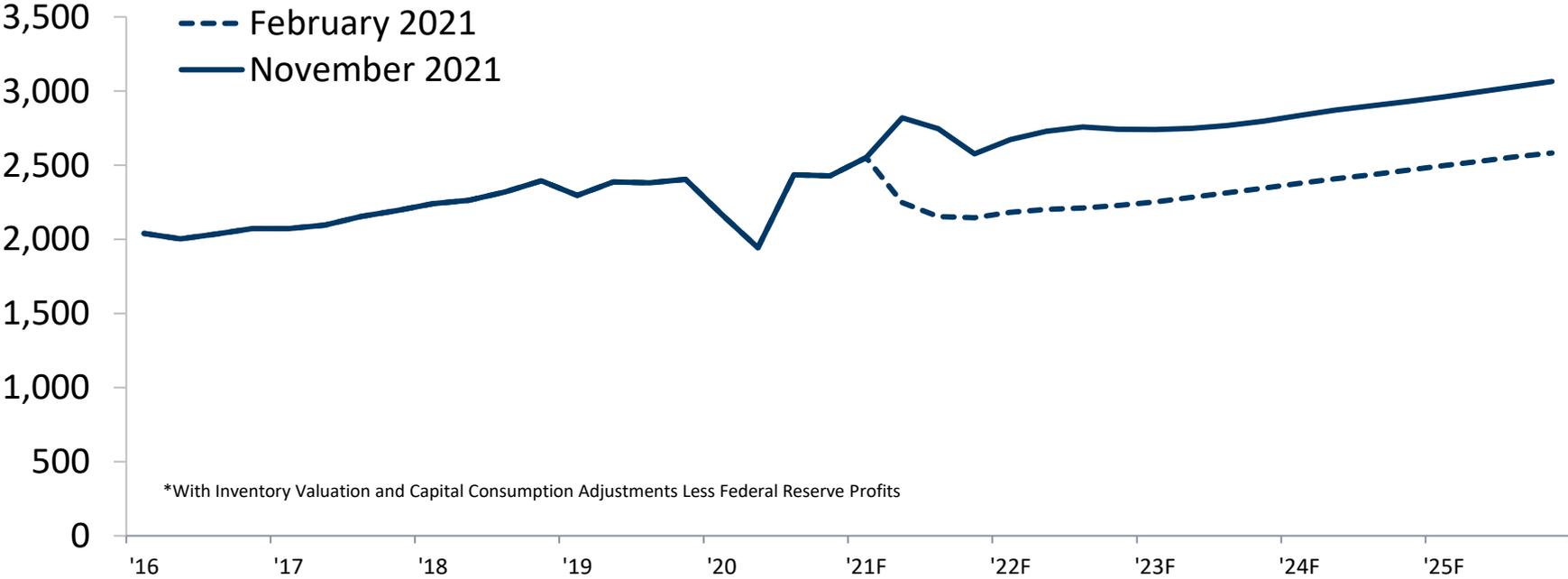
A tight labor market is expected to continue pushing up wage and salary income.

