



BUDGET AND ECONOMIC FORECAST



November 2020

Produced by Minnesota Management and Budget

Forecast Significantly Improved; COVID-19 Impacts Remain

- Current year projected deficit eliminated; \$636 million surplus now projected.*
- This forecast adds back about half of the current biennium revenue taken out in the May projection.
- Improved budget outlook continues into the next biennium, but a \$1.3 billion shortfall remains for FY 2022-23.
- Pandemic economic downturn has affected all Minnesotans, but unemployment has disproportionately impacted lower-wage workers.

*Revised to account for a required transfer from the general fund to the 21st Century Minerals fund when a surplus is projected

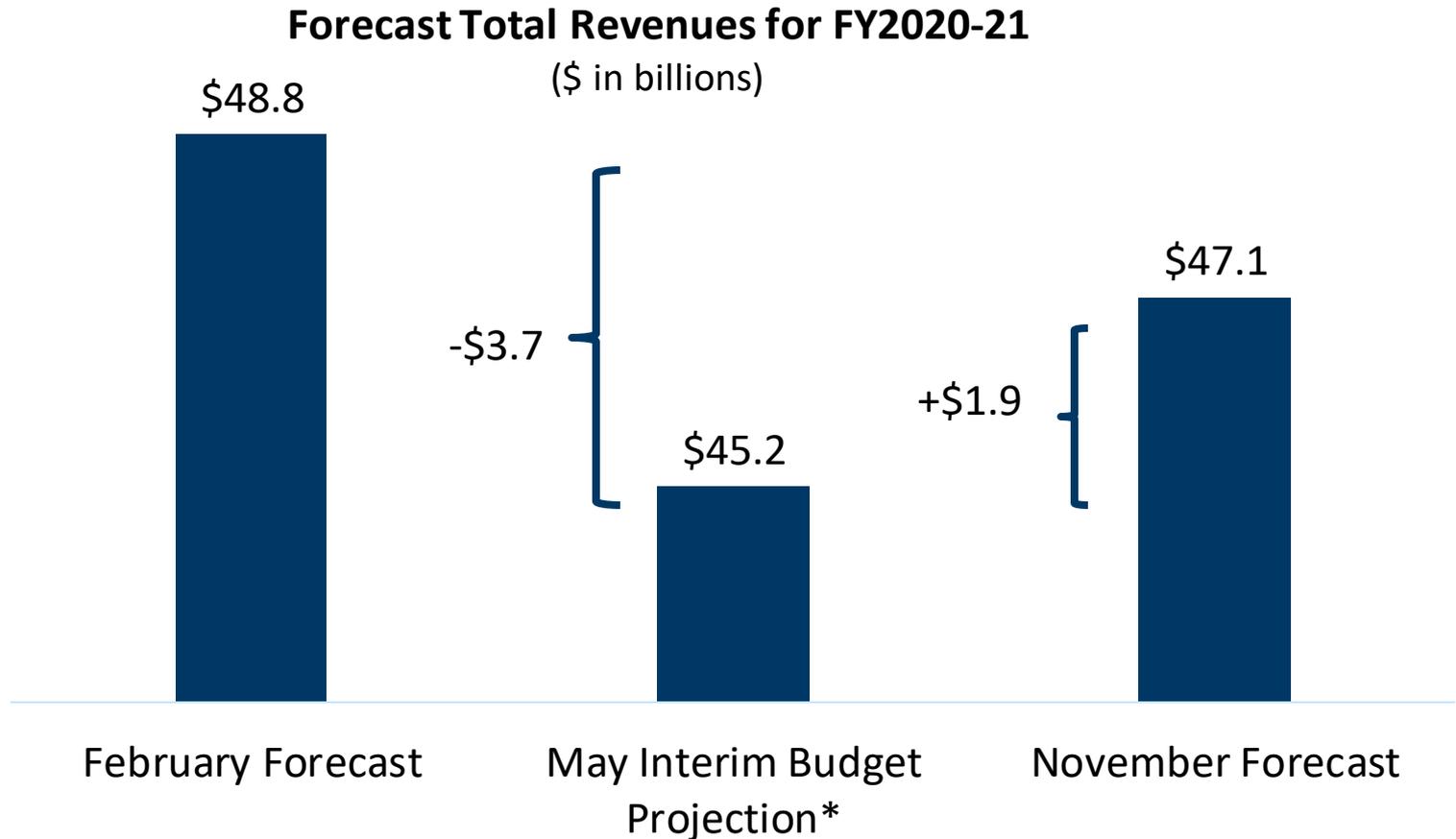
Current Biennium Significantly Improved

(\$ in millions)	FY 2020-21		Forecast Change
	End of October Special Session	FY 2020-21 Nov. Forecast	
Beginning Balance	\$3,971	\$3,971	\$ -
Revenues	45,189	47,100	1,912
Spending	48,680	47,627	(1,053)
Budget Reserve	2,377	2,377	-
Cash Flow Account	350	350	-
Stadium Reserve	66	81	15
Budgetary Balance	\$(2,314)	\$636	\$2,950

