BUDGET AND ECONOMIC FORECAST

MINNESOTA

November 2020

Produced by Minnesota Management and Budget

Statutory Provisions

In accordance with Minnesota Statutes, section 16A.103, subdivision 1, the commissioner of Minnesota Management and Budget (MMB) must prepare a forecast of state revenue and expenditures in February and November of each year. This forecast must assume the continuation of current laws and reasonable estimates of projected growth in the national and state economies and affected populations.

Revenue must be estimated for all sources provided for in current law. Expenditures must be estimated for all obligations imposed by law and those projected to occur as a result of variables outside the control of the legislature. Expenditure estimates must not include an allowance for inflation.

A forecast prepared during the first fiscal year of a biennium must cover that biennium and the next biennium. A forecast prepared during the second fiscal year of a biennium must cover that biennium as well as the next two bienniums.

Notes

Numbers in the text and tables may not add to the totals due to rounding.

Unless otherwise noted, years used to describe the budget outlook are state fiscal years (FY), from July 1 to June 30, and years used to describe the economic outlook are calendar years (CY).

Wage and price inflation is included in revenue estimates.

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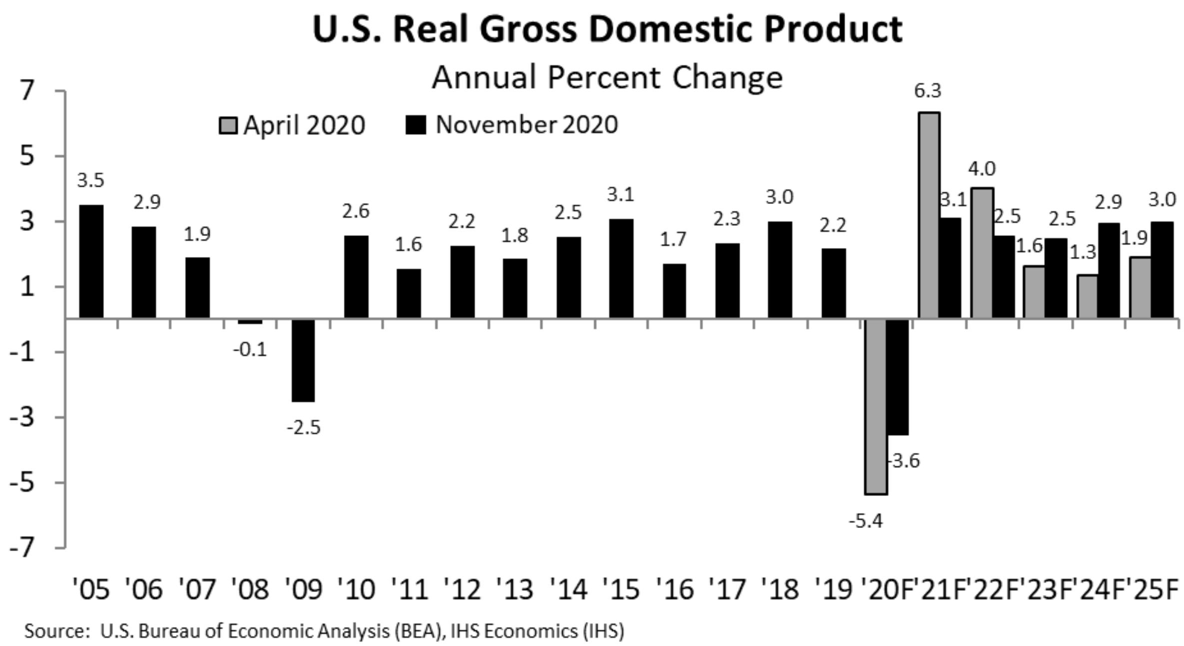
EXECUTIVE SUMMARY

Minnesota's economic and budget outlook have improved since May, when we released a budget projection just as the COVID-19 pandemic was taking hold. With this forecast, higher general fund revenues and lower expected spending result in a projected surplus of $636 million for the FY 2020-21 biennium. The improved budget outlook continues into FY 2022-23, but a $1.273 billion budgetary shortfall remains for that biennium. As the pandemic continues, economic challenges also persist. Minnesota has 184,000 fewer jobs than in February and, while the economic downturn has affected all Minnesotans, unemployment has disproportionately impacted lower wage workers.

Budget Forecast, FY 2020-23
November 2020 Forecast

($ in millions)	FY 2020-21	FY 2022-23	$ Change
Beginning Balance	**$3,971**	**$3,444**	
Revenues	47,100	49,494	
Expenditures	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)**	
Shortfall (Excluding FY 2020-21)		***$(1,273)***	

U.S. Economic Outlook. The global COVID-19 pandemic ended a decade of economic expansion, during which U. S. real GDP growth averaged 2.3 percent per year. IHS Markit (IHS), Minnesota's macroeconomic consultant, is now forecasting U.S. real GDP to decline by 3.6 percent in 2020, a 1.8 percentage point improvement in the outlook since Minnesota's *Interim Budget Projection* was prepared in May. The improved forecast is due to higher consumer spending and business investment this year than had been expected in April. Annual growth is expected to return in 2021 at a rate of 3.1 percent and continue through the remainder of our forecast period. Real GDP is forecast to grow an average of 2.7 percent annually from 2021 through 2025. IHS expects real GDP to regain its pre-pandemic peak in early 2022 and the economy to return to full employment in 2024.



The global COVID-19 pandemic ended a decade of economic expansion, during which U. S. real GDP growth averaged 2.3 percent per year. IHS is now forecasting U.S. real GDP to decline by 3.6 percent in 2020, a 1.8 percentage point improvement in the outlook since April. Annual growth is expected to return in 2021 at a rate of 3.1 percent and continue through the remainder of our forecast period.

The economic recovery is expected to be uneven, with GDP associated with production of goods having already reached its pre-pandemic level, and the service sector not fully recovering until a significant portion of the population is vaccinated against COVID-19.

Since the onset of the pandemic, consumers have shifted away from spending on the kinds of services most affected by social distancing. Instead, they are purchasing goods. In this forecast, IHS expects consumer spending on durable goods other than autos and medical devices to grow 7.3 percent in 2020, compared to a 9.2 percent decline in the April forecast. Conversely, consumer spending on other services, which includes face-to-face services, is expected to decline 11.2 percent this year, compared to a 14.3 percent decline in the April outlook.

The U.S. lost more than 22 million jobs in March and April, nearly 15 percent of February employment. The unemployment rate peaked at 14.7 percent in April. Although the economy has added back 12 million jobs, and the unemployment rate has fallen to 6.9 percent as of October, total employment is still 6 percent lower than it was in February. IHS forecasts total employment in the U.S. to fall by 5.6 percent in 2020. They expect employment to grow 3.6 percent in 2021 followed by slowing growth throughout the forecast horizon.

The U.S. outlook remains volatile and uncertain and depends critically on the path of the pandemic. In this forecast, IHS assumes that the rate of infections, hospitalizations, and deaths remain elevated until a COVID-19 vaccine is widely available, which they assume will be in the middle of next year. At that time, they expect the economy to transition from recovery to expansion, particularly in sectors hardest hit by social distancing and safety concerns, such as consumer spending on entertainment and travel.

In this outlook, IHS also assumes no further federal fiscal stimulus beyond measures already enacted. Additional federal support and a more rapid vaccination timeline would cause the economy to grow faster than shown in the November outlook.

Minnesota Economic Outlook. Through the most recent U.S. economic expansion—from July 2009 to February of this year—Minnesota experienced steady employment growth, adding 337,000 jobs. In February, employment had reached about 3 million. Then the pandemic took hold, restrictions were put in place, and Minnesota lost 388,000 jobs in March and April. As some restrictions were lifted, the state regained just over half that number of jobs through October, leaving employment 184,000 (6 percent) below the February level.

During the most recent months of job growth, Minnesota's unemployment rate fell from the May peak of 9.9 percent to 4.6 percent in October, well below the U.S. rate and 9th lowest among states. However, the last two months of employment decline have occurred because of Minnesotans leaving the labor force, rather than from unemployed workers finding jobs. Since February, 107,000 Minnesotans have left the labor force.

Unemployment in this economic downturn has disproportionately impacted lower-wage workers. Since March 16th, 57 percent of Minnesota initial Unemployment Insurance (UI) benefit claimants were in occupations with median wages in the bottom two wage quintiles. In addition, U.S. data show that this year the duration of unemployment has been longer for lower-wage workers than for those at higher wages. Consequently, unemployment since March has led to a smaller reduction in total wage and salary income than if the incidence and duration of unemployment had been more evenly distributed across wage levels. We now expect total wage income to decline 1.4 percent in 2020—an improvement from our May projection—and to grow moderately at an annual average of 4.8 percent through the rest of the forecast period. The improvement in the wage income forecast has led to increases in our income and sales tax forecasts.

Budget Outlook: Current Biennium. When the *May Interim Budget Projection* was released, a deficit of $2.426 billion was projected for the current biennium. Subsequent legislative changes in the 2020 regular session and multiple special sessions reduced the projected deficit in FY 2020-21 to $2.314 billion. Eight months into the pandemic, the budget outlook has improved from what was projected in May. A surplus of $636 million is now projected for FY 2020-21, an improvement of $2.950 billion compared estimates published at the end of the October special session.

Current Biennium: FY 202-21 General Fund Budget
End of Session vs. November 2020 Forecast

($ in millions)	End of October Special Session	November 2020 Forecast	$ Change	% Change
Beginning Balance	**$3,971**	**$3,971**	**$ -**	**0.0%**
Revenues	45,189	47,100	$1,912	4.2
Expenditures	**48,680**	**47,627**	(1,053)	**(2.2)**
Budget Reserve	**2,377**	**2,377**	**-**	
Cash Flow Account	350	350	-	
Stadium Reserve	66	81	15	
Forecast Balance	**$(2,314)**	**$636**	**$2,990**	

Revenues. Total general fund revenues for FY 2020-21 are now forecast to be $47.100 billion, $1.912 billion (4.2 percent) more than the May *Interim Budget Projection* adjusted for law changes since May. Total tax revenues for the biennium are forecast to be $44.835 billion, $1.767 million (4.1 percent) above the prior estimate. The forecasts for all major tax types are higher than in May. So far in FY 2021, actual net general fund revenues are $805 million (12.5 percent) higher than projected in May. These higher revenues raise the base—or starting point—for our forecasts of several tax types.

Current Biennium: FY 2020-21 General Fund Revenues
Change From End-of-Special-Session Estimates

($ in millions)	End of October Special Session	November 2020 Forecast	$ Change	% Change
Individual Income Tax	$24,264	$24,764	$500	2.1%
General Sales Tax	10,693	11,501	808	7.6
Corporate Franchise Tax	2,684	3,074	390	14.5
State General Property Tax	1,550	1,554	4	0.3
Other Tax Revenue	3,877	3,942	65	1.7
Total Tax Revenues	**$43,068**	**44,835**	**1,767**	**4.1%**
Non-Tax Revenues	1,486	1,543	58	3.9
Other Resources	635	722	87	13.7
Total Revenues	**$45,189**	**$47,100**	**$1,912**	**4.2%**

Net individual income tax receipts for the current biennium are now forecast to be $500 million (2.1 percent) more than the end-of-session estimate. A $274 million net income tax variance so far in FY 2021 and an improved wage forecast in CY 2020 and CY 2021 offset a lower estimate for tax liability in 2019, the base year of this forecast.

The uneven impact of employment and wage losses during the pandemic-induced economic downturn has affected the way we construct our income tax forecast. Unemployment this year has disproportionately affected lower wage workers. Consequently, unemployment since March has led to a smaller reduction in total wage and salary income than if the incidence and duration of unemployment had been more evenly distributed across wage levels. In addition, concentrating wage losses among taxpayers with lower marginal effective tax rates reduces the income tax revenue loss arising from a given reduction in income. Adjusting for these effects raised our FY 2020-21 income tax forecast compared to what it otherwise would have been.

General sales tax revenue in FY 2020-21 is now forecast to be $808 million (7.6 percent) higher than the end-of-session estimate. Higher forecast gross receipts offset higher expected refunds. So far in FY 2021, net sales tax receipts are $380 million (25.7 percent) higher than we projected in May, raising the base for this forecast. In addition, faster expected growth in taxable sales and a higher share for Minnesota of total U.S. consumer spending raise the sales tax forecast for the current biennium.

Changes in consumer spending patterns during the pandemic have influenced our sales tax forecast. During the pandemic consumers have shifted their spending away from many types of services that are not taxable in Minnesota toward taxable goods. This shift in spending has contributed to higher fiscal-year-to date sales tax collections and to faster forecast growth in Minnesota's sales tax base.

The corporate franchise tax is forecast to generate $390 million (14.5 percent) more in FY 2020-21 than the prior estimate**.** The forecast change is due to a higher base of corporate receipts and higher expected growth in corporate profits**.** So far in FY 2021, net corporate receipts are $159 million (36.0 percent) more than we projected in May.

The revenue forecast for FY 2021 reflects a four-week pause on in-person dining, sports, and fitness establishments that the governor of Minnesota enacted to slow the spread of COVID-19. The restrictions began on November 21 and continue through December 18.

Expenditures. Spending estimates for FY 2020-21 are lower than prior estimates for the biennium. Expenditures in the current biennium are now expected to be $47.627 billion, a reduction of $1.053 billion (2.2 percent) from end of session estimates.

Current Biennium: FY 2020-21 General Fund Expenditures
Change From End-of-Session Estimates

($ in millions)	End of October Special Session	November 2020 Forecast	$ Change	% Change
E-12 Education	$19,999	$19,881	$(118)	(0.6)%
Property Tax Aids & Credits	3,883	3,950	22	0.6
Health & Human Services	14,691	13,772	(919)	(6.3)
Debt Service	1,098	1,056	(42)	(3.9)
All Other	9,009	9,013	4	(0.0)
Total Expenditures	**$48,680**	**$47,627**	**$(1,053)**	**(2.2)%**

A $919 million (6.3 percent) reduction in estimated spending for health and human services and a $118 million (0.6 percent) reduction in estimated spending for E-12 education account for the vast majority of the overall reduction in spending in FY 2020-21. These reductions are driven in large part by the continuation of the COVID-19 pandemic into calendar year 2021. The reduction in health and human services spending is largely due to the assumption that the federal public health emergency continues through June 30, 2021, generating two additional quarters of increased federal funding for Medical Assistance. Lower utilization of health care services relative to the previous forecast also contributes to this change. The change in E-12 Education is primarily due to a reduction in the number of pupils relative to previous projections, due to families delaying kindergarten or opting for private or homeschool options during the COVID pandemic.

Changes for the current biennium for other spending were modest. Debt service expenditures are $42 million (3.9 percent) lower than previous estimates due to slower spending on capital projects, a reduced August 2020 bond sale, and lower bond rates. Property tax aids and credits spending is $22 million (0.6 percent) higher than expected due largely to the growth in property tax refunds compared to previous forecast.

Budget Reserve and Cash Flow Account. Minnesota Statutes 16A.152 directs MMB to allocate funds to the budget reserve account up to the recommended budget reserve level when there is a projected surplus in the current biennium in the *November Budget and Economic Forecast.* The current budget reserve balance of $2.377 billion exceeds this target level so there is no additional allocation to the budget reserve with this *Budget and Economic Forecast*. The Cash Flow account balance is unchanged at $350 million.

Stadium Reserve. The FY 2020-21 projected balance of the stadium reserve account is $81 million, $15 million higher than prior estimates. In FY 2020, lawful gambling revenue available for stadium uses was $42 million, $1 million lower than end of session estimates. Although FY 2020 lawful gambling revenues were dampened due to COVID-19 pandemic and response, lawful gambling revenue available for stadium uses is expected to grow to $121 million by the end of FY 2025. Additionally, beginning January 2021 (FY 2021), the state will retain Minneapolis sales tax receipts to cover the payments the state remits on behalf of the city for stadium obligations.

Total state expenditures for the stadium, including those the state makes on behalf of the City of Minneapolis, were $42 million in FY 2020 and are expected to be $44 million by FY 2025. All revenue in excess of spending amounts is allocated to the stadium reserve. In FY 2021, $25 million is expected to be added to the stadium reserve, by FY 2025 the amount allocated to the reserve is expected to be $99 million. Given the increasing allocation amounts, the stadium reserve balance is expected to reach $419 million by FY 2025.

Budget Outlook: Next Biennium. The *May Interim Budget Projection*, adjusted for legislative changes in the summer and fall, estimated that spending would exceed revenue in the next biennium by almost $5 billion. Current law reduces the balance of the budget reserve by $491 million in FY 2022 and the stadium reserve growth impacts the general fund bottom line. After accounting for reserve changes and excluding the impact of the budgetary balance in the current biennium, prior projections estimated a $4.539 billion budgetary shortfall in FY 2022-23. With this updated forecast, the improved revenue outlook and lower spending estimates in the current biennium carry through the budget horizon into the FY 2022-23 biennium, resulting in a projected budgetary shortfall of $1.273 billion for the next biennium. This projected shortfall excludes any balance from the current biennium.

Next Biennium: FY 2022-23 General Fund Budget
Change From End-of-Session Estimates

($ in millions)	End of October Special Session	November 2020 Forecast	$ Change
Beginning Balance	**$480**	**$3,444**	**$2,964**
Forecast Revenues	46,524	49,494	2,970
Projected Spending	51,519	51,110	(409)
Budget Reserve	1,886	1,886	-
Cash Flow Account	350	350	-
Stadium Reserve	101	230	129
Budgetary Balance	**$(6,853)**	**$(638)**	**$6,220**
Shortfall (excluding FY 2020-21)	***$(4,539)***	***$(1,273)***	

Revenues. The current forecast for FY 2022-23 total revenues is $2.970 billion (6.4 percent) more than the end-of-session estimate. Total tax revenues for the next biennium are forecast to be

$2.821 billion (6.3 percent) above the prior estimate. The forecasts for all major tax types are higher than prior estimates.

The income tax forecast change is due to both a higher base of income tax revenue from the higher forecast for FY 2020-21 and faster income growth, particularly wage income. On average, this forecast assumes a level of wage income that is 6.0 percent higher for CY 2022 and CY 2023 than we projected in May.

Next Biennium: FY 2022-23 General Fund Revenues
Change From End-of- Special-Session

($ in millions)	End of October Special Session	November 2020 Forecast	$ Change	% Change
Individual Income Tax	$25,105	$26,571	$1,466	5.8%
General Sales Tax	11,398	12,477	1,079	9.5
Corporate Franchise Tax	2,862	2,945	82	2.9
State General Property Tax	1,536	1,540	5	0.3
Other Tax Revenue	3,980	4,169	189	4.7
Total Tax Revenues	**$44,881**	**$47,702**	**$2,821**	**6.3%**
Non-Tax Revenues	1,390	1,419	29	2.1
Other Resources	253	373	121	47.7
Total Revenues	**$46,524**	**$49,494**	**$2,970**	**6.4%**

Higher expected sales tax refunds partially offset higher expected gross sales tax receipts to bring the net sales tax forecast $1.079 billion higher than the end-of-session estimate. The forecast change is due to both a higher base of gross sales tax receipts from the higher forecast for FY 2020-21 and higher growth in taxable sales.

Net corporate tax receipts are now forecast to be $82 million (2.9 percent) more than the prior estimate. The forecast change is due to both a higher base of gross corporate tax receipts from the higher forecast for FY 2020-21 and higher growth in corporate profits.

Expenditures. Forecast expenditures in the FY 2022-23 biennium are expected to reach $51.110 billion, down $409 million (0.8 percent) compared to prior estimates for the biennium. Reduced projections for health and human services spending accounts for $250 million (1.5 percent) of this change due to lower than expected spending for health care and an increase in the amount of federal participation in Medical Assistance. The path and duration of the pandemic, and the subsequent government response, remains uncertain, adding risk to this forecast.

A $154 million (0.7 percent) decrease in education aids is primarily driven by a decrease in estimated pupil counts seen in the previous biennium. Lower spending in debt service reflect lower interest rate assumptions on future bond sales ($19 million, 1.5 percent). These savings are partially offset by higher than anticipated spending in property tax aids and credits ($29 million, 0.7 percent) primarily due to increases the property tax refund program. Other areas of the state budget have little change compared to prior estimates, down $16 million (0.2 percent) for FY 2022-23.

Next Biennium: FY 2022-23 General Fund Expenditures
Change From End-of- Session

($ in millions)	End of October Special Session	November 2020 Forecast	$ Change	% Change
E-12 Education	$20,745	$20,591	($154)	(0.7%)
Property Tax Aids & Credits	4,170	4,200	29	0.7
Health & Human Services	16,757	16,507	(250)	(1.5)
Debt Service	1,276	1,257	(19)	(1.5)
All Other	8,571	8,555	(16)	(0.2)
Total Expenditures	**$51,519**	**$51,110**	**($409)**	**(0.8%)**

In accordance with Laws 2019, Special Session 1, Chapter 9, this forecast continues to assume legislation will be enacted in the upcoming session based on strategies identified by the Blue Ribbon Commission, which lowers anticipated general fund spending by $100 million in FY 2022-23. If this does not occur, the balance of the general fund reserve will be reduced accordingly.

Budget Reserve. The budget reserve account balance in the next biennium is projected to be $1.886 billion, $491 million lower than the current biennium. In an effort at the time of passage to bring projected budgetary balance to the FY 2022-23 biennium, article 11, section 17 of Chapter 6 from the 2019 special session stipulated that the balance of the budget reserve account be reduced by $491 million on the first day of FY 2022. The stadium reserve balance is expected to reach $230 million by the end of the next biennium due to continued remittance of Minneapolis sales tax receipts and growth in lawful gambling tax receipts.

Budget Outlook: Planning Estimates. This forecast provides the first planning estimates for the FY 2024-25 biennium. While these estimates inherently carry a higher degree of uncertainty than estimates for FY 2021-23, they do present an outlook of longer run spending and revenue growth that will assist in budget planning when setting the FY 2022-23 budget.

Planning Horizon: General Fund Budget
By Biennium, FY2022-25, November 2020 Forecast

($ in millions)	FY 2022-23	FY 2024-25	$ Change	Annual % Change
Forecast Revenues	$49,494	$53,085	$3,591	3.6%
Projected Spending	51,110	53,637	2,527	2.4%
Difference	**$(1,616)**	**$(552)**		
Estimated Inflation (CPI)[1]	*$1,303*	*$2,915*		

[1] Inflation calculation grows the estimated general fund spending base in each year by the projected CPI growth rate after removing special education, debt service, property tax refunds, and the state share for managed and long term care.

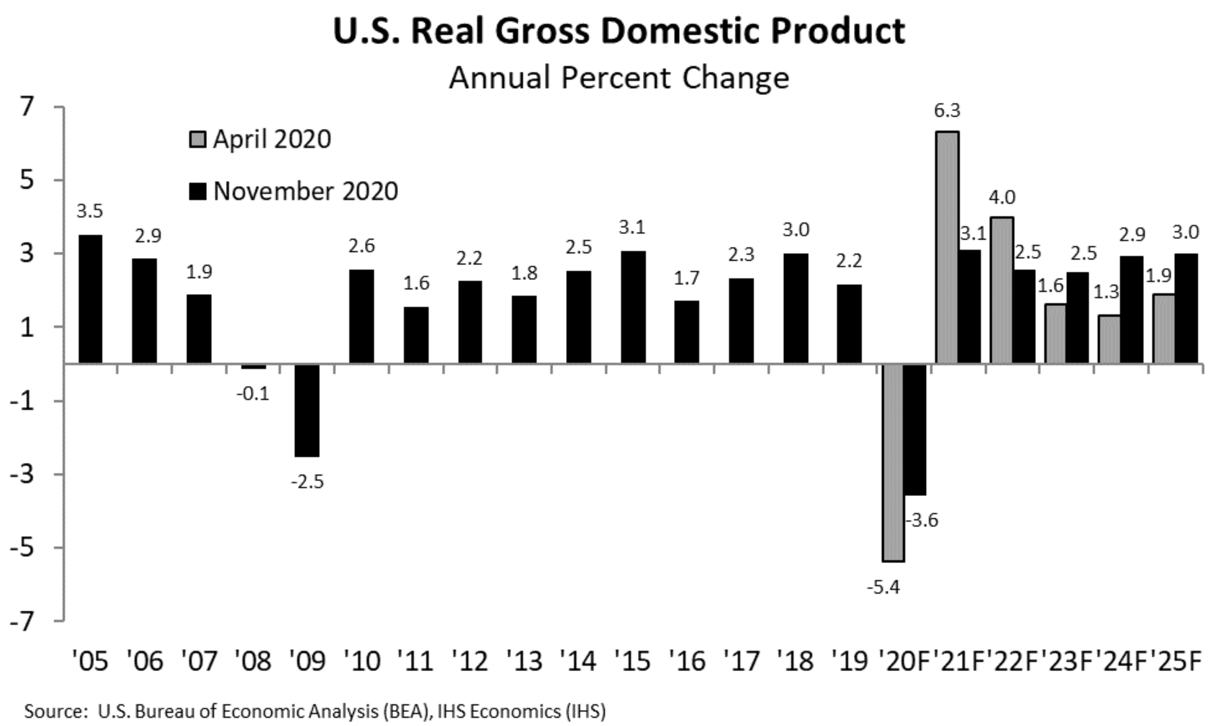
Revenue growth into the FY 2024-25 planning horizon is higher than base level spending growth, suggesting long run structural budget improvement. However, spending continues to exceed revenue in the FY 2024-25 in this forecast. As with the projections for FY 2022-23, spending estimates are not adjusted for inflation in most areas of the budget.

Projected inflation based on the Consumer Price Index (CPI) is now expected to be 2.2 percent and 2.6 percent in FY 2022 and FY 2023 followed by 2.7 percent and 3.0 percent in FY 2024 and FY 2025. After adjusting the spending base for programs with price increases included in the current law formula, applying the annual inflation rate, compounded over the two and four year periods, would add approximately $1.3 billion to the FY 2022-23 base and $2.9 billion to the FY 2024-25 base.

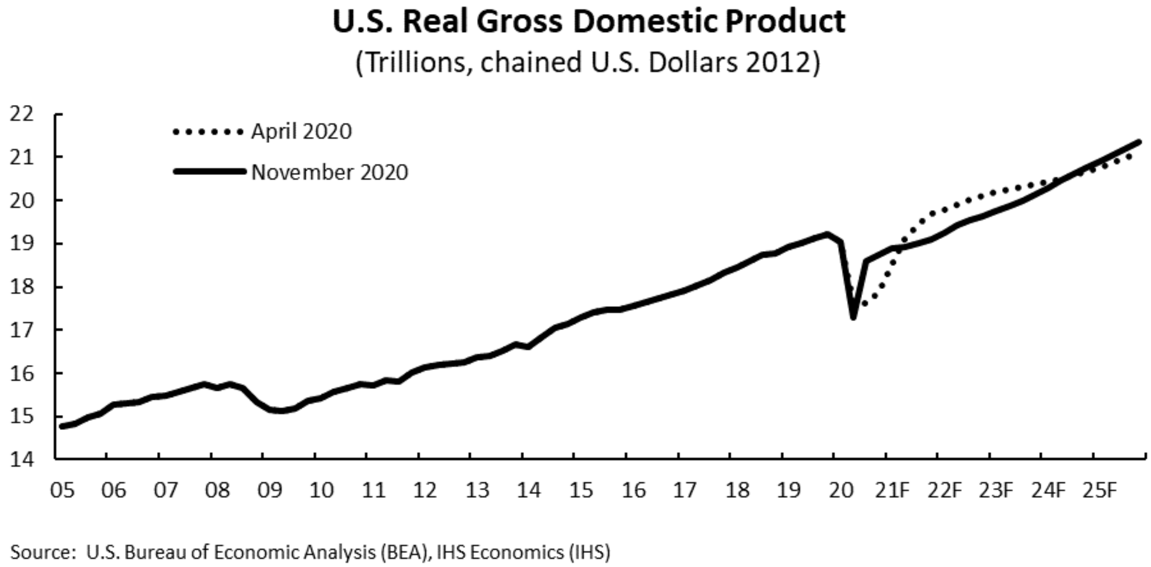
ECONOMIC OUTLOOK

U.S. Economic Outlook

The global COVID-19 pandemic ended a decade of economic expansion, during which U. S. real GDP growth averaged 2.3 percent per year. IHS Markit (IHS), Minnesota's macroeconomic consultant, is now forecasting U.S. real GDP to decline by 3.6 percent in 2020. This is a 1.8 percentage point above IHS' April baseline forecast, which informed Minnesota's May *Interim Budget Projection*. The change is due to improved forecasts for both real consumer spending and business investment. Annual growth is expected to return in 2021 at a rate of 3.1 percent and continue through the remainder of our forecast period. Real GDP is forecast to grow at a compound annual growth rate of 2.7 percent annually from 2021 through 2025. IHS expects real GDP to regain its pre-pandemic peak in early 2022 and the economy to return to full employment in 2024.



IHS is now forecasting U.S. real GDP to decline by 3.6 percent in 2020. This is a 1.8 percentage point improvement over their April outlook. Annual growth is expected to return in 2021 at a rate of 3.1 percent and continue through the remainder of our forecast period. Real GDP is forecast to grow compound annual growth rate of 2.7 percent from 2021 through 2025.



The recession induced by the COVID-19 pandemic has been more sudden than the 2008-09 recession. Real GDP for the year is forecast to be $679 billion lower than in 2019, a decrease of 3.6 percent. The economy is expected to expand steadily starting in 2021. Real GDP is forecast to surpass its 2019 level in early 2022.

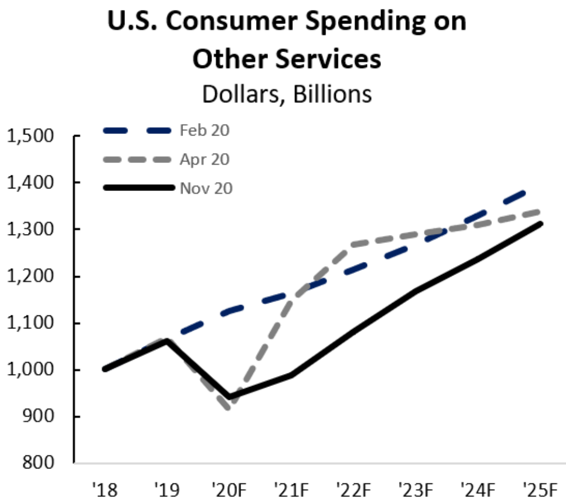
The economic recovery is expected to be uneven, with GDP associated with production of goods having already reached its pre-pandemic level, and the service sector not fully recovering until a significant portion of the population is vaccinated against COVID-19.

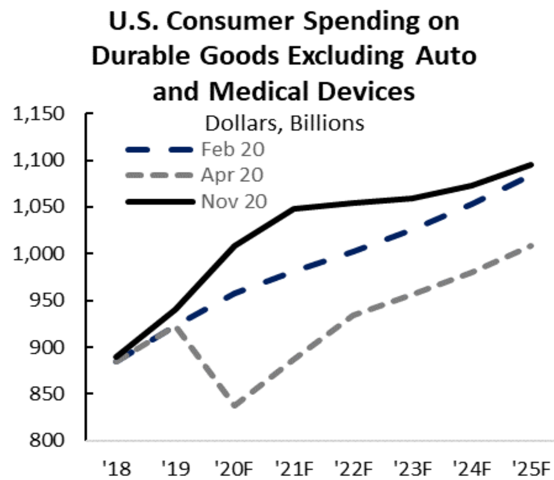
The IHS November Outlook was released November 17 and depends on several key assumptions. IHS expects the U.S. rate of COVID-19 infections, hospitalizations, and deaths to remain elevated until a vaccine is widely available, which they assume will be in the middle of next year. The economy is then expected to transition to a stronger expansion by the third or fourth quarter of next year

In their November outlook, IHS assumes no further federal pandemic relief payments beyond measures already enacted. If a federal support package is passed and takes effect in the first quarter of 2021, IHS estimates that GDP growth for the year would increase from 3.1 percent to 4.5 percent, and the economy would reach full employment two years sooner than under the baseline outlook.

IHS describes the shape of the forecast recovery as a “bounce and fade,” with growth accelerating to 3.1 percent in 2021 and slowing to 2.5 percent annually in 2022 and 2023. The “fade,” or slower growth, is expected as a result of more restrained housing starts, lower consumer spending on durable goods, waning fiscal support, new economic restrictions in response to heightened COVID-19 infection rates, and lower state and local government spending heading into 2021. IHS identifies bright spots in residential investment, light vehicle sales, and equipment investment. Boeing is also expected to resume delivery of the 737 MAX aircraft by the end of the year.

Real consumer spending fell 9.6 percent from the first quarter of 2020 to the second, before growing 8.9 percent in the third. IHS expects consumer spending to decelerate at the end of 2020, as COVID-19 cases remain high, social distancing restrictions stay in effect, and federal support fades. Spending is now forecast to decline 3.9 percent in 2020, an improvement from the 5.5 percent decline in IHS' April outlook. Annual growth is expected to return in 2021 at 3.6 percent and then decelerate to 2.2 percent growth in 2022.



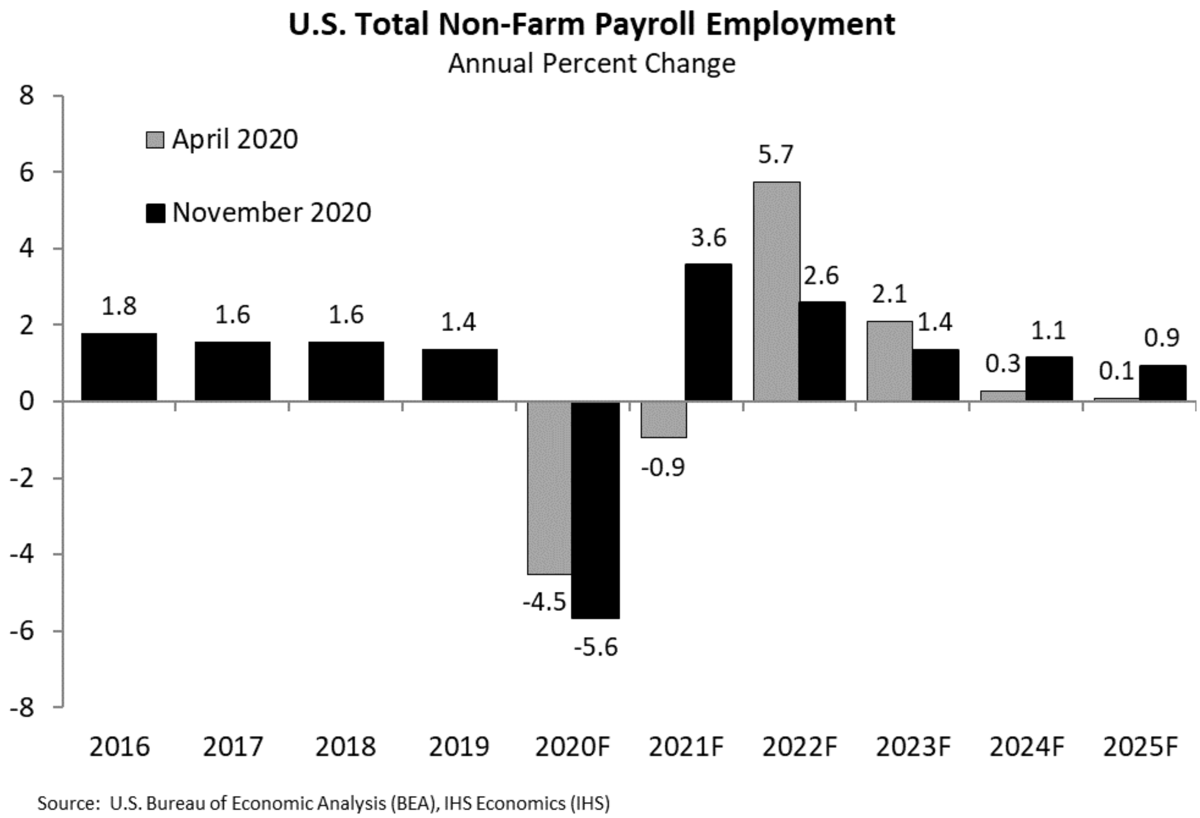


Source: U.S. Bureau of Economic Analysis (BEA), IHS Economics (IHS)

In this forecast, IHS expects consumer spending on durable goods other than autos and medical devices to grow 7.3 percent in 2020, compared to a 9.2 percent decline in the April forecast. Conversely, consumer spending on other services, which includes face-to-face services, such as higher education, daycare, and haircuts, is expected to decline 11.2 percent this year, compared to a 14.3 percent decline in the April outlook.

