

A scenic photograph of a sunset over a body of water, framed by tall, thin reeds in the foreground. The sun is low on the horizon, creating a warm, golden glow. The sky is filled with soft, wispy clouds. The water reflects the light from the sun. The reeds are in sharp focus, with some in the foreground and others in the background, creating a sense of depth. The overall mood is peaceful and serene.

BUDGET AND **ECONOMIC FORECAST**



FEBRUARY 2021

Produced by Minnesota Management and Budget

Federal Actions Improve State Outlook

- Budget outlook significantly improved in all years; positive balance of \$1.6 billion now projected in FY 2022-23.
- Improved U.S. economic outlook, supported by federal pandemic relief legislation not in November forecast, raises the revenue forecast.
- State spending estimates adjusted downward due to continued federal support in Medical Assistance and lower E-12 estimates.
- Unemployment continues to disproportionately impact lower-wage workers.

\$1.6 Billion Balance Projected for FY 22-23

(\$ in millions)	FY 2022-23		Forecast Change
	End of December Special Session	FY 2022-23 Feb. Forecast	
Beginning Balance	\$3,202	\$3,748	\$546
Revenues	49,494	50,917	1,423
Spending	51,113	50,657	(456)
Budget Reserve	1,886	1,886	-
Cash Flow Account	350	350	-
Stadium Reserve	230	201	(29)
Budgetary Balance	\$(883)	\$1,571	\$2,454

FY 22-23 Budget Balance

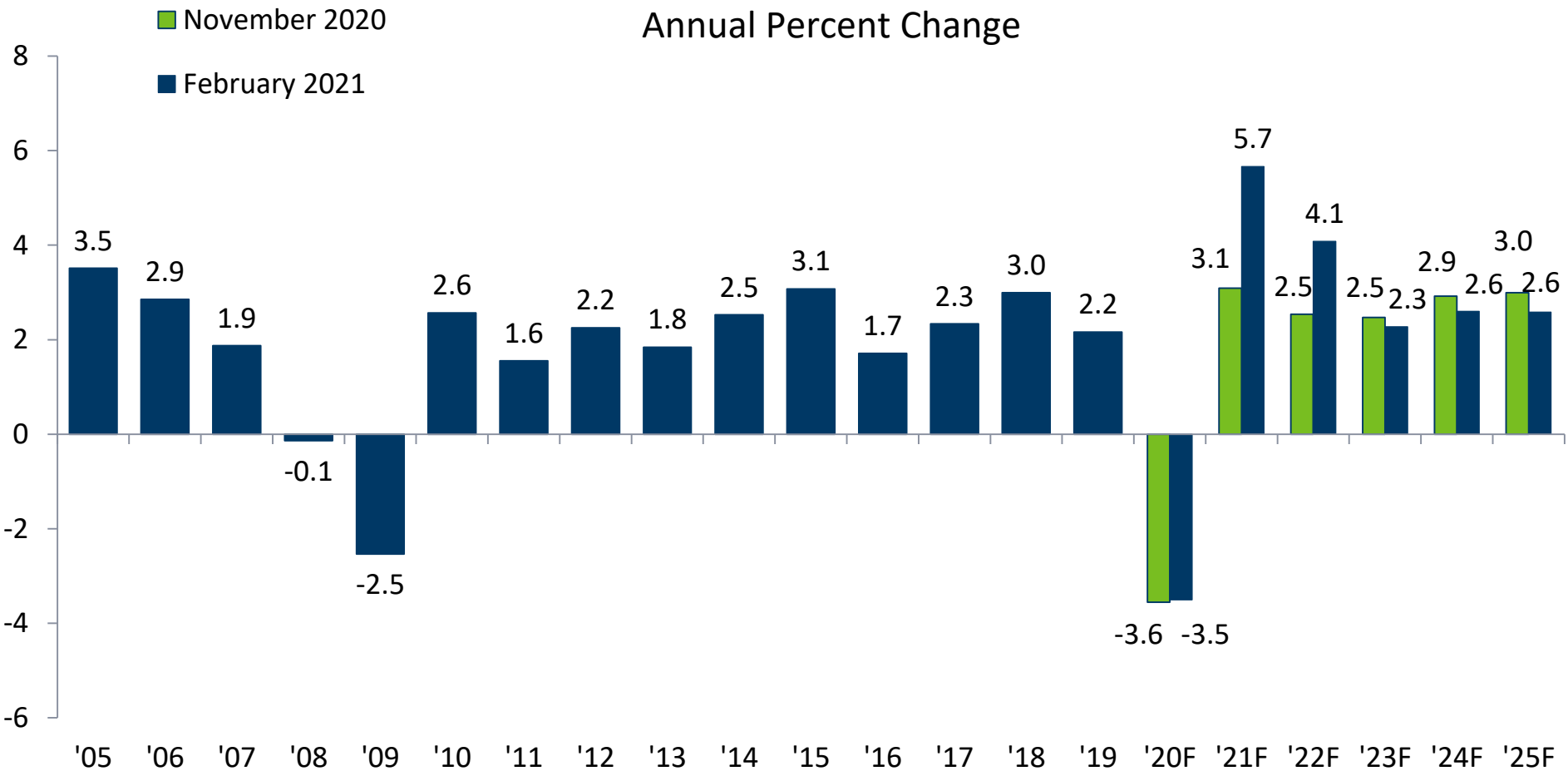
Required Budget Reserve Use \$491M	Carry Forward from Previous Budget \$940M	Structural Balance (Revenue - Spending) \$260M
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\$120M
Stadium Reserve Growth