Shortfall in Next Biennium Remains in Forecast

(\$ in millions)	<u>FY 2020-21</u>	<u>FY 2022-23</u>	<u>\$ Change</u>
Beginning Balance	\$3,971	\$3,444	
Revenues	47,100	49,494	
Spending	47,627	51,110	
Budget Reserve	2,377	1,886	(491)
Cash Flow Account	350	350	-
Stadium Reserve	81	230	149
Budgetary Balance	\$636	\$(638)	
<i>Shortfall (Excluding FY 2020-21)</i>		<i>\$(1,273)</i>	

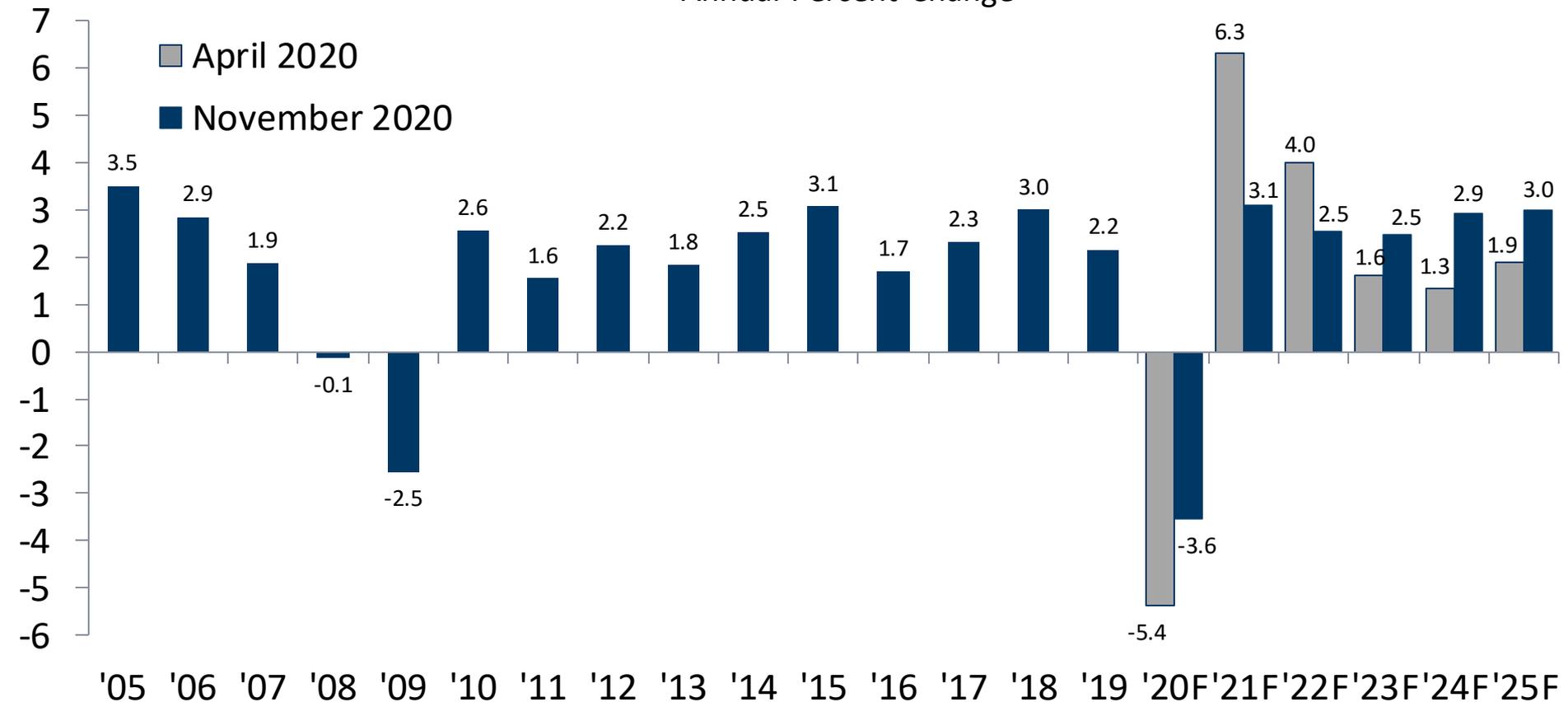
Economic Volatility Drives Revenue Forecast Changes