In addition to the improvement in the consumer spending forecast, consumers have shifted their spending between categories this year. Since the onset of the pandemic, consumers have shifted away from spending on the kinds of services most affected by social distancing. Instead, they are purchasing goods. In this forecast, IHS expects consumer spending on durable goods other than autos and medical devices to grow 7.3 percent in 2020, compared to a 9.2 percent decline in the April forecast. Conversely, consumer spending on other services, which includes face-to-face services, such as higher education, daycare, and haircuts, is expected to decline 11.2 percent this year, compared to a 14.3 percent decline in the April outlook.

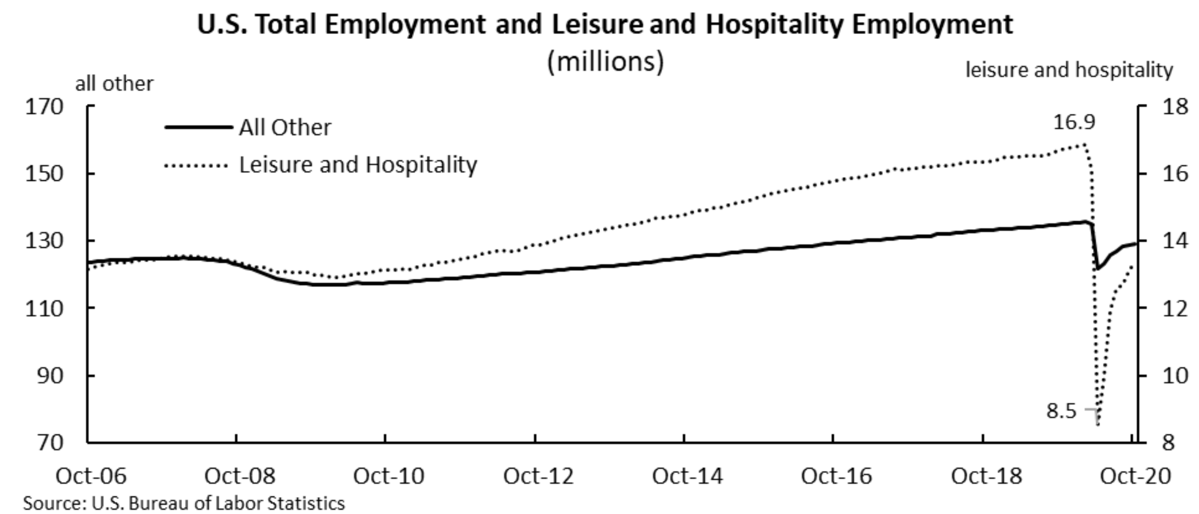
In March and April, the U.S. lost more than 22 million jobs, nearly 15 percent of February employment. The unemployment rate rose from 3.5 percent in February to 14.7 percent in April. Although the economy has added back 12 million jobs, and the unemployment rate has fallen to 6.9 percent as of October, total employment is still 6 percent lower than it was in February. IHS forecasts total employment in the U.S. to fall by 5.6 percent in 2020. They expect employment to grow 3.6 percent in 2021 followed by slowing growth throughout the forecast period.



In March and April, the U.S. lost more than 22 million jobs, nearly 15 percent of the February workforce. Although the economy has added back 12 million jobs, total employment is still 6 percent lower than it was in February. IHS forecasts total employment in the U.S. to fall by 5.6 percent in 2020. They expect employment to grow 3.6 percent in 2021 followed by slowing growth throughout the forecast period.

According to the U. S. Bureau of Labor Statistics (BLS), the number of workers on temporary layoff has decreased substantially from 18.1 million in April to 3.2 million in October, suggesting that payroll gains over the last few months have largely been a result of recalled workers. The number of unemployed persons classified as "permanent job losers" has nearly tripled since February, from 1.3 million to 3.7 million. IHS forecasts payroll employment to increase by 2.4 million in the fourth quarter of 2020 and 2.3 million in the first quarter of 2021 before decelerating to 1.2 million jobs added per quarter in the second half of 2021. IHS expects the economy to regain full employment in early 2024.

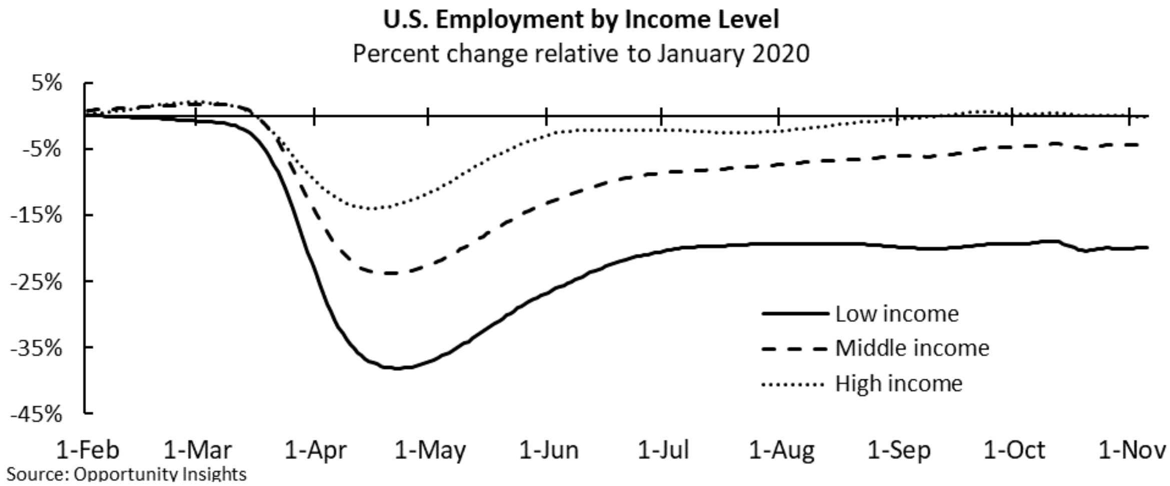
The sector of the U.S. economy most affected by the pandemic includes the services that require a high level of face-to-face, personal interaction. Even while anticipating government fiscal support and using various adaptive measures (for example, restaurants pivoting to curbside pickup and delivery services), employment in the leisure and hospitality industry fell from 16.9 million to 8.5 million in March and April, bottoming out at nearly half of pre-pandemic employment. In contrast, all other employment fell 10.2 percent in March and April. In other words, this spring the impact of the COVID-19 recession on employment was nearly 5 times worse for the leisure and hospitality industry than for all other industries. At the end of October, leisure and hospitality employment was still 20.7 percent lower than it was in February, while employment in all other sectors was only 4.9 percent lower. The differential impact of the recession on different sectors of the economy has given rise to what some term a “K-shaped recovery,” in which some sectors and workers recover more quickly than others.



The leisure and hospitality industry has been the hardest-hit sector, losing 8.3 million jobs in March and April, or approximately half of its pre-pandemic employment. In contrast, all other employment fell 10.2 percent in March and April. This spring, the impact of the COVID-19 downturn on employment was nearly 5 times worse for the leisure and hospitality industry than for all other industries.

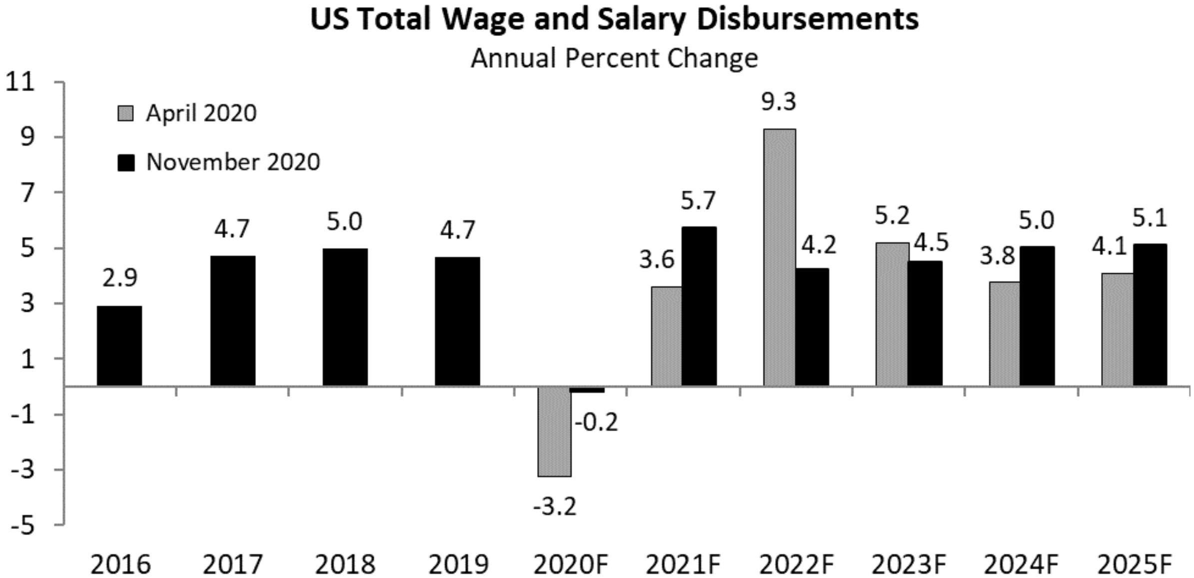
The impact of unemployment this year has been uneven across wage levels. According to U.S. data by Opportunity Insights (2020)[2], high-wage workers, or those making at least approximately $60,000 per year, experienced the smallest drop in employment and largely recovered job losses by June. On the other hand, low-wage workers, or those making less than about $27,000 per year, experienced a much more drastic drop in employment and have gained back only a little more than half of job losses through early November.

[2] "The Economic Impacts of COVID-19: Evidence from a New Public Database Built Using Private Sector Data", by Raj Chetty, John Friedman, Nathaniel Hendren, Michael Stepner, and the Opportunity Insights Team. November 2020. Available at: https://opportunityinsights.org/wp-content/uploads/2020/05/tracker_paper.pdf



The impact of unemployment has been uneven across wage levels. High-wage workers experienced the smallest drop in employment and largely recovered job losses by June. Lower-wage workers experienced a much more drastic drop in employment and have gained back only a little more than half of job losses through early November.

U.S. total wage and salary disbursements decreased 4.6 percent year-over-year in the second quarter of 2020 as the pandemic caused mass layoffs and furloughs. As hiring has resumed, disbursements were down only 0.25 percent year-over-year in the third quarter. IHS forecasts wage and salary income to fall 0.2 percent overall in 2020, a three-percentage point improvement from their April forecast. They expect wage income growth to return in 2021 at 5.7 percent, as the economy reopens and rebounds. IHS expects wage income to grow more than four percent each year through 2025, a return to growth rates observed from 2017 to 2019. The volatility in wage and salary income this year is less than employment volatility, because low-wage workers have been more likely to lose jobs than high-wage workers.



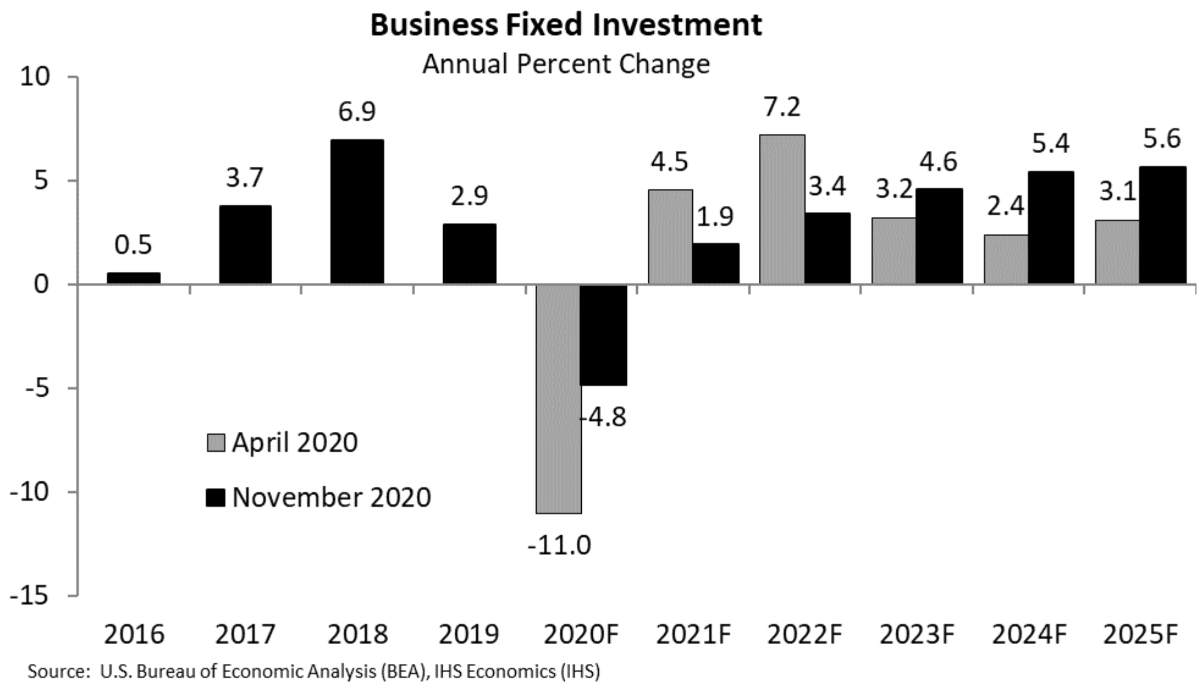
Source: U.S. Bureau of Economic Analysis (BEA), IHS Economics (IHS)

IHS forecasts U.S. wage and salary income to fall 0.2 percent overall in 2020, a three-percentage point improvement from their April forecast. Total wage and salary disbursements are expected to grow an average of 4.9 percent per year from 2021 to 2025, a return to growth rates observed from 2017 to 2019.

Personal income increased 10.4 percent in the second quarter of 2020 as the Coronavirus Aid, Relief, and Economic Security (CARES) Act took effect, and individuals received stimulus checks and emergency unemployment insurance benefits. Federal transfer payments to U.S. residents nearly doubled between the first and second quarters and were 45 percent elevated in the third quarter compared to payments in the first quarter. Without further federal fiscal support, IHS expects these transfer payments to decrease further in the fourth quarter to 20.6 percent above the pre-pandemic level before fading to approximately 10.4 percent above the pre-pandemic level on average for each quarter in 2021. Personal income is forecast to grow 5.8 percent in 2020 and fall 1.4 percent in 2021 before averaging 4.6 percent growth from 2022 to 2025.

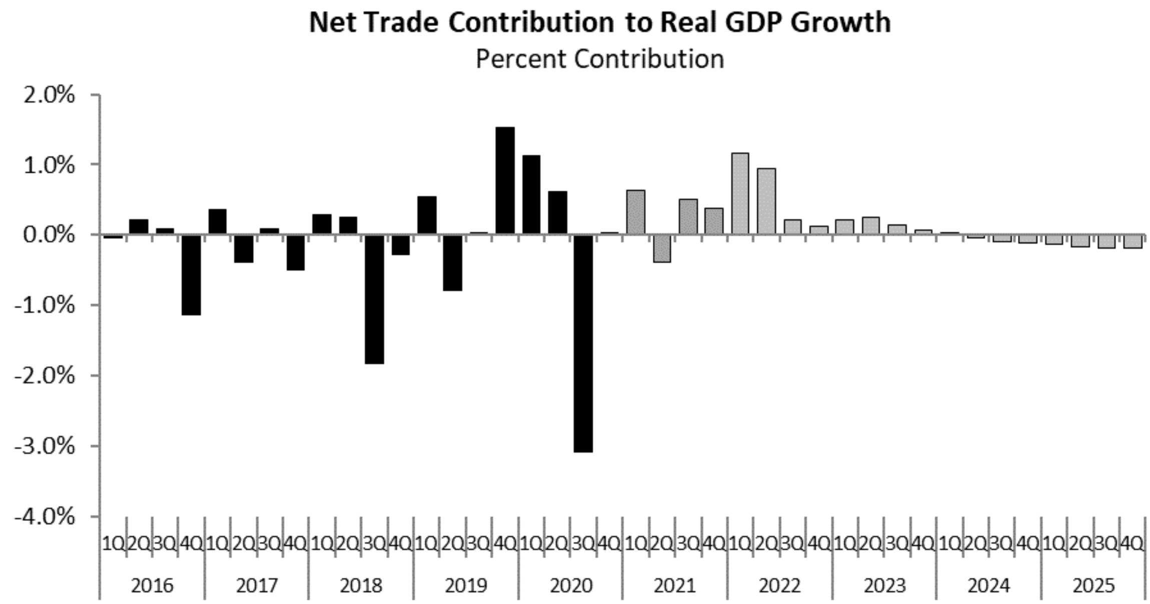
This growth in personal income has been accompanied by a significant increase in personal saving. Between 2009 and 2019, the U.S. household saving rate averaged 7.2 percent annually. In the second quarter of this year, the household saving rate in the U.S. was 25.7 percent, including 33.7 percent in April. The rate stayed elevated at 15.8 percent in the third quarter and is forecast to remain above 10 percent through the first quarter of 2021.

After experiencing 2.9 percent annual growth in 2019, real business fixed investment is now expected to decline 4.8 percent in 2020. Despite the overall drop in investment, light vehicle sales and orders and shipments of core capital goods were strong in the third quarter. Boeing 737 MAX aircraft have also recently been recertified, which IHS expects will support equipment spending and exports later this year. Investment in structures is forecast to decline 10.9 percent this year, led by a 39.1 percent decline in oil-mining structures. The decline in structures investment is forecast to continue through 2021. Total real business fixed investment is expected to moderately increase 1.9 percent in 2021 and reach its pre-pandemic level in early 2022.



In IHS' November outlook, business fixed investment is now expected to decline 4.8 percent in 2020. Growth is forecast to accelerate during the next 5 years, and investment reaches its pre-pandemic level in early 2022.

Net exports represented a 3.1 percent drag on U.S. real GDP growth in the third quarter of this year. This decline in net exports was driven primarily by a sharp rebound in imports. Beginning in the fourth quarter of 2020, IHS expects growth of exports to outpace growth in imports through early 2024. Export growth is supported in the near-term by the resumption of exports of the Boeing 737 Max, and in the longer-term by depreciation in the nominal broad dollar. IHS expects the contribution of net exports to real GDP to represent a -0.04 percent drag to annual GDP growth in 2020, followed by a -0.31 percent contribution next year. The contribution of net exports is expected to be positive from 2022-2024, before returning to a negative contribution in 2025.



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

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Escalating trade tensions last year coincided with a steep appreciation of the U.S. dollar. The onset of the pandemic caused the dollar to appreciate further. Since the peak in March, the dollar has eased and returned to pre-pandemic values in early November. In this forecast, IHS expects the dollar's value to increase 6.7 percent this year followed by a decline of -0.5 percent in 2021, -5.5 in 2022, -3.0 percent in 2023, -1.8 percent in 2024 and -1.2 percent in 2025. In this forecast, a weakened dollar supports exports throughout the forecast period.

Major Trading Partner Exchange Rate

Trade-Weighted U.S. Dollar Index, Goods and Services (Weekly Average): June 2014 = 100

Source: U.S. Federal Reserve

A significant rise in the dollar against U.S trading partners since mid-2014 has strengthened imports and weakened exports. In this forecast, IHS expects the nominal broad dollar to ease in the coming years, supporting exports.

To keep financial markets stable, the Federal Open Market Committee (FOMC) cut rates by 50 basis points on March 3 and further by 100 basis points on March 16, bringing the effective target federal funds rate to zero. IHS expects the federal funds rate to remain near zero until late 2026, when the economy is beyond full employment and inflation is above the Fed's target of two percent.

The IHS November outlook is similar to that of other macroeconomic forecasters. The November Blue Chip Consensus, the average of about 50 business forecasts, expects real GDP to decline 3.7 percent in 2020, a slightly larger contraction than the IHS forecast of a 3.6 percent decline this year. The Blue Chip Consensus calls for 4.0 percent growth in 2021, above IHS' 3.2 percent forecast for the year.

Forecast risks: The IHS November outlook depends on several important forecast assumptions. If these assumptions do not materialize, economic outcomes will differ from IHS' baseline forecast.

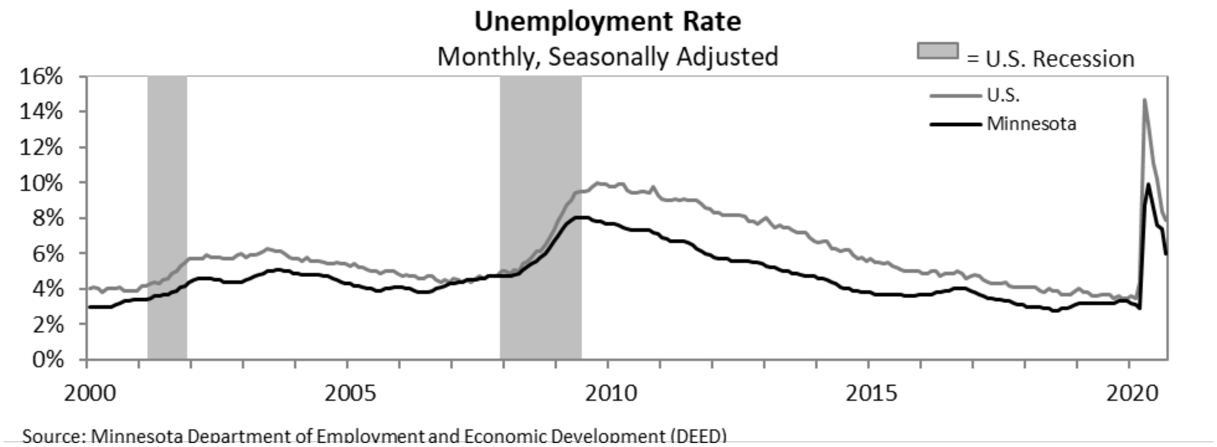
IHS' baseline forecast assumes that the rate of COVID-19 infections, hospitalizations, and deaths remain elevated until a vaccine is widely available, which they assume will be in the middle of 2021. This will allow for a sustained expansion of economic activity. IHS assumes no additional federal fiscal support beyond the measures already enacted.

Other key assumptions of IHS' November outlook are: (1) the Federal Reserve keeps the federal funds rate near zero percent until late 2026 to facilitate a return to full employment, (2) state and local governments restrain spending until 2022 to avoid deficits, (3) the tariffs enacted by the U.S. and China since 2017 remain in effect, (4) global GDP growth contracts 6.3 percent in 2020 and increases 4.3 percent in 2021 as COVID-19 spread is mitigated, and (5) the Brent crude oil price gradually recovers to $50/barrel by late 2021, which is the approximate price at which U.S. drilling and production stabilize.

IHS assigns a probability of 50 percent to the November baseline outlook. They consider the forecast risks to be roughly balanced between the upside and downside. IHS assigns a 25 percent probability to a pessimistic scenario, in which surging COVID-19 cases, hospitalizations, and deaths inhibit consumer spending and slow the pace of economic re-opening. In this scenario, real GDP declines in the first quarter of 2021, resulting in annual growth of 1.6 percent, just over half of the baseline forecast growth rate for 2021. IHS assigns a 25 percent probability to a more optimistic scenario, in which the economy recovers more quickly from the COVID-19 recession. The key assumptions underlying this scenario are (1) a more accelerated timeline for a vaccine—with availability later this year and widespread deployment next spring—and (2) the enactment of a federal pandemic relief package that supports consumer spending and household saving. In this scenario, 2021 annual real GDP growth is 1.5 percentage points higher, and real GDP reaches its pre-pandemic peak a half-year sooner.

Minnesota Economic Outlook

During the 128-month U.S. expansion from July 2009 to February 2020, Minnesota experienced steady employment growth, adding 336,700 jobs (according to seasonally adjusted data from Current Employment Statistics (CES)). In the spring of this year, a stay-at-home order and other COVID-19 mitigation efforts were put in place, and many businesses temporarily closed. As a result, in March and April Minnesota lost 387,800 jobs, approximately 13 percent of February employment. Since then just over half of the jobs lost in the spring have been recovered. As of October, Minnesota has 184,200 (6.0 percent) fewer jobs than in February. For comparison, from the peak of employment in February 2008, to the trough of the Great Recession in September 2009, Minnesota payrolls shrank by 158,900, or 5.7 percent.



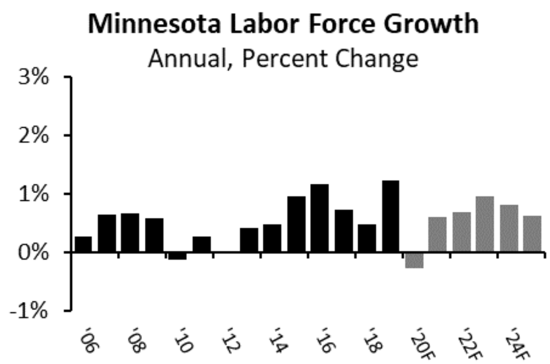
In March 2020, Minnesota's seasonally adjusted unemployment rate was 2.9 percent. Minnesota's unemployment rate rose to 8.7 percent in April and peaked at 9.9 percent in May. The rate fell to 4.6 percent in October, 2.3 percentage points below the U.S. unemployment rate of 6.9 percent.

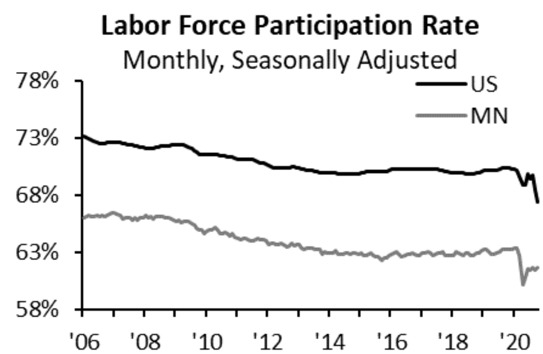
Labor Market. In March 2020, Minnesota's seasonally adjusted unemployment rate was 2.9 percent. Minnesota's unemployment rate rose to 8.7 percent in April and peaked at 9.9 percent in May. The rate fell to 4.6 percent in October, down from 6 percent in September on a seasonally adjusted basis and 2.3 percentage points below the U.S. rate of 6.9 percent. The last two monthly drops in the state unemployment rate were the result of individuals leaving the labor force rather than moving into employment.

Broader measures of unemployment can provide additional insights into characteristics of Minnesota's labor market. The most comprehensive measure of unemployment, which the U.S. Bureau of Labor Statistics (BLS) calls U-6, is defined as the number of unemployed people (U-3), plus workers who are marginally attached to the labor force (those not currently in the labor force who looked for work in the last year), plus part-time workers who would prefer full-time jobs. In October, Minnesota's U-6 rate was 12.6 percent, down from 13.7 percent in September, but well above the 5.4 percent rate of one year ago. All estimates of alternative measures of unemployment are provided in 6-month moving averages based on data from May through October in order to increase the sample size for each measure, and as a result, improve the reliability of each statistic.

About three quarters of the difference between the state's U-3 and U-6 rates is due to workers who have part-time jobs but would prefer to work full time. In October, 137,000 workers fell into this category, more than double the same figure from October 2019, when 63,700 Minnesotans were considered involuntary part-time workers. In October, 34,600 Minnesotans were counted as discouraged workers--those marginally attached workers who believe no jobs are available to them--up from 18,700 a year ago.

Since the onset of the pandemic, 107,300 Minnesotans have left the labor force. Minnesota's labor force participation rate, the share of the over-16 population that is either working or looking for work, is consistently well above the U.S. rate and usually among the highest in the nation. As of October, Minnesota's labor force participation rate was 67.4 percent, down from 70.4 percent a year ago. The current rate is 5.7 percentage points above the U.S. rate and the seventh highest among U.S. states.

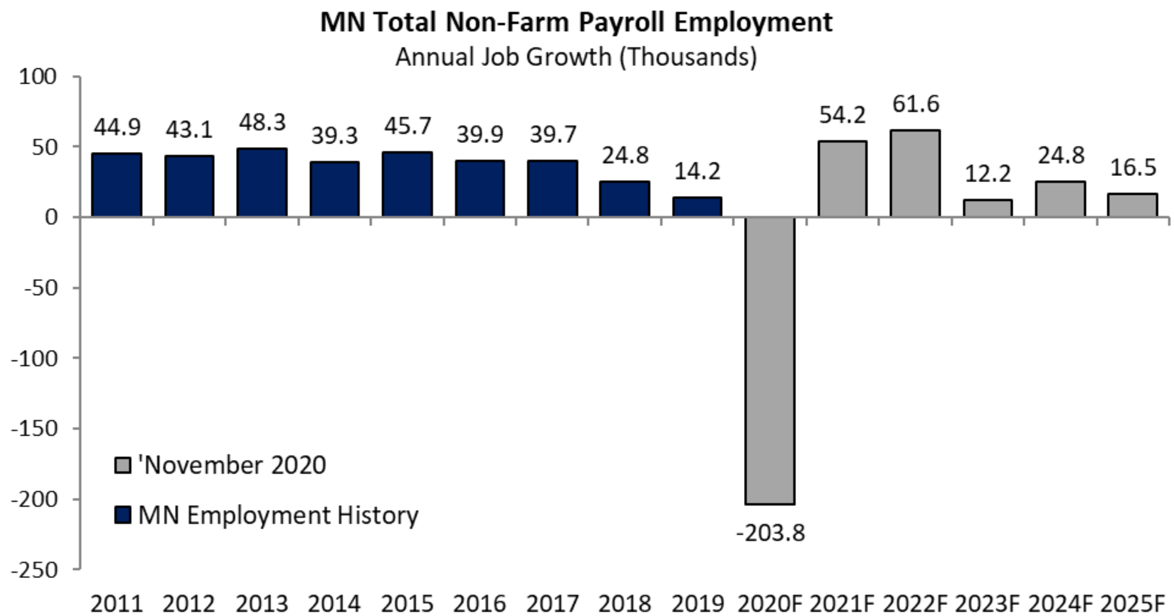




Source: Minnesota Department of Employment and Economic Development (DEED), Minnesota Management & Budget (MMB)

Since the onset of the pandemic, 107,300 Minnesotans have left the labor force. As of October, Minnesota's labor force participation rate was 67.4 percent, down from 70.4 percent a year ago. The current rate is 5.7 percentage points above the U.S. rate and the seventh highest among U.S. states.

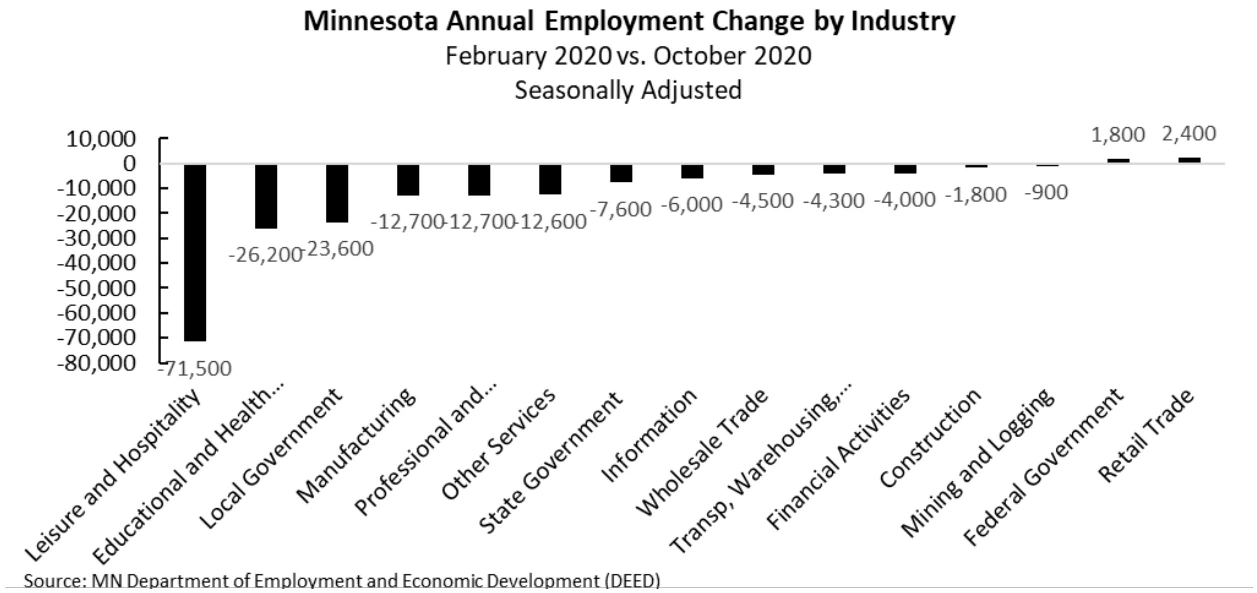
Between 2011 and 2017, Minnesota employers added an average of 43,000 new jobs each year. Prior to the pandemic, employment growth was slowing. Employers added 24,800 jobs (0.8 percent) in 2018 and 14,200 jobs in 2019 (0.5 percent). Our forecast expects that Minnesota lost jobs in the second quarter of 2020, recovered jobs in the third quarter, and again will lose jobs in the fourth quarter as surging virus cases prompted a reinstatement of containment measures. As a result, we expect Minnesota will have 204,000 fewer jobs on December 31, 2021, than on December 31, 2020. The MMB model of the Minnesota economy incorporates statewide restrictions on economic activity put in place on November 21, 2020 to mitigate the spread of COVID-19, preliminary information on forthcoming revisions to Minnesota's non-farm payroll employment, and estimates of wages informed by new data from the Quarterly Census of Employment and Wages (QCEW) and income tax withholding collections since November.



Source: MN Department of Employment and Economic Development (DEED), Minnesota Management and Budget (MMB)

Between 2011 and 2017, Minnesota employers added an average of 43,000 new jobs each year. Prior to the pandemic, employment growth was slowing in Minnesota. Our forecast expects Minnesota to lose 204,000 jobs in 2020, amid the COVID-19 pandemic and restrictions put in place to slow the disease spread.