\$1.57 Billion Available for FY 22-23

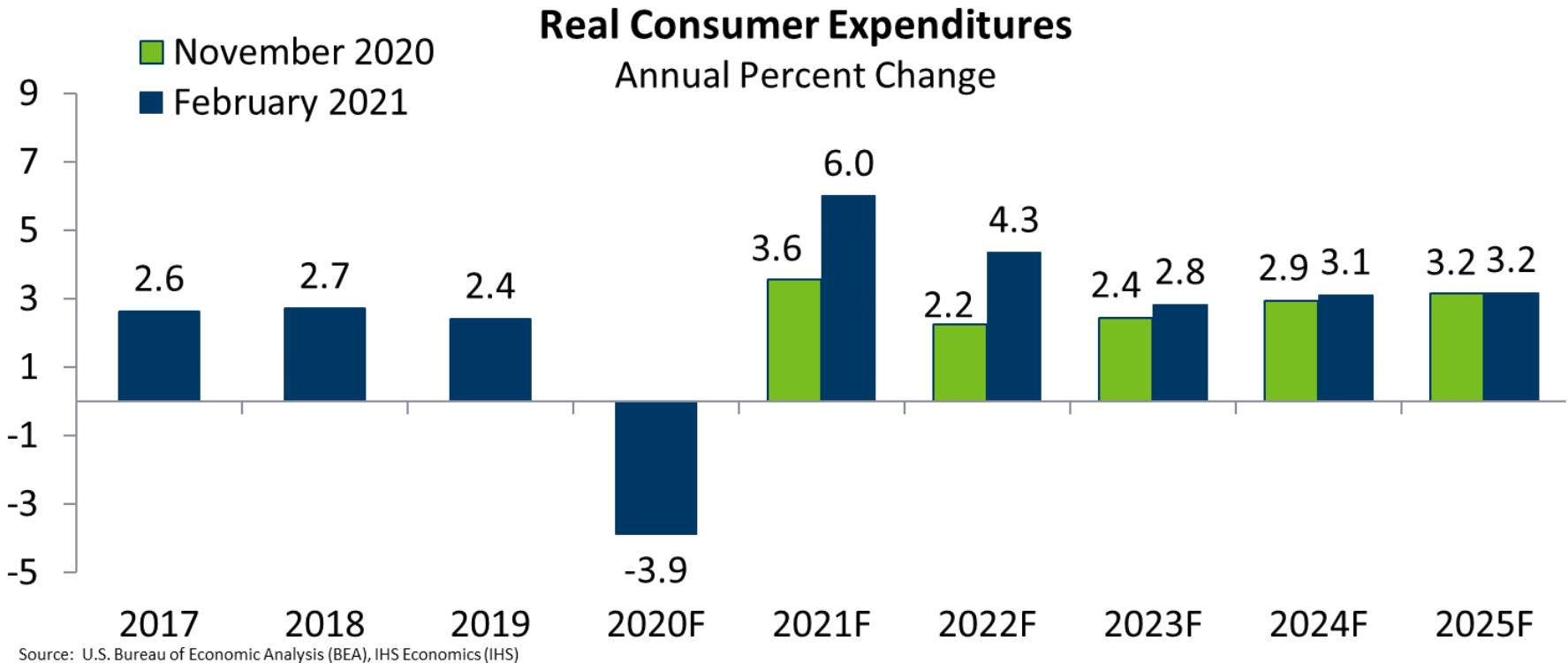
U.S. Outlook Improved Since November

U.S. Real Gross Domestic Product Annual Percent Change



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