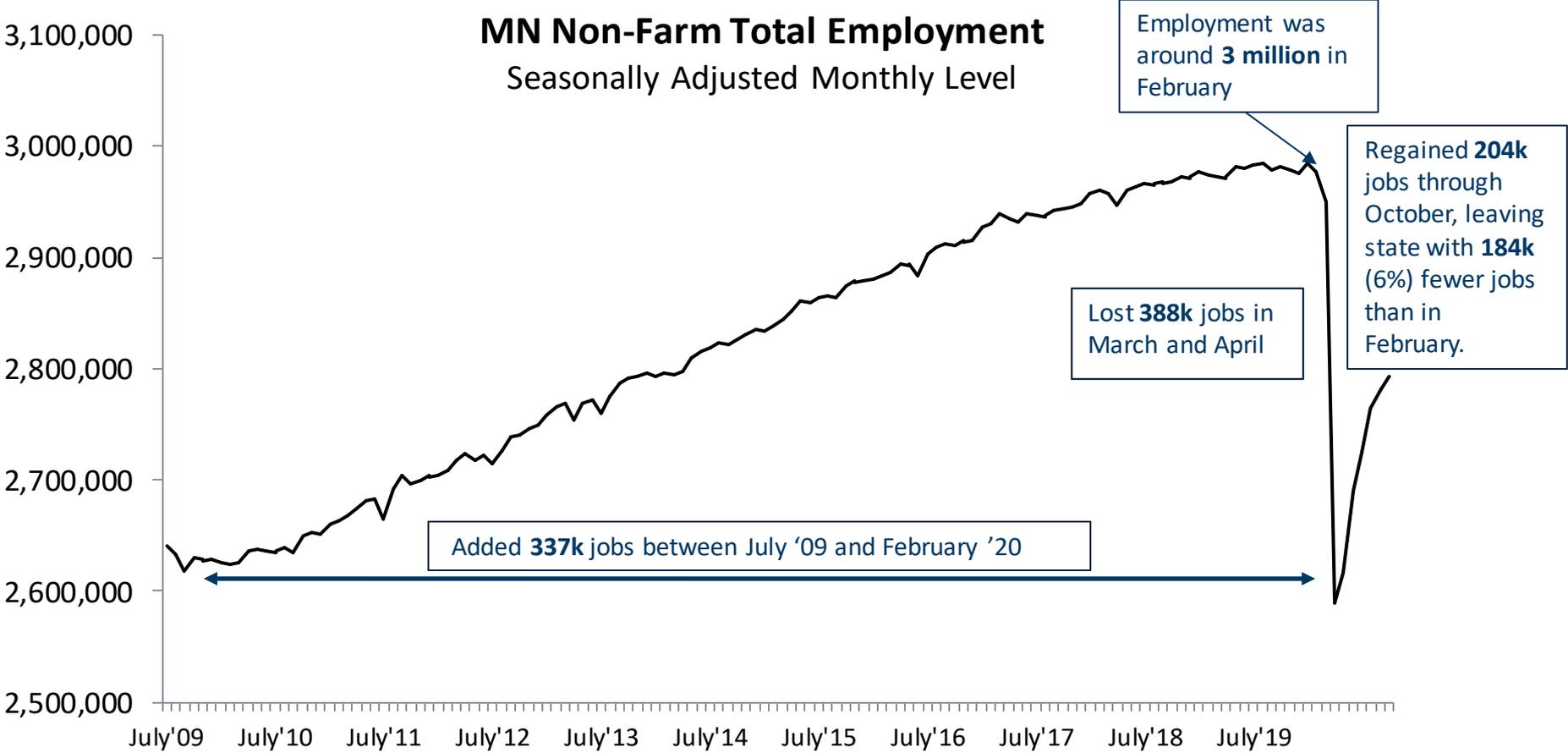
*Adjusted for legislative changes since May