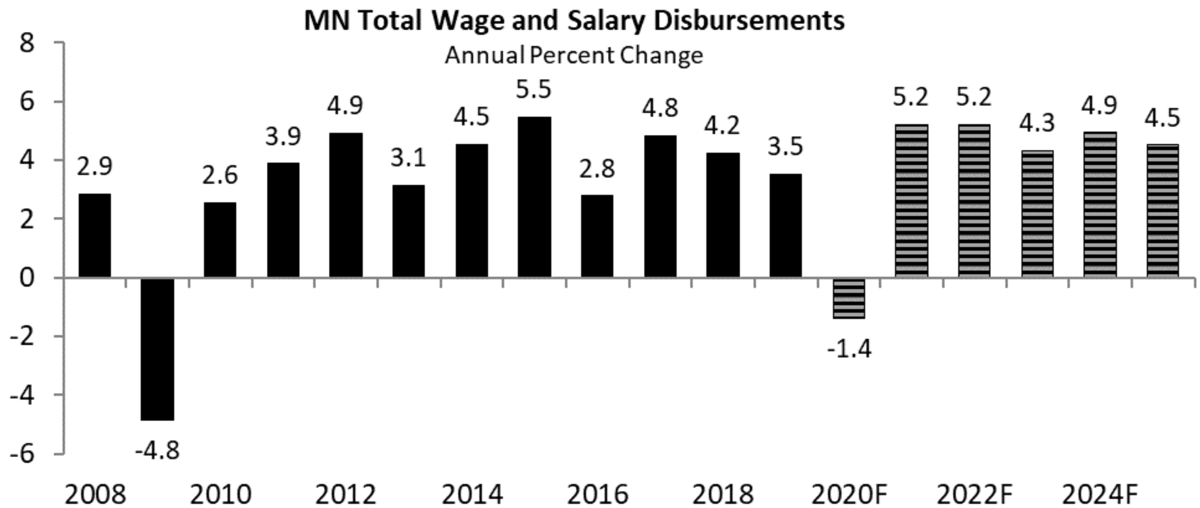
Of the 184,200 net employment decline in Minnesota since February, the largest gaps are in the industries most affected by social distancing and containment measures, particularly services that require a high level of face-to-face, personal interaction. Through October, there were 71,500 fewer leisure and hospitality jobs in Minnesota than there were in February, resulting in a 25.5 percent drop in employment in that sector. All other sectors experienced a 4.2 percent cumulative drop in employment, indicating that leisure and hospitality in Minnesota was affected approximately 6 times as much as the rest of the economy put together. Other significant job losses have occurred in educational and health services (down 26,200 jobs) and local government (down 23,600 jobs). Manufacturing, professional and business services, and other services all had approximately 12,700 fewer jobs in October than in February.



Minnesota's leisure and hospitality industry has been severely disrupted by COVID-19. Through October, the industry has 71,500 fewer jobs than in February, a 25.5 percent decrease. With new restrictions in place to contain the virus, this industry will continue to experience extremely low levels of employment in the near-term.

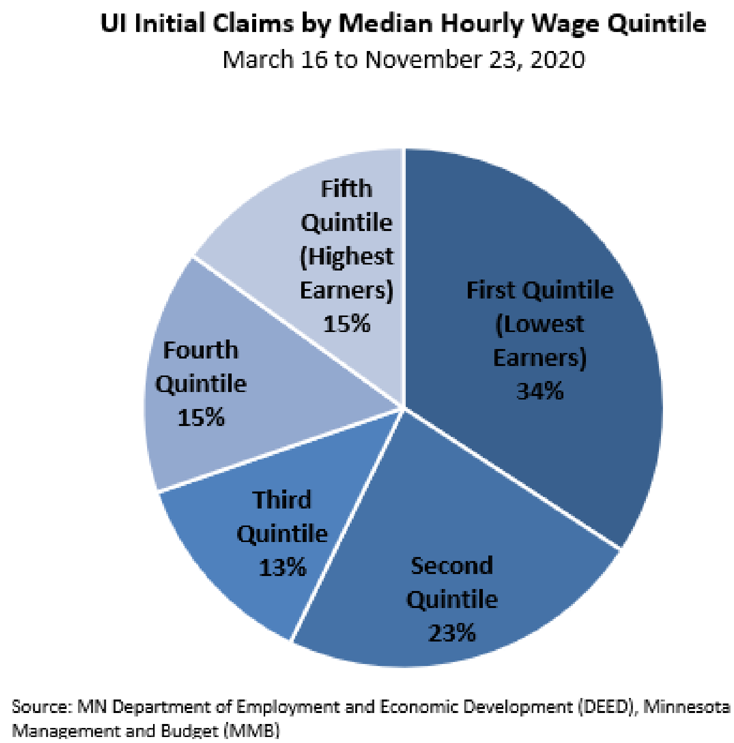
The federal CARES ACT provides 13 additional weeks of federally funded Pandemic Emergency Unemployment Assistance to supplement 26 weeks of baseline state unemployment benefits. Additionally, others who may have lost their jobs for reasons related to the pandemic but are not normally eligible for unemployment benefits are eligible under the Pandemic Unemployment Assistance program. Without new legislation, these benefits will expire on December 31, 2020.

Wage and Salary Income. An important variable influencing Minnesota's individual income tax liability is total wage and salary income, estimated to account for more than 70 percent of federal adjusted gross income for Minnesota residents in 2019. We expect total wage income, the sum of all wages distributed, to decline 1.4 percent in 2020 and grow 5.2 percent in 2021.



We expect Minnesota wage growth of -1.4 and 5.2 percent for Minnesota in 2020 and 2021. The decline in total wages in 2020 of -1.4 reflects the uneven impact of employment and wage losses during the pandemic-induced economic downturn.

The pie chart below pairs initial Unemployment Insurance (UI) initial claims with median wage data. Since March 16^{th}, 57 percent of Minnesota initial UI claimants were in occupations with median wages in the bottom two wage quintiles. In addition, as explained in the U.S. Economy section, U.S. data show that this year the duration of unemployment has been longer for lower-wage workers than for those at higher wages. Consequently, unemployment since March has led to a smaller reduction in total wage and salary income than if the incidence and duration of unemployment had been more evenly distributed across wage levels.



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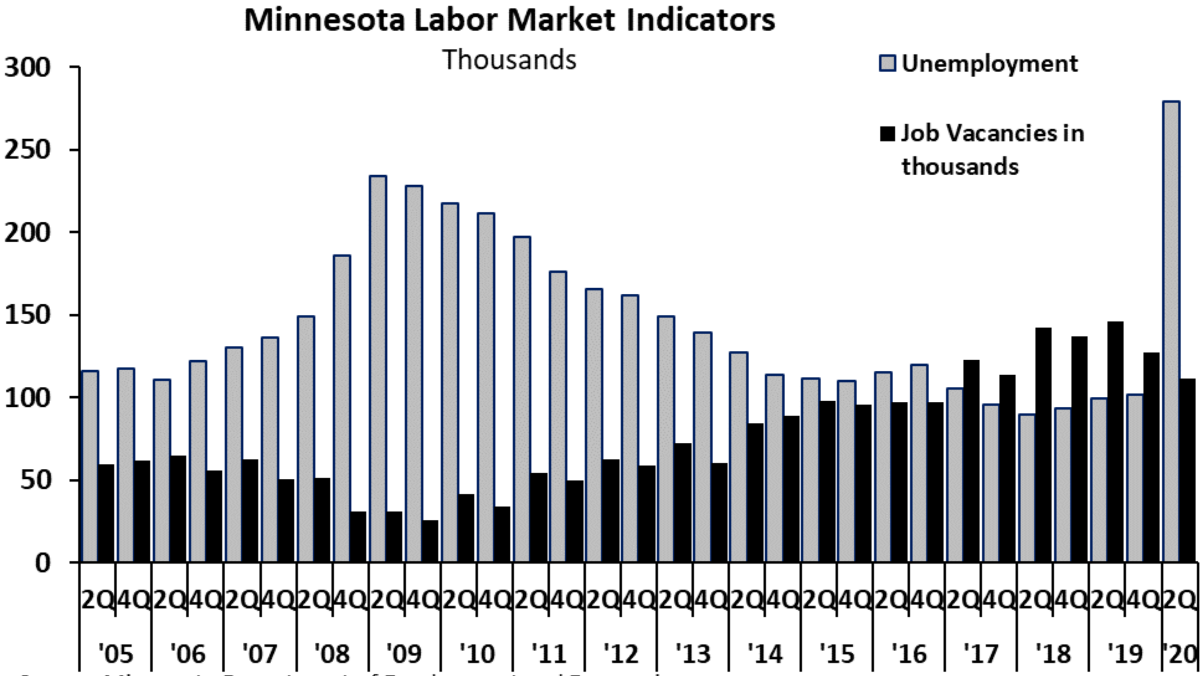
Forecast Comparison: Minnesota & U.S.

Forecast 2018 to 2025, Calendar Years

	2018	2019	2020	2021	2022	2023	2024	2025
Total Non-Farm Payroll Employment (Thousands)								
Minnesota								
November 2020	2,963	2,978	2,774	2,828	2,890	2,902	2,927	2,943
%Chg	0.8	0.5	-6.8	2.0	2.2	0.4	0.9	0.6
April 2020	2,963	2,978	2,852	2,834	2,975	3,028	0	0
%Chg	0.8	0.5	-4.2	-0.6	5.0	1.8	0.0	0.0
U.S.								
November 2020	148,891	150,935	142,412	147,489	151,299	153,351	155,112	156,569
%Chg	1.6	1.4	-5.6	3.6	2.6	1.4	1.1	0.9
April 2020	148,891	150,935	144,083	142,740	150,946	154,124	154,534	154,677
%Chg	1.6	1.4	-4.5	-0.9	5.7	2.1	0.3	0.1
Wage and Salary Disbursements (Billions of Current Dollars)								
Minnesota								
November 2020	172.8	178.9	176.4	185.6	195.3	203.7	213.8	223.4
%Chg	4.2	3.5	-1.4	5.2	5.2	4.3	4.9	4.5
April 2020	172.9	178.8	168.3	168.9	183.7	192.7	0.0	0.0
%Chg	4.4	3.4	-5.9	0.3	8.8	4.9	0.0	0.0
U.S.								
November 2020	8,894	9,309	9,291	9,824	10,238	10,699	11,238	11,813
%Chg	5.0	4.7	-0.2	5.7	4.2	4.5	5.0	5.1
April 2020	8,888	9,298	8,997	9,321	10,189	10,719	11,121	11,576
%Chg	5.0	4.6	-3.2	3.6	9.3	5.2	3.8	4.1
Non-Wage Personal Income (Billions of Current Dollars)								
Minnesota								
November 2020	148.8	152.9	172.9	158.4	163.9	171.2	179.7	188.0
%Chg	6.2	2.8	13.1	-8.4	3.4	4.4	5.0	4.7
April 2020	149.8	158.0	167.2	168.1	171.1	175.7	0.0	0.0
%Chg	6.9	5.4	5.8	0.5	1.8	2.6	0.0	0.0
U.S.								
November 2020	8,958	9,242	10,339	9,540	9,814	10,242	10,763	11,331
%Chg	5.7	3.2	11.9	-7.7	2.9	4.4	5.1	5.3
April 2020	8,931	9,305	9,917	10,173	10,217	10,458	10,871	11,396
%Chg	6.1	4.2	6.6	2.6	0.4	2.4	3.9	4.8
Total Personal Income (Billions of Current Dollars)								
Minnesota								
November 2020	321.6	331.8	349.4	344.0	359.2	374.9	393.4	411.4
%Chg	5.1	3.2	5.3	-1.5	4.4	4.4	5.0	4.6
April 2020	322.7	336.8	335.5	336.9	354.8	368.4	0.0	0.0
%Chg	5.5	4.4	-0.4	0.4	5.3	3.8	0.0	0.0
U.S.								
November 2020	17,852	18,552	19,631	19,364	20,052	20,941	22,000	23,144
%Chg	5.3	3.9	5.8	-1.4	3.6	4.4	5.1	5.2
April 2020	17,819	18,602	18,913	19,494	20,406	21,176	21,992	22,973
%Chg	5.6	4.4	1.7	3.1	4.7	3.8	3.9	4.5

Source: IHS Economics and Minnesota Management and Budget (MMB)

Job Vacancies. Prior to the current economic downturn, Minnesota had low unemployment and a high demand for labor, but job losses have changed that picture. According to the Department of Employment and Economic Development's (DEED's) job vacancy report, which covers the second quarter of 2020, there are 111,753 job vacancies in the state, a decline of 23.7 percent from the same period last year. For the first time since the fourth quarter of 2016, the number of unemployed job-seekers exceeded the number of open positions. In the second quarter of 2020 there were 2.5 unemployed persons for each vacancy statewide, or 25 people for each ten job openings. For comparison, at the peak of the 2007-2009 recession, there were nearly seven unemployed persons for each job opening. The statewide job vacancy rate is 4.0 percent, or 4.0 job openings per 100 jobs. This the lowest posted since the second quarter of 2016, when there was a job vacancy rate of 3.6 percent.



Source: Minnesota Department of Employment and Economic

Prior to the COVID pandemic, Minnesota had low unemployment and a high demand for labor. For the first time since the fourth quarter of 2016, the number of unemployed job-seekers now exceed the number of open positions in the state. In the second quarter of 2020, there were 2.5 unemployed persons for each vacancy statewide, or 25 people for each ten job openings. For comparison, at the peak of the 2007-2009 recession, there were nearly seven unemployed persons for each job opening.

Industries showing the largest year over year decline in numbers of job vacancies include Accommodation and Food Services (-9,548 job vacancies); Manufacturing (-7,853 job vacancies); and Healthcare and Social Assistance (-4,172 job vacancies).

Homebuilding Activity. Despite several years of rising prices, the demand for homes continues to drive prices upward in Minnesota. Across the state, homebuying activity in 2020 has been an economic bright spot since the onset of the COVID-19 pandemic. According to the Minnesota Association of Realtors (MAR), there was a 1.9-month supply of homes in September for sale based on the current statewide sales pace, compared to a 3.3-month supply one year earlier. The 1.9 months' supply of new homes is the lowest number recorded by MAR, which has tracked the statewide metric since 2012. On average, sellers are receiving 99.2 percent of the original list price at sale.

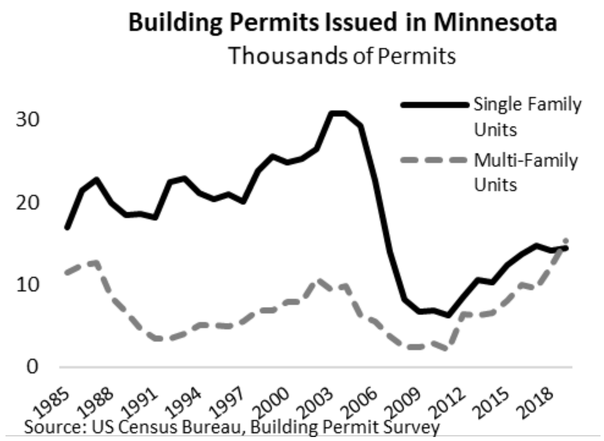
Statewide, the median sales price of all homes sold year-to-date through September was $272,500, a 6.9 percent increase from the median sales price of all homes sold during the same period in 2019. The median sales price for metro-area homes increased 7.9 percent to $302,000. Statewide, time on the market until a property is sold was about 41 days, an 8.9 percent decrease from the same period last year. Homes in the metro area were being sold about a week quicker than last year, after about 37 days on the market. Closed sales across the state were up 2.9 percent through September, and closed sales in the metro area were up 2.1 percent.

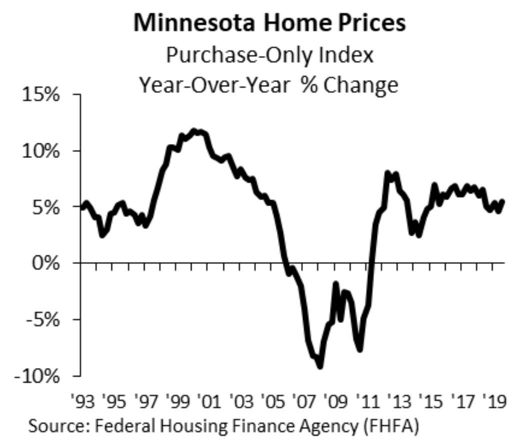
Demand for homes has been strong, but supply has been constrained. There were about 8,700 fewer homes for sale statewide in September of this year, 37.4 percent less than in September 2019. This translated to only 1.9 months' supply of new homes compared to 3.3 months' supply a year prior. There was only 1.7 months' availability in the 7-county metro area in September. Inventory of new homes in the Twin Cities region dropped 32.0 percent between September 2019 and September 2020, with significant differences by housing type and whether homes were already built or not. Although available condos in the metro area increased 41.1 percent, available townhomes dropped 21.9 percent and single-family detached homes dropped 4,161 units, or 39.7 percent. In terms of new construction, all three types of housing in the Twin Cities experienced significant drop-offs compared to a year prior. New construction in September was down 31.3 percent for single-family detached homes, 14.6 percent for townhomes, and 11.6 percent for condos compared to a year prior. Overall, strong sales and dropping inventory in the metro area suggest that people are desiring space and private housing as the pandemic progresses.

Minnesota home prices are now higher than at any time since 2005, when the 30-year fixed mortgage rate was about 5.9 percent. In contrast, rates are now averaging around 2.8 percent, a new all-time low. While higher median prices increase monthly payments, lower rates constrain them. Combining these effects, affordability has remained at a constant, relatively low level over the past two years based on the housing affordability index—the ratio of median household income to the income needed to purchase a house. The statewide affordability index was 163 in September, down slightly from 170 in September 2019. The index was 148 in the Twin Cities.

In this forecast, IHS expects the 30-Year fixed mortgage rate to decrease to 3.2 percent in 2020 from 3.9 percent in 2019 and remain approximately between 3.1 and 3.2 percent until at least 2022. This expectation is driven by the Federal Reserve's announced strategy to pin the federal funds rate near zero for several years.

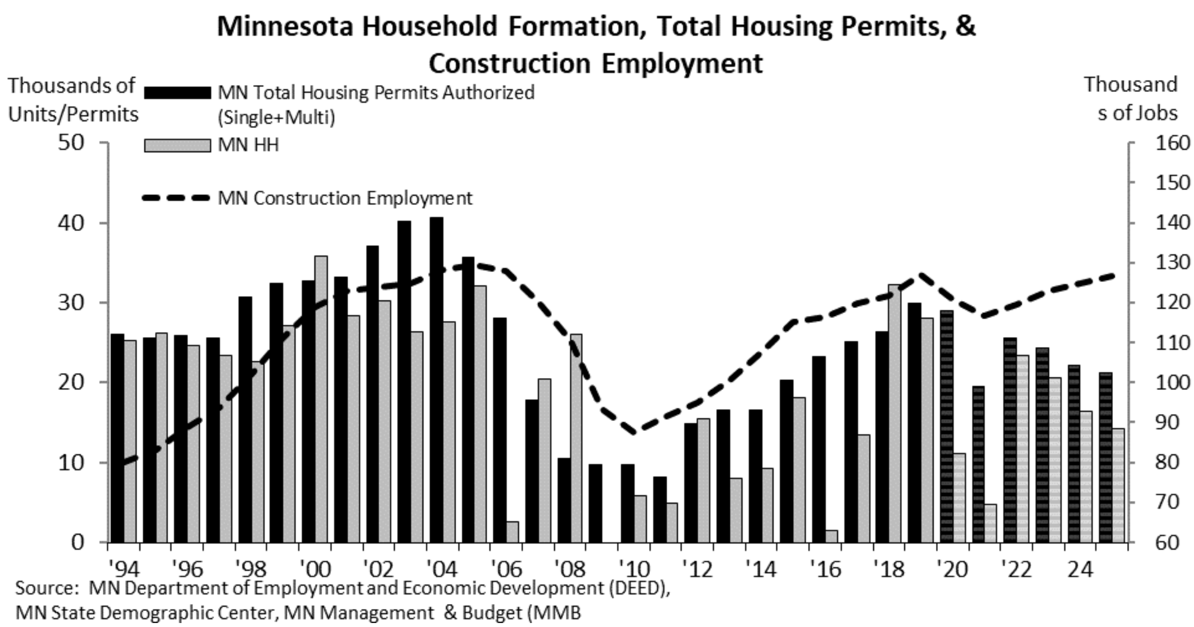
Between 2010 and 2017, Minnesota annual household formations averaged about 10,000 new households per year, much lower than the pre-recession ten-year average of 24,500. The lower household formation may reflect changes in living preferences among younger adults, as well as the increasing share of older Minnesota residents. However, 2018 marked an increase in household formations, with 32,000 new households. This trend continued in 2019, with an additional 28,000 households. In this forecast, we expect annual net new formations to drop to 11,000 in 2020, followed by approximately 15,000 per year through 2025.





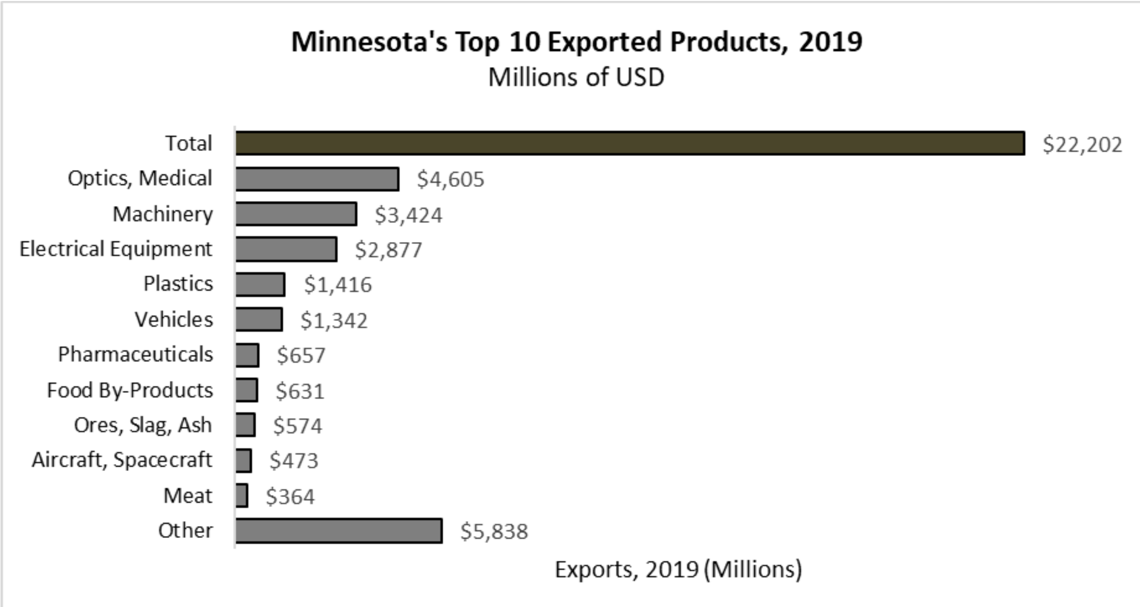
In September, the median sales price of all homes sold year-to-date was $272,500, a 6.9 percent increase from the median sales price of all homes sold during the same period in 2019.. In 2019, the number of multi-unit building permits issued surpassed single-family unit permits, a first since the beginning of the series.

According to the U.S. Census Bureau, the total year-to-date number of authorized residential building permits (not seasonally adjusted) in Minnesota was 21,641 through September 2020, up from 20,952 the same period last year. In this forecast, we expect total housing permits to average 22,500 permits per year through the forecast period.



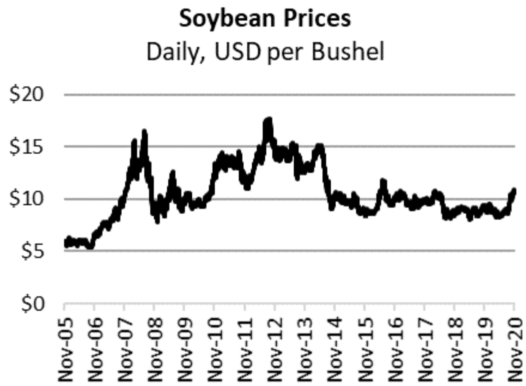
In this forecast, we expect annual net new household formations to drop from 28,000 in 2018 to 11,000 in 2020, followed by approximately 15,000 per year through 2025. We expect total housing permits to average 22,500 permits per year through the forecast period.

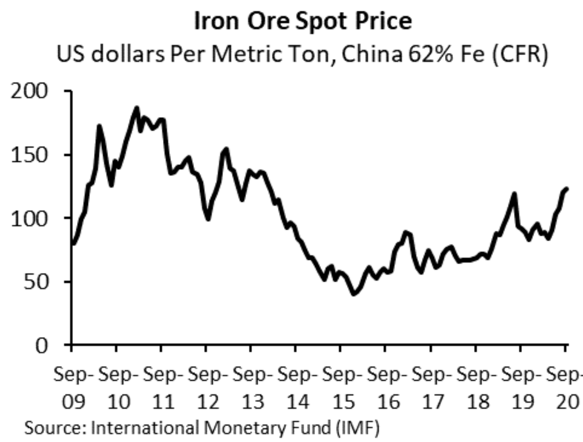
Exports. Minnesota's exports of goods and services to countries throughout the world is a significant source of income and jobs in the state. According to DEED, Minnesota exported $22.0 billion in goods worldwide in 2019, down 2 percent from 2018. Ranked by export value, Minnesota ranked 21st among states, down from 20th in 2018. The state's largest markets are Canada ($4.7 billion), China ($2.5 billion), and Mexico ($2.4 billion). DEED reports that exports supported more than 118,000 jobs in 2016.



According to DEED, Minnesota exported $22.0 billion in goods worldwide in 2019, down 2 percent from 2018. Ranked by export value, Minnesota ranked 21st among states, down from 20th in 2018. The state's largest markets are Canada ($4.7 billion), China ($2.5 billion), and Mexico ($2.4 billion).

In 2019, Minnesota's exports of ores, slag, or ash totaled $574 million, compared to $573 million in 2018. Between January and May of this year, global iron ore prices were close to those seen in 2019. After May, prices increased each month to reach $123 per metric ton in September, 37.7 percent greater than the $89.3 monthly average price during the first five months of the year. According to IHS's October analysis of the Minnesota economy, four mines in the Iron Range have laid off a total of more than 1,500 workers in response to the recent steep decline in steel demand induced by the pandemic.





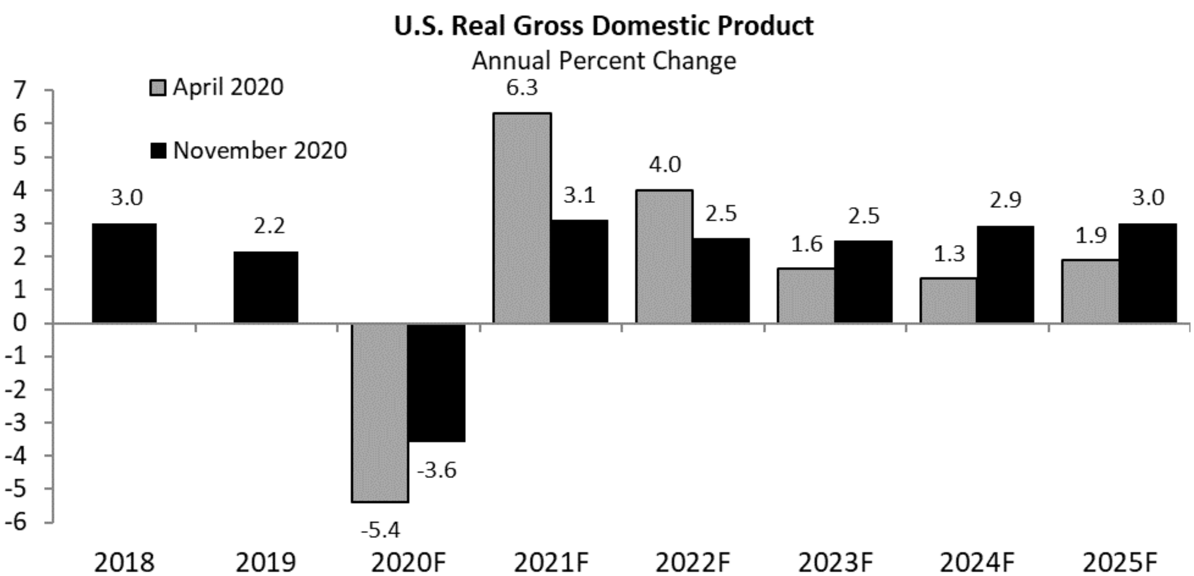
Agricultural commodities continue to be impacted by the U.S.'s relationships with its major trading partners. As China increases its imports of U.S. soybeans, soybeans traded at a four-year high in November, reaching nearly 12 dollars per bushel. Iron ore spot prices in September and October matched their most recent peak from July 2019.

Agriculture. Disruptions to the agriculture supply chain caused by COVID-19 have added significant challenges to the agricultural economy in Minnesota this year. Many institutional food purchasers (i.e. restaurants, hotels, schools, and entertainment venues) have been closed due to shutdown orders. According to the Congressional Research Service, industry estimates of COVID-related losses in the national agricultural economy are close to $40 billion, or more than 10 percent of annual cash receipts. The US Department of Agriculture's Economic Research Service notes that direct government farm payments are expected to increase by $14.7 billion (65.7 percent) to $37.2 billion in 2020, including $16.0 billion from the Coronavirus Food Assistance Program (CFAP) and $5.8 billion from the Paycheck Protection Program (PPP). These government assistance programs have been implemented in response to the economic effects of COVID-19.

Council of Economic Advisors' Statement

Minnesota's Council of Economic Advisors met on November 13, 2020, to review the IHS Markit (IHS) outlook for U.S. economic growth, which includes the assumptions underlying *Minnesota's November 2020 Budget and Economic Forecast*. Amid the COVID-19 pandemic and the measures taken to slow its spread, U.S. real GDP declined at a historic 31.4 percent annualized rate in the second quarter of 2020. Federal fiscal support and a loosening of containment measures helped to produce an equally historic rebound. The Bureau of Economic Analysis (BEA) currently estimates that GDP grew a 33.1 percent annualized rate in the third quarter.

Such a high annualized growth rate can mask the economy's true condition. Despite the extraordinary quarterly volatility, third-quarter GDP was 3.5 percent below its level at the end of last year. A clearer sense of the economy's momentum comes from focusing on growth from the end of one year to the end of the next year. IHS currently expects that GDP will post a 3.6 percent decline for 2020, followed by a 3.1 percent gain in 2021 and 2.5 percent increases in both 2022 and 2023. Despite the return to growth, GDP remains below its pre-pandemic peak until the first quarter of 2022.



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

Amid the COVID-19 pandemic and the measures taken to slow its spread, IHS now expects the U.S. real GDP to decline 3.6 percent this year. Their baseline outlook assumes a vaccine is available in mid-2021, allowing a significant portion of the population to be inoculated and restrictions on economic activity to be lifted. They assume no additional federal fiscal support. Council members agree that the IHS baseline forecast is a reasonable starting point for Minnesota's economic and budget forecast, but they note risks to the forecast. They warn that the difficulty of projecting long range economic conditions warrants caution when using forecasts for 2024 and 2025.

IHS expects rates of COVID-19 infections and deaths to remain elevated until a vaccine is available in mid-2021. They assume that as the population is inoculated, infection and death rates will subside, and restrictions on economic activity can be lifted. They expect an uneven economic recovery, with consumer spending in customer-facing service sectors slower to attain pre-recession levels than other sectors.

IHS' November baseline outlook assumes no additional federal fiscal support beyond the measures already enacted. Their October outlook assumed additional fiscal stimulus would be enacted by the end of 2020. They note that removing that assumption reduces their forecast for 2021 real GDP growth by about 0.6 percentage points.

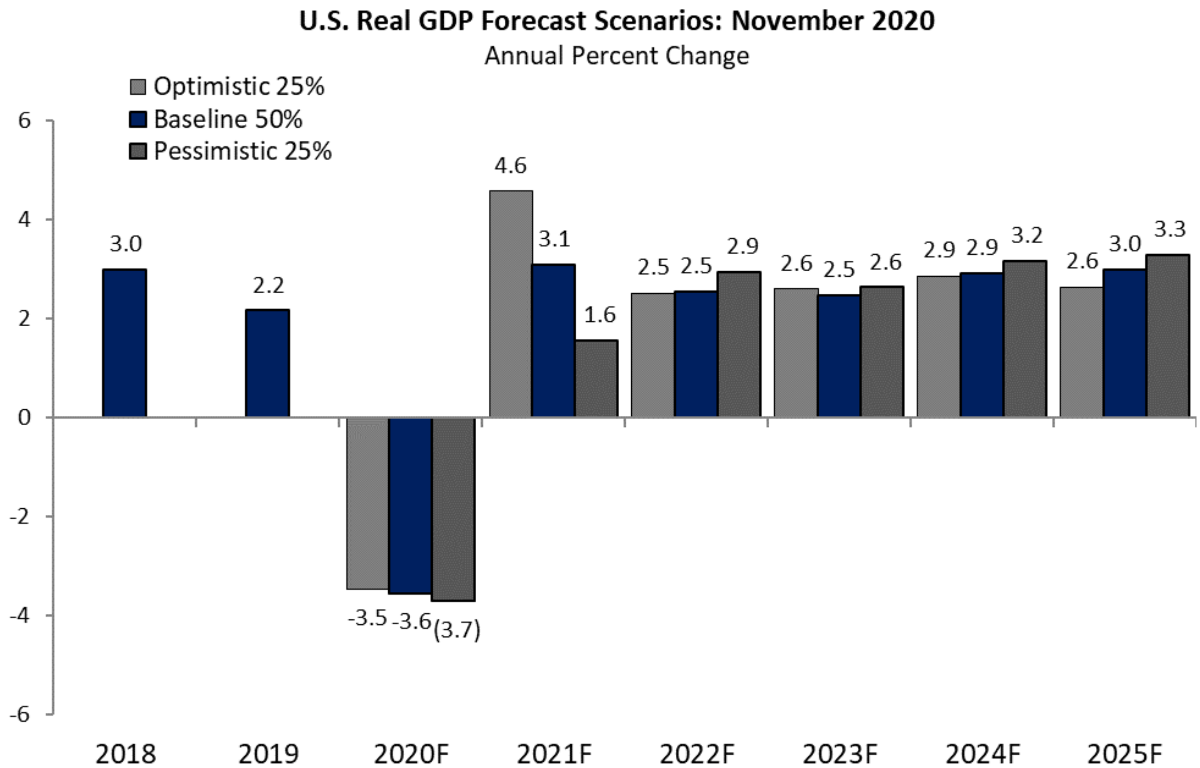
The IHS November baseline forecast for 2020 is similar to the Blue Chip Consensus, the median of 50 business and academic forecasts, which expects a 3.7 percent contraction in 2020, compared to IHS' forecast of a 3.6 percent decline. The Blue Chip Consensus calls for 4.0 percent growth in 2021, well above IHS' 3.2 percent forecast for that year.

Council members note that the outlook for the U.S. economy remains highly uncertain. They agree that economic outcomes will depend critically on the pandemic's course, the timing of effective COVID-19 immunization, government restrictions on economic activity, consumers' and businesses' responses as those restrictions are lifted, and the prospect for additional federal fiscal stimulus. Because each of these factors is uncertain, this economic forecast carries a high level of risk. We should expect the economic outlook to remain volatile at least until the pandemic ends.

Council members agree that IHS' baseline outlook is a reasonable starting point for Minnesota's economic and budget forecast, but they caution about risks to the forecast. Because many Council members think it is likely that federal fiscal stimulus will be enacted in early 2021, contrary to IHS' assumption of no additional fiscal support, members believe that the potential for the economy to grow faster than the baseline is somewhat greater than the risk of the economy underperforming IHS' expectations.

Regarding downside risks, Council members warn that a delay in the availability and deployment of a vaccine will slow or interrupt the recovery. Council members note that another extended period of social distancing threatens the return to employment growth by leading to permanent closures of small businesses that are particularly affected by the restrictions.