Consumer Spending Supports Recovery

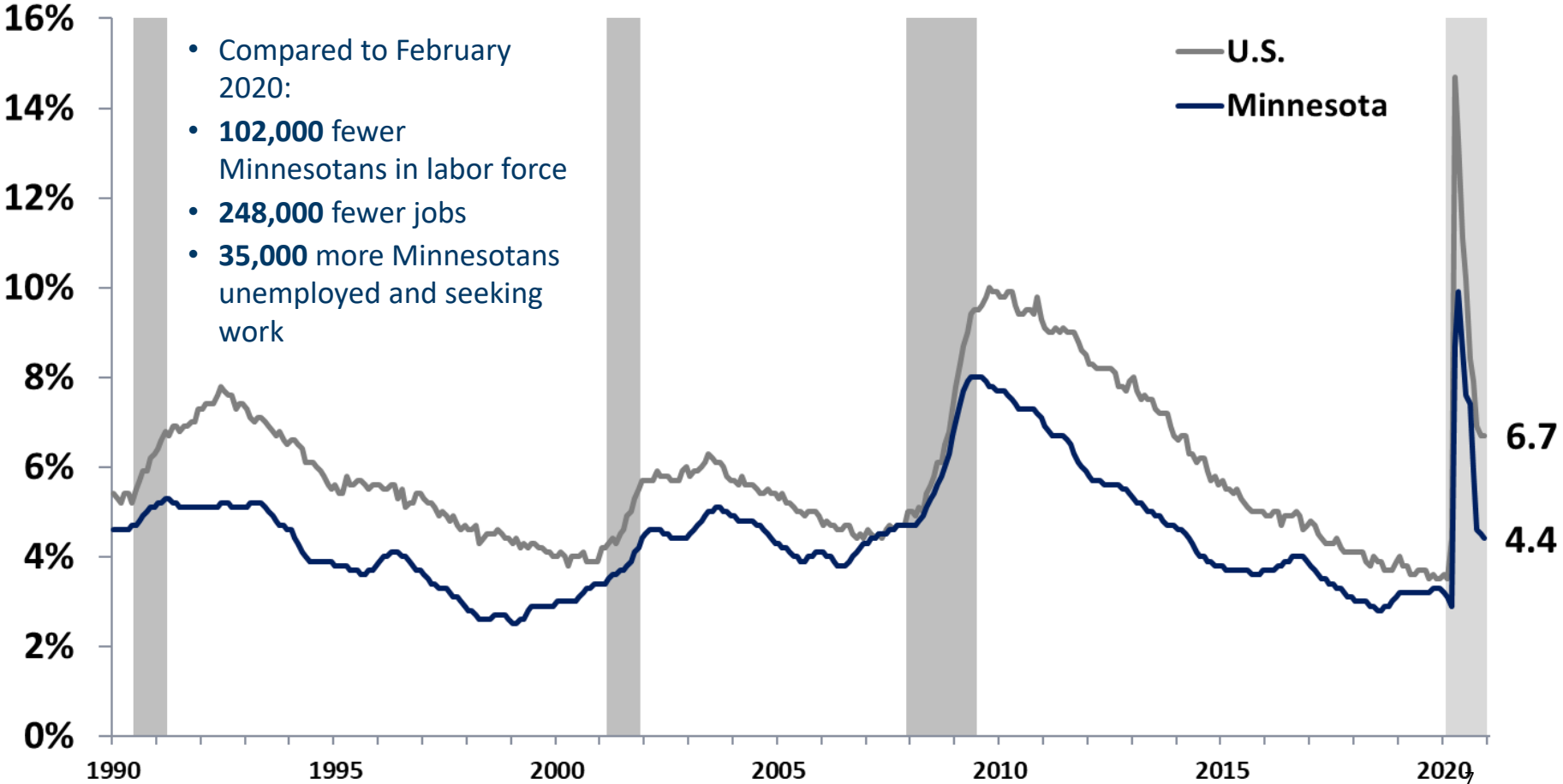


Additional stimulus and an improving COVID-19 situation prompted IHS to raise the forecast for real consumer spending.