U.S. Outlook Improved Since April

U.S. Real Gross Domestic Product Annual Percent Change



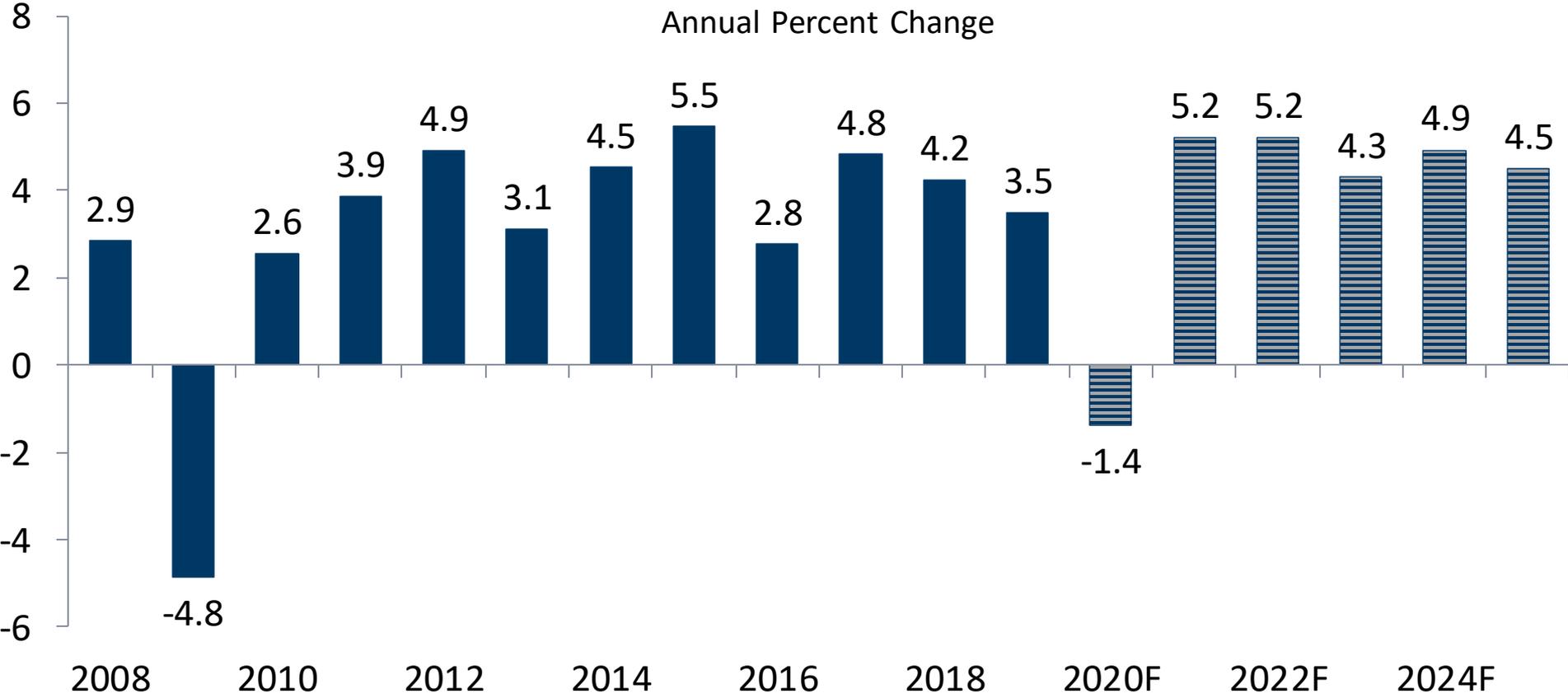
State Employment Lower than February



Source: MN Department of Employment and Economic Development (DEED), Current Employment Statistics (CES)