IHS assigns a probability of 50 percent to the November baseline outlook. They consider the forecast risks to be roughly balanced between the upside and downside. IHS assigns a 25 percent probability to a pessimistic scenario, in which surging COVID-19 cases, hospitalizations, and deaths inhibit consumer spending and slow the pace of economic re-opening. In this scenario, real GDP declines in the first quarter of 2021, resulting in annual growth of 1.6 percent, just over half of the baseline forecast growth rate for 2021. IHS assigns a 25 percent probability to a more optimistic scenario, in which the economy recovers more quickly from the COVID-19 recession. The key assumptions underlying this scenario are (1) a more accelerated timeline for a vaccine—with availability later this year and widespread deployment next spring—and (2) the enactment of a federal stimulus package that supports consumer spending and household saving. In this scenario, 2021 annual real GDP growth is 1.5 percentage points greater than in the baseline.



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

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As it has done every year since 2003, the Council recommends that budget planning estimates for the next biennium include expected inflation in both spending and revenue projections. Council members noted that Minnesota's current practice of excluding projected changes in the prices of goods and services from a majority of the spending estimate is fundamentally misleading. It is inconsistent with both sound business practices and CBO methods, and potentially encourages legislators and the public to regard the state's financial position more optimistically than the facts warrant. The omission of inflation in the spending estimates in the November 2020 *Budget and Economic Forecast* understates the cost of maintaining current service levels as provided by law in FY 2022-23 by roughly $1.302 billion. This distortion will increase if inflation accelerates from current levels.

BUDGET OUTLOOK

Current Biennium

When the last regular *Budget and Economic Forecast* released in February, a surplus of $1.513 billion was projected for the current biennium. In April, Minnesota Management and Budget announced that an *Interim Budget Projection* would be conducted to assess the impact of the COVID-19 Pandemic and resulting economic downturn on the state budget. When the *May Interim Budget Projection* was released, a deficit of $2.426 billion was projected for the current biennium. Subsequent legislative changes in the 2020 regular session and multiple special sessions reduced the projected deficit in FY 2020-21 to $2.314 billion. Eight months into the pandemic, the impact on state revenues and spending is not as was expected in May. November's forecast shows significant improvement to the state's financial position. A surplus of $636 million is now projected for FY 2020-21, an improvement of $2.950 billion compared estimates published at the end of the October special session.

Current Biennium: FY 2020-21 General Fund Budget
Change From End-of-Session Estimates

($ in millions)	End of October Special Session	November 2020 Forecast	$ Change	% Change
Beginning Balance	**$3,971**	**$3,971**	**$ -**	**0.0%**
Revenues				
Taxes	43,068	44,835	1,767	4.1
Non-Tax Revenues	1,486	1,543	58	3.9
Transfers, Other Resources	635	722	87	13.7
Total Revenues	**$45,189**	**$47,100**	**$1,912**	**4.2%**
Expenditures				
E-12 Education	19,999	19,881	(118)	(0.6)
Property Tax Aids	3,883	3,905	22	0.6
Health & Human Services	14,691	13,772	(919)	(6.3)
Debt Service	1,098	1,056	(42)	(3.9)
All Other	9,009	9,013	4	0.0
Total Expenditures	**$48,680**	**$47,627**	**$(1,053)**	**(2.2)%**
Budget Reserve	2,377	2,377	-	
Cash Flow Account	350	350	-	
Stadium Reserve	66	81	15	
Budgetary Balance	**$(2,314)**	**$636**	**$2,950**	

FY 2020 Close. In August, the books were officially closed for the fiscal year that ended June 30, 2020. Fiscal Year 2020 ended with a general fund balance of $333 million, $187 million above prior estimates. This gain, representing "money in the bank", is included in the projected increased forecast balance for the current biennium.

Current Biennium: FY 2020 General Fund Close
Change From End-of-Session Estimates

($ in millions)	End of Session	FY 2020 Close	$ Change
Beginning Balance	**$3,971**	**$3,971**	**$ -**
Forecast Revenues	23,130	23,150	21
Projected Spending	24,191	23,778	(413)
Appropriation Carryfwd	-	246	246
Budget Reserve	2,359	2,359	-
Cash Flow Account	350	350	-
Stadium Reserve	56	56	(0)
Budgetary Balance	**$146**	**$333**	**$187**

Total revenues, transfers-in and other resources in FY 2020 were $21 million higher than previously forecast. Tax revenue was $103 million lower than projections but was more than offset by higher non-tax revenues, $50 million above previous projections, and $73 million higher than estimated prior year adjustments. Prior year adjustments reflect savings occurring from cancellations of encumbrances (contracts, grants or purchase orders), revenues deposited during the year but attributable to *prior fiscal years*, or other financial activity related to loans and cash advances. These are reflected as adjustments in the most recent fiscal year – in this case, FY 2020.

FY 2020 spending was $413 million below prior estimates. Of that amount, $246 million is due to unspent appropriations that have spending authority that carries into FY 2021 and is reflected as increased spending in that year. Health and Human Services (HHS) spending was $187 million lower, largely due to lower Medical Assistance (MA) spending. The lower HHS spending was partially offset by $12 million higher Military Affairs Emergency Services spending in response to civil disturbance, COVID-19, and flooding. The budget reserve ($2.359 billion), cash flow account ($350 million) and stadium reserve account ($56 million) closed the fiscal year at previously estimated levels.

FY 2021. Year to date revenue collections, higher projected revenue for the remainder of the year and lower than projected spending on HHS programs are largely responsible for the significant gain to the projected ending balance for the current biennium. In November, MMB released the monthly revenue review that showed year-to-date revenue $805 million higher than projected for the same time period. This forecast includes that actual revenue collection but also adjusts revenue projections for the remainder of this fiscal year. This increases the final estimated FY 2021 revenue by $1.901 billion. When combined with actual FY 2020 revenues, this forecast estimates revenues to exceed the prior forecast for FY 2020-21 by $1.912 billion (4.2 percent).

Current Biennium: FY 2020-21 General Fund Budget
Change From End-of-Session Estimates

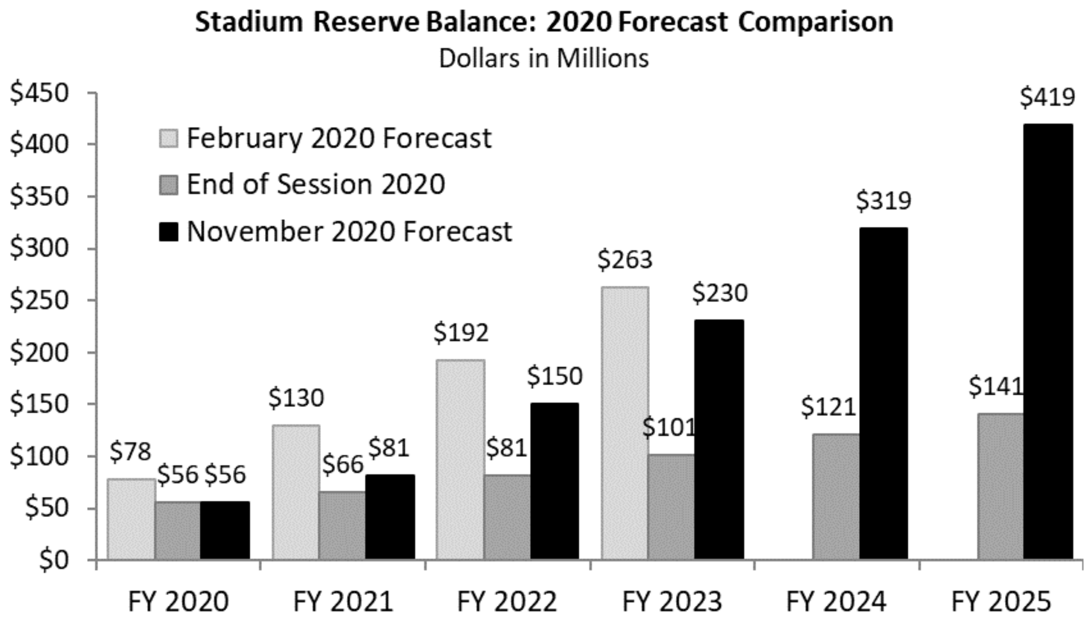
($ in millions)	End of October Special Session	November 2020 Forecast	$ Change
Beginning Balance	**$3,971**	**$3,971**	**$ -**
Forecast Revenues	45,189	47,100	1,912
Projected Spending	48,680	47,627	(1,053)
Budget Reserve	2,377	2,377	-
Cash Flow Account	350	350	-
Stadium Reserve	66	81	15
Forecast Balance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

Combining the spending savings from FY 2020 close with reduced estimates for spending in FY 2021 results in $1.053 billion (2.2 percent) lower spending projected for the current biennium compared to May estimates, adjusted for legislative changes in the summer and fall. Lower HHS spending accounts for the majority of change in the spending estimates. Higher federal participation in Medical Assistance (MA) combined with lower health care consumption drives the downward forecast adjustment in HHS. E-12 education spending and debt service spending is also projected to be lower than prior estimates.

The positive current biennium balance in this forecast triggers a provision in M.S. 16A.152 that allows for a transfer from the general fund to the 21st Century Minerals fund when a surplus is projected. That transfer of $5 million is included in spending estimates for the current biennium.

Budget Reserve. Minnesota Statutes 16A.152 directs MMB to allocate funds to the budget reserve account up to the recommended budget reserve level when there is a projected surplus in the current biennium in the *November Budget and Economic Forecast.* In September, MMB, in accordance with Minnesota Statutes section 16A.152 subd.8, recommends a budget reserve target of 4.8 percent. When calculated using the updated revenue forecast with this release, the budget reserve target level is $2.226 billion. The current budget reserve balance of $2.377 billion exceeds this target level so there is no additional allocation to the budget reserve with this *Budget and Economic Forecast*. The Cash flow account balance is unchanged at $350 million.

Stadium Reserve. The stadium reserve is a residual account within the general fund. Its balance can grow when certain general fund revenues identified in statute, like a portion of lawful gambling receipts, exceed general fund appropriations that are either directly for the stadium, like debt service on the bonds for its construction, or are identified in statute to be factored into the stadium reserve calculation.



The stadium general reserve account was expected to grow year over year when end of session estimates were released, although at a slower rate than February 2020 forecast. With revenues for stadium uses increasing at a faster rate in the November 2020 forecast versus previous end of session estimates, the reserve would now be projected to grow to $419 million by the end of FY 2025.

The FY 2020-21 projected balance of the stadium reserve account is $81 million, $15 million higher than end of session estimates. Most of the expenditures identified in law for the stadium reserve formula are a fixed amount in law or show minimal variance from year to year. Lawful gambling revenue and Minneapolis sales tax receipts are the two revenues identified for the stadium reserve formula that are forecast and can grow year over year. In FY 2020, lawful gambling revenue available for stadium uses was $42 million, $1 million lower than end of session estimates. Although FY 2020 lawful gambling revenues were dampened due to COVID-19 pandemic and response, lawful gambling revenue available for stadium uses is expected to grow to $121 million by the end of FY 2025. Additionally, beginning January 2021 (FY 2021), the state will retain Minneapolis sales tax receipts to cover the payments the state remits on behalf of the city for stadium obligations. As specified in statute, the state is required to negotiate the terms of this repayment with the city, which were finalized in fall 2020. In FY 2021, it is projected the state will retain $11 million in Minneapolis sales tax receipts, by FY 2025 that amount is expected to grow to $22 million.

Total state expenditures for the stadium, including those the state makes on behalf of the City of Minneapolis, were $42 million in FY 2020 and are expected to be $44 million by FY 2025. All revenue in excess of spending amounts is allocated to the stadium reserve. In FY 2021, $25 million is expected to be added to the stadium reserve, by FY 2025 the amount allocated to the reserve is expected to be $99 million. Given the increasing allocation amounts, the stadium reserve balance is expected to reach $419 million by FY 2025.

Next Biennium

The *May Interim Budget Projection*, adjusted for legislative changes in the summer and fall, estimated that spending would exceed revenue in the next biennium by almost $5 billion. Current law reduces the balance of the budget reserve by $491 million in FY 2022 and the stadium reserve growth impacts the general fund bottom line. After accounting for reserve changes and excluding the impact of the budgetary balance in the current biennium, prior projections estimated a $4.539 billion budgetary shortfall in FY 2022-23. With this updated forecast, the improved revenue outlook and lower spending estimates in the current biennium carry through the budget horizon into the FY 2022-23 biennium, resulting in a projected budgetary shortfall of $1.273 billion for the next biennium. This projected shortfall excludes any balance from the current biennium.

Next Biennium: FY 2022-23 General Fund Budget
Change From End-of-Session Estimates

($ in millions)	End of October Special Session	November 2020 Forecast	$ Change
Beginning Balance	**$480**	**$3,444**	**$2,964**
Forecast Revenues	46,524	49,494	2,821
Projected Spending	51,519	51,110	(409)
Budget Reserve	1,886	1,886	-
Cash Flow Account	350	350	-
Stadium Reserve	101	230	129
Budgetary Balance	**$(6,853)**	**$(638)**	**$6,220**
Shortfall (excluding FY 2020-21)	***$(4,539)***	***$(1,273)***	

Biennial Budgetary Growth. When compared to revised forecast estimates for the current biennium, general fund revenue in FY 2022-23 is projected to increase $2.394 (5.1 percent) while spending is expected to grow $3.483 billion (7.3 percent) compared to the current biennium.

Revenue projections are based on current law and forecast economic growth while spending estimates for the next biennium assume that current funding levels and policies continue unchanged, adjusted only for caseload and enrollment changes as well as specific formula driven items. The expenditure forecast does not assume inflationary cost growth outside of a limited number of specific budget areas including a portion of health care spending, debt service, special education and property tax refunds.

Revenue. Revenue growth into the next biennium is driven by the state's two largest tax sources, individual income tax and general sales tax. Individual income tax revenues are expected to be $26.571 billion in FY 2022-23, an increase of $1.808 billion (7.3 percent) while general sales tax receipts are projected to reach $12.477 billion, $976 million (8.5 percent) higher than the current biennium. Other taxes including estate, insurance gross earnings, deed transfer, lawful gambling, and medical assistance surcharges are expected to show significant growth into the FY 2022-23 biennium. Partially offsetting the growth in most tax revenue into the next biennium is $129 million (4.2 percent) lower projected corporate franchise tax receipts, $124 million lower non-tax revenue (8.1 percent), and $349 million lower transfers and other resources (48 percent). Driving the change in lower transfers and other resources is $247 million lower transfers from the premium security account and lower forecast prior period adjustments compared to actual experience in the current biennium.

Next Biennium: FY 2022-23 General Fund Budget
Biennial Comparison; November 2020 Forecast

($ in millions)	FY 2020-21	FY 2022-23	$ Change	% Change
Beginning Balance	**$3,971**	**$3,444**	**$ (527)**	
Revenues				
Taxes	44,835	47,702	$2,867	6.4
Non-Tax Revenues	1,543	1,419	(124)	(8.1)
Transfers, Other Resources	722	373	(349)	(48.3)
Total Revenues	**$47,100**	**$47,100**	**$2,394**	**5.1%**
Expenditures				
E-12 Education	19,881	20,591	710	3.6
Property Tax Aids	3,905	4,200	294	7.5
Health & Human Services	13,772	16,507	2,735	19.9
Debt Service	1,056	1,257	201	19.1
All Other	9,013	8,555	(453)	(5.0)
Total Expenditures	**$47,627**	**$51,110**	**$3,483**	**7.3%**
Budget Reserve	2,377	1,886	(491)	
Cash Flow Account	350	350	-	
Stadium Reserve	81	230	149	
Budgetary Balance	**$636**	**$(638)**		
Shortfall (excluding FY 2020-21)		***$(1,273)***		

Spending. Base level expenditures in the next biennium are expected to reach $51.110 billion, growth of $3.483 (7.3 percent) over the current biennium. Growth in the second largest budget area, HHS, accounts for the majority of the overall growth. Total HHS spending is expected to reach $16.507 billion, $2.735 billion (19.9 percent) more than FY 2020-21. While ongoing underlying growth in medical assistance (MA) and other programs drives a portion of the biennial growth in HHS, a significant portion of the growth results from reduced state spending in the current biennium due to increased federal participation in MA related to the federal response to the COVID-19 pandemic and resulting impact of state budgets.

In accordance with Laws 2019, Special Session 1, Chapter 9, this forecast continues to assume, legislation will be enacted in the upcoming session based on strategies identified by the Blue Ribbon Commission that lowers anticipated general fund spending by $100 million in FY 2022-23. If this does not occur, the balance of the general fund reserve will be reduced accordingly.

The largest budget area, E-12 education, is expected to grow to $20.591 billion in FY 2020-21 an increase of $710 million (3.6 percent) over the current biennium. Outside of special education, the education funding formula does not include an adjustment for inflationary cost growth, the majority of growth into the next biennium is due to special education and increasing projected student population.

Outside of the two largest budget areas, debt service and property tax aids and credits are expected to be higher in the next biennium. Debt service is expected to be higher due to a larger assumed bonding sale in fiscal year 2022 and higher interest rates. Property tax aids and credits is higher due to growth in the property tax refund program and legislatively enacted increases in local aid to cities and counties. Overall spending growth is offset by lower projected spending in the combined all other areas of the budget mostly due to sun-setting of one-time spending programs in the current biennium.

Budget Reserve. The budget reserve account balance in the next biennium is projected to be $1.886 billion, $491 million lower than the current biennium. In an effort at the time of passage to bring projected budgetary balance to the FY 2022-23 biennium, article 11, section 17 of Chapter 6 from the 2019 special session stipulated that the balance of the budget reserve account be reduced by $491 million on the first day of FY 2022. The stadium reserve balance is expected to reach $230 million by the end of the next biennium due to continued remittance of Minneapolis sales tax receipts and growth in lawful gambling tax receipts. The cash flow account balance of $350 million is unchanged from the current biennium.

Planning Estimates

This forecast provides the first planning estimates for the FY 2024-25 biennium. While these estimates inherently carry a higher degree of uncertainty than estimates for FY 2021-23, they do present an outlook of longer run spending and revenue growth that will assist in budget planning when setting the FY 2022-23 budget.

Planning Horizon: General Fund Budget
By Biennium, FY2022-25, November 2020 Forecast

($ in millions)	**FY 2022-23**	**FY 2024-25**	**$ Change**	**Annual % Change**
Forecast Revenues	$49,494	$53,085	$3,591	3.6%
Projected Spending	51,110	53,637	2,527	2.4%
Difference	**$(1,616)**	**$(552)**		
Estimated Inflation (CPI)[3]	*$1,303*	*$2,915*		

Revenue growth into the FY 2024-25 planning horizon is higher than base level spending growth, suggesting long run structural budget improvement. However, spending continues to exceed revenue in the FY 2024-25 in this forecast. As with the projections for FY 2022-23, spending estimates are not adjusted for inflation in most areas of the budget.

Projected inflation based on the Consumer Price Index (CPI) is now expected to be 2.2 percent and 2.6 percent in FY 2022 and FY 2023 followed by 2.7 percent and 3.0 percent in FY 2024 and

[3] Inflation calculation grows the estimated general fund spending base in each year by the projected CPI growth rate after removing special education, debt service, property tax refunds, and the state share for managed and long term care.

FY 2025. After adjusting the spending base for programs with price increases included in the current law formula, applying the annual inflation rate, compounded over the two and four year periods, would add approximately $1.3 billion to the FY 2022-23 base and $2.9 billion to the FY 2024-25 base.

REVENUE OUTLOOK

Current Biennium

Total general fund revenues for FY 2020-21 are now forecast to be $47.100 billion, $1.912 billion (4.2 percent) more than the May Interim Budget Projection adjusted for law changes since May. Total tax revenues for the biennium are forecast to be $44.835 billion, $1.767 million (4.1 percent) above the prior estimate. The forecasts for all major tax types are higher than in May.

The $1.767 billion tax revenue forecast change for FY 2020-21 revenues is the result of a $1.870 billion increase in the forecast for FY 2021 offsetting actual tax revenues at the close of FY 2020 that were $103 million lower than we projected in May.

Current Biennium: FY 2020-21 General Fund Revenues
Change From End-of-Special-Session Estimates

($ in millions)	**End of Session**	**November 2020 Forecast**	**$ Change**	**% Change**
Individual Income Tax	$24,264	$24,764	$500	2.1%
General Sales Tax	10,693	11,501	808	7.6
Corporate Franchise Tax	2,684	3,074	390	14.5
State General Property Tax	1,550	1,554	4	0.3
Other Tax Revenue	3,877	3,942	65	1.7
Total Tax Revenues	**$43,068**	**44,835**	**1,767**	**4.1%**
Non-Tax Revenues	1,486	1,543	58	3.9
Other Resources	635	722	87	13.7
Total Revenues	**$45,189**	**$47,100**	**$1,912**	**4.2%**

So far in FY 2021 net general fund revenues are $805 million (12.5 percent) higher than projected in May. These higher revenues raise the base—or starting point—for our forecasts of several tax types.

The revenue forecast for FY 2021 reflects a four-week pause on in-person dining, sports, and fitness establishments that the governor of Minnesota enacted to slow the spread of COVID-19. The restrictions began on November 21 and continue through December 18. We made adjustments to the individual income, sales, and lawful gambling taxes to account for lower collections during that period.

This is the fourth forecast of FY 2020-21 revenues (including the extraordinary May projection) since FY 2020 began on July 1, 2019. After 16 months of observed collections, fiscal year-to-date receipts for FY 2020-21 are $30.125 billion, 65 percent of the total expected over the biennium. With 8 months of collections left to observe, 35 percent of forecast receipts are outstanding.

Individual Income Tax. Net individual income tax receipts for the current biennium are now forecast to be $500 million (2.1 percent) more than the end-of-session estimate. A $274 million net income tax variance so far in FY 2021 and an improved wage growth forecast in CY 2020 and CY 2021 offset a lower estimate for tax liability in 2019, the base year of this forecast.

We built the income tax forecast from estimated final TY 2019 liability. Using information from processed tax returns and revenue in the state accounting system, we estimate that final 2019 tax liability is $11.590 billion, $164 million less than we estimated in May. We expect to learn actual TY 2019 liability in early 2021, when all individual income tax returns have been processed.

Calibrating the individual income tax to produce our estimated base year liability generally requires making assumptions about base year growth rates for particular income types. According to the Bureau of Economic Analysis (BEA), Minnesota total wage and salary income grew 3.5 percent in CY 2019, 0.1 percentage points faster than we assumed in the May projection. Although growth rates in the components of personal income—such as wage income reported by BEA—can grow at different rates than wage income included in adjusted gross income (AGI) on tax returns, in this forecast, we assume wage income in AGI grew at the same rate in 2019 as personal income wages, 3.5 percent. Our lower estimate of TY 2019 income tax liability, together with higher assumed wage income growth, implies that non-wage income grew more slowly in TY 2019 than we had previously assumed. We now assume that capital gains income reported by Minnesota residents grew 2.2 percent in TY 2019, down from 7.5 percent in May. We also lowered our estimate of growth in business income. Overall, TY 2019 non-wage income included in AGI grows about 1.8 percentage points more slowly in this forecast than in May.

Changes to assumed growth rates for TY 2020 also affected the FY 2020-21 income tax forecast. The primary reason for the change in assumed income growth is a higher forecast for wage income, driven by a much smaller forecast decline in wage income in TY 2020. We now assume Minnesota wage and salary income fell 0.2 percent in TY 2020 compared to a 3.9 percent decline in May. On average, this forecast assumes the level of wage income will be 7.4 percent higher for CY 2020 and CY 2021 than we projected in May.

The uneven impact of employment and wage losses during the pandemic-induced economic downturn has affected the way we construct our income tax forecast. As explained in the Minnesota Economy section, unemployment this year has disproportionately affected lower wage workers. Consequently, unemployment since March has led to a smaller reduction in total wage and salary income than if the incidence and duration of unemployment had been more evenly distributed across wage levels. In addition, concentrating wage losses among taxpayers with lower marginal effective tax rates reduces the income tax revenue loss arising from a given reduction in income. We adjusted for this by increasing the wage growth we assumed in the income tax model. This raised our FY 2020-21 income tax forecast compared to what it otherwise would have been.

Unemployment insurance (UI) benefits included in AGI in FY 2020-21 are forecast to be lower than in the prior projection. This is due to an improved economic outlook and lower forecast unemployment rates in CY 2020 and CY 2021 than we projected in May. In this forecast, we also assume that the effective tax rate on UI benefits is lower than we assumed in May. This is because we now have more evidence that Minnesota UI beneficiaries this year were disproportionately lower-wage workers.

So far in tax year 2020, estimated income tax payments are about 2.8 percent higher than the same period one year ago. In contrast, in May we projected a year-over-year decline in estimated payments. This may be due to taxpayers following a safe harbor rule that allows them to avoid penalties by making withholding plus estimated payments equivalent to last year's liability. If at the end of this year they estimate their tax year 2020 liability to be lower than last year, taxpayers will make lower payments in January 2021. In this forecast, we assume 4th quarter payments are a lower share of total quarterly payments than they had been in the prior two years.

Income taxes paid by fiduciaries—estates and trusts—are $16 million higher so far in FY 2021 than we projected in May. Fiduciary revenue for the current biennium is now forecast to be $15 million higher than the prior estimate. Revenue from non-resident S-Corps and partnerships is $14 million lower so far in FY 2021 than we projected in May. Revenues from these entities in the current biennium is now forecast to be $45 million lower than we projected in May.

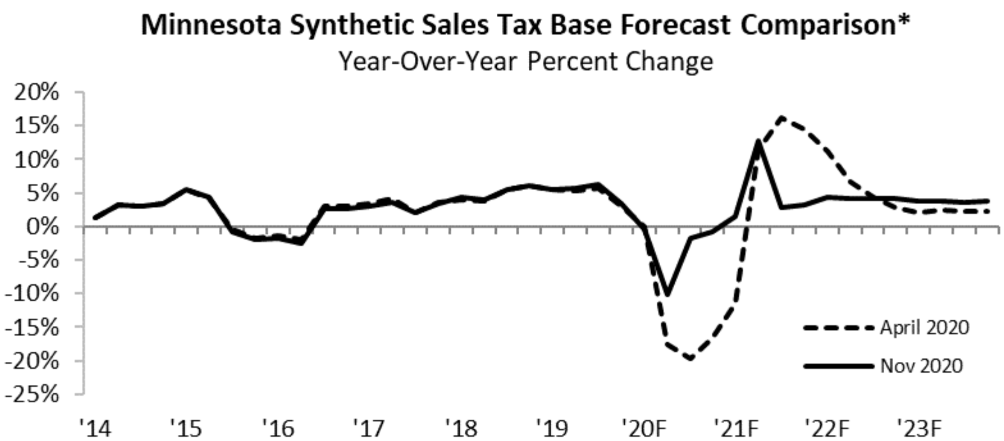
General Sales Tax. General sales tax revenue in FY 2020-21 is now forecast to be $808 million (7.6 percent) higher than the end-of-session estimate. Higher forecast gross receipts offset higher expected refunds. Gross sales tax receipts are now forecast to be $945 million (8.6 percent) more than the prior estimate.

Three main factors contribute to the higher forecast for gross sales tax receipts. First, so far in FY 2021, gross sales tax receipts are $358 million (23.6 percent) higher than we projected in May, raising the base for this forecast. Second, we construct Minnesota's synthetic (or proxy) sales tax base from forecasts for U.S. spending on a wide range of taxable goods and services. The U.S. components of the base grow faster in CY 2021 in this forecast than in our May projection. The synthetic sales tax base is now forecast to grow 2.6 percent in FY 2021 compared to an assumed 10.1 percent *decline* in the May projection. Finally, we adjust the synthetic sales tax base by Minnesota's share of total U.S. personal income to get an estimate of Minnesota taxable sales. As explained in the income tax section, we have raised our forecast of Minnesota's share of U.S. personal income relative to the May projection, which in turn raises our estimate of Minnesota's share of total U.S. consumer spending.

Note that fiscal-year-to-date gross sales tax collections are about 0.7 percent below the level of one year ago. This is a smaller decline than we projected in May, leading to the positive FY 2021 gross sales tax variance and contributing to the increased forecast for the remainder of the current biennium.

Changes in consumer spending patterns during the pandemic have influenced our sales tax forecast. As explained in the U.S. Economy section, during the pandemic consumers have shifted their spending away from services (other than housing and utilities)—many of which have been restricted—to taxable goods. Durable goods other than medical devices and automobiles are largely taxable in Minnesota, and IHS expects this category to grow 7.3 percent in 2020, compared to 5.7 percent in 2019. This shift in spending has contributed to higher fiscal-year-to date sales tax collections and to faster forecast growth in Minnesota's proxy sales tax base.

Partly offsetting the higher gross sales tax receipts forecast is a higher forecast for sales tax refunds. These refunds in FY 2020-21 are now forecast to be $128 million greater than we projected in May. This is largely due to an increase in refunds to Qualified Data Centers (QDCs). In 2013 and 2017, the statute governing exemptions for QDCs was revised and expanded to allow more data centers to meet the certification requirements for exemptions and to exempt software maintenance agreements. As a result of these revisions, Minnesota received an increase in requests QDC refunds. Refund processing was put on hold to ensure that the Minnesota Department of Revenue could consistently apply the law to the claims. The refund issues have now been resolved, resulting in a one-time increase in refunds. The higher refund forecast is not assumed to carry forward.



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

Corporate Franchise Tax. The corporate franchise tax is forecast to generate $390 million (14.5 percent) more in FY 2020-21 than the prior estimate. A higher forecast for gross corporate tax receipts and lower forecast refunds both contribute to this change.

The forecast change is due to a higher base of corporate receipts and higher expected growth in corporate profits. So far in FY 2021, net corporate receipts are $159 million (36.0 percent) more than we projected in May. The previous corporate forecast estimate was based on IHS' April 2020 pessimistic forecast, which assumed a 42.6 percent decline in corporate profits in CY 2020 followed by 64.4 percent growth in CY 2021. In this forecast we used IHS' November 2020 baseline outlook, which assumes a smaller decline of 6.8 percent in CY 2020 followed by a 10.7 percent decline in CY 2021.

Per the IHS November outlook, in the third quarter of CY 2020 corporate profits were 57 percent higher than the prior quarter and 23 percent higher than the third quarter of CY 2019. IHS suggests that spike was supported by forgiven PPP loans to corporations. We assume that the resulting increase in corporate tax receipts in FY 2021 is temporary and does not carry forward into the next biennium.

Other Tax Revenue, Non-Tax Revenue, Other Resources. Other tax revenue is now expected to be $65 million (1.7 percent) more than the prior estimate. Among other taxes, the mortgage registry tax shows the largest dollar amount forecast increase, $81 million (29.4 percent) higher than the prior estimate. Higher expected mortgage originations and refinances—influenced in part by low mortgage interest rates—drive this forecast change. Receipts from the lawful gambling tax are now expected to be $20 million (13.3 percent) more than the prior estimate. So far in FY 2021, gambling taxes are $17 million ahead of the May projection. Medical Assistance surcharges show the largest dollar amount forecast reduction, $46 million (7.4 percent) less than the prior estimate. The primary driver of the change ($30 million) is lower than expected hospital surcharge collections in the current biennium.

Next Biennium

Total general fund revenues for FY 2022-23 are now forecast to be $49.494 billion, $2.394 (5.1 percent) more than the current FY 2020-21 forecast. Total tax revenues for the next biennium are forecast to be $47.702 billion, a $2.867 billion (6.4 percent) increase over FY 2020-21 forecast tax revenues. Growth in individual income and sales taxes account for nearly all of the biennial tax revenue change. Of the major tax types, the corporate franchise tax and the state general property tax show declines in expected revenues from FY 2020-21 to FY 2022-23.

Next Biennium: FY 2022-23 General Fund Revenues
Biennial Comparison; November 2020 Forecast

($ in millions)	**FY 2020-21**	**FY 2022-23**	**$ Change**	**% Change**
Individual Income Tax	$24,764	$26,571	$1,808	7.3%
General Sales Tax	11,501	12,477	976	8.5
Corporate Franchise Tax	3,074	2,945	(129)	(4.2)
State General Property Tax	1,554	1,540	(14)	(0.9)
Other Tax Revenue	3,942	4,169	226	5.7
Total Tax Revenues	**44,835**	**47,702**	**$2,867**	**6.4%**
Non-Tax Revenues	1,543	1,419	(124)	(8.1)
Other Resources	722	373	(349)	(48.3)
Total Revenues	**$47,100**	**$49,494**	**$2,394**	**5.1%**

The current forecast for FY 2022-23 total revenues is $2.970 billion (6.4 percent) more than the end-of-session estimate. Total tax revenues for the next biennium are forecast to be $2.821 billion (6.3 percent) above the prior estimate. The forecasts for all major tax types are higher than the end-of-session estimates.

Next Biennium: FY 2022-23 General Fund Revenues
Change From End-of- Special-Session

($ in millions)	End of Session	November 2020 Forecast	$ Change	% Change
Individual Income Tax	$25,105	$26,571	$1,466	5.8%
General Sales Tax	11,398	12,477	1,079	9.5
Corporate Franchise Tax	2,862	2,945	82	2.9
State General Property Tax	1,536	1,540	5	0.3
Other Tax Revenue	3,980	4,169	189	4.7
Total Tax Revenues	**$44,881**	**$47,702**	**$2,821**	**6.3%**
Non-Tax Revenues	1,390	1,419	29	2.1
Other Resources	253	373	121	47.7
Total Revenues	**$46,524**	**$49,494**	**$2,970**	**6.4%**

Individual Income Tax. Individual income tax shows the largest biennial growth, accounting for 63 percent of the total tax revenue biennial change. Income tax revenues for FY 2022-23 are forecast to be $26.571 billion, $1.808 billion (7.3 percent) more than the current forecast for FY 2020-21.

Growth in income tax revenues for FY 2022-23 over FY 2020-21 is primarily due to income growth in tax years 2021 and 2022. Minnesota wage and salary income included in AGI in the income tax model is now forecast to grow 4.9 percent in both CY 2021 and CY 2022. Non-wage income is forecast to decline 0.7 percent in CY 2021 and then grow 4.1 percent in CY 2022.

Regarding forecast change, higher forecast gross income tax receipts—driven by faster growing income—more than offsets higher expected refunds to bring the net income tax forecast $1.466 billion (5.8 percent) higher than the end-of-session estimate. The forecast change is due to both a higher base of income tax revenue from the higher forecast for FY 2020-21 and faster income growth. We now assume that income included in AGI will grow 3.2 percent in TY 2021, 4.7 percent in TY 2022, and 4.1 percent in TY 2023, compared to 1.6, 4.2, and 3.2 percent, respectively, in the prior projection. The primary reason for the change in assumed income growth is a higher forecast for wage income. On average, this forecast assumes a level of wage income that is 6.0 percent higher for CY 2022 and CY 2023 than we projected in May.

Income taxes paid by fiduciaries—estates and trusts—for FY 2022-23 are now forecast to be $28 million higher than the prior estimate. Tax revenue from non-resident S-Corps and partnerships is now forecast to be $76 million less than the prior estimate.