Minnesota Labor Market

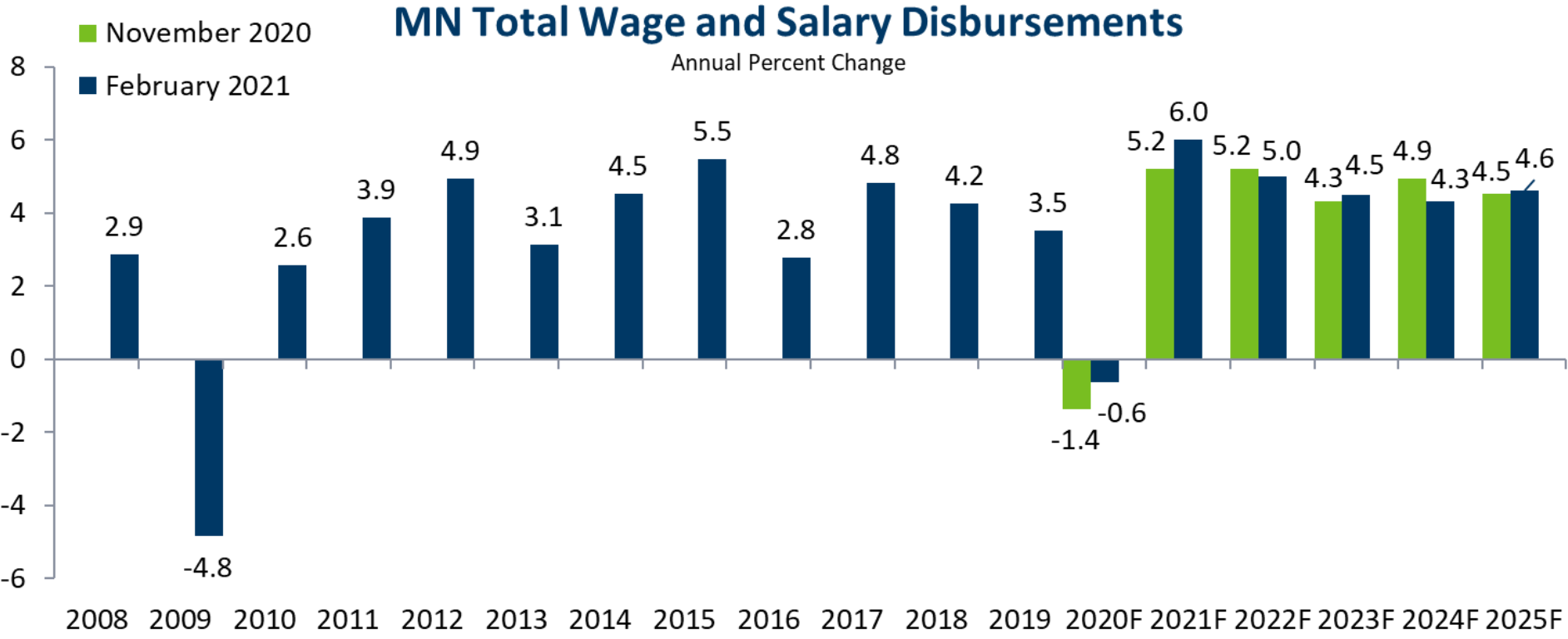
Unemployment Rate

Monthly, Seasonally Adjusted through December 2020



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

Minnesota Total Wage and Salary Income Expected to Increase this Year



Source: MN Management and Budget (MMB), U.S. Bureau of Economic Analysis (BEA)