Minnesota Total Wage and Salary Income Expected to Decline this Year

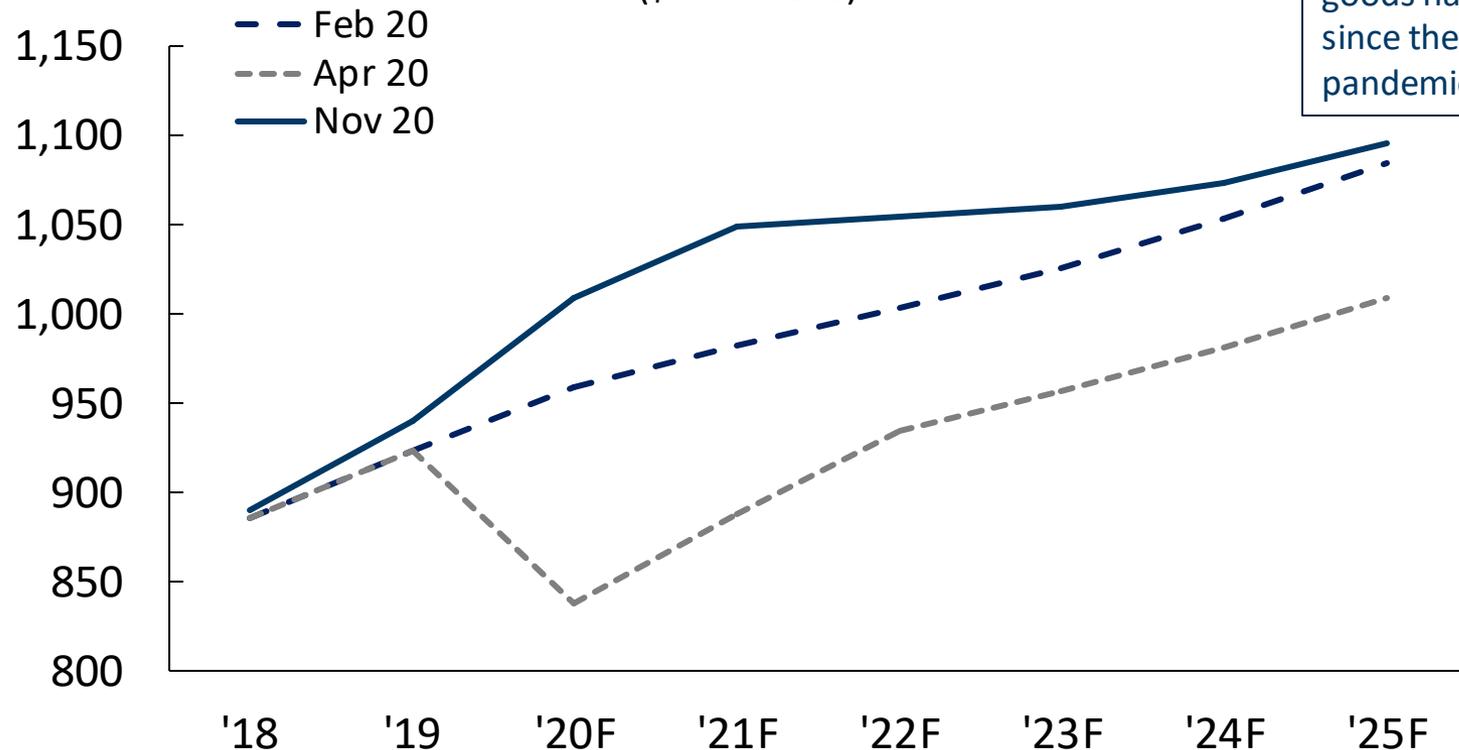
MN Total Wage and Salary Disbursements
Annual Percent Change



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

Consumers Spending More than Expected on Taxable Goods

U.S. Consumer Spending on Durable Goods Excluding Auto and Medical Devices
(\$ in billions)



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

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

(\$ in millions)	FY 2020-21		FY 2022-23	
	Nov. 2020 Forecast	Forecast Change	Nov. 2020 Forecast	Forecast Change
Individual Income Tax	\$24,764	\$500	\$26,571	\$1,466
General Sales Tax	11,501	808	12,477	1,079
Corporate Franchise Tax	3,074	390	2,945	82
All Other Revenue	7,761	214	7,501	344
Total Revenues	\$47,100	\$1,912	\$49,494	\$2,970