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

Corporate Profits Higher than Expected

U.S. Corporate Profits Before Tax*

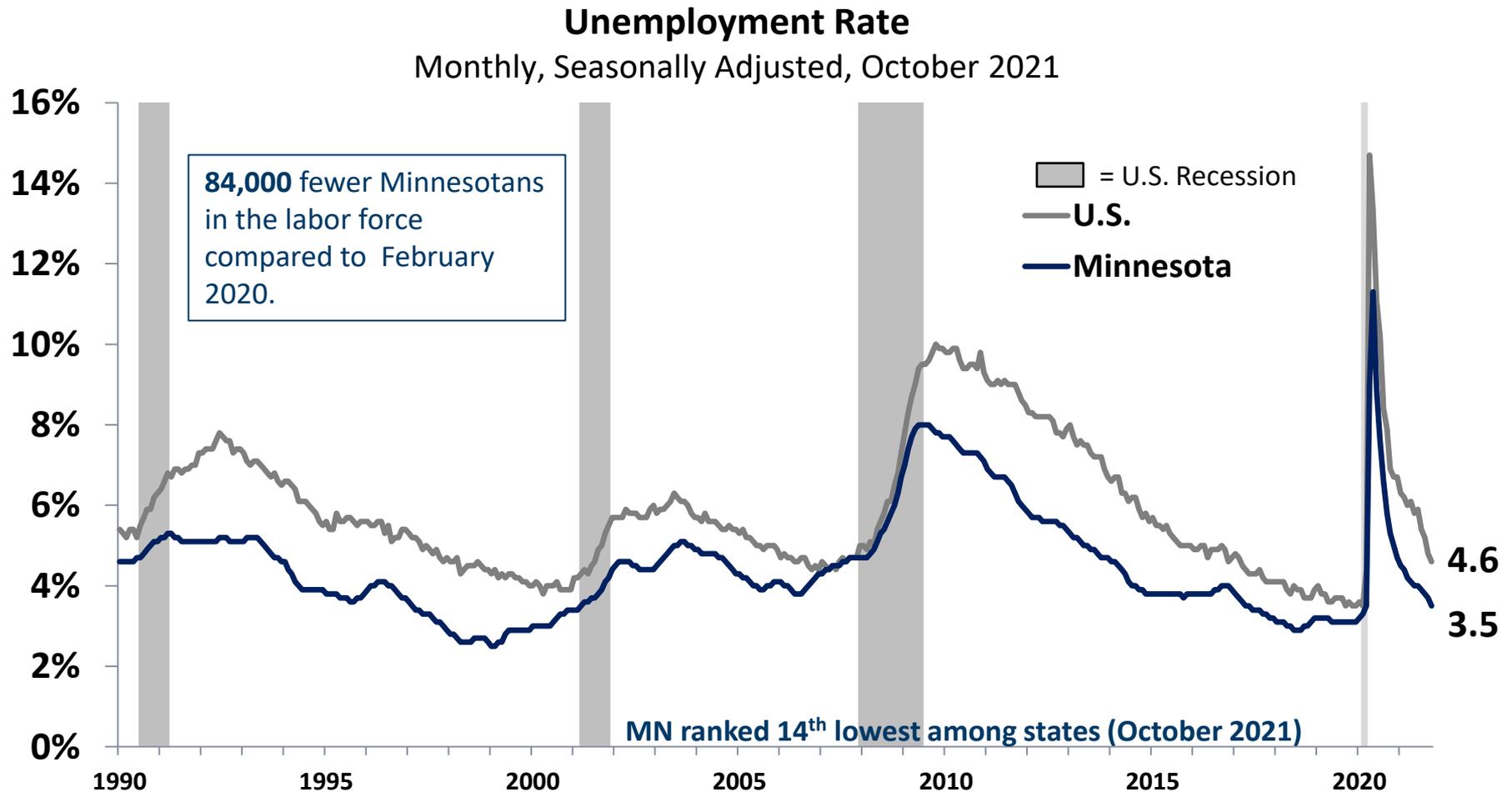
Billions of Dollars, Annual Rate



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

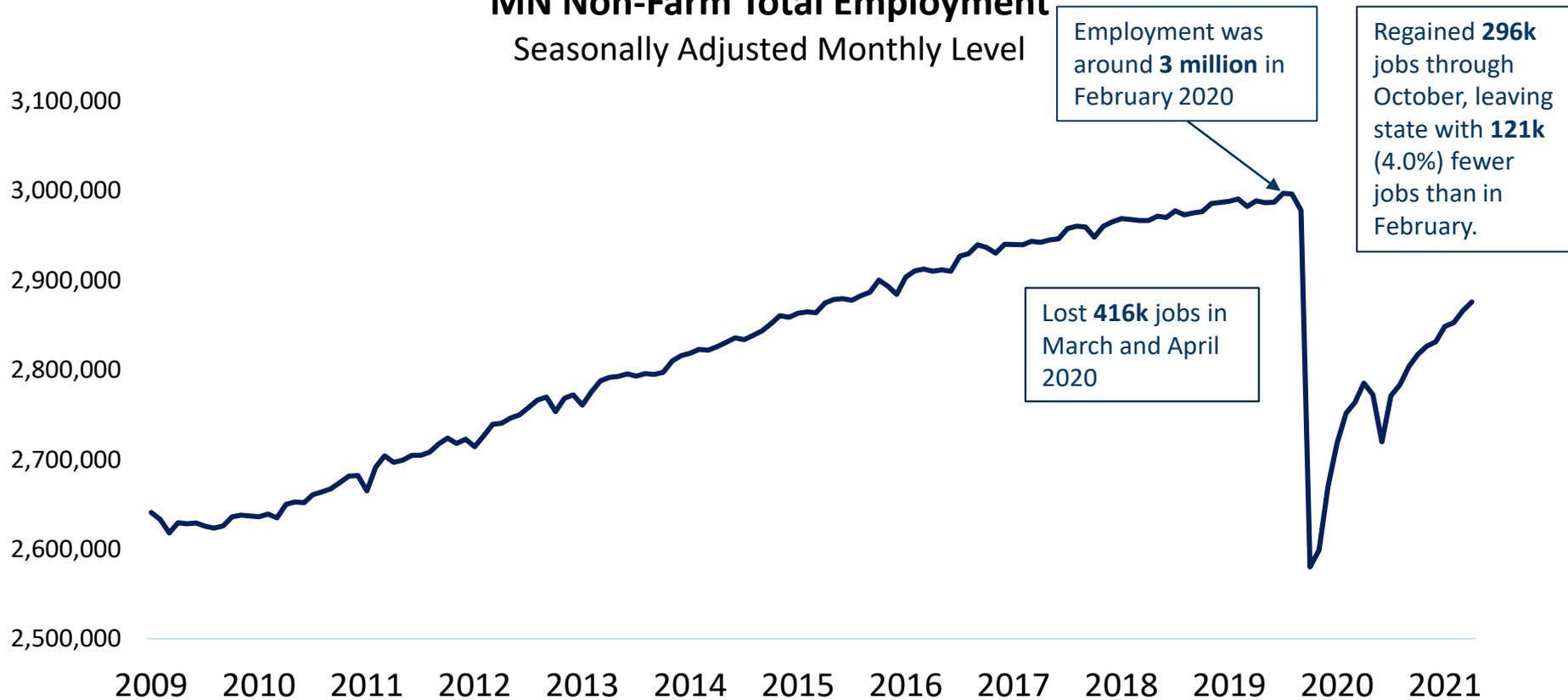
Corporate profits are expected to grow 19 percent in CY 2021, nearly four times the rate forecast in February.

State Unemployment Rate Below U.S. Level



State Employment Recovering

MN Non-Farm Total Employment
Seasonally Adjusted Monthly Level



Revenue Forecast Higher for FY 2022-23

(\$ in millions)

	FY 2020-21		FY 2022-23	
	Actual	Change	Nov. 2021 Forecast	Forecast Change
Individual Income Tax	\$26,198	\$1,534	\$29,450	\$2,708
General Sales Tax*	11,915	337	13,611	821
Corporate Franchise Tax	3,968	656	4,330	1,249
All Other Revenue	8,399	249	8,646	353
Total Revenues	\$50,479	\$2,775	\$56,037	\$5,130

*General sales tax forecast includes the impact of the repeal of the June accelerated sales tax triggered with this release.