Revenue Forecast Improved from November in FY 2020-21 and FY 2022-23

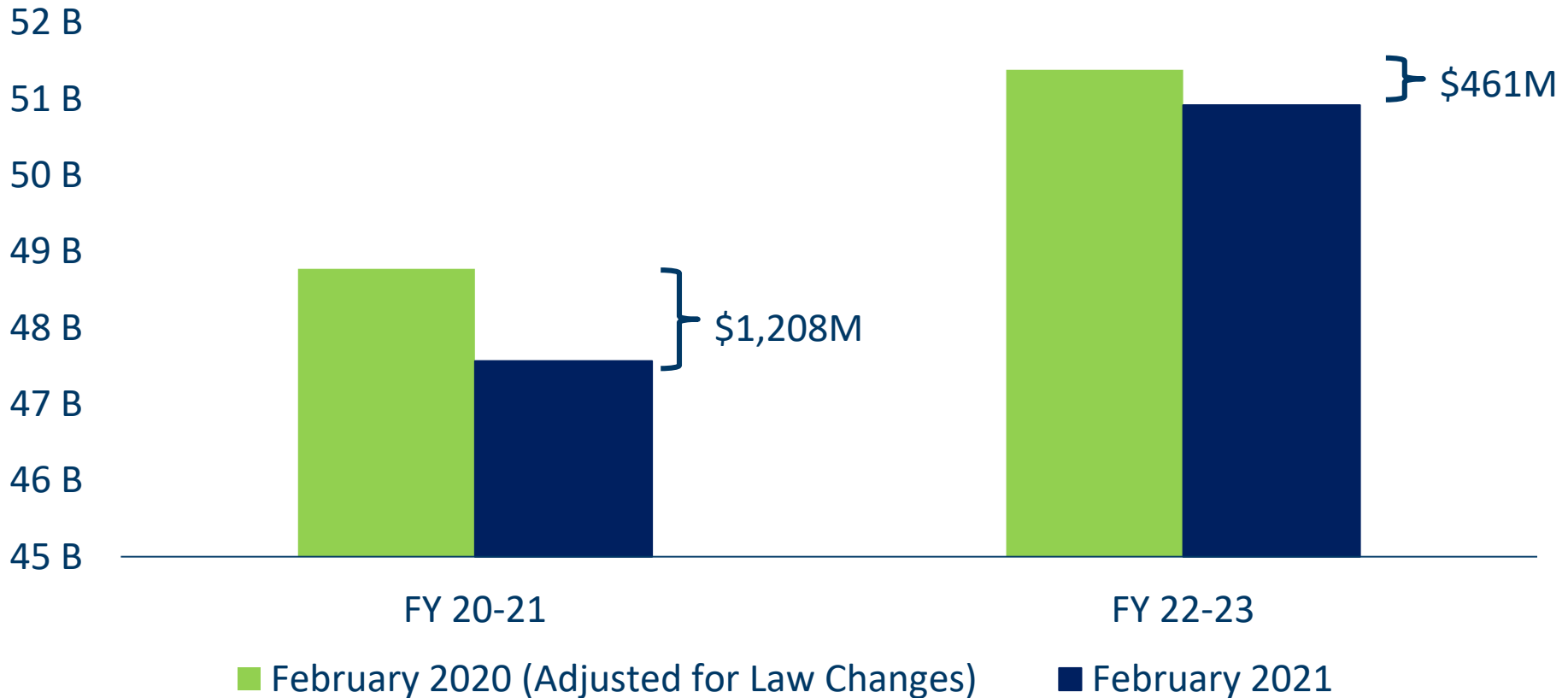
(\$ in millions)

	FY 2020-21		FY 2022-23	
	Feb. 2021 Forecast	Forecast Change	Feb. 2021 Forecast	Forecast Change
Individual Income Tax	\$24,664	\$(100)	\$27,233	\$661
General Sales Tax	11,578	77	12,813	335
Corporate Franchise Tax	3,312	238	3,303	358
All Other Revenue	8,009	248	7,568	68
Total Revenues	\$47,563	\$463	\$50,917	\$1,423