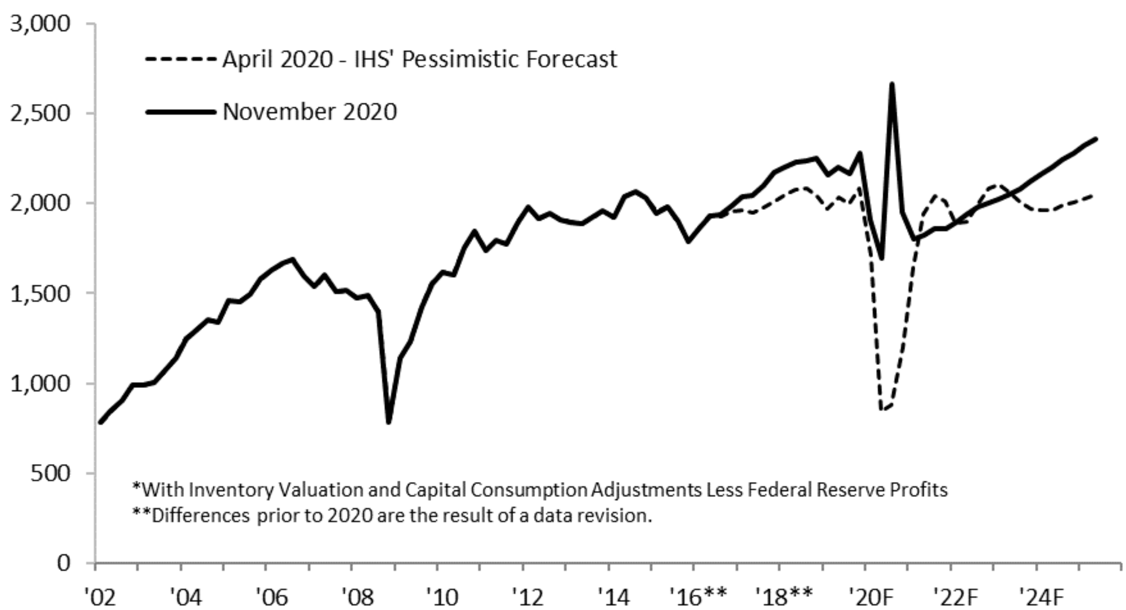
General Sales Tax. General sales tax receipts for FY 2022-23 are expected to exceed FY 2020-21 levels by $976 million (8.5 percent), accounting for 34 percent of the biennial growth in tax revenues. Growth in forecast gross sales tax receipts and a decline in refunds between FY 2020-21 and FY 2022-23 both contribute to the biennial change.

Gross sales tax receipts in FY 2022-23 are forecast to exceed FY 2020-21 levels by $833 million (6.9 percent). The Minnesota synthetic sales tax base, a proxy for the actual tax base, is expected to grow 2.6 percent in CY 2021 before accelerating to 3.6 percent growth CY 2022 and 4.0 percent in CY 2023. As in the past, the percentage changes in the synthetic base have been reduced by 5 percent to correct for a tendency of the base to grow faster than observed revenue growth. For example, a one percent change in the synthetic tax base implies a 0.95 percent change in sales tax revenue.

Regarding forecast change, higher expected refunds partially offset higher expected gross sales tax receipts to bring the net sales tax forecast $1.079 billion higher than the end-of-session estimate. Gross sales tax receipts for FY 2022-23 are now forecast to be $1.097 billion (9.3 percent) higher than the prior estimate. The forecast change is due to both a higher base of gross sales tax receipts from the higher forecast for FY 2020-21 and higher growth in taxable sales. The synthetic sales tax base is expected to grow a cumulative 5.4 percentage points faster between FY 2021 and FY 2023 than we assumed in the prior projection.

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 Franchise Tax. The corporate franchise tax is forecast to generate $2.945 billion in FY 2022-23, $129 million (4.2 percent) less than the current FY 2020-21 forecast.

Gross corporate receipts are forecast to decline by $165 million from FY 2020-21 to FY 2022-23. This decline is primarily due to a spike in corporate profits in the third quarter of CY 2020 that IHS suggests was supported by forgiven PPP loans to corporations. We assume that the resulting increase in corporate tax receipts in FY 2021 is temporary and does not carry forward into the next biennium. Corporate refunds are forecast to shrink across the biennia by $36 million, reducing the biennial decline in net corporate taxes to $129 million.

Regarding forecast change, a higher forecast for FY 2022-23 gross corporate tax receipts more than offsets a higher refund forecast to generate a $82 million (2.9 percent) increase in net expected corporate receipts. The forecast change is due to both a higher base of gross corporate tax receipts from the higher forecast for FY 2020-21 and higher growth in corporate profits. The previous corporate forecast estimate was based on IHS' April 2020 pessimistic forecast, which assumed 3.0 percent growth in corporate profits in CY 2022 followed by 3.7 percent growth in CY 2023. In this forecast we used IHS' November 2020 baseline outlook, which assumes higher growth of 6.4 percent in CY 2022 and 6.0 percent growth in CY 2023.

Other Tax Revenue, Non-Tax Revenue, Other Resources. Other tax revenue is now forecast to grow by $226 million (5.7 percent) in FY 2022-23 over FY 2020-21. Among other tax revenue, the largest dollar amount biennial change is in receipts from lawful gambling taxes, which are forecast to grow $94 million between the current biennium and the next. Among non-tax revenues, the largest dollar amount biennial change is in investment income, which is forecast to decline $52 million.

The forecast for other resources is $121 million (47.7 percent) higher than the prior estimate. This is due to a transfer from the Health Care Access Fund to the general fund arising from an increased projected balance in the health care access fund.

Planning Estimates

This is the first reporting of revenue planning estimates for FY 2024-25. Total revenues for the biennium are now estimated to be $53.085 billion, an increase of $3.591 billion (7.3 percent) over the current forecast for FY 2022-23 revenues. Total tax revenues for 2024-25 are estimated to be $51.414 billion, an increase of increase of $3.712 billion (7.8 percent) over FY 2022-23.

Planning Estimates: FY 2024-25 General Fund Revenues
Biennial Comparison; November 2020 Forecast

($ in millions)	**FY 2022-23**	**FY 2024-25**	**$ Change**	**% Change**
Individual Income Tax	$26,571	$28,778	$2,207	8.3%
General Sales Tax	12,477	13,448	971	7.8
Corporate Franchise Tax	2,945	3,247	302	10.3
State General Property Tax	1,540	1,536	(4)	(0.3)
Other Tax Revenue	4,169	4,405	236	(5.7)
Total Tax Revenues	**$47,702**	**$51,414**	**$3,712**	**7.8%**
Non-Tax Revenues	1,419	1,420	2	0.1
Other Resources	373	251	(122)	(32.8)
Total Revenues	**$49,494**	**$53,085**	**$3,591**	**7.3%**

Together, the individual income and sales taxes account for about 86 percent of the projected biennial tax revenue growth. The individual income tax shows the largest increase, growing by $2.207 billion (8.3 percent), and contributing 59 percent of the total tax revenue biennial change. The general sales tax is expected to exceed FY 2022-23 forecast levels by $971 million (7.8 percent), accounting for 26 percent of the growth in tax revenues. The corporate franchise tax is expected to exceed FY 2022-23 forecast levels by $302 million (10.3 percent), accounting for 8 percent of the growth in tax revenues. The statewide property tax and other taxes account for the remaining $232 million of biennial growth.

The revenue planning estimates are based on the IHS baseline forecast, which assumes U.S. real GDP will grow 2.5 percent in CY 2023 followed by faster growth of 2.9 percent in CY 2024 and 3.0 percent in CY 2025.

The planning estimates for FY 2024-25 should be used with caution. First, the projections will be affected by any revenue changes in the supplemental budget for the FY 2020-21 and the enacted budget for FY 2022-23. Second, in subsequent forecasts changes to our estimates of individual income tax liability for tax years 2021 through 2024, as well as changes to the base levels of other revenue types for FY 2021 through 2023, will change the FY 2024-25 planning estimates. Third, even small deviations from assumed growth rates for factors affecting revenues will compound and produce sizable changes in revenues. Should the economy grow more slowly (quickly) than forecast or should some volatile income source such as capital gains or corporate profits fall well below (above) forecast, the revenue outlook for FY 2024-25 will deteriorate (improve). Finally, Minnesota's Council of Economic Advisers warn that the difficulty of projecting long range economic conditions warrants caution when using economic forecasts of 2024 and 2025.

EXPENDITURE OUTLOOK

Current Biennium

Spending estimates for FY 2020-21 are lower than prior estimates for the biennium. Expenditures in the current biennium are now expected to be $47.627 billion, a reduction of $1.053 billion (2.2 percent) from end of session estimates.

Current Biennium: FY 2020-21 General Fund Expenditures
Change From End-of-Session Estimates

($ in millions)	End of Session	November 2020 Forecast	$ Change	% Change
E-12 Education	$19,999	$19,881	$(118)	(0.6)%
Property Tax Aids & Credits	3,883	3,905	22	0.6
Health & Human Services	14,691	13,772	(919)	(6.3)
Debt Service	1,098	1,056	(42)	(3.9)
All Other	9,009	9,013	4	0.0
Total Expenditures	**$48,680**	**$47,627**	**$(1,053)**	**(2.2)%**

A $919 million (6.3 percent) reduction in estimated spending for health and human services and a $118 million (0.6 percent) reduction in estimated spending for E-12 education account for nearly all of the overall reduction in spending in FY 2020-21. These reductions are driven in large part by the continuation of the COVID-19 pandemic into calendar year 2021.

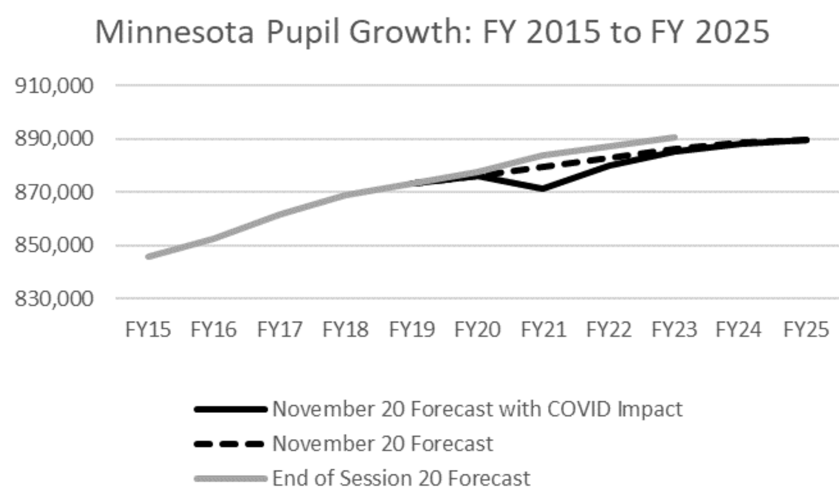
Changes for the current biennium for other spending were modest. Debt service expenditures are $42 million (3.9 percent) lower than previous estimates due to slower spending on capital projects, a reduced August 2020 bond sale, and lower bond rates. Property tax aids and credits spending is $22 million (0.6 percent) higher than expected due largely to the growth in property tax refunds compared to previous forecast.

E-12 Education. Education finance is the largest category of state general fund spending. It consists of aid programs for general education, special education, early childhood and family education, charter schools, nonpublic pupil programs, and integration programs. E-12 aids can be divided into two major funding streams: 1) general education, the primary source of basic operating funds for schools, and 2) categorical aid, tied to specific activities or categories of funding. In the current biennium, the state is projected to spend $19.881 billion on education.

Pupil Projections in the November 2020 Forecast

Background. Pupils are the primary factor which determines E-12 education spending in Minnesota. Pupils are projected by the Minnesota Department of Education (MDE) using growth trends based on prior year actual counts and other factors. Due to the COVID-19 pandemic and changing learning models, MDE has taken additional steps to analyze and project pupil changes in the November forecast.

Changes in Pupil Counts in the Current Biennium. Pupil counts are expected to decrease by 1,376 (0.2 percent) in FY 2020 and 12,676 (1.4 percent) in FY 2021. Fiscal Year 2020 decreases are attributed to actual pupil counts coming in lower than expected. Using MDE's traditional growth modeling, this decrease was factored into pupil projections prior to any adjustments made for COVID-19 impacts. In the chart below, the impact of traditional growth modeling is represented by the black dashed line. The solid black line represents final pupil counts used for projecting state aid in the November forecast and captures additional changes due to the COVID-19 pandemic.



Because the pandemic has caused some families to delay enrollment in kindergarten or to pursue non-public and homeschool options, public school enrollments have decreased, which in turn lowers estimated state spending in FY 2021. This projection is largely based on MDE data gathering efforts to capture students leaving the public school system and makes up 8,334 of the 12,676 decline in pupil counts in FY 2021. Of the 8,334 students estimated to be pursuing non-public school options, 1,877 (23.5 percent) are kindergartners.

Changes in Pupil Counts in the Next Biennium. Compared to prior estimates, pupil counts are expected to be lower by 7,341 (0.8 percent) in FY 2022 and by 5,324 (0.6 percent) in FY 2023. This change is driven by the impact of pupil decreases in the prior biennium and the projection of a COVID-19 vaccine becoming available in mid calendar year 2021, which leads families to return to public schools throughout the biennium. MDE assumes a gradual year over year increase in pupils across FY 2022-23. MDE estimates that in FY 2022, 80 percent of kindergarten pupils and 60 percent of the remaining grades will return to public schools. In FY 2023, it is estimated that 90 percent of pupils across all grade levels will have returned. In FY 2024-25, pupil growth is expected to return to nearly pre-pandemic levels, with 95 percent having returned in FY 2024. Finally, by FY 2025, COVID-19 related reductions are removed from pupil projections.

General Fund Education Expenditures
Change From End-of-Session Estimates

($ in millions)	FY 2020-21 $ Change	FY 2020-21 % Change	FY 2022-23 $ Change	FY 2022-23 % Change
General Education	$(84)	(0.6)%	($83)	(0.2)%
Special Education	(11)	(0.3)	(47)	(1.2)
Nutrition Programs	(21)	(36.2)	(4)	(7.1)
Debt Service Equalization Aid	0	0.0	(5)	(10.9)
Inter-District Desegregation Transportation	0	0.0	(5)	(16.5)
All Other E-12 Education	(2)	(0.1)	(8)	(0.5)
Total E-12 General Fund Forecast Change	**$(118)**	**(0.6)%**	**$(154)**	**(0.7)%**

Nutrition Programs include School Breakfast, School Lunch, Kindergarten Milk and Summer Food Service Replacement Aid.

Spending in E-12 education in the FY 2020-21 biennium is down $118 million (0.6 percent) from prior estimates, driven primarily by lower pupil counts. There are two changes impacting pupil counts in this forecast. First, actual FY 2020 pupil counts are lower than previously estimated. Second, enrollment is expected to decrease as a result of the COVID-19 pandemic. Due to the COVID-19 pandemic and resulting alternative learning models, this forecast assumes that some families are choosing to delay kindergarten enrollment while others are choosing to enroll their children in nonpublic or homeschool programs. Pupil counts are now projected to be 12,676 (1.4 percent) lower than prior estimates in FY 2021.

Pupils are the primary factor in most E-12 education aid formulas in Minnesota. The largest, general education, is now forecast to be $14.774 billion, $84 million (0.6 percent) lower than prior estimates. Although special education funding is primarily cost driven, it also contains per-pupil funding components, which contributes to the $11 million (0.3 percent) special education forecast reduction.

Additionally, the COVID-19 pandemic is significantly impacting school lunch, school breakfast, and kindergarten milk expenditures, which are funded by the state on a per-meal reimbursement basis. Schools have shifted away from these state funded programs to federally funded programs, which provide flexibility under distance and hybrid learning models. However, as prescribed under the Governor's Executive Order 20-41 and Laws 2020, Chapter 116, even with underspending in these programs, state aid for nutrition programs in FY 2020 remains at February 2020 forecast levels. This shift to fully federally funded nutrition programs continues in FY 2021, which accounts for the $21 million (36.2 percent) forecast reduction over the biennium. All other categorical program spending is down $2 million (0.1 percent).

Health & Human Services. Health and Human Services (HHS) is approximately 30 percent of total state general fund spending. The majority of these expenditures (81 percent) are forecast programs including Medical Assistance (MA), Chemical Dependency (CD), the Minnesota Family Investment Program (MFIP), MFIP Child Care, Alternative Care (AC), General Assistance, Housing Support, Minnesota Supplemental Aid, and Northstar Care for Children.

General fund forecast changes are generally driven by changes to the MA forecast, since it accounts for the largest portion of forecast program expenditures. MA is a state-federal, means-tested entitlement program for low-income individuals and families, persons with physical or developmental disabilities, and the low-income elderly. MA costs are split between the state and federal government, though only the state share of expenditures is reflected as part of the general fund forecast.

In the FY 2020-21 biennium, anticipated HHS general fund spending is $13.772 billion, down $919 million (6.3 percent) from end of session estimates. MA accounts for $893 million of the reduction, an 8.4 percent change from end of session estimates.

General Fund Health and Human Services Expenditures
Change From End-of-Session Estimates

	FY 2020-21		**FY 2022-23**	
($in millions)	**$ Change**	**% Change**	**$ Change**	**% Change**
Extension of the COVID-19 Emergency Declarations (Includes FMAP Extension)	$(310)	(2.9)%	58	0.4%
Revised Continuous Coverage Estimates	(175)	(1.6)	(22)	(0.2)
Lower Health Care Utilization	(217)	(2.0)	(169)	(1.3)
Changes to Long Term Care Services	(50)	(0.5)	76	0.5
Statutory FMAP Increase	-	-	(114)	(0.9)
Pharmacy Rebates	(74)	(0.7)	(4)	(.1)
All other MA	(67)	(0.6)	(48)	(0.4)
Total MA General Fund Change	**(893)**	**(8.4)**	**(223)**	**(1.7)**
Lower Utilization of Non-MA Services	(76)	(18.3)	(23)	(4.8)
All other HHS changes	50	1.3	(4)	(0.1)
Total HHS General Fund Change	**$(919)**	**(6.3)%**	**$(250)**	**(1.7)%**

The largest driver of the change in MA remains the continuation of and the response to the COVID-19 pandemic by both the state and federal governments into the next calendar year. This forecast assumes extensions of the federal public health emergency and state peacetime emergency, which will allow the state to continue to receive the 6.2 percentage point enhanced federal medical assistance percentage (FMAP) rate through June 30, 2021.

Increased federal revenue lowers expected state expenditures by $332 million (3.4 percent) in the current biennium. The federal Families First Coronavirus Response Act provides an enhanced FMAP rate of 6.2 percentage points for primarily MA and other forecast programs for each calendar quarter where the federal public health emergency remains in effect. The state must meet certain conditions, including providing continuous coverage to individuals enrolled in MA, in order to receive the increased federal share. The savings from the increased federal funding is partially offset by $22 million (0.2 percent) in FY 2020-21 due to federal requirements to maintain continuous coverage in MA, as well as the extension of certain program modifications authorized under the Governor’s Executive Order or current law. The net impact of these changes reduces state spending by $310 million (2.9 percent) in FY 2020-21.

An additional $175 million (1.6 percent) reduction in MA spending relates to previous cost estimates for the increased FMAP rate and continuous coverage requirements, which were incorporated in the *May Interim Budget Projection*. This adjustment is informed by six months of actual experience during the COVID-19 pandemic, which saw 5.5 percent lower MA enrollment by September 2020 than previously anticipated. Prior estimates assumed all individuals on MA at the start of pandemic would maintain eligibility and coverage throughout the public health emergency. However, while the COVID-19 public health emergency remains in effect, federal law allows for participants to disenroll from MA without penalty to the state if there is a relocation out of state, a requested termination, in the event of death, or a change in immigration status. The Centers for Medicaid and Medicare Services (CMS) continue to release guidance on enrollment requirements during the pandemic and any impacts related to these updates will be incorporated into future forecasts.

This forecast also recognizes changes in health care utilization which lowers expected spending by $217 million (2.0 percent) in FY 2020-21 based on actual experience. Health care utilization assumptions were not adjusted in the *May Interim Budget Projections*. Most of this reduction ($200 million, 2.1 percent) is in MA fee-for-service, which accounts for approximately 20 percent of spending in MA basic care. The remaining 80 percent of spending is through managed care organizations or county-based purchasing plans, where health plans receive capitation payments based upon rates negotiated each calendar year. These contracts include medical loss ratio provisions, which require health plans to spend a percentage of revenue on medical claims or the state may take-back payments. This forecast anticipates lower utilization will result in a $17 million take-back in the current biennium.

Changes to long-term care caseload and average payments are expected to decrease state spending in MA by $50 million (0.5 percent). The largest driver of change is decreased payments to nursing facilities ($46 million). This change is largely explained by lower actual and estimated amounts of expedited payments to nursing facilities. The forecast assumes that most pandemic-related costs will instead be claimed by nursing facilities as costs which will materialize in future MA rates.

State expenditures also decreased by $74 million (0.7 percent) in FY 2020-21 due to a one-time increase in pharmacy rebates. The federal Office of Inspector General (OIG) audit published in October 2020 found MA claims that were eligible for drug rebates had not been billed to the drug manufacturers. Starting with claims from 2010 through 2019, DHS retroactively invoiced for these pharmacy rebates, and received these one-time additional revenues in the current biennium.

This forecast also recognizes lower utilization in non-health care programs as a result of the COVID-19 pandemic. This is primarily due to lower than expected average payments for chemical dependency treatment services ($46 million, 19 percent) and lower than expected caseload in the Child Care Assistance Program ($30 million, 17 percent).

Property Tax, Aids, and Credits. Property tax aids and credits are approximately 8 percent of general fund spending. They are paid to local governments, including cities, counties, towns, public schools, and special taxing districts. These aids and credits help offset costs of service delivery and defray costs of state mandates. They are designed to reduce the reliance on local property taxes by substituting state funds for revenues that would otherwise be raised locally.

Direct payments to individuals, like property tax refunds for homeowners and renters, are also included in this category because they provide targeted property tax relief.

In the current biennium, property tax aids and credits spending is now expected to be $3.905 billion, an increase of $22 million (0.6 percent) from prior estimates. Changes in property tax refunds account for a significant portion of this change. Compared to prior estimates, homestead credit refunds are projected to increase by $9 million (0.8 percent), and special property tax refunds are projected to increase by $8 million (52.2 percent). Although the total number of homestead credit refund filings has decreased, the total value of the refunds is higher than previously forecast. The change in special property tax refunds can be attributed to both increased filings and values of refunds processed to date. These two programs provide property tax relief to homeowners, with special property tax refunds going to homeowners whose property taxes increase over 12 percent year-over-year.

Additionally, tax refund interest payments are forecast to increase by $8 million (21.6 percent). More refunds for Qualified Data Center sales tax are expected to be paid than previously estimated.

Debt Service and All Other Spending. Debt service expenditures are forecast to be $1.056 billion in the current biennium, which is a $42 million (4.0 percent) reduction from prior estimates. The reduction is primarily due to slower than expected spending on capital projects and an October enactment of the 2020 bonding bill, which reduced the size of the August 2020 bond sale, and lower bond interest rates. Lower bond interest rates result in higher bond premiums, which together decrease the estimated size of the bond sales and forecasted debt service payments. Additional refinancing savings from the August 2020 bond sale were previously recognized in prior estimates.

All other spending is forecast to be $9.013 billion, virtually unchanged from end of session estimates. Decreased spending in all other bill areas is offset by increased spending in the state government bill area. The Department of Military Affairs' Emergency Services expenditures for the current biennium are forecast to be $21 million in the current biennium, which is significantly higher than the prior estimate of $394,000. Greater than expected spending on National Guard State Active Duty missions in response to flooding, civil disturbance, and the COVID-19 pandemic, which includes activities such as long-term care facility staffing, community testing, logistics, and enterprise-wide support, drive the overall increase. The positive current biennium balance in this forecast triggers a provision in M.S. 16A.152 that allows for a transfer from the general fund to the 21st Century Minerals fund when a surplus is projected. That transfer of $5 million is included in spending estimates for the current biennium.

Next Biennium

Forecast expenditures in the FY 2022-23 biennium are expected to reach $51.110 billion, an increase of $3.482 billion over current estimates for the FY 2020-21 biennium. Driving the overall increase is growth of $2.735 (19.9 percent) in health and human services, where Medical Assistance impacts accounts for a majority of the biennial change. Spending for E-12 education is expected to be $710 million (3.6 percent) higher due primarily to growth in special education and projected pupil growth. Spending for property tax aids and credits is expected to be $294 million (7.5 percent) higher than the current biennium. Debt service is expected to grow $201 million

(19.1 percent) compared to FY 2020-21. Offsetting the overall growth is $458 million (5.1 percent) lower spending in the other areas of state government, due in large part to one-time spending in FY 2020-21.

Next Biennium: FY 2022-23 General Fund Expenditures
Biennial Comparison; November 2020 Forecast

($ in millions)	FY 2020-21	FY 2022-23	$ Change	% Change
E-12 Education	$19,881	$20,591	$710	3.6%
Property Tax Aids & Credits	3,905	4,200	294	7.5
Health & Human Services	13,772	16,507	2,735	19.9
Debt Service	1,056	1,257	201	19.1
All Other	9,013	8,555	(458)	(5.1)
Total Expenditures	**$47,627**	**$51,110**	**$3,482**	**7.3%**

Compared to prior estimates for the biennium, overall spending in the next biennium is expected to be down $409 million (0.8 percent). Reduced projections for health and human services spending accounts for $250 million (1.5 percent) of this change due to lower than expected spending for health care. The $154 million (0.7 percent) decrease in education aids is primarily driven by a decrease in estimated pupil counts seen in the previous biennium. Lower spending in debt service reflect lower interest rate assumptions on future bond sales ($19 million, 1.5 percent). These savings are partially offset by higher than anticipated spending in property tax aids and credits ($29 million, 0.7 percent) primarily due to increases the property tax refund program. Other areas of the state budget have little change compared to prior estimates, down $16 million (0.2 percent) for FY 2022-23.

Next Biennium: FY 2022-23 General Fund Expenditures
Change From End-of- Session

($ in millions)	End of Session	November 2020 Forecast	$ Change	% Change
E-12 Education	$20,745	$20,591	($154)	(0.7%)
Property Tax Aids & Credits	4,170	4,200	29	0.7
Health & Human Services	16,757	16,507	(250)	(1.5)
Debt Service	1,276	1,257	(19)	(1.5)
All Other	8,571	8,555	(16)	(0.2)
Total Expenditures	**$51,519**	**$51,110**	**($409)**	**(0.8%)**

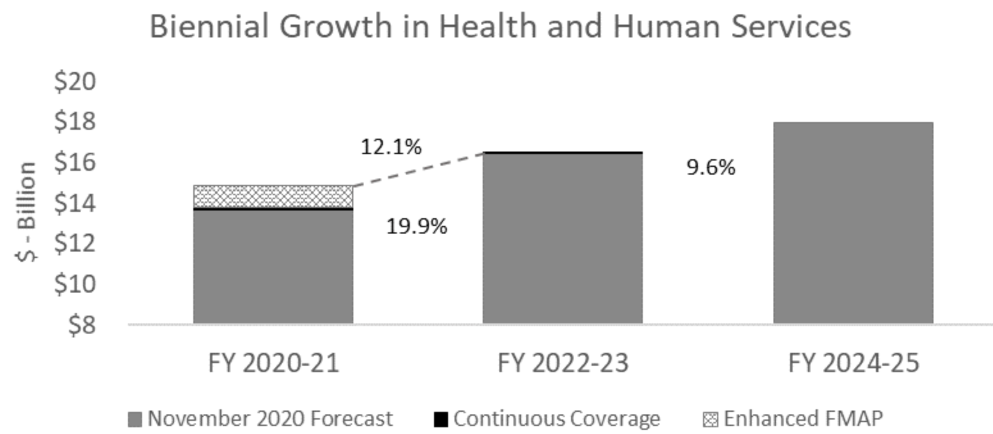
E-12 Education. E-12 expenditures in FY 2022-23 are forecast to reach $20.591 billion, growing $710 million (3.6 percent) relative to FY 2020-21. In the next biennium, pupils are projected to grow as students return to public schools; however, overall pupil counts remain lower than prior estimates as the resulting pupil loss due to the COVID-19 pandemic remains. Higher year over year pupil counts are expected to increase general education spending by $217 million (1.5 percent) compared to the prior biennium. The largest share of biennial growth, nearly $482 million (14.4 percent), comes from special education. While most E-12 education spending does not include inflation, increases in special education are primarily due to cost inflation for providing special education services and year to year pupil growth. Special education funding is projected to be $3.819 billion in FY 2022-23.

Although spending grows year over year, education aids in FY 2022-23 are down $154 million (0.7 percent) from prior estimates for next biennium. The decrease in education aids is primarily driven by a decrease in estimated pupil counts due to the impact of the COVID-19 pandemic in the previous biennium, which has caused families to delay kindergarten enrollment or enroll in nonpublic and homeschool programs. The largest impact of this change continues to be seen in general education spending, which is down $83 million (0.6 percent) from prior estimates.

Special education also contributes to the decrease in education spending with forecast aid $47 million (1.2 percent) below prior estimates. This change is due to the overall downward adjustment in pupils over the biennium and slowed district spending on special education services. Other decreases in categorical aids, which drive the overall decrease in E-12 education spending, include debt service equalization aid, which is down $5 million (10.9 percent) primarily due to lower than expected new bond referenda. Another categorical, inter-district desegregation transportation aid is down $5 million (16.5 percent) due to lower growth in transportation expenditures and residual pupil loss attributed to the COVID-19 pandemic.

Health & Human Services. General fund spending for health and human services expenditures is expected to reach $16.507 billion in the FY 2022-23 biennium, an increase of $2.735 billion (19.9 percent) from the current biennium. As in previous forecasts, Medical Assistance (MA) is the primary driver of the biennial change.

General fund spending in MA is expected to grow $3.037 billion (31.1 percent) from FY 2020-21 to FY 2022-23. Growth in MA spending is generally due to two factors, the cost of care and enrollment. However, the COVID-19 pandemic and the increased enhanced federal medical assistance percentage (FMAP) for MA significantly lowers FY 2020-21 state expenditures by $1.065 billion, which accounts for more than one-third of the biennial increase. This short-term increase in federal revenue eases cost pressures during the pandemic but distorts biennial growth from the current biennium to FY 2022-23. After adjusting for the distortion created by increased FMAP, biennial growth in health and human services falls to 12.1 percent.



General fund health and human services spending is forecast to grow from $13.772 billion in FY 2020-21 to $16.507 billion in FY 2022-23, and to $18.088 billion in FY 2024-25. The 19.9 percent growth from FY 2020-21 to FY 2022-23 is inflated by the impact of enhanced FMAP, which reduces state Medical Assistance expenditures by $1.065 billion in the current biennium. Removing the impact of enhanced FMAP, growth from the current biennium to the next is 12.1 percent.

Although spending grows from year to year, overall HHS general fund spending is down $250 million (1.7 percent) in FY 2022-23 compared to prior estimates. Changes to the MA program explain most of the reduction ($223 million, 1.7 percent change from end of session) and many of the impacts from the COVID-19 pandemic discussed in the current biennium continue into the next biennium. Impacts from lower utilization of MA services due to the COVID-19 pandemic continues in FY 2022-23, reducing spending by $169 million (1.3 percent).

Federal funding for MA is expected to increase in FY 2022-23, lowering expected expenditures by $114 million (0.9 percent). The Centers for Medicaid and Medicare (CMS) recently announced a 0.51 percentage point increase to the baseline federal medical assistance percentage (FMAP) starting October 1, 2021. This increase is not related to the pandemic, but in response to changes in Minnesota personal income compared to the national average, as measured by the federal government. The forecast assumes this increased federal share continues through the forecast horizon.

This forecast also anticipates lower utilization will result in a $17 million take-back like in the previous biennium from the calendar year 2020 contract. Managed care or county-based purchasing plan contracts include medical loss ratio provisions, which require health plans to spend a percentage of revenue on medical claims or the state may take-back payments.

These reductions are partially offset by changes in long term care services, which are expected to increase by $76 million (0.5 percent) in FY 2022-23 relative to end of session estimates. This increase is driven by growth in the state's Community Access Disability Inclusion (CADI) waiver due to higher payments ($114 million) and caseloads ($43 million). About half of that increase is offset by modest decreases spread across most other long term care programs.

The path and duration of the pandemic, and the subsequent government response, remains uncertain, adding risk to this forecast. Any new federal requirements on MA for continuous coverage or unanticipated costs related to therapeutic treatments or COVID-19 vaccines may impact future forecasts.

In accordance with Laws 2019, Special Session 1, Chapter 9, this forecast continues to assume legislation will be enacted in the upcoming session based on strategies identified by the Blue Ribbon Commission that lowers anticipated general fund spending by $100 million in FY 2022-23. If this does not occur, the balance of the general fund reserve will be reduced accordingly.

Property Tax, Aids, and Credits. Property tax aids and credits spending is expected to total $4.2 billion in FY 2022-23, an increase of $294 million (7.5 percent) over estimated spending in the current biennium. Of this, homestead credit refunds and renter's property tax refunds are estimated to increase by $122 million (11.0 percent) and $32 million (6.9 percent), respectively, as growth in property taxes is anticipated to outpace individuals' income. Legislation passed in 2019 provided increased appropriations for local government aid and county program aid in FY 2022-23, contributing to a $110 million (10.8 percent) and a $35 million (7.1 percent) increase, respectively. School building bond agricultural credits, which were first paid in FY 2019, are also estimated to grow by $39 million (41.7 percent) as the reimbursement rate of the credit increases each year, as prescribed in law.

In FY 2022-23, property tax aids and credits are forecast to be $29 million (0.7 percent) more than end of session estimates. Additional homestead credit refund program expenditures totaling $39 million (3.2 percent) account for most of this growth. Property damage due to civil disturbance results in increased spending in the disaster credit program by $2 million (893.1 percent). All properties that received an abatement in the previous fiscal year will receive a credit the following year. Offsetting these increases are decreases in Minnesota's largest agricultural land credit program, school building bond agricultural credits. Compared to prior estimates, fewer referenda passed in 2020 plus a decline in the assessed value of agricultural properties lowers spending by $14 million (9.7 percent) in the next biennium.

Debt Service and All Other Spending. Debt service expenditures are forecast to be $1.257 billion in the next biennium, which is $19 million (1.5 percent) less than previous estimates. The estimates reflect lower interest rate assumptions on future bond sales. Lower bond interest rates result in higher bond premiums, which together decrease the estimated size of future bond sales and forecasted debt service payments. The decline in debt service expenditures was partially offset by a decrease in short-term investment earnings on cash balances in the bond proceeds and debt service funds. This forecast assumes that future capital budgets will be $880 million in even year legislative sessions and $240 million in odd year sessions.

Expenditures in all other areas of the state budget are expected to be $8.555 billion, $453 million (5.0 percent) lower in FY 2022-23 compared to the current biennium. This is a $16 million (0.2 percent) reduction from prior estimates. In this forecast, MMB has ceased a prior practice of forecasting a portion of the appropriation need for the Department of Corrections (DOC) based on populations and daily costs. The forecast base for DOC is now based on current law appropriations in FY 2021, which is the common treatment for non-forecast direct appropriations in the forecast. This change in methodology results in a small reduction in DOC spending compared to the prior estimates and conforms that DOC spending forecast to current law. State aid for the Destination Medical Center is forecast to be $12 million (17.1 percent) lower than previous estimates in FY 2022-23, due to updated information about development and readiness of qualifying projects in the Destination Medical Center development district.

Planning Estimates

Planning Estimates: FY 2024-25 General Fund Expenditures
Biennial Comparison; November 2020 Forecast

($ in millions)	FY 2022-23	FY 2024-25	$ Change	% Change
E-12 Education	$20,591	$21,312	$721	3.5%
Property Tax Aids & Credits	4,200	4,355	155	3.7
Health & Human Services	16,507	18,088	1,581	9.6
Debt Service	1,257	1,283	26	2.1
All Other	8,555	8,599	44	0.5
Total Expenditures	**$51,110**	**$53,637**	**$2,527**	**4.9%**

Total projected spending in the FY 20224-24 biennium is expected to reach $53.637 billion, an increase of $2.527 billion (4.9 percent). The growth trends in the major forecast programs remain the same as described for FY 2022-23 with growth in health and human services spending accounting for most of the increase ($1.581 billion, a 9.6 percent increase from the previous biennium) due to continued Medical Assistance (MA) growth. E-12 education spending is expected to increase $721 million (3.5 percent), largely due to pupil growth and program cost growth primarily in special education. Property tax aids and credits is expected to grow $155 million (3.7 percent), primarily due to higher property tax refunds. Debt service spending is forecast to increase $26 million (2.1 percent).