Forecast Risks

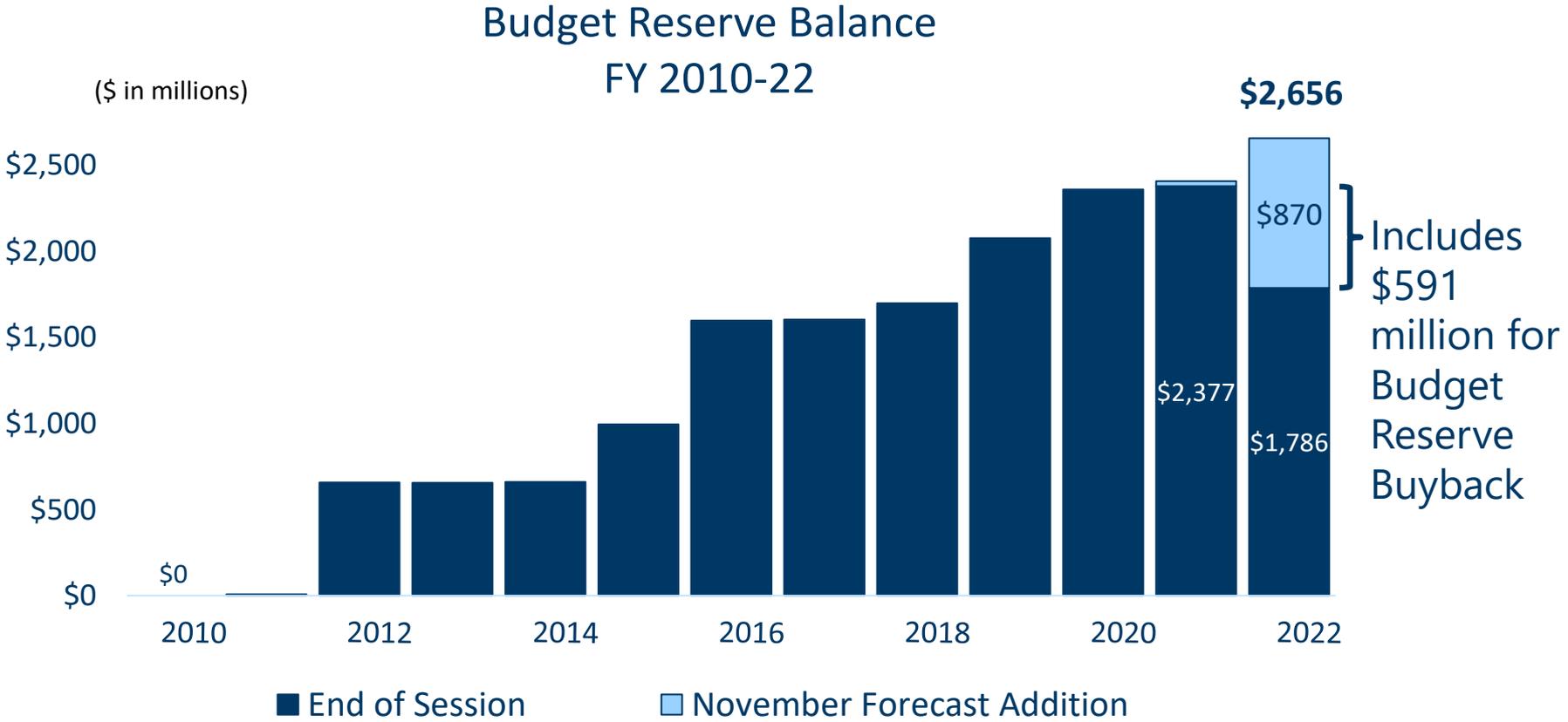
- Path of pandemic
- Inflation
- Labor force participation
- Supply chain issues
- Global growth
- 19 months until end of FY 2022-23

Spending Forecast Slightly Lower

(\$ in millions)

	FY 2020-21		FY 2022-23	
	Actual	Change	Nov. 2021 Forecast	Forecast Change
E-12 Education	\$19,755	\$(84)	\$20,661	\$(326)
Health and Human Services	13,646	(102)	16,410	(94)
Property Tax Aids and Credits	3,893	(80)	4,169	(36)
Debt Service	1,056	-	1,199	(44)
All Other	9,075	(65)	9,562	136
Total Spending	\$47,425	\$(331)	\$51,999	\$(364)

Budget Reserve Balance: \$2.7 billion



Long Term Budget Outlook

(\$ in millions)	FY 2022-23	FY 2024-25	Biennial Growth	Annualized % Growth
Forecast Revenues	\$56,037	\$60,285	\$4,248	3.7%
Projected Spending	51,999	54,333	2,333	2.2%
Structural Balance	\$4,038	\$5,953		
<i>Estimated Inflation</i>		<i>\$1,165</i>		



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