Revenue Forecast Below February 2020 Levels

Revenue Forecast

FY 2020-23; February 2020 vs. February 2021



Forecast Risks



- Path of pandemic, timing of widespread vaccination



- Federal support



- Consumer behavior



- Business confidence



- Financial market volatility



- 28 months until the end of FY 22-23

Spending Forecast Reduced

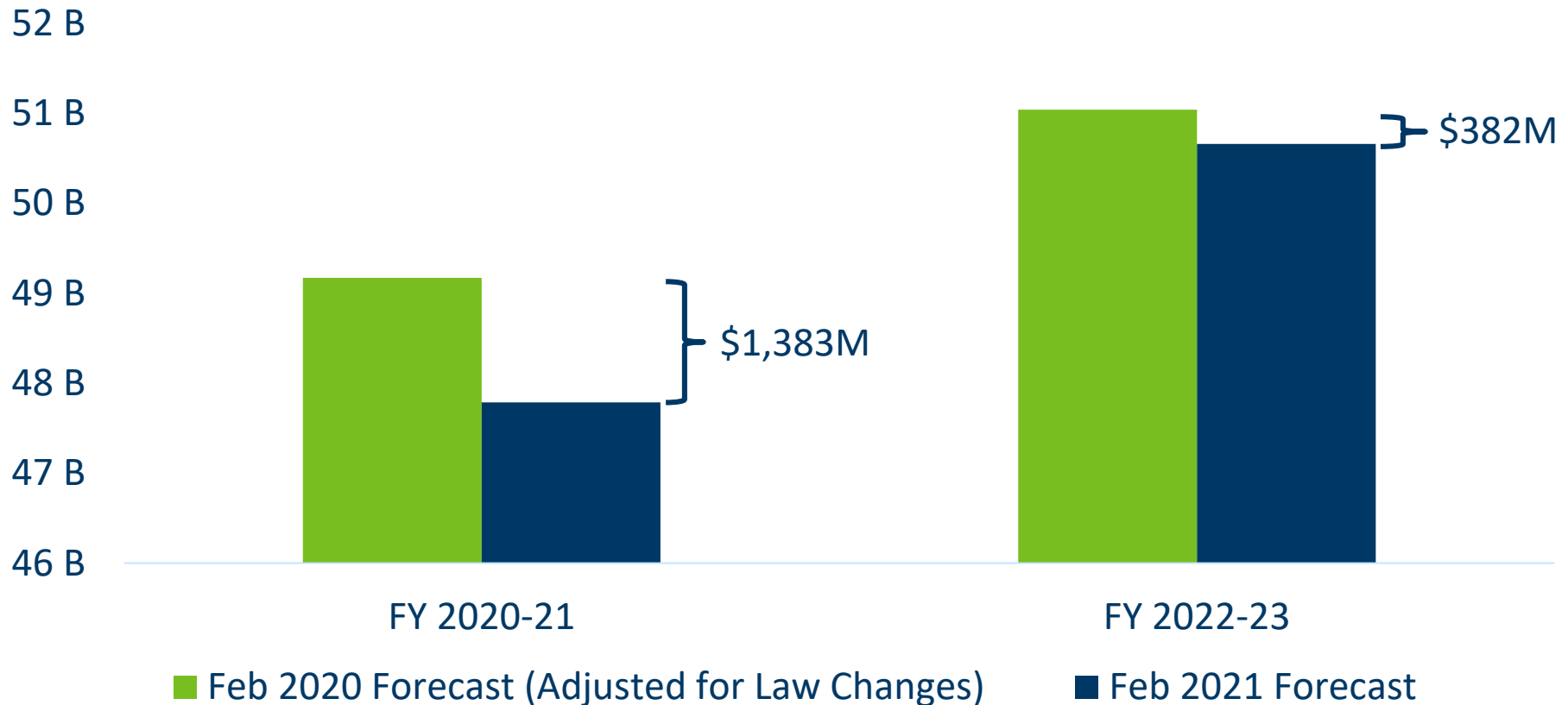
(\$ in millions)

	FY 2020-21		FY 2022-23	
	Feb. 2021 Forecast	Forecast Change	Feb. 2021 Forecast	Forecast Change
E-12 Education	\$19,842	\$(39)	\$20,429	\$(165)
Health and Human Services	13,718	(54)	16,250	(257)
All Other	14,226	9	13,978	(34)
Total Spending	\$47,786	\$(83)	\$50,657	\$(456)

\$1.8 Billion in Forecast Savings Since Feb 2020

Expenditure Forecast

FY 2020-23; February 2020 vs. February 2021



Long Term Budget Outlook

(\$ in millions)	FY 2022-23	FY 2024-25	Biennial Growth	Annualized % Growth
Forecast Revenues	\$50,917	\$54,287	\$3,370	3.3%
Projected Spending	50,657	53,442	2,785	2.7%
Structural Balance	\$260	\$845		
<i>Estimated Inflation</i>	<i>\$1,042</i>	<i>\$2,554</i>		



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