E-12 Education. Spending in E-12 education in FY 2024-25 is expected to reach $21.312 billion, growing $721 million (3.5 percent) from FY 2022-23. Pupil growth and inflationary increases in special education costs are the largest drivers of growth. General education spending is estimated to grow by $139 million (0.9 percent) as statewide pupil counts grow year over year. Special education spending is estimated to grow by $534 million (13.9 percent) due to an increase in students qualifying for services and increased service costs.

Health & Human Services. Health and human services expenditures are projected to be $18.088 billion in the FY 2024-25 biennium, an increase of $1.581 billion (9.6 percent) compared to the FY 2022-23 biennium. Nearly all of the biennial increase is driven by MA, which is expected to grow $1.327 billion (10.4 percent) between these biennia.

Growth in MA is driven by services for the elderly and people with disabilities. Between FY 2022-23 and FY 2024-25, state spending is expected to increase $1.227 billion. This is due to enrollment growth in home and community-based services, and both enrollment growth and higher average payments in elderly and disabled basic care. State spending for families with children and adults without children is expected to grow by 2.5 percent ($94 million).

Property Tax, Aids, and Credits. In FY 2024-25, property tax aids and credits spending is forecast to total $4.355 billion, which is $155 million (3.7 percent) more than FY 2022-23 estimates.

Property tax refunds continue to increase, with the $78 million (6.2 percent) in anticipated growth occurring principally in the homestead credit refund program. Additionally, school building bond agricultural credits increase in the planning estimates by $39 million (29.4 percent) as the reimbursement rate increases under current law for the final time in FY 2024. Police state aid payments to local governments are also expected to increase by $17 million (9.2 percent). This spending is driven by the forecast rise in tax collections on auto insurance premiums, which are then distributed to units of local government to offset law enforcement pension costs.

Debt Service. The forecast debt service costs for FY 2024-25 are $1.283 billion, an increase of $26 million (2.1 percent) compared to FY 2022-23. The estimates reflect a larger assumed bonding sale in FY 2022 and higher interest rate assumptions in the future.

APPENDIX

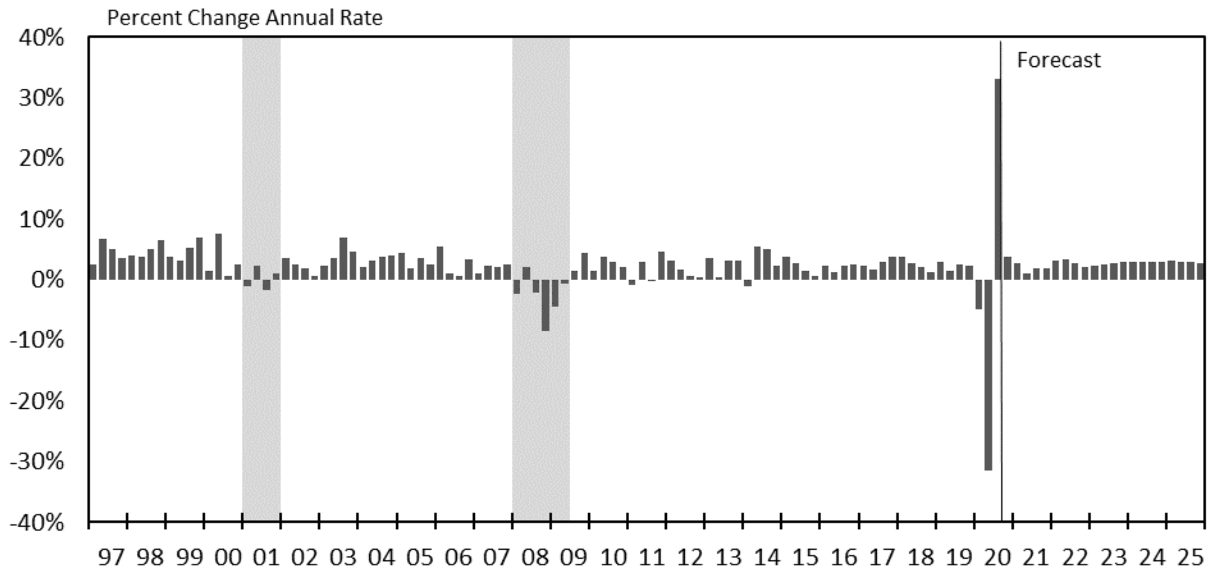
ECONOMIC DATA

REVENUE EXPERIENCE

GENERAL FUND BALANCE SHEETS

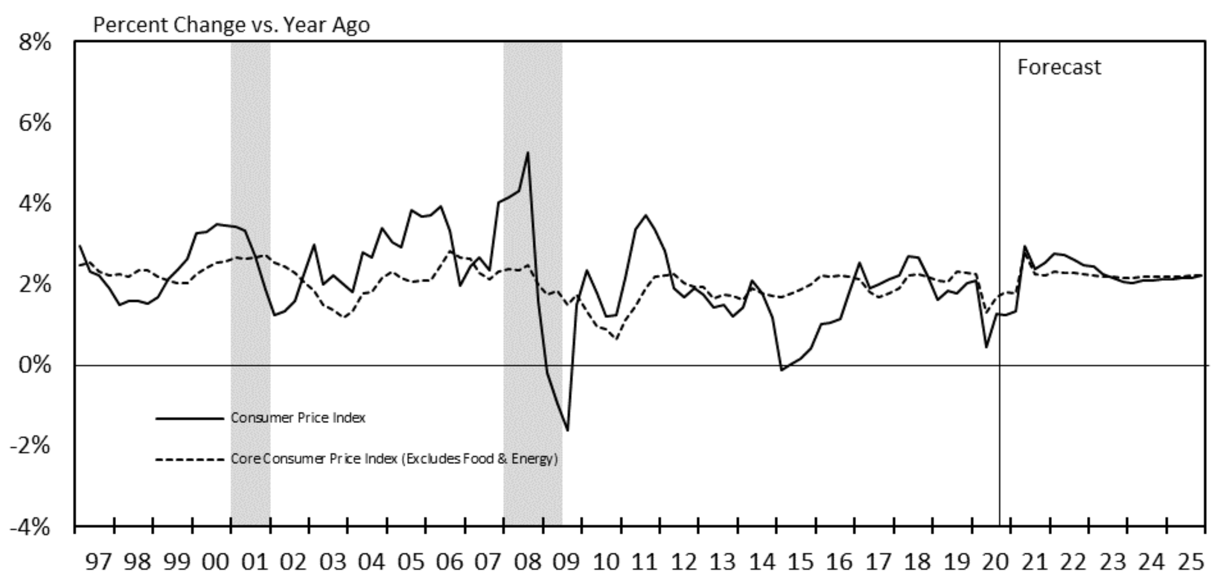
OTHER DATA

Real Gross Domestic Product



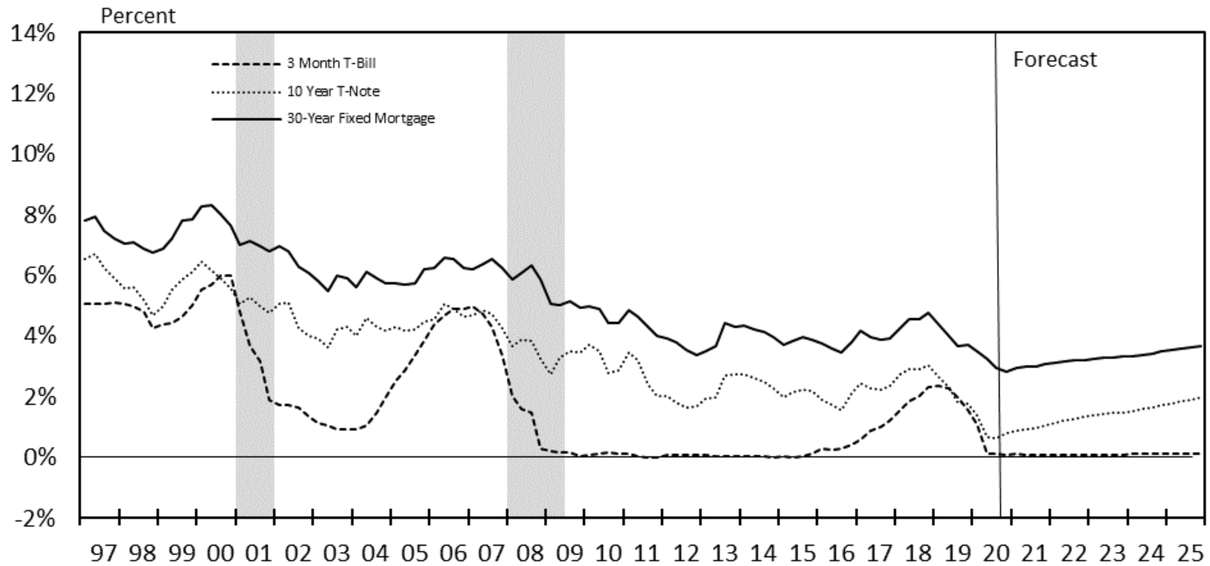
The U.S. economy experienced a record second-quarter contraction and subsequent third-quarter recovery this year. The COVID-19 pandemic led to mandated economic shutdowns and voluntary individual avoidance of many economic activities. GDP growth is expected to return to more normal rates of at least 2.5 percent each year from 2021 to 2025.

Consumer Price Indexes



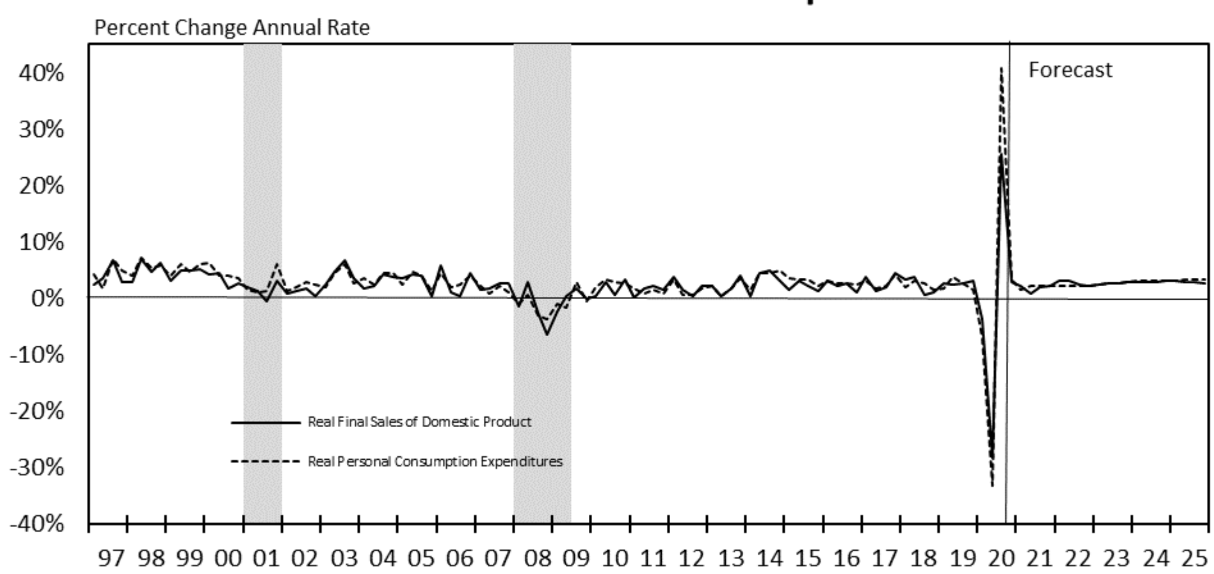
Year-over-year growth in the Consumer Price Index (CPI) is expected to rise from about 1.3 percent in 2020 to 2.6 percent in 2022 as the Federal Open Market Committee (FOMC) pins the federal funds rate near zero for several years. IHS forecasts that inflation will average 2.3 percent per year during the forecast period.

Interest Rates

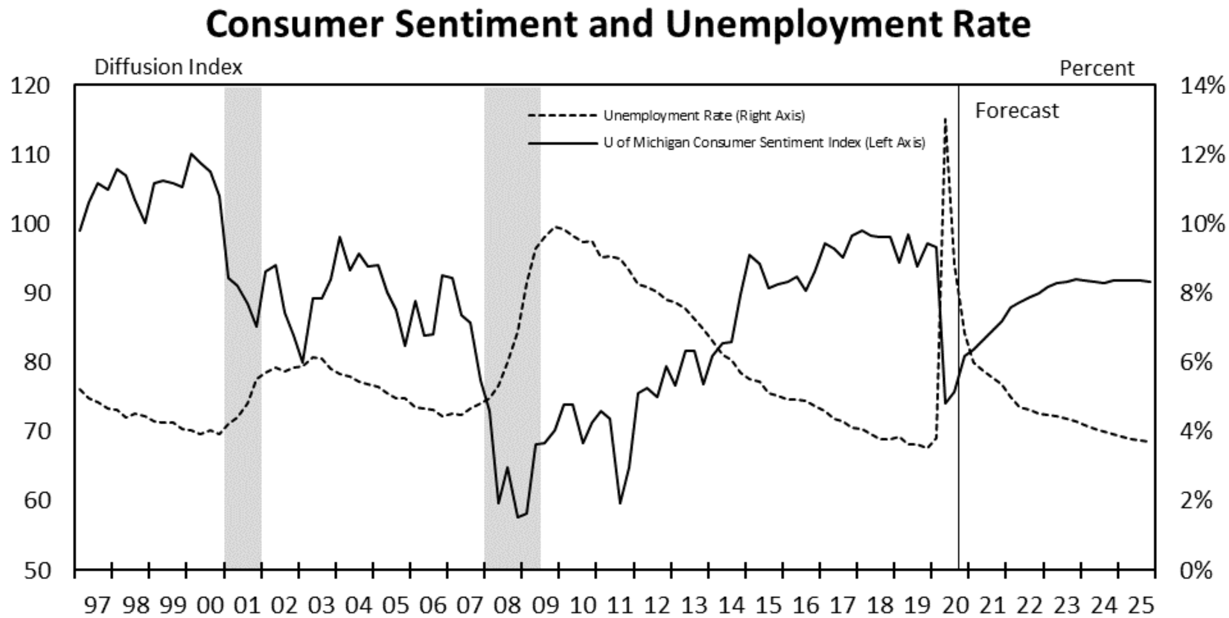


The FOMC cut the federal funds rate drastically in March and April to stimulate the economy, bringing the rate down from 1.6 percent to no more than 0.1 percent. IHS expects the federal funds rate to remain near zero throughout the forecast period and, in keeping with FOMC strategy, to not increase materially until the economy reaches full employment. 30-year fixed mortgage rates are at an historic low but are expected to gradually increase through 2025, as are yields on 10-year Treasury notes.

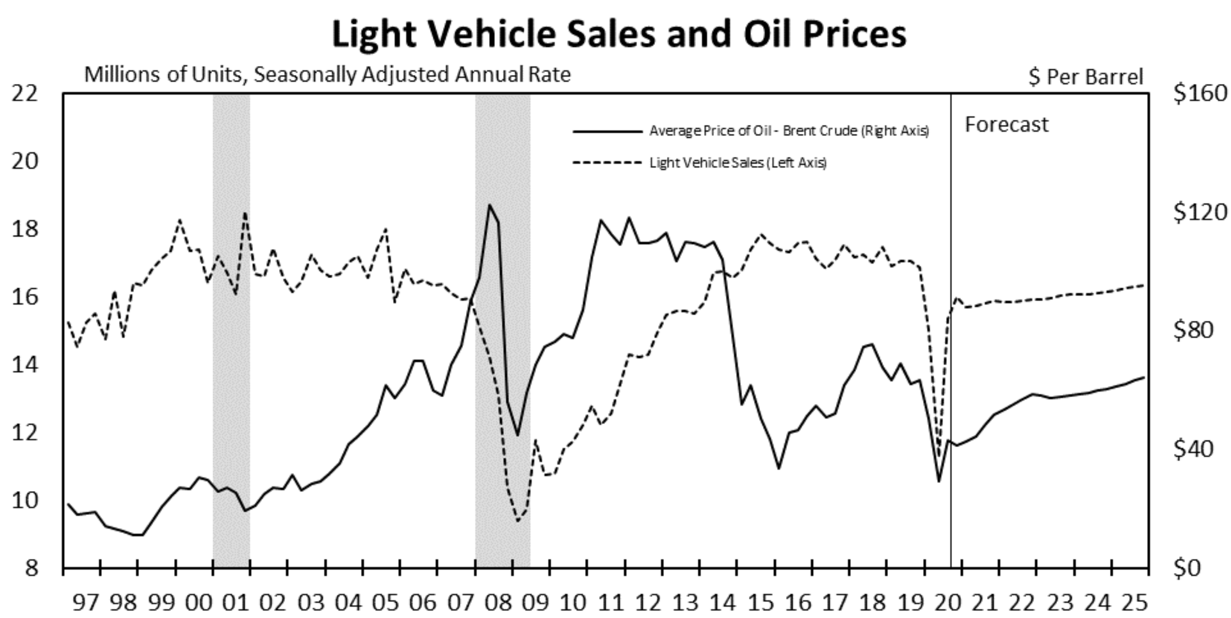
Real Final Sales & Consumption



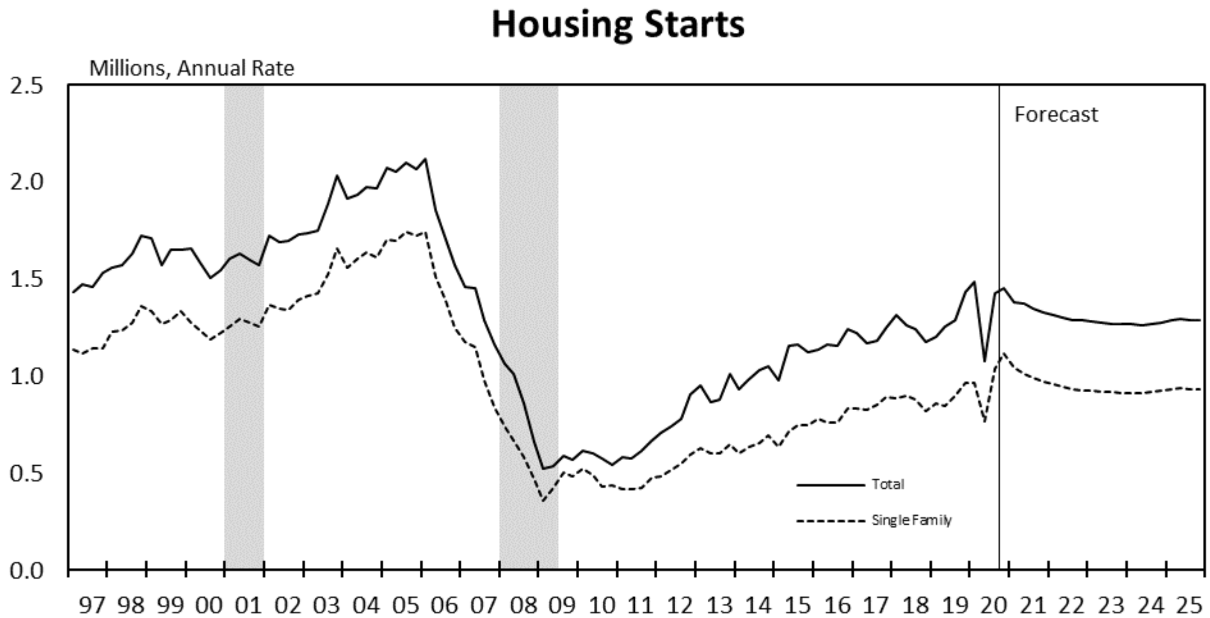
Real final sales of domestic product and real personal consumption expenditures (PCE) each contracted more than 28 percent at an annualized rate in the second quarter. Although both indicators had a strong third quarter rebound, IHS expects both indicators to contract more than 3 percent this year. IHS expects real final sales and real PCE to grow steadily each year from 2021 to 2025 as the economy recovers.



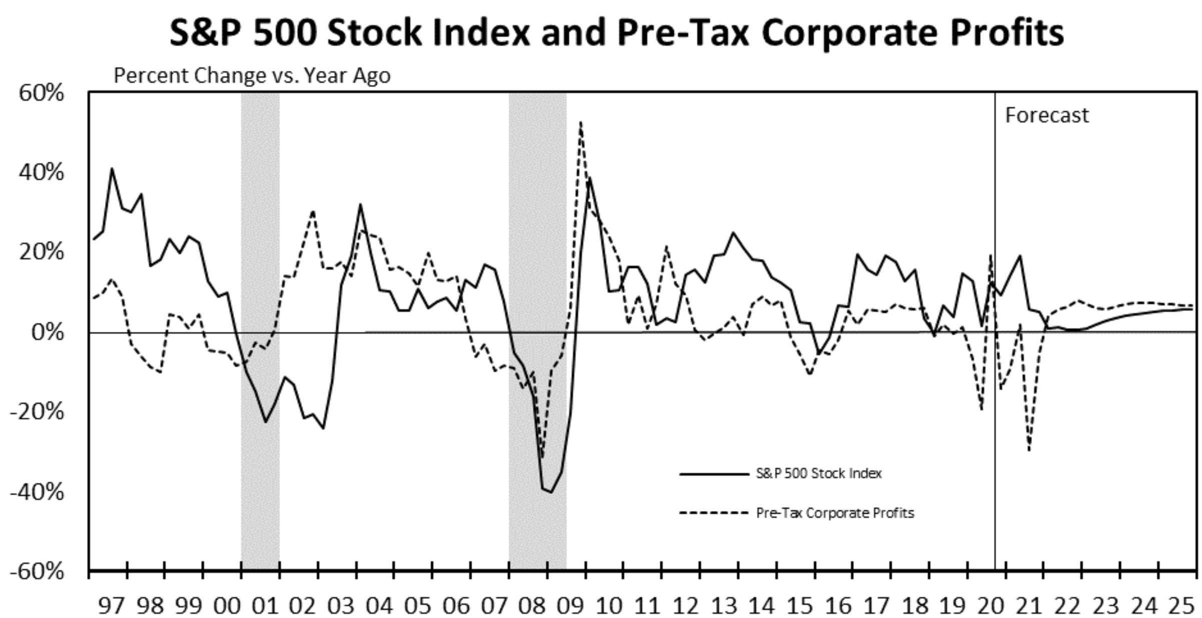
The U.S. unemployment rate (right axis) spiked to 13 percent in the second quarter after unemployment had reached historic lows. At the same time, The University of Michigan Consumer Sentiment Index (left axis) fell from 96.6 to 74.1 as the pandemic induced a downturn in economic activity. IHS expects that the unemployment rate will not be below 5 percent until mid-2022. IHS does not expect consumer sentiment to return to pre-pandemic levels at any point in the forecast period.



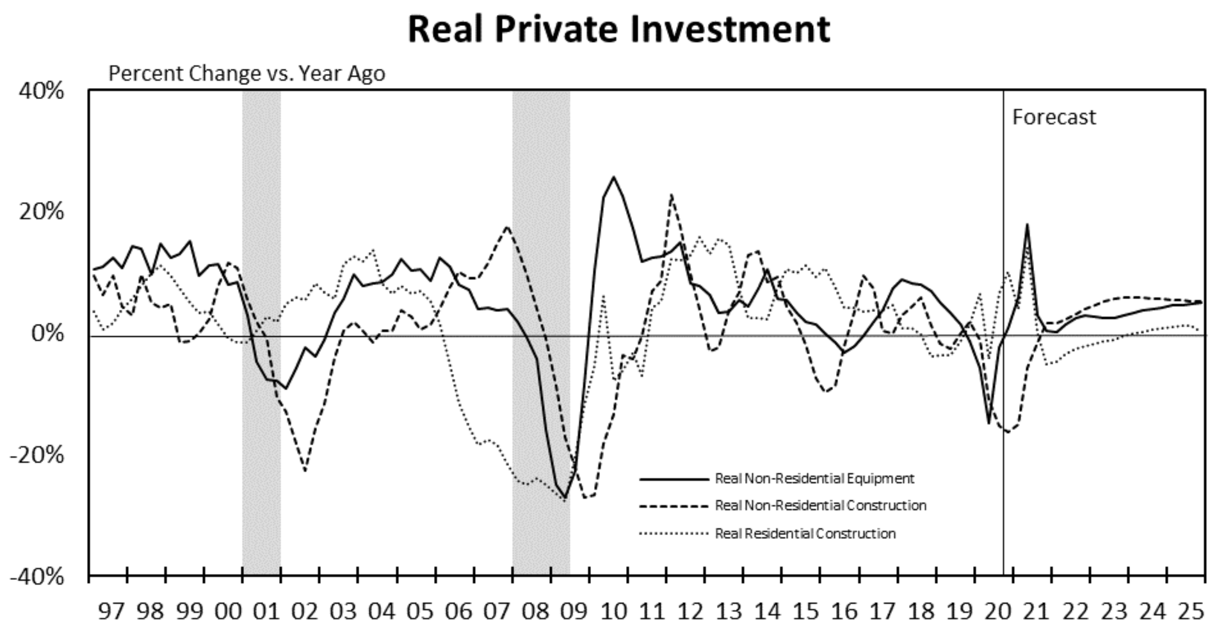
Although light vehicle sales (left axis) dropped by 33 percent in the first half of 2020, fourth quarter sales are expected to be only 5 percent below sales a year ago, illustrating a bright spot in the economic recovery. After averaging 41 dollars a barrel in 2020, the price of Brent crude oil (right axis) is expected to surpass 50 dollars per barrel in late 2021 and average over 60 dollars per barrel by 2025.



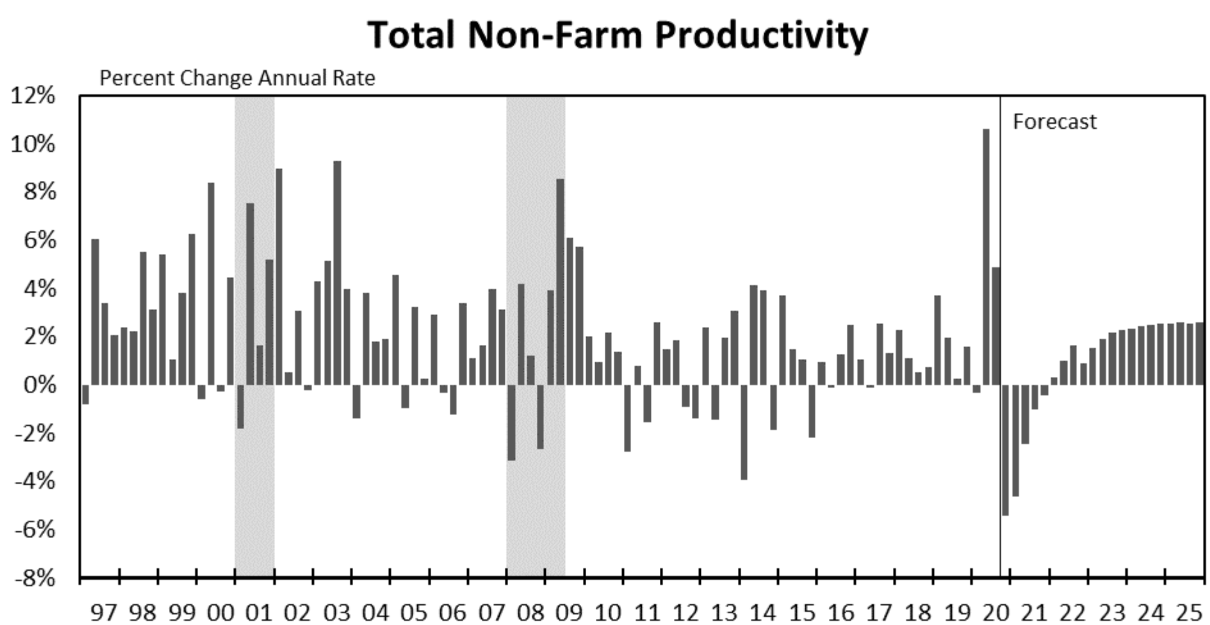
Housing starts are at or above their highest levels since the Great Recession as homebuyers are attracted by low mortgage rates. IHS expects housing starts to gradually decrease throughout most of the forecast period, after they reach a peak in the fourth quarter this year.



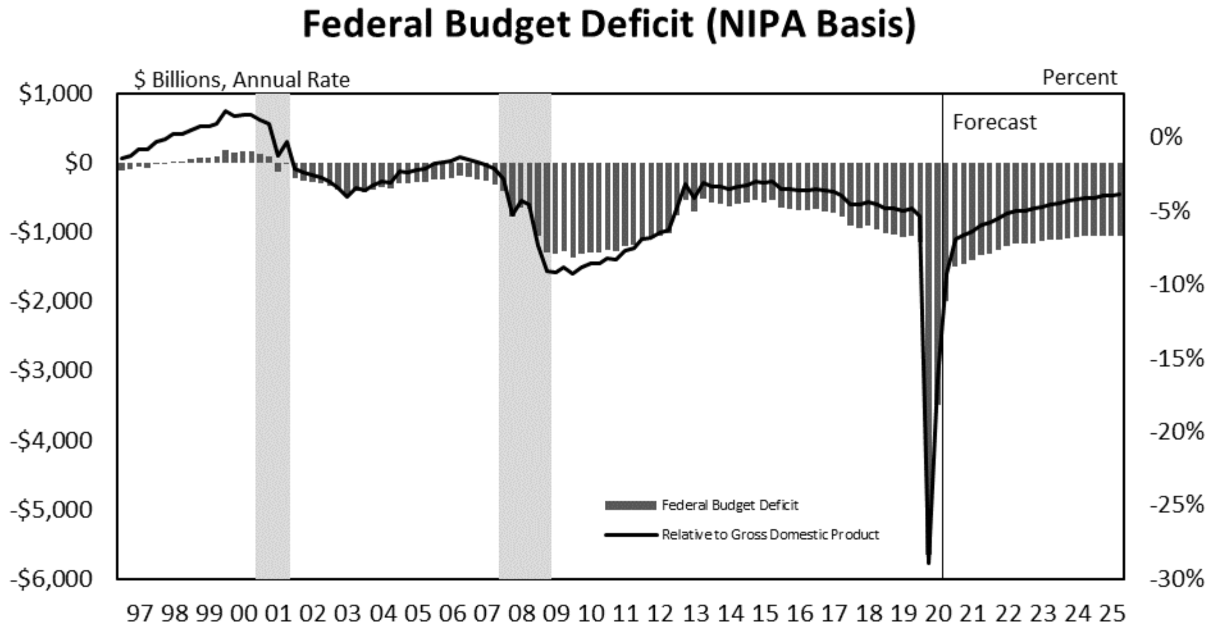
Although pre-tax corporate profits fell substantially during the first half of 2020 compared to the first half of 2019, they were boosted by federal stimulus in the third quarter. The S&P 500 stock index has largely exhibited growth in 2020. The index reached an all-time high in mid-November, likely reflecting optimism over the announced effectiveness of COVID-19 vaccines. IHS expects corporate profits to decrease in 2021 before recovering in 2022. The stock index is expected to lose steam beginning in 2022.



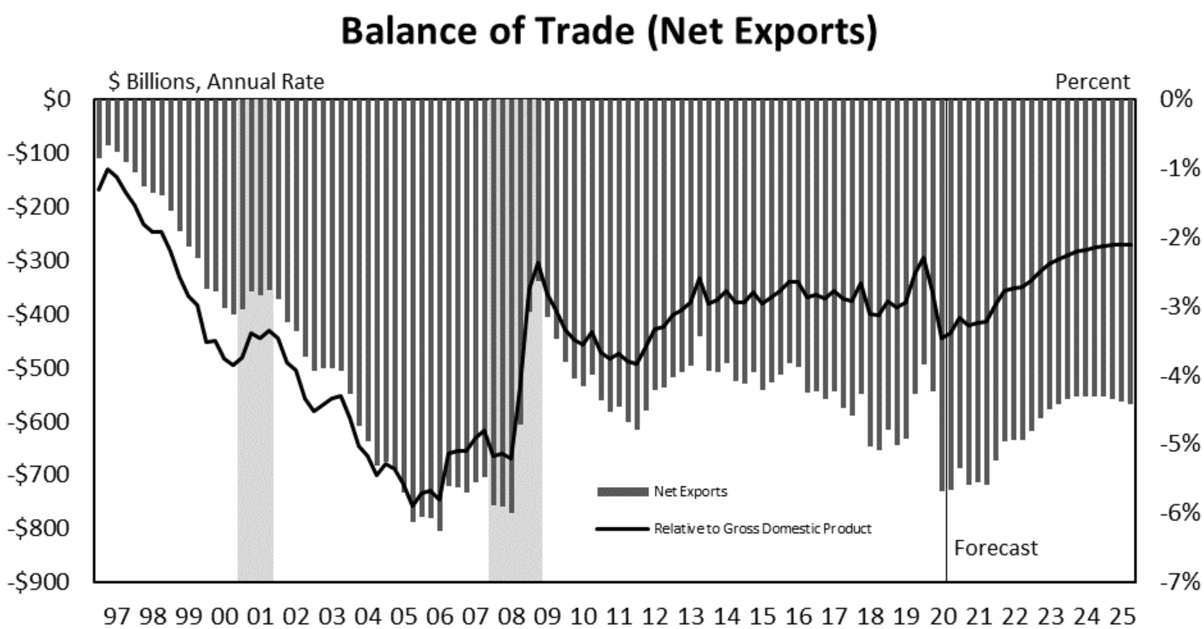
Real non-residential construction is forecast to contract 10.9 percent this year while residential construction is expected to increase 4.8 percent. Home starts have been strong, but other construction projects has slowed. Equipment spending recovered in the third quarter and is expected to grow 6.4 percent in 2021. Residential construction is expected to fade in late 2021 while non-residential construction is expected to rebound and accelerate in growth through 2025.



IHS forecasts 2.6 percent non-farm productivity growth in 2020, the highest annual growth rate since 2010. This is consistent with a disproportionate share of 2020 job losses occurring in lower-wage occupations. Productivity growth is expected to drop in 2021 before accelerating to 2.5 percent in 2025.

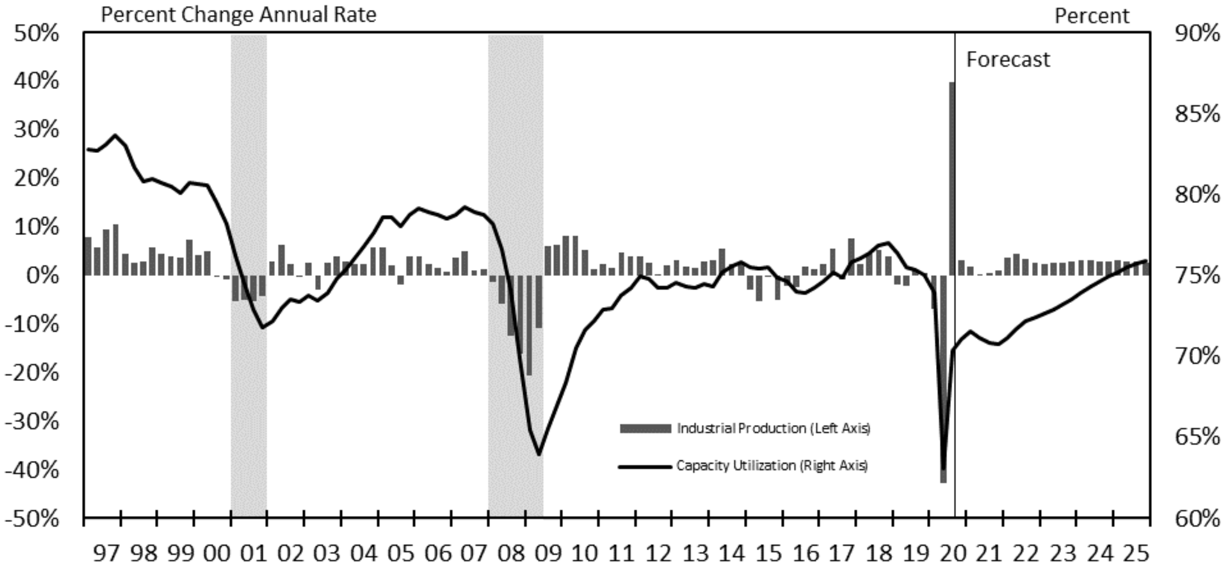


The federal budget deficit is forecast to grow to 3.1 trillion dollars in 2020, equivalent to 14.7 percent of GDP. This increase is largely the result of increased federal government spending in the form of pandemic relief payments, including those authorized in the CARES Act. IHS expects the budget deficit to be greater than 1 trillion dollars each year through 2025.