Pandemic Adds to Forecast Risks

COVID-19

- Path of pandemic
- Timing of vaccine
- Pace of lifting restriction

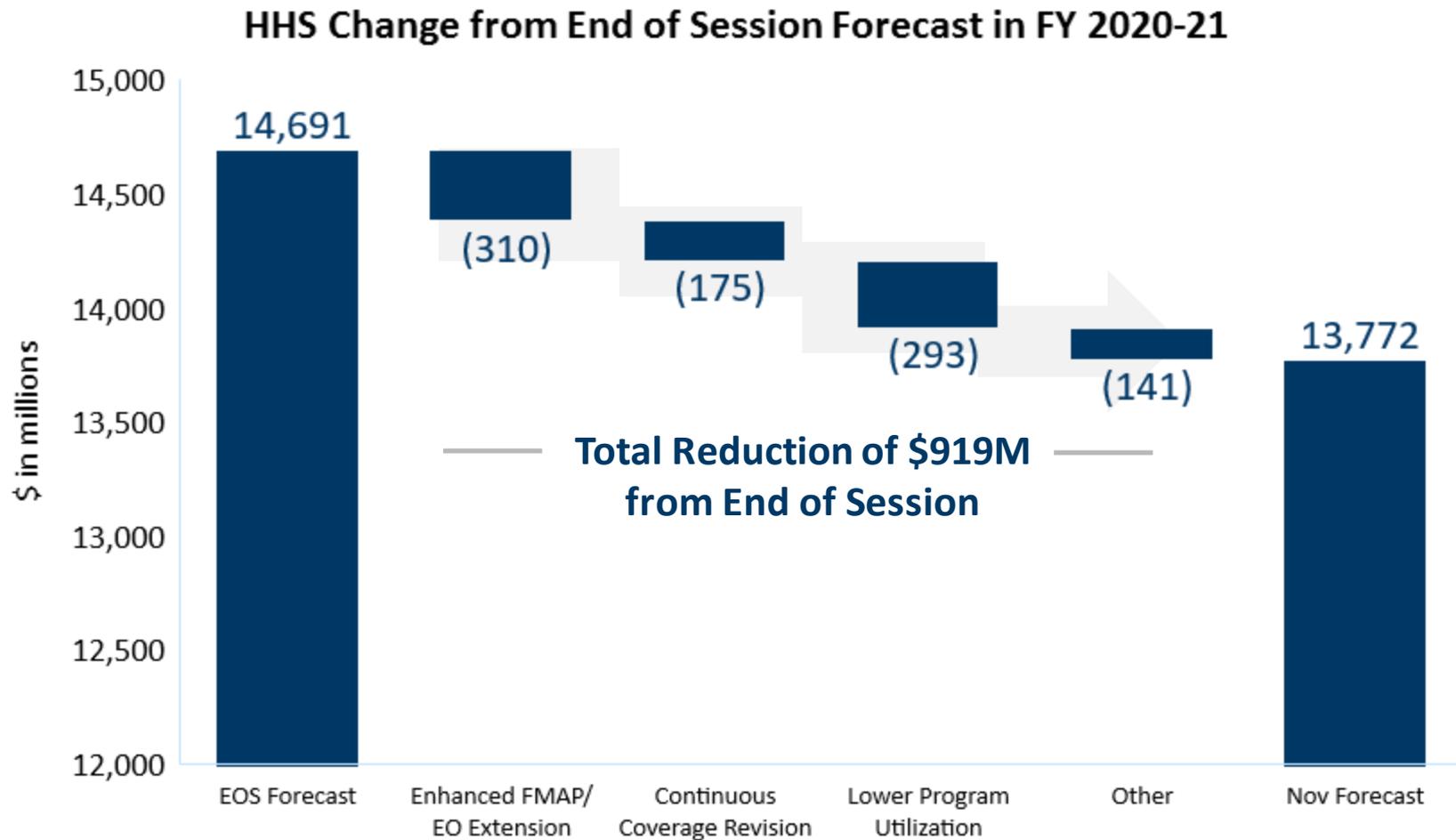
Economic Uncertainty

- Consumer & business confidence
- Business survival
- Federal fiscal policy
- 30 months until end of FY22-23

Spending Forecast Reduced

(\$ in millions)	FY 2020-21		FY 2022-23	
	Nov. 2020 Forecast	Forecast Change	Nov. 2020 Forecast	Forecast Change
E-12 Education	\$19,881	\$(118)	\$20,591	\$(154)
Health and Human Services	13,772	(919)	16,507	(250)
All Other	13,975	(16)	14,012	(6)
Total Spending	\$47,627	\$(1,053)	\$51,110	\$(409)

Health and Human Services Spending Significantly Reduced



Long Term Budget Outlook

(\$ in millions)	FY 2022-23	FY 2024-25	Biennial Growth	Annualized % Growth
Forecast Revenues	\$49,494	\$53,085	\$3,591	3.6%
Projected Spending	51,110	53,637	2,527	2.4%
Structural Balance	\$(1,616)	\$(552)		
<i>Estimated Inflation</i>	<i>\$1,303</i>	<i>\$2,915</i>		



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Q & A