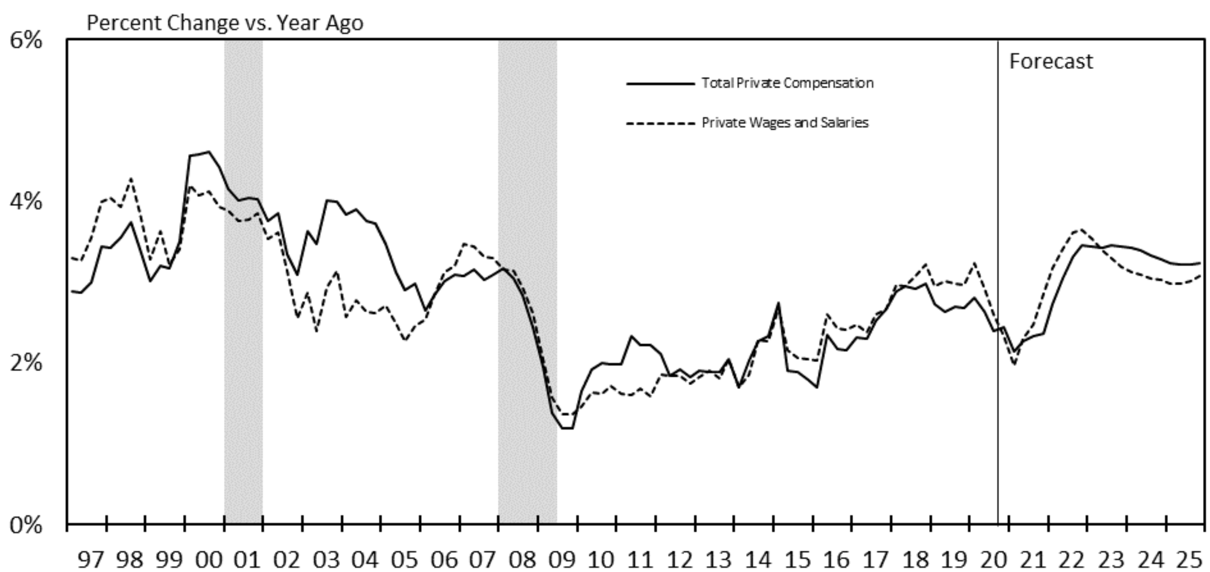
Net exports in the third quarter, -731 billion dollars, were at their lowest level since 2008. IHS expects net exports to remain relatively weak in 2021. However, net exports are expected to positively contribute to real GDP growth each quarter from mid-2021 through early 2024, as U.S. exports bounce back, fueled by strong capital goods exports and rebounding global demand.

Industrial Production and Factory Operating Rate



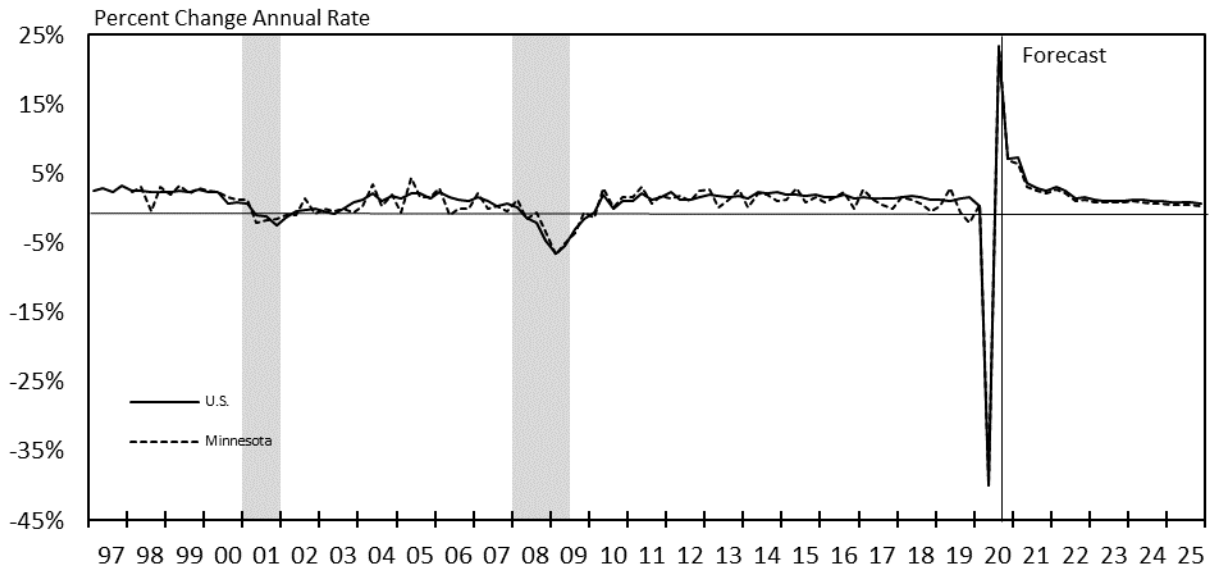
Like many other economic indicators, industrial production fell in the second quarter and bounced back in the third. Production is expected to decelerate early next year before growing at an average of 2.9 percent per year from 2022 to 2025. Capacity utilization is forecast to drop to 69.6 percent this year, its lowest level since 2009, and will not reach pre-pandemic levels until 2025.

Employment Cost Index



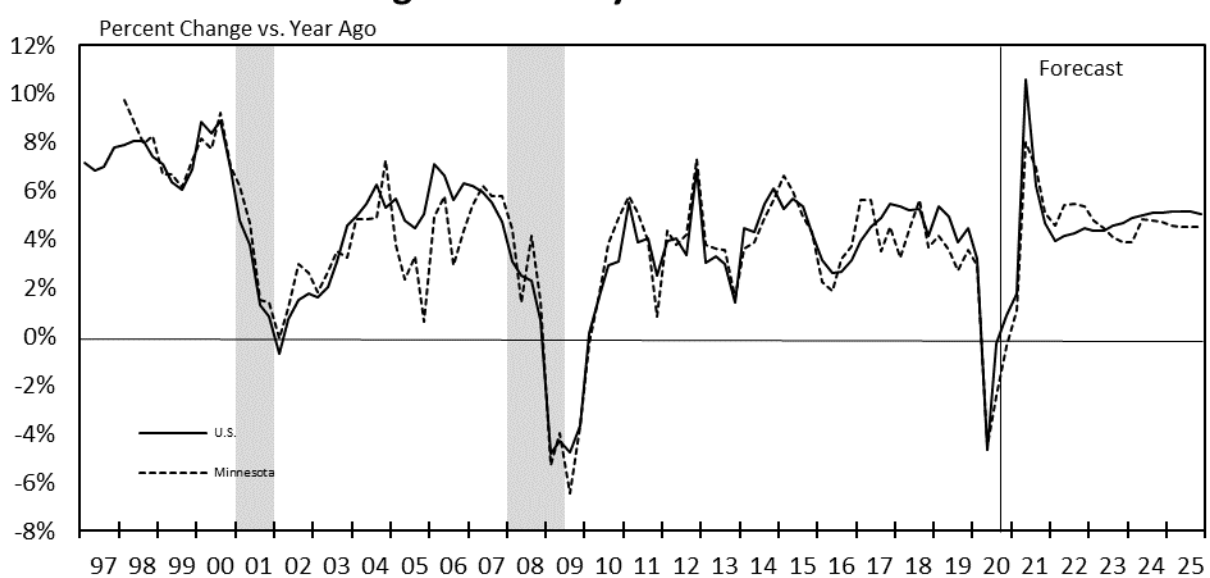
Growth in the Employment Cost Index (ECI), both overall and for wages only, is forecast to decelerate in 2020 and 2021. The index is then expected to increase more than 3 percent each year from 2022 to 2025. If the index for total private compensation grows at least 3.1 percent per year for four consecutive years as forecast, it would be the highest period of sustained growth for the index since 2005.

Total Non-Farm Employment



Total U.S. employment decreased 40 percent at an annualized rate in the second quarter and is forecast to drop 5.6 percent overall in 2020. MMB expects Minnesota employment to decrease 6.9 percent over the same period. The MN forecast accounts for a one-month pause in restaurant, bars, and health clubs in Minnesota to slow the spread of Covid-19.

Wage and Salary Disbursements



Wage and salary disbursements are expected to contract much less than total employment in 2020, both for the U.S. and for Minnesota. This occurs as a disproportionate share of unemployment in 2020 has been among lower-wage occupations. U.S. wage and salary growth is forecast to be barely negative this year and is forecast to average 4.9 percent growth from 2021 to 2025. Minnesota wage and salary growth is expected to be -1.4 percent this year and is expected to average 4.8 percent growth from 2021 to 2025.

Minnesota Economic Forecast Summary

Forecast 2018 to 2025 - Calendar Years

	2018	2019	2020	2021	2022	2023	2024	2025
Current Dollar Income (Billions of Dollars)								
Personal Income	321.639	331.802	349.354	344.038	359.175	374.855	393.420	411.443
%Chg	5.1	3.2	5.3	-1.5	4.4	4.4	5.0	4.6
Wage & Salary Disbursements	172.806	178.863	176.416	185.613	195.290	203.705	213.760	223.398
%Chg	4.2	3.5	-1.4	5.2	5.2	4.3	4.9	4.5
Non-Wage Personal Income	148.833	152.938	172.938	158.423	163.885	171.150	179.660	188.043
%Chg	6.2	2.8	13.1	-8.4	3.4	4.4	5.0	4.7
Supplements to Wages & Salaries	37.941	38.827	38.057	39.503	41.569	43.363	45.515	47.579
%Chg	4.8	2.3	-2.0	3.8	5.2	4.3	5.0	4.5
Dividends, Interest, & Rent Income	65.053	65.074	64.082	63.734	64.796	66.811	69.615	72.903
%Chg	6.8	0.0	-1.5	-0.5	1.7	3.1	4.2	4.7
Farm Proprietors Income	1.244	2.006	2.247	1.795	2.122	2.777	2.864	2.763
%Chg	0.3	61.2	12.0	-20.1	18.2	30.9	3.1	-3.5
Non-Farm Proprietors Income	22.304	23.447	24.316	22.825	23.973	25.360	27.473	29.325
%Chg	5.9	5.1	3.7	-6.1	5.0	5.8	8.3	6.7
Personal Current Transfer Receipts	50.616	52.837	73.270	60.881	63.144	65.796	68.668	71.405
%Chg	6.0	4.4	38.7	-16.9	3.7	4.2	4.4	4.0
Less: Contrib. for Gov. Social Ins.	26.993	27.871	27.702	29.001	30.407	31.645	33.165	34.618
%Chg	5.1	3.3	-0.6	4.7	4.8	4.1	4.8	4.4
Real Income (Billions of 2009 Dollars)								
Real Personal Income	297.144	302.043	314.300	303.715	310.238	317.523	327.005	335.423
%Chg	2.9	1.6	4.1	-3.4	2.1	2.3	3.0	2.6
Real Wage & Salary Disbursements	159.648	162.821	158.693	163.853	168.683	172.550	177.675	182.120
%Chg	2.1	2.0	-2.5	3.3	2.9	2.3	3.0	2.5
Employment (Thousands)								
Employment - Total Non-Farm Payrolls	2,963.3	2,977.5	2,773.7	2,827.9	2,889.5	2,901.8	2,926.6	2,943.1
%Chg	0.8	0.5	-6.8	2.0	2.2	0.4	0.9	0.6
Construction	121.8	126.9	120.8	116.6	119.5	122.8	124.9	126.7
%Chg	1.6	4.2	-4.9	-3.4	2.5	2.7	1.7	1.5
Manufacturing	322.0	323.8	308.9	307.4	309.6	309.1	307.7	306.7
%Chg	1.1	0.6	-4.6	-0.5	0.7	-0.2	-0.4	-0.3
Private Service-Providing	2,087.2	2,093.8	1,938.6	1,998.6	2,046.2	2,046.6	2,061.5	2,069.7
%Chg	0.8	0.3	-7.4	3.1	2.4	0.0	0.7	0.4
Government	425.7	426.5	399.8	399.9	408.8	417.9	427.2	434.7
%Chg	0.5	0.2	-6.3	0.0	2.2	2.2	2.2	1.8
Minnesota Civilian Labor Force	3,071.5	3,108.9	3,100.1	3,118.5	3,139.7	3,169.5	3,195.2	3,215.2
Unemployment Rate (%)	3.0	3.2	6.2	4.5	3.6	3.5	3.4	3.2
Demographic Indicators (Millions)								
Total Population	5.606	5.640	5.675	5.708	5.742	5.773	5.803	5.833
%Chg	0.7	0.6	0.6	0.6	0.6	0.5	0.5	0.5
Total Population Age 16 & Over	4.448	4.476	4.512	4.544	4.579	4.610	4.641	4.670
%Chg	0.8	0.6	0.8	0.7	0.8	0.7	0.7	0.6
Total Population Age 65 & Over	0.889	0.918	0.952	0.984	1.019	1.051	1.084	1.119
%Chg	3.5	3.3	3.7	3.3	3.6	3.1	3.2	3.2
Total Households	2.194	2.223	2.234	2.238	2.262	2.282	2.299	2.313
%Chg	1.5	1.3	0.5	0.2	1.0	0.9	0.7	0.6
Housing Indicators (Thousands)								
Total Housing Permits (Authorized)	26.294	29.936	29.044	19.467	25.625	24.288	22.212	21.158
%Chg	4.9	13.9	-3.0	-33.0	31.6	-5.2	-8.5	-4.7
Single-Family	14.118	14.461	15.399	10.312	13.577	12.853	11.756	11.200
%Chg	-4.4	2.4	6.5	-33.0	31.7	-5.3	-8.5	-4.7

Source: Minnesota Management & Budget (MMB) November 2020 Forecast

U.S. Economic Forecast Summary

Forecast 2018 to 2025, Calendar Years

	2018	2019	2020	2021	2022	2023	2024	2025
Real National Income Accounts (Billions of 2009 Dollars)								
Real Gross Domestic Product (GDP)	18,687.8	19,091.7	18,413.2	18,982.4	19,464.1	19,945.3	20,527.9	21,142.2
%Chg	3.0	2.2	-3.6	3.1	2.5	2.5	2.9	3.0
Real Consumption	12,928.1	13,240.2	12,730.1	13,183.2	13,479.1	13,808.7	14,214.9	14,662.9
%Chg	2.7	2.4	-3.9	3.6	2.2	2.4	2.9	3.2
Real Nonresidential Fixed Investment	2,698.9	2,776.8	2,642.2	2,692.6	2,783.6	2,910.4	3,067.3	3,240.4
%Chg	6.9	2.9	-4.8	1.9	3.4	4.6	5.4	5.6
Real Residential Investment	612.0	601.5	630.6	649.0	628.9	622.1	624.8	630.9
%Chg	-0.6	-1.7	4.8	2.9	-3.1	-1.1	0.4	1.0
Real Personal Income	16,492.4	16,887.6	17,660.2	17,094.6	17,320.4	17,738.0	18,286.1	18,867.7
%Chg	3.1	2.4	4.6	-3.2	1.3	2.4	3.1	3.2
Current Dollar National Income Accounts (Billions of Dollars)								
Gross Domestic Product (GDP)	20,611.9	21,433.2	20,924.3	21,986.1	22,998.7	24,055.8	25,274.9	26,579.6
%Chg	5.5	4.0	-2.4	5.1	4.6	4.6	5.1	5.2
Personal Income	17,851.8	18,551.5	19,630.5	19,364.5	20,052.5	20,941.4	22,000.2	23,144.1
%Chg	5.3	3.9	5.8	-1.4	3.6	4.4	5.1	5.2
Wage & Salary Disbursements	8,894.2	9,309.3	9,291.4	9,824.2	10,238.3	10,699.3	11,237.5	11,813.4
%Chg	5.0	4.7	-0.2	5.7	4.2	4.5	5.0	5.1
Non-Wage Personal Income	8,957.6	9,242.2	10,339.2	9,540.3	9,814.2	10,242.1	10,762.7	11,330.8
%Chg	5.7	3.2	11.9	-7.7	2.9	4.4	5.1	5.3
Price and Wage Indexes								
U.S. GDP Deflator (2005=1.0)	110.322	112.317	113.628	115.821	118.154	120.604	123.119	125.713
%Chg	2.4	1.8	1.2	1.9	2.0	2.1	2.1	2.1
U.S. Consumer Price Index (1982-84=1.0)	2.511	2.557	2.589	2.648	2.718	2.779	2.836	2.898
%Chg	2.4	1.8	1.3	2.3	2.6	2.2	2.1	2.2
Employment Cost Index (Dec 2005=1.0)	1.333	1.368	1.403	1.435	1.480	1.532	1.583	1.634
%Chg	2.9	2.7	2.6	2.3	3.1	3.4	3.4	3.2
Employment (Thousands)								
Employment - Total Non-Farm Payrolls	148.9	150.9	142.4	147.5	151.3	153.4	155.1	156.6
%Chg	1.6	1.4	-5.6	3.6	2.6	1.4	1.1	0.9
Construction	7.3	7.5	7.3	7.2	7.2	7.3	7.4	7.5
%Chg	4.6	2.9	-3.1	-1.2	0.6	1.1	1.1	1.8
Manufacturing	12.7	12.8	12.2	12.4	12.5	12.6	12.6	12.5
%Chg	2.0	1.2	-4.6	1.0	1.0	1.2	-0.4	-0.7
Private Service-Providing	105.7	107.3	100.4	105.5	108.7	110.0	111.2	112.2
%Chg	1.5	1.5	-6.4	5.1	3.0	1.2	1.1	0.9
Government	22.4	22.6	21.9	21.9	22.3	22.8	23.3	23.7
%Chg	0.4	0.6	-3.1	0.0	2.1	2.1	2.1	1.7
U.S. Civilian Labor Force	162.1	163.5	161.0	163.7	165.9	167.3	168.6	169.7
Employment - Household Survey	155.8	157.5	148.0	154.4	158.0	160.0	161.8	163.3
Unemployment Rate (%)	3.9	3.7	8.1	5.7	4.7	4.4	4.0	3.8
Other Key Measures								
Non-Farm Productivity (index, 2005=1.0)	1.061	1.079	1.107	1.089	1.091	1.108	1.134	1.163
%Chg	1.4	1.7	2.6	-1.6	0.2	1.6	2.3	2.5
Total Ind. Production (index, 2007=100)	108.562	109.499	101.411	103.215	105.935	108.888	112.180	115.522
%Chg	3.9	0.9	-7.4	1.8	2.6	2.8	3.0	3.0
Manhours in Private Non-Farm Estab. Billions of Hours	211.7	213.9	201.6	211.5	217.1	219.6	221.9	224.0
%Chg	1.9	1.1	-5.8	4.9	2.6	1.2	1.0	1.0
Average Weekly Hours	32.4	32.3	32.1	32.4	32.4	32.4	32.4	32.4
Manufacturing Workweek	42.1	41.6	40.7	41.2	40.6	40.6	40.7	40.8

Source: IHS Economics; February 2020 Baseline

Alternative Forecast Comparison

Calendar Years

	20Q1	20Q2	20Q3	20Q4	21Q1	21Q2	2019	2020	2021
Real Gross Domestic Product (GDP), Percent Change, Seasonally Adjusted at Annual Rate									
Blue Chip Consensus (11-20)	-5.0	-31.4	33.1	3.8	3.6	3.6	2.2	-3.7	4.0
IHS Economics Baseline (11-20)	-5.0	-31.4	33.1	3.7	2.7	1.0	2.2	-3.6	3.1
Moody's Analytics (11-20)	-5.0	-31.4	33.1	3.0	3.6	3.8	2.2	-3.6	4.4
S&P Economic Forecast (09-20)	-5.0	-31.7	29.5	3.5	4.0	4.9	2.2	-4.0	3.9
Wells Fargo (11-20)	-5.0	-31.4	33.1	4.5	4.0	3.1	2.2	-3.5	4.2
CBO Outlook (07-20)	-5.0	-34.2	16.7	8.8	6.2	4.7	2.3	-5.8	4.0
Consumer Price Index (CPI), Percent Change, Seasonally Adjusted at Annual Rate (except where noted)									
Blue Chip Consensus (11-20)	1.2	-3.5	5.2	2.0	1.9	1.9	1.8	1.2	2.0
IHS Economics Baseline (11-20)	1.2	-3.5	5.2	2.3	1.6	2.7	1.8	1.3	2.3
Moody's Analytics (11-20)	1.2	-3.5	5.2	1.6	1.1	1.9	1.8	1.2	1.8
S&P Economic Forecast (12-20)*	2.1	0.4	1.3	1.2	1.5	2.7	1.8	1.2	1.9
Wells Fargo (11-20)*	2.1	0.4	1.3	1.2	1.3	2.6	1.2	1.9	2.0
CBO Outlook (07-20)	1.2	-3.1	2.6	0.8	0.9	1.9	1.8	0.9	1.2

* Year-over-Year Percent Change

**Not Available

IHS Economics Baseline Forecast Comparison

Calendar Years

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Real Gross Domestic Product (GDP), Annual Percent Change										
November 2013	3.3	3.1	-	-	-	-	-	-	-	-
February 2014	3.4	3.1	-	-	-	-	-	-	-	-
November 2014	2.8	3.0	2.6	2.6	-	-	-	-	-	-
February 2015	2.7	2.8	2.6	2.8	-	-	-	-	-	-
November 2015	2.9	2.8	2.7	2.6	-	-	-	-	-	-
February 2016	2.4	2.8	2.6	2.4	-	-	-	-	-	-
November 2016	1.5	2.2	2.2	2.2	2.0	-	-	-	-	-
February 2017	1.6	2.3	2.7	2.3	2.1	-	-	-	-	-
November 2017	1.5	2.2	2.5	2.2	2.1	-	-	-	-	-
February 2018	1.5	2.3	2.7	2.7	2.1	2.1	1.9	1.9	-	-
November 2018	1.6	2.2	2.9	2.7	2.1	1.6	1.5	1.4	-	-
February 2019	1.6	2.2	2.9	2.4	2.0	1.7	1.6	1.4	-	-
November 2019	1.6	2.4	2.9	2.3	2.1	2.0	1.6	1.5	-	-
February 2020	1.6	2.4	2.9	2.3	2.1	2.0	1.7	1.5	-	-
April 2020	1.6	2.4	2.9	2.3	-5.4	6.3	4.0	1.6	-	-
November 2020	1.7	2.3	3.0	2.2	-3.6	3.1	2.5	2.5	2.9	3.0
Consumer Price Index (CPI), Annual Percent Change										
November 2013	-	-	-	-	-	-	-	-	-	-
February 2014	-	-	-	-	-	-	-	-	-	-
November 2014	1.6	2.2	2.2	2.3	-	-	-	-	-	-
February 2015	2.4	2.7	2.7	2.5	-	-	-	-	-	-
November 2015	1.4	2.7	2.4	2.4	-	-	-	-	-	-
February 2016	0.7	2.3	2.7	2.7	-	-	-	-	-	-
November 2016	1.3	2.5	2.5	2.4	2.5	-	-	-	-	-
February 2017	1.3	2.4	1.9	2.4	2.7	-	-	-	-	-
November 2017	1.3	2.1	1.9	2.1	2.6	-	-	-	-	-
February 2018	1.3	2.1	2.3	1.7	2.7	2.6	2.4	2.3	-	-
November 2018	1.3	2.1	2.5	2.5	1.9	2.2	2.3	2.3	-	-
February 2019	1.3	2.1	2.4	2.0	2.1	2.3	2.4	2.4	-	-
November 2019	1.3	2.1	2.4	1.8	1.9	1.8	2.5	2.5	-	-
February 2020	1.3	2.1	2.4	1.8	1.8	1.7	2.2	2.5	-	-
April 2020	1.3	2.1	2.4	1.8	0.7	2.1	2.7	2.7	-	-
November 2020	1.3	2.1	2.4	1.8	1.3	2.3	2.6	2.2	2.1	2.2

Source: IHS Economics

Forecast Comparison: Minnesota & U.S.

Forecast 2018 to 2021, Calendar Years

	2018	2019	2020	2021	2022	2023	2024	2025
Personal Income (Billions of Current Dollars)								
Minnesota								
November 2020	321.6	331.8	349.4	344.0	359.2	374.9	393.4	411.4
%Chg	5.1	3.2	5.3	-1.5	4.4	4.4	5.0	4.6
April 2020	322.7	336.8	335.5	336.9	354.8	368.4	0.0	0.0
%Chg	5.5	4.4	-0.4	0.4	5.3	3.8	0.0	0.0
U.S.								
November 2020	17,852	18,552	19,631	19,364	20,052	20,941	22,000	23,144
%Chg	5.3	3.9	5.8	-1.4	3.6	4.4	5.1	5.2
April 2020	17,819	18,602	18,913	19,494	20,406	21,176	21,992	22,973
%Chg	5.6	4.4	1.7	3.1	4.7	3.8	3.9	4.5
Wage and Salary Disbursements (Billions of Current Dollars)								
Minnesota								
November 2020	172.8	178.9	176.4	185.6	195.3	203.7	213.8	223.4
%Chg	4.2	3.5	-1.4	5.2	5.2	4.3	4.9	4.5
April 2020	172.9	178.8	168.3	168.9	183.7	192.7	0.0	0.0
%Chg	4.4	3.4	-5.9	0.3	8.8	4.9	0.0	0.0
U.S.								
November 2020	8,894	9,309	9,291	9,824	10,238	10,699	11,238	11,813
%Chg	5.0	4.7	-0.2	5.7	4.2	4.5	5.0	5.1
April 2020	8,888	9,298	8,997	9,321	10,189	10,719	11,121	11,576
%Chg	5.0	4.6	-3.2	3.6	9.3	5.2	3.8	4.1
Total Non-Farm Payroll Employment (Thousands)								
Minnesota								
November 2020	2,963	2,978	2,774	2,828	2,890	2,902	2,927	2,943
%Chg	0.8	0.5	-6.8	2.0	2.2	0.4	0.9	0.6
April 2020	2,963	2,978	2,852	2,834	2,975	3,028	0	0
%Chg	0.8	0.5	-4.2	-0.6	5.0	1.8	0.0	0.0
U.S.								
November 2020	148,891	150,935	142,412	147,489	151,299	153,351	155,112	156,569
%Chg	1.6	1.4	-5.6	3.6	2.6	1.4	1.1	0.9
April 2020	148,891	150,935	144,083	142,740	150,946	154,124	154,534	154,677
%Chg	1.6	1.4	-4.5	-0.9	5.7	2.1	0.3	0.1
Average Annual Non-Farm Wage (Current Dollars)								
Minnesota								
November 2020	58,315	60,071	63,603	65,636	67,586	70,201	73,041	75,906
%Chg	3.4	3.0	5.9	3.2	3.0	3.9	4.0	3.9
April 2020	58,341	60,049	59,019	59,585	61,740	63,648	0	0
%Chg	3.5	2.9	-1.7	1.0	3.6	3.1	0.0	0.0
U.S.								
November 2020	59,737	61,678	65,243	66,610	67,670	69,770	72,448	75,451
%Chg	3.4	3.2	5.8	2.1	1.6	3.1	3.8	4.1
April 2020	59,698	61,601	62,441	65,301	67,499	69,545	71,965	74,843
%Chg	3.4	3.2	1.4	4.6	3.4	3.0	3.5	4.0

Source: IHS Economics and Minnesota Management and Budget (MMB)

Factors Affecting Tax Revenue

Billions of Current Dollars

	2018	2019	2020	2021	2022	2023	2024	2025
				Individual Income Tax (Calendar Year)				
Minnesota Non-Farm Tax Base								
November 2018	255.879	270.128	283.230	294.853	306.328	317.443		
%Chg	4.1	5.6	4.9	4.1	3.9	3.6		
February 2019	256.473	265.223	276.050	287.260	298.308	308.860		
%Chg	4.4	3.4	4.1	4.1	3.8	3.5		
November 2019	261.746	271.561	281.573	292.143	303.54	315.605		
%Chg	5.4	3.7	3.7	3.8	3.9	4.0		
February 2020	261.746	270.458	280.678	290.903	301.6675	312.565		
%Chg	5.4	3.3	3.8	3.6	3.7	3.6		
April 2020	261.7	270.3	259.3	264.0	279.6	289.6		
%Chg	5.4	3.3	-4.1	1.8	5.9	3.6		
November 2020	260.163	267.384	264.815	272.17	284.06	295.875	310.85	325.625
%Chg	5.0	2.8	-1.0	2.8	4.4	4.2	5.1	4.8
Minnesota Wage and Salary Disbursements								
November 2018	173.057	182.545	191.553	199.645	207.913	216.103		
%Chg	4.5	5.5	4.9	4.2	4.1	3.9		
February 2019	172.268	178.590	186.688	194.950	203.150	211.135		
%Chg	4.1	3.7	4.5	4.4	4.2	3.9		
November 2019	172.887	179.999	187.543	195.240	203.418	211.718		
%Chg	4.4	4.1	4.2	4.1	4.2	4.1		
February 2020	172.887	178.944	185.943	193.598	201.565	209.025		
%Chg	4.4	3.5	3.9	4.1	4.1	3.7		
April 2020	172.887	178.801	168.32	168.88	183.69	192.7125		
%Chg	4.4	3.4	-5.9	0.3	8.8	4.9		
November 2020	172.806	178.863	176.416	185.613	195.29	203.705	213.76	223.3975
%Chg	4.2	3.5	-1.4	5.2	5.2	4.3	4.9	4.5
Minnesota Dividends, Interest, & Rental Income								
November 2018	61.006	64.055	68.144	71.850	75.269	78.446		
%Chg	4.3	5.0	6.4	5.4	4.8	4.2		
February 2019	61.018	63.426	66.346	69.397	72.464	75.269		
%Chg	4.3	3.9	4.6	4.6	4.4	3.9		
November 2019	66.926	68.815	70.994	73.865	77.458	81.473		
%Chg	8.6	2.8	3.2	4.0	4.9	5.2		
February 2020	66.926	68.630	71.293	73.784	76.757	80.449		
%Chg	8.6	2.5	3.9	3.5	4.0	4.8		
April 2020	66.926	68.566	69.815	71.879	74.023	75.260		
%Chg	8.6	2.5	1.8	3.0	3.0	1.7		
November 2020	65.053	65.074	64.082	63.734	64.796	66.811	69.615	72.903
%Chg	6.8	0.0	-1.5	-0.5	1.7	3.1	4.2	4.7
Minnesota Non-Farm Proprietors' Income								
November 2018	22.666	23.528	23.537	23.358	23.148	22.894		
%Chg	4.4	3.8	0.0	-0.8	-0.9	-1.1		
February 2019	22.701	23.206	23.016	22.912	22.691	22.454		
%Chg	4.6	2.2	-0.8	-0.5	-1.0	-1.0		
November 2019	21.933	22.747	23.035	23.039	22.661	22.415		
%Chg	4.0	3.7	1.3	0.0	-1.6	-1.1		
February 2020	21.933	22.883	23.444	23.519	23.344	23.091		
%Chg	4.0	4.3	2.5	0.3	-0.7	-1.1		
April 2020	21.933	22.950	21.122	23.221	21.850	21.670		
%Chg	4.0	4.6	-8.0	9.9	-5.9	-0.8		
November 2020	22.304	23.447	24.316	22.825	23.973	25.360	27.473	29.325
%Chg	5.9	5.1	3.7	-6.1	5.0	5.8	8.3	6.7

Factors Affecting Tax Revenue (Continued)

Billions of Current Dollars

	2018	2019	2020	2021	2022	2023	2024	2025
General Sales Tax (Fiscal Year)								
Minnesota Synthetic Sales Tax Base								
November 2018	87.475	91.342	95.257	99.085	102.551	105.200		
%Chg	3.4	4.4	4.3	4.0	3.5	2.6		
February 2019	87.338	90.935	93.813	97.008	100.131	102.589		
%Chg	3.3	4.1	3.2	3.4	3.2	2.5		
November 2019	88.853	94.014	98.781	102.337	105.558	108.805		
%Chg	3.3	5.8	5.1	3.6	3.1	3.1		
February 2020	88.944	94.015	97.387	100.652	104.004	107.143		
%Chg	3.3	5.7	3.6	3.4	3.3	3.0		
April 2020	88.850	93.789	91.611	82.340	92.196	94.886		
%Chg	3.3	5.6	-2.3	-10.1	12.0	2.9		
November 2020	88.034	93.069	92.709	95.130	98.570	102.488	106.441	110.718
%Chg	3.4	5.7	-0.4	2.6	3.6	4.0	3.9	4.0
**Historical data revised as a result of comprehensive GDP account revisions*								
Minnesota's Proxy Share of U.S. Consumer Durable Spending (Excluding Autos)								
November 2018	16.588	17.591	18.284	18.835	19.293	19.660		
%Chg	5.7	6.0	3.9	3.0	2.4	1.9		
February 2019	16.604	17.407	17.914	18.343	18.756	19.090		
%Chg	5.8	4.8	2.9	2.4	2.2	1.8		
November 2019	16.788	17.315	18.516	19.080	19.455	19.839		
%Chg	5.3	3.1	6.9	3.0	2.0	2.0		
February 2020	16.788	17.311	18.115	18.548	18.919	19.298		
%Chg	5.3	3.1	4.6	2.4	2.0	2.0		
April 2020	16.788	17.311	17.229	15.936	16.964	17.335		
%Chg	5.3	3.1	-0.5	-7.5	6.5	2.2		
November 2020	16.597	17.331	17.917	19.997	19.753	19.914	20.130	20.404
%Chg	5.8	4.4	3.4	11.6	-1.2	0.8		
Minnesota's Proxy Share of U.S. Capital Equipment Spending								
November 2018	13.095	13.644	14.260	15.022	15.672	16.008		
%Chg	9.2	4.2	4.5	5.3	4.3	2.1		
February 2019	13.097	13.504	13.811	14.530	15.060	15.323		
%Chg	9.2	3.1	2.3	5.2	3.6	1.8		
November 2019	12.959	13.419	13.437	13.815	14.075	14.276		
%Chg	8.6	3.5	0.1	2.8	1.9	1.4		
February 2020	12.959	13.417	13.197	13.609	14.012	14.339		
%Chg	8.6	3.5	-1.6	3.1	3.0	2.3		
April 2020	12.959	13.417	12.997	11.079	12.278	11.941		
%Chg	8.6	3.5	-3.1	-14.8	10.8	-2.7		
November 2020	12.439	12.992	12.669	13.650	13.659	14.021	14.316	15.221
%Chg	6.5	4.4	-2.5	7.7	0.1	2.7		
Minnesota's Proxy Share of U.S. Construction Spending								
November 2018	8.697	9.097	9.591	9.932	10.234	10.659		
%Chg	6.4	4.6	5.4	3.6	3.0	4.2		
February 2019	8.422	8.887	9.268	9.641	9.981	10.443		
%Chg	3.6	5.5	4.3	4.0	3.5	4.6		
November 2019	8.453	8.814	8.908	9.154	9.448	9.804		
%Chg	3.3	5.8	5.1	3.6	3.1	3.1		
February 2020	8.554	8.837	9.014	9.160	9.357	9.665		
%Chg	3.3	3.3	2.0	1.6	2.2	3.3		
April 2020	8.459	8.746	8.664	7.642	8.597	9.080		
%Chg	3.3	3.4	-0.9	-11.8	12.5	5.6		
November 2020	8.592	8.823	9.118	8.945	9.139	9.674	10.230	10.786
%Chg	3.5	2.7	3.3	-1.9	2.2	5.9		

Factors Affecting Tax Revenue (Continued)

Billions of Current Dollars

	2018	2019	2020	2021	2022	2023	2024	2025
Corporate Franchise Tax (Calendar Year)								
U.S. Corporate Profits (w/ IVA and capital consumption adjustment, less profits from Federal Reserve)								
November 2018	2,247.8	2,371.7	2,413.4	2,483.2	2,551.063	2,622.417		
%Chg	8.8	5.5	1.8	2.9	2.7	2.8		
February 2019	2,246.6	2,239.9	2,276.0	2,363.2	2,438.172	2,503.259		
%Chg	8.7	-0.3	1.6	3.8	3.2	2.7		
November 2019	2,062.6	1,999.6	2,043.7	2,153.8	2,252.687	2,362.241		
%Chg	4.4	-3.1	2.2	5.4	4.6	4.9		
February 2020	2,062.6	2,000.6	2,025.5	2,124.3	2,222.896	2,335.334		
%Chg	4.4	-3.0	1.2	4.9	4.6	5.1		
April 2020	2,062.6	2,021.8	1,160.0	1,907.4	1,965.382	2,037.580		
%Chg	4.4	-2.0	-42.6	64.4	3.0	3.7		
November 2020	2,229.6	2,203.4	2,054.5	1,835.0	1,951.848	2,069.899	2,222.455	2,379.782
%Chg	6.7	-1.2	-6.8	-10.7	6.4	6.0	7.4	7.1
Deed & Mortgage Tax (Fiscal Year)								
U.S. New and Existing Home Sales (Current $ Value)								
November 2018	1,668.4	1,613.9	1,817.3	1,941.5	2,014.8	2,089.7		
%Chg	4.2	-3.3	12.6	6.8	3.8	3.7		
February 2019	1,668.4	1,644.5	1,837.6	1,971.3	2,069.3	2,120.4		
%Chg	4.3	-1.4	11.7	7.3	5.0	2.5		
November 2019	1,667.5	1,644.1	1,803.3	1,815.6	1,827.4	1,850.2		
%Chg	4.3	-1.4	9.7	0.7	0.6	1.2		
February 2020	1,667.5	1,644.1	1,806.3	1,890.5	1,907.6	1,927.7		
%Chg	4.3	-1.4	9.9	4.7	0.9	1.1		
November 2020	1,667.7	1,642.3	1,718.4	2,210.0	2,178.5	2,168.0	2,170.0	2,211.4
%Chg	4.3	-1.5	4.6	28.6	-1.4	-0.5	0.1	1.9

COMPARISON OF ACTUAL AND ESTIMATED
NON-RESTRICTED REVENUES
Oct YTD, 2019-FY2020
($ IN THOUSANDS)

	FORECAST REVENUES	ACTUAL REVENUES	VARIANCE ACT-FCST
Individual Income Tax			
Withholding	2,907,000	2,972,357	65,357
Declarations	496,016	672,762	176,747
Miscellaneous	259,085	329,290	70,205
Gross	3,662,101	3,974,409	312,309
Refund	66,044	104,487	38,444
Net	3,596,057	3,869,922	273,865
Corporate Franchise Tax			
Declarations	388,873	495,805	106,932
Miscellaneous	93,086	127,343	34,257
Gross	481,959	623,148	141,189
Refund	40,028	21,986	(18,043)
Net	441,931	601,162	159,232
General Sales and Use Tax			
Gross	1,520,671	1,879,019	358,348
Mpls. sales tax transferred to MSFA	808	-	(808)
MPLS Sales Tax w/Holding for NFL Stadium	-		-
Sales Tax Gross	1,521,478	1,879,019	357,540
Refunds (including Indian refunds)	44,264	21,483	(22,781)
Net	1,477,214	1,857,536	380,322
Other Revenues:			
Net Estate	53,400	62,871	9,471
Net Liquor/Wine/Beer	25,683	29,492	3,809
Net Cigarette/Tobacco	138,727	161,007	22,280
Deed and Mortgage	84,096	105,321	21,225
Net Insurance Premiums Taxes	102,493	112,050	9,557
Net Lawful Gambling	13,719	30,959	17,240
Health Care Surcharge	104,943	41,419	(63,524)
Other Taxes	-	1,763	1,763
Statewide Property Tax	233,407	214,372	(19,035)
DHS SOS Collections	27,050	31,023	3,973
Investment Income	3,333	6,320	2,987
Tobacco Settlement	100	-	(100)
Dept. Earnings & MSOP Recov.	54,055	54,111	56
Fines and Surcharges	20,267	7,185	(13,082)
Lottery Revenues	13,173	15,989	2,816
Revenues yet to be allocated	-	1,936	1,936
Residual Revenues	37,434	26,996	(10,438)
Other Subtotal	911,881	902,815	(9,066)
Other Refunds	1,784	650	(1,134)
Other Net	910,097	902,165	(7,932)
Total Gross	**6,577,419**	**7,379,391**	**801,972**
Total Refunds	**152,120**	**148,606**	**(3,515)**
Total Net	**6,425,299**	**7,230,785**	**805,486**

FY 2020 General Fund Budget
Closed Fiscal Year: FY 2020 Actual vs. Forecast

($ in thousands)

	Oct SS FY 2020	Actual FY 2020	$ Change
Actual & Estimated Resources			
Balance Forward From Prior Year	3,971,359	3,971,359	0
Current Resources:			
Tax Revenues	22,180,466	22,077,216	-103,250
Non-Tax Revenues	766,866	817,106	50,240
Subtotal - Non-Dedicated Revenue	22,947,332	22,894,322	-53,010
Dedicated Revenue	0	795	795
Transfers In	155,936	155,643	-293
Prior Year Adjustments	26,660	99,722	73,062
Subtotal - Other Revenue	182,596	256,160	73,564
Subtotal-Current Resources	23,129,928	23,150,482	20,554
Total Resources Available	**27,101,287**	**27,121,841**	**20,554**
Actual & Estimated Spending			
E-12 Education	9,853,360	9,835,739	-17,621
Higher Education	1,698,853	1,693,377	-5,476
Property Tax Aids & Credits	1,872,901	1,866,803	-6,098
Health & Human Services	7,262,133	7,035,367	-226,766
Public Safety & Judiciary	1,284,418	1,236,945	-47,473
Transportation	210,447	174,820	-35,627
Environment	174,898	166,422	-8,476
Agriculture & Housing	128,833	129,729	896
Jobs, Economic Development & Commerce	211,867	174,251	-37,616
State Government & Veterans	827,681	794,715	-32,966
Debt Service	540,081	540,081	0
Capital Projects & Grants	130,034	129,727	-307
Estimated Cancellations	-5,000	0	5,000
Total Expenditures & Transfers	**24,190,506**	**23,777,976**	**-412,530**
Balance Before Reserves	**2,910,781**	**3,343,865**	**433,084**
Cash Flow Account	350,000	350,000	0
Budget Reserve	2,358,698	2,358,698	0
Stadium Reserve	56,052	55,700	-352
Appropriations Carried Forward	0	246,058	246,058
Budgetary Balance	**146,031**	**333,409**	**187,378**

FY 2020-21 General Fund Budget
Current Biennium: By Fiscal Year

($ in thousands)

	Actual FY 2020	Nov FY 2021	Biennial Total FY 2020-21
Actual & Estimated Resources			
Balance Forward From Prior Year	3,971,359	3,343,865	3,971,359
Current Resources:			
Tax Revenues	22,077,216	22,757,721	44,834,937
Non-Tax Revenues	817,106	726,181	1,543,287
Subtotal - Non-Dedicated Revenue	22,894,322	23,483,902	46,378,224
Dedicated Revenue	795	5	800
Transfers In	155,643	429,440	585,083
Prior Year Adjustments	99,722	36,271	135,993
Subtotal - Other Revenue	256,160	465,716	721,876
Subtotal-Current Resources	23,150,482	23,949,618	47,100,100
Total Resources Available	**27,121,841**	**27,293,483**	**51,071,459**
Actual & Estimated Spending			
E-12 Education	9,835,739	10,045,163	19,880,902
Higher Education	1,693,377	1,713,752	3,407,129
Property Tax Aids & Credits	1,866,803	2,038,528	3,905,331
Health & Human Services	7,035,367	6,736,780	13,772,147
Public Safety & Judiciary	1,236,945	1,325,253	2,562,198
Transportation	174,820	174,550	349,370
Environment	166,422	178,172	344,594
Agriculture & Housing	129,729	122,030	251,759
Jobs, Economic Development & Commerce	174,251	192,727	366,978
State Government & Veterans	794,715	642,864	1,437,579
Debt Service	540,081	515,544	1,055,625
Capital Projects & Grants	129,727	179,130	308,857
Estimated Cancellations	0	-15,000	-15,000
Total Expenditures & Transfers	**23,777,976**	**23,849,493**	**47,627,469**
Balance Before Reserves	**3,343,865**	**3,443,990**	**3,443,990**
Cash Flow Account	350,000	350,000	350,000
Budget Reserve	2,358,698	2,377,319	2,377,319
Stadium Reserve	55,700	80,861	80,861
Appropriations Carried Forward	246,058	0	0
Budgetary Balance	**333,409**	**635,810**	**635,810**

FY 2020-21 General Fund Budget
Current Biennium: Forecast Comparison
($ in thousands)

	Oct SS FY 2020-21	Nov FY 2020-21	$ Change
Actual & Estimated Resources			
Balance Forward From Prior Year	3,971,359	3,971,359	0
Current Resources:			
Tax Revenues	43,068,324	44,834,937	1,766,613
Non-Tax Revenues	1,485,614	1,543,287	57,673
Subtotal - Non-Dedicated Revenue	44,553,938	46,378,224	1,824,286
Dedicated Revenue	0	800	800
Transfers In	570,986	585,083	14,097
Prior Year Adjustments	63,645	135,993	72,348
Subtotal - Other Revenue	634,631	721,876	87,245
Subtotal-Current Resources	45,188,569	47,100,100	1,911,531
Total Resources Available	**49,159,928**	**51,071,459**	**1,911,531**
Actual & Estimated Spending			
E-12 Education	19,998,645	19,880,902	-117,743
Higher Education	3,406,152	3,407,129	977
Property Tax Aids & Credits	3,883,178	3,905,331	22,153
Health & Human Services	14,691,405	13,772,147	-919,258
Public Safety & Judiciary	2,563,954	2,562,198	-1,756
Transportation	352,796	349,370	-3,426
Environment	344,292	344,594	302
Agriculture & Housing	248,959	251,759	2,800
Jobs, Economic Development & Commerce	382,384	366,978	-15,406
State Government & Veterans	1,415,693	1,437,579	21,886
Debt Service	1,097,953	1,055,625	-42,328
Capital Projects & Grants	314,834	308,857	-5,977
Estimated Cancellations	-20,000	-15,000	5,000
Total Expenditures & Transfers	**48,680,245**	**47,627,469**	**-1,052,776**
Balance Before Reserves	**479,683**	**3,443,990**	**2,964,307**
Cash Flow Account	350,000	350,000	0
Budget Reserve	2,377,319	2,377,319	0
Stadium Reserve	66,255	80,861	14,606
Budgetary Balance	**-2,313,891**	**635,810**	**2,949,701**

Biennial Comparison
Current Biennium: Biennial Comparison
($ in thousands)

	Actual FY 2018-19	Nov FY 2020-21	$ Change
Actual & Estimated Resources			
Balance Forward From Prior Year	3,333,262	3,971,359	638,097
Current Resources:			
Tax Revenues	43,847,316	44,834,937	987,621
Non-Tax Revenues	1,692,791	1,543,287	-149,504
Subtotal - Non-Dedicated Revenue	45,540,107	46,378,224	838,117
Dedicated Revenue	1,996	800	-1,196
Transfers In	333,079	585,083	252,004
Prior Year Adjustments	164,293	135,993	-28,300
Subtotal - Other Revenue	499,368	721,876	222,508
Subtotal-Current Resources	46,039,475	47,100,100	1,060,625
Total Resources Available	**49,372,737**	**51,071,459**	**1,698,722**
Actual & Estimated Spending			
E-12 Education	18,820,859	19,880,902	1,060,043
Higher Education	3,293,649	3,407,129	113,480
Property Tax Aids & Credits	3,650,488	3,905,331	254,843
Health & Human Services	13,298,218	13,772,147	473,929
Public Safety & Judiciary	2,356,579	2,562,198	205,619
Transportation	362,560	349,370	-13,190
Environment	353,458	344,594	-8,864
Agriculture & Housing	236,742	251,759	15,017
Jobs, Economic Development & Commerce	425,357	366,978	-58,379
State Government & Veterans	1,196,395	1,437,579	241,184
Debt Service	1,112,908	1,055,625	-57,283
Capital Projects & Grants	294,104	308,857	14,753
Other	47	0	-47
Estimated Cancellations	0	-15,000	-15,000
Total Expenditures & Transfers	**45,401,364**	**47,627,469**	**2,226,105**
Balance Before Reserves	**3,971,373**	**3,443,990**	**-527,383**
Cash Flow Account	350,000	350,000	0
Budget Reserve	2,074,733	2,377,319	302,586
Stadium Reserve	55,075	80,861	25,786
Appropriations Carried Forward	70,978	0	-70,978
Budgetary Balance	**1,420,587**	**635,810**	**-784,777**

FY 2022-23 General Fund Budget
Next Biennium: By Fiscal Year

($ in thousands)

	Nov FY 2022	Nov FY 2023	Biennial Total FY 2022-23
Actual & Estimated Resources			
Balance Forward From Prior Year	3,443,990	2,398,591	3,443,990
Current Resources:			
Tax Revenues	23,408,950	24,292,895	47,701,845
Non-Tax Revenues	706,151	712,692	1,418,843
Subtotal - Non-Dedicated Revenue	24,115,101	25,005,587	49,120,688
Dedicated Revenue	5	5	10
Transfers In	149,147	149,277	298,424
Prior Year Adjustments	37,406	37,406	74,812
Subtotal - Other Revenue	186,558	186,688	373,246
Subtotal-Current Resources	24,301,659	25,192,275	49,493,934
Total Resources Available	**27,745,649**	**27,590,866**	**52,937,924**
Actual & Estimated Spending			
E-12 Education	10,189,537	10,401,834	20,591,371
Higher Education	1,703,064	1,703,064	3,406,128
Property Tax Aids & Credits	2,087,224	2,112,313	4,199,537
Health & Human Services	8,166,748	8,340,189	16,506,937
Public Safety & Judiciary	1,268,931	1,268,932	2,537,863
Transportation	124,996	124,556	249,552
Environment	165,894	165,769	331,663
Agriculture & Housing	121,421	121,421	242,842
Jobs, Economic Development & Commerce	154,252	160,956	315,208
State Government & Veterans	586,063	588,575	1,174,638
Debt Service	631,510	625,435	1,256,945
Capital Projects & Grants	152,418	164,805	317,223
Estimated Cancellations	-5,000	-15,000	-20,000
Total Expenditures & Transfers	**25,347,058**	**25,762,849**	**51,109,907**
Balance Before Reserves	**2,398,591**	**1,828,017**	**1,828,017**
Cash Flow Account	350,000	350,000	350,000
Budget Reserve	1,885,950	1,885,950	1,885,950
Stadium Reserve	150,319	229,662	229,662
Budgetary Balance	**12,322**	**-637,595**	**-637,595**

Biennial Comparison
Next Biennium: Biennial Comparison.
($ in thousands)

	Nov FY 2020-21	Nov FY 2022-23	$ Change
Actual & Estimated Resources			
Balance Forward From Prior Year	3,971,359	3,443,990	-527,369
Current Resources:			
Tax Revenues	44,834,937	47,701,845	2,866,908
Non-Tax Revenues	1,543,287	1,418,843	-124,444
Subtotal - Non-Dedicated Revenue	46,378,224	49,120,688	2,742,464
Dedicated Revenue	800	10	-790
Transfers In	585,083	298,424	-286,659
Prior Year Adjustments	135,993	74,812	-61,181
Subtotal - Other Revenue	721,876	373,246	-348,630
Subtotal-Current Resources	47,100,100	49,493,934	2,393,834
Total Resources Available	**51,071,459**	**52,937,924**	**1,866,465**
Actual & Estimated Spending			
E-12 Education	19,880,902	20,591,371	710,469
Higher Education	3,407,129	3,406,128	-1,001
Property Tax Aids & Credits	3,905,331	4,199,537	294,206
Health & Human Services	13,772,147	16,506,937	2,734,790
Public Safety & Judiciary	2,562,198	2,537,863	-24,335
Transportation	349,370	249,552	-99,818
Environment	344,594	331,663	-12,931
Agriculture & Housing	251,759	242,842	-8,917
Jobs, Economic Development & Commerce	366,978	315,208	-51,770
State Government & Veterans	1,437,579	1,174,638	-262,941
Debt Service	1,055,625	1,256,945	201,320
Capital Projects & Grants	308,857	317,223	8,366
Estimated Cancellations	-15,000	-20,000	-5,000
Total Expenditures & Transfers	**47,627,469**	**51,109,907**	**3,482,438**
Balance Before Reserves	**3,443,990**	**1,828,017**	**-1,615,973**
Cash Flow Account	350,000	350,000	0
Budget Reserve	2,377,319	1,885,950	-491,369
Stadium Reserve	80,861	229,662	148,801
Budgetary Balance	**635,810**	**-637,595**	**-1,273,405**

FY 2022-23 General Fund Budget
Next Biennium: Forecast Comparison
($ in thousands)

	Oct SS FY 2022-23	Nov FY 2022-23	$ Change
Actual & Estimated Resources			
Balance Forward From Prior Year	479,683	3,443,990	2,964,307
Current Resources:			
Tax Revenues	44,880,975	47,701,845	2,820,870
Non-Tax Revenues	1,390,004	1,418,843	28,839
Subtotal - Non-Dedicated Revenue	46,270,979	49,120,688	2,849,709
Dedicated Revenue	0	10	10
Transfers In	178,222	298,424	120,202
Prior Year Adjustments	74,486	74,812	326
Subtotal - Other Revenue	252,708	373,246	120,538
Subtotal-Current Resources	46,523,687	49,493,934	2,970,247
Total Resources Available	**47,003,370**	**52,937,924**	**5,934,554**
Actual & Estimated Spending			
E-12 Education	20,744,889	20,591,371	-153,518
Higher Education	3,406,128	3,406,128	0
Property Tax Aids & Credits	4,170,073	4,199,537	29,464
Health & Human Services	16,757,172	16,506,937	-250,235
Public Safety & Judiciary	2,542,386	2,537,863	-4,523
Transportation	249,552	249,552	0
Environment	332,276	331,663	-613
Agriculture & Housing	242,842	242,842	0
Jobs, Economic Development & Commerce	329,082	315,208	-13,874
State Government & Veterans	1,172,213	1,174,638	2,425
Debt Service	1,276,337	1,256,945	-19,392
Capital Projects & Grants	316,412	317,223	811
Estimated Cancellations	-20,000	-20,000	0
Total Expenditures & Transfers	**51,519,362**	**51,109,907**	**-409,455**
Balance Before Reserves	**-4,515,992**	**1,828,017**	**6,344,009**
Cash Flow Account	350,000	350,000	0
Budget Reserve	1,885,950	1,885,950	0
Stadium Reserve	100,942	229,662	128,720
Budgetary Balance	**-6,852,884**	**-637,595**	**6,215,289**

FY 2024-25 General Fund Budget
Planning Estimates: By Fiscal Year
($ in thousands)

	Nov FY 2024	Nov FY 2025	Biennial Total FY 2022-23
Actual & Estimated Resources			
Balance Forward From Prior Year	1,828,017	1,451,802	1,828,017
Current Resources:			
Tax Revenues	25,271,955	26,141,976	51,413,931
Non-Tax Revenues	711,927	708,557	1,420,484
Subtotal - Non-Dedicated Revenue	25,983,882	26,850,533	52,834,415
Dedicated Revenue	5	5	10
Transfers In	148,782	27,251	176,033
Prior Year Adjustments	37,406	37,406	74,812
Subtotal - Other Revenue	186,193	64,662	250,855
Subtotal-Current Resources	26,170,075	26,915,195	53,085,270
Total Resources Available	**27,998,092**	**28,366,997**	**54,913,287**
Actual & Estimated Spending			
E-12 Education	10,580,361	10,732,110	21,312,471
Higher Education	1,702,914	1,702,914	3,405,828
Property Tax Aids & Credits	2,159,185	2,195,472	4,354,657
Health & Human Services	8,859,033	9,228,593	18,087,626
Public Safety & Judiciary	1,268,932	1,268,932	2,537,864
Transportation	124,556	124,556	249,112
Environment	165,651	165,467	331,118
Agriculture & Housing	121,421	121,421	242,842
Jobs, Economic Development & Commerce	164,197	163,152	327,349
State Government & Veterans	596,625	588,799	1,185,424
Debt Service	638,836	643,718	1,282,554
Capital Projects & Grants	169,579	170,630	340,209
Estimated Cancellations	-5,000	-15,000	-20,000
Total Expenditures & Transfers	**26,546,290**	**27,090,764**	**53,637,054**
Balance Before Reserves	**1,451,802**	**1,276,233**	**1,276,233**
Cash Flow Account	350,000	350,000	350,000
Budget Reserve	1,885,950	1,885,950	1,885,950
Stadium Reserve	319,182	418,674	418,674
Budgetary Balance	**-1,103,330**	**-1,378,391**	**-1,378,391**

Biennial Comparison
Planning Estimates: Biennial Comaprison
($ in thousands)

	Nov FY 2022-23	Nov FY 2024-25	$ Change
Actual & Estimated Resources			
Balance Forward From Prior Year	3,443,990	1,828,017	-1,615,973
Current Resources:			
Tax Revenues	47,701,845	51,413,931	3,712,086
Non-Tax Revenues	1,418,843	1,420,484	1,641
Subtotal - Non-Dedicated Revenue	49,120,688	52,834,415	3,713,727
Dedicated Revenue	10	10	0
Transfers In	298,424	176,033	-122,391
Prior Year Adjustments	74,812	74,812	0
Subtotal - Other Revenue	373,246	250,855	-122,391
Subtotal-Current Resources	49,493,934	53,085,270	3,591,336
Total Resources Available	**52,937,924**	**54,913,287**	**1,975,363**
Actual & Estimated Spending			
E-12 Education	20,591,371	21,312,471	721,100
Higher Education	3,406,128	3,405,828	-300
Property Tax Aids & Credits	4,199,537	4,354,657	155,120
Health & Human Services	16,506,937	18,087,626	1,580,689
Public Safety & Judiciary	2,537,863	2,537,864	1
Transportation	249,552	249,112	-440
Environment	331,663	331,118	-545
Agriculture & Housing	242,842	242,842	0
Jobs, Economic Development & Commerce	315,208	327,349	12,141
State Government & Veterans	1,174,638	1,185,424	10,786
Debt Service	1,256,945	1,282,554	25,609
Capital Projects & Grants	317,223	340,209	22,986
Estimated Cancellations	-20,000	-20,000	0
Total Expenditures & Transfers	**51,109,907**	**53,637,054**	**2,527,147**
Balance Before Reserves	**1,828,017**	**1,276,233**	**-551,784**
Cash Flow Account	350,000	350,000	0
Budget Reserve	1,885,950	1,885,950	0
Stadium Reserve	229,662	418,674	189,012
Budgetary Balance	**-637,595**	**-1,378,391**	**-740,796**

FY 2018-25 Planning Horizon
Planning Horizon: By Biennium
($ in thousands)

	Nov FY 2020-21	Nov FY 2022-23	Nov FY 2024-25
Actual & Estimated Resources			
Balance Forward From Prior Year	3,971,359	3,443,990	1,828,017
Current Resources:			
Tax Revenues	44,834,937	47,701,845	51,413,931
Non-Tax Revenues	1,543,287	1,418,843	1,420,484
Subtotal - Non-Dedicated Revenue	46,378,224	49,120,688	52,834,415
Dedicated Revenue	800	10	10
Transfers In	585,083	298,424	176,033
Prior Year Adjustments	135,993	74,812	74,812
Subtotal - Other Revenue	721,876	373,246	250,855
Subtotal-Current Resources	47,100,100	49,493,934	53,085,270
Total Resources Available	**51,071,459**	**52,937,924**	**54,913,287**
Actual & Estimated Spending			
E-12 Education	19,880,902	20,591,371	21,312,471
Higher Education	3,407,129	3,406,128	3,405,828
Property Tax Aids & Credits	3,905,331	4,199,537	4,354,657
Health & Human Services	13,772,147	16,506,937	18,087,626
Public Safety & Judiciary	2,562,198	2,537,863	2,537,864
Transportation	349,370	249,552	249,112
Environment	344,594	331,663	331,118
Agriculture & Housing	251,759	242,842	242,842
Jobs, Economic Development & Commerce	366,978	315,208	327,349
State Government & Veterans	1,437,579	1,174,638	1,185,424
Debt Service	1,055,625	1,256,945	1,282,554
Capital Projects & Grants	308,857	317,223	340,209
Other	0	0	0
Estimated Cancellations	-15,000	-20,000	-20,000
Total Expenditures & Transfers	**47,627,469**	**51,109,907**	**53,637,054**
Balance Before Reserves	**3,443,990**	**1,828,017**	**1,276,233**
Cash Flow Account	350,000	350,000	350,000
Budget Reserve	2,377,319	1,885,950	1,885,950
Stadium Reserve	80,861	229,662	418,674
Appropriations Carried Forward	0	0	0
Budgetary Balance	**635,810**	**-637,595**	**-1,378,391**

Historical and Projected Revenue Growth
November 2020 Forecast - General Fund
($ in millions)

	Actual FY 2018	Actual FY 2019	Actual FY 2020	Nov FY 2021	Nov FY 2022	Nov FY 2023	Pling FY 2024	Pling FY 2025	Average Annual
Individual Income Tax	$11,784	$12,405	$12,094	$12,669	$13,029	$13,542	$14,137	$14,641	
$ change	852	622	(311)	575	360	513	595	503	
% change	**7.8%**	**5.3%**	**-2.5%**	**4.8%**	**2.8%**	**3.9%**	**4.4%**	**3.6%**	**3.4%**
Sales Tax	$5,453	$5,762	$5,746	$5,756	$6,104	$6,373	$6,598	$6,850	
$ change	48	309	(17)	10	349	268	225	253	
% change	**0.9%**	**5.7%**	**-0.3%**	**0.2%**	**6.1%**	**4.4%**	**3.5%**	**3.8%**	**2.9%**
Corporate Tax	$1,315	$1,660	$1,580	$1,494	$1,446	$1,499	$1,601	$1,645	
$ change	109	345	(80)	(87)	(48)	53	103	44	
% change	**9.1%**	**26.3%**	**-4.8%**	**-5.5%**	**-3.2%**	**3.6%**	**6.9%**	**2.7%**	**0.2%**
Statewide Property Tax	$811	$811	$753	$801	$772	$768	$768	$768	
$ change	(47)	(1)	(57)	47	(28)	(5)	0	0	
% change	**-5.5%**	**-0.1%**	**-7.1%**	**6.3%**	**-3.5%**	**-0.6%**	**0.0%**	**0.0%**	**-1.5%**
Other Tax Revenue	$1,885	$1,961	$1,904	$2,038	$2,057	$2,112	$2,167	$2,237	
$ change	53	76	(58)	134	19	54	56	70	
% change	**2.9%**	**4.0%**	**-2.9%**	**7.1%**	**0.9%**	**2.6%**	**2.6%**	**3.2%**	**2.2%**
Total Tax Revenue	$21,248	$22,600	$22,077	$22,758	$23,409	$24,293	$25,272	$26,142	
$ change	1,015	1,352	(522)	681	651	884	979	870	
% change	**5.0%**	**6.4%**	**-2.3%**	**3.1%**	**2.9%**	**3.8%**	**4.0%**	**3.4%**	**2.7%**
Non-Tax Revenues	$814	$879	$817	$726	$706	$713	$712	$709	
$ change	(5)	65	(62)	(91)	(20)	7	(1)	(3)	
% change	**-0.6%**	**8.0%**	**-7.0%**	**-11.1%**	**-2.8%**	**0.9%**	**-0.1%**	**-0.5%**	**-1.3%**
Transfers, All Other	$235	$264	$256	$466	$187	$187	$186	$65	
$ change	(47)	29	(8)	210	(279)	0	(0)	(122)	
% change	**-16.6%**	**12.3%**	**-3.0%**	**81.8%**	**-59.9%**	**0.1%**	**-0.3%**	**-65.3%**	**-4.7%**
Total Revenue	$22,297	$23,743	$23,150	$23,950	$24,302	$25,192	$26,170	$26,915	
$ change	963	1,446	(592)	799	352	891	978	745	
% change	**4.5%**	**6.5%**	**-2.5%**	**3.5%**	**1.5%**	**3.7%**	**3.9%**	**2.8%**	**2.5%**

Historical and Projected Spending Growth
November 2020 Forecast - General Fund
($ in millions)

	Actual FY 2018	Actual FY 2019	Actual FY 2020	Nov FY 2021	Nov FY 2022	Nov FY 2023	Pling FY 2024	Pling FY 2025	Average Annual
E-12 Education	$9,233	$9,588	$9,836	$10,045	$10,190	$10,402	$10,580	$10,732	
$ change	332	355	248	209	144	212	179	152	
% change	**3.7%**	**3.8%**	**2.6%**	**2.1%**	**1.4%**	**2.1%**	**1.7%**	**1.4%**	**2.9%**
Higher Education	$1,651	$1,642	$1,693	$1,714	$1,703	$1,703	$1,703	$1,703	
$ change	95	(9)	51	20	(11)	-	(0)	-	
% change	**6.1%**	**-0.5%**	**3.1%**	**1.2%**	**-0.6%**	**0.0%**	**0.0%**	**0.0%**	**1.6%**
Prop. Tax Aids & Credits	$1,724	$1,927	$1,867	$2,039	$2,087	$2,112	$2,159	$2,195	
$ change	49	203	(60)	172	49	25	47	36	
% change	**2.9%**	**11.8%**	**-3.1%**	**9.2%**	**2.4%**	**1.2%**	**2.2%**	**1.7%**	**3.6%**
Health & Human Services	$6,622	$6,677	$7,035	$6,737	$8,167	$8,340	$8,859	$9,229	
$ change	678	55	359	(299)	1,430	173	519	370	
% change	**11.4%**	**0.8%**	**5.4%**	**-4.2%**	**21.2%**	**2.1%**	**6.2%**	**4.2%**	**5.9%**
Public Safety & Judiciary	$1,130	$1,226	$1,237	$1,325	$1,269	$1,269	$1,269	$1,269	
$ change	(3)	96	11	88	(56)	0	-	-	
% change	**-0.3%**	**8.5%**	**0.9%**	**7.1%**	**-4.2%**	**0.0%**	**0.0%**	**0.0%**	**2.9%**
Debt Service	$563	$550	$540	$516	$632	$625	$639	$644	
$ change	34	(13)	(10)	(25)	116	(6)	13	5	
% change	**6.4%**	**-2.4%**	**-1.8%**	**-4.5%**	**22.5%**	**-1.0%**	**2.1%**	**0.8%**	**0.4%**
All Other	$1,424	$1,444	$1,570	$1,474	$1,300	$1,311	$1,337	$1,319	
$ change	124	20	125	(95)	(174)	11	26	(18)	
% change	**9.5%**	**1.4%**	**8.7%**	**-6.1%**	**-11.8%**	**0.8%**	**2.0%**	**-1.3%**	**1.1%**
Total Spending	$22,347	$23,054	$23,778	$23,849	$25,347	$25,763	$26,546	$27,091	
$ change	1,308	707	724	72	1,498	416	783	544	
% change	**6.2%**	**3.2%**	**3.1%**	**0.3%**	**6.3%**	**1.6%**	**3.0%**	**2.1%**	**3.6%**

FY 2016-2025 Stadium Reserve Balance
November 2020 Forecast
($ in thousands)

	Actual FY 2016	Actual FY 2017	Actual FY 2018	Actual FY 2019	Actual FY 2020	Projected FY 2021	Projected FY 2022	Projected FY 2023	Projected FY 2024	Projected FY 2025
Actual & Estimated Resources										
Beginning Balance	32,634	22,535	26,821	44,171	55,075	55,700	80,861	150,319	229,662	319,182
Prior Year Adjustments	0	0	0	0	42	0	0	0	0	0
Current Resources:										
Gambling Revenue	19,389	26,989	38,675	52,835	42,494	56,550	91,050	101,050	111,250	121,350
Sales Tax Exemption for Construction Equipment	-11,834	-1,583	0	0	0	0	0	0	0	0
Retained City of Minneapolis Revenue	0	0	0	0	0	10,662	21,215	21,635	22,031	22,366
Corporate Franchise Tax Revenue	20,000	20,000	20,000	0	0	0	0	0	0	0
Cigarette Floor Stocks Tax Reserve Deposit	0	0	0	0	0	0	0	0	0	0
Current Resources	**27,555**	**45,406**	**58,675**	**52,835**	**42,494**	**67,212**	**112,265**	**122,685**	**133,281**	**143,716**
Actual & Estimated Spending										
Debt Service	30,154	30,158	29,923	30,158	30,156	30,157	30,154	30,155	30,152	30,151
Total Payments for City Stadium Obligations	7,500	7,623	7,947	8,177	8,260	8,260	8,673	9,107	9,428	9,791
St. Paul Sports Facilities Grants	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700
Problem Gambling Appropriations	563	639	756	897	794	935	1,280	1,380	1,482	1,583
Total Uses	**40,917**	**41,120**	**41,325**	**41,932**	**41,910**	**42,052**	**42,807**	**43,342**	**43,762**	**44,225**
Sources Minus Uses	**-13,362**	**4,286**	**17,350**	**10,903**	**584**	**25,160**	**69,458**	**79,343**	**89,519**	**99,491**
Expenses Covered By General Fund[1]	3,263	0	0	0	0	0	0	0	0	0
Use of the Reserve	[10,099]	0	0	0	0	0	0	0	0	0
Stadium Reserve Balance	**22,535**	**26,821**	**44,171**	**55,075**	**55,700**	**80,861**	**150,319**	**229,662**	**319,182**	**418,674**

[1] Per M.S. 297E.021, Subd. 4, the Commissioner of Minnesota Management and Budget, after consultation with the Legislative Commission on Planning and Fiscal Policy, has authority to use funds in the stadium reserve for uses related to the stadium. In FY 2015 and FY 2016 reserve funds were used to reimburse the general fund to the extent that current year revenues were not sufficient to cover stadium related expenses. St. Paul Sports Facilities Grants and problem gambling appropriations are not stadium related so reserve funds were not used to cover those expenses.