BUDGET AND ECONOMIC FORECAST

MINNESOTA

NOVEMBER 2022

Produced by Minnesota Management and Budget

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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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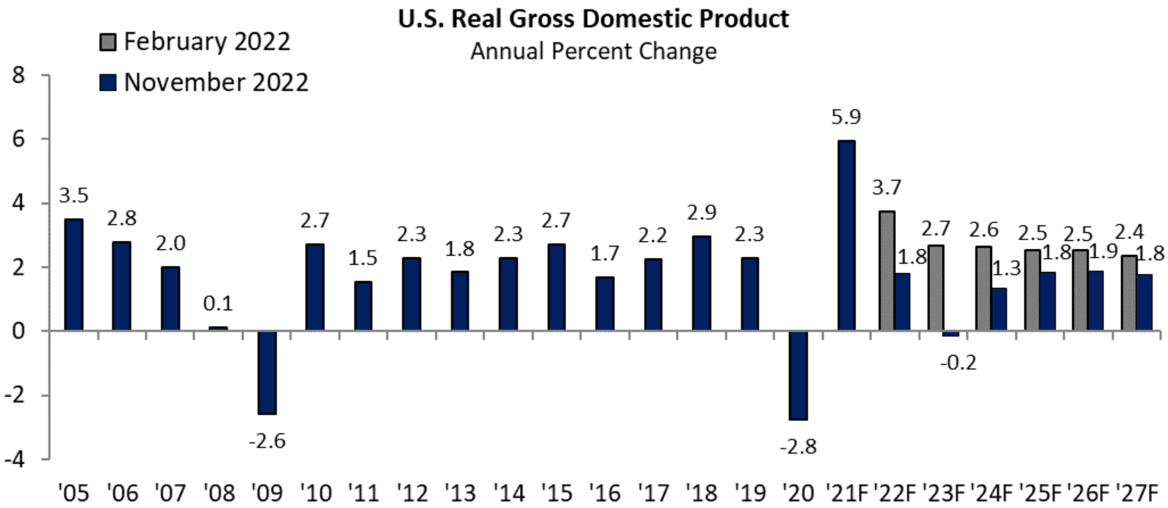
EXECUTIVE SUMMARY

Minnesota's budget and economic outlook remains stable and resilient. Strong collections and lower than projected spending add $4.556 billion to the general fund bottom line in the current biennium. Despite a mild U.S. recession projected for 2023 and a lower tax revenue forecast in the next biennium, the large leftover surplus from the current biennium carries into FY 2024-25 and combines with significant structural balance to generate a projected $17.616 billion balance available for the next budget. Revenues are forecast to exceed spending throughout the five year budget horizon, but slower projected economic growth through 2027 poses risk to the forecast.

U.S. Economic Outlook. Since Minnesota's *Budget and Economic Forecast* was last prepared in February, the global and U.S. economies have seen dramatic changes. These include the Russian invasion of Ukraine, high inflation, and six Federal Reserve actions to raise interest rates. As a result of these factors, the outlook for U.S. real GDP has weakened. IHS Markit (IHS), Minnesota's macroeconomic consultant now expects tighter financial conditions to weaken investment in interest rate-sensitive sectors (such as housing), inducing a mild, three-quarter recession beginning in the fourth quarter of 2022. In their November forecast, IHS expects annual real GDP to grow 1.8 percent this year, less than half of the 3.7 percent growth they expected in the February forecast. IHS expects real GDP to decline 0.2 percent next year, as the U.S. economy moves through a recession, with unemployment rising to 5.7 percent. In February, IHS expected real GDP to increase 2.7 percent in 2023 and unemployment to average 3.5 percent.

IHS expects this will be a mild recession by historical standards, with a 0.7 percent peak-to-trough decline in real GDP, compared to the average, pre-2008 recessionary decline of 1.7 percent. A weak recovery is forecast to begin in the third quarter of 2023. They forecast real GDP to increase 1.3 percent in 2024, half the growth rate they expected in February. Slower growth is projected through the years of our forecast, with average annual increases in real GDP of 1.9 percent in 2025-27, down from an average of 2.5 percent per year in the prior forecast. This is due to lower forecasts for both productivity—which has notably declined this year—and the size of the U.S. labor force. This slower growth makes the economy more vulnerable to negative shocks, as there is less room for the economy to recover from a setback than when growth is faster.

This recession is expected to be investment-driven, with declines in investment spending in 2022, 2023, and 2024. Within investment, the residential sector is assumed to be hit hardest by tightened financial conditions. IHS expects consumer spending to grow 1.9 percentage points more slowly in each of 2023 and 2024 than they forecast in February, although it does not decline in either year.



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

IHS now expects U.S. real GDP to grow 1.8 percent in 2022, a 1.9 percentage point decrease from IHS' February baseline forecast. IHS expects GDP to decline 0.2 percent in 2023, followed by 1.3 percent growth in 2024, and an average of 1.8 percent growth in years 2025-2027.

In early 2022, the Russian invasion of Ukraine disrupted supply of natural gas and some agricultural commodities, exacerbating already high food and energy price inflation. In recent months inflation has expanded to the services sector including airfare, medical services, housing, and transportation. IHS now expects annual CPI inflation of 8.1 percent in 2022, 3.6 percentage points higher than they forecast in February. Since the middle of the year, oil prices have fallen, helping to bring CPI inflation down from its summertime peak. IHS expects slower economic growth, supply-chain normalization, and the eventual softening of labor market conditions to continue to bring down inflation. They forecast CPI inflation to fall to 4.3 percent in 2023 and further to 2.7 percent in 2024. They expect CPI inflation to average 2.2 percent annually in years 2025 to 2027.

To combat high inflation, the Federal Reserve has raised their policy rate, the federal funds rate, six times this year including four consecutive 75 basis-point increases. These actions have resulted in a cumulative increase of 375 basis points, bringing the target range to 3.75 to 4.0 percent. IHS now expects the Fed to raise its policy rate range to 4.75 to 5.0 percent by March 2023. In the IHS November forecast, the Fed reverses course in the spring of 2024 and brings the rate below 3.0 percent in 2025.

Although IHS expects real GDP to decline in the fourth quarter of 2022 and the first two quarters of 2023, they expect that real consumer spending will continue to post growth in 2022 and 2023. The outlook for consumer spending assumes that higher consumer loan interest rates and rising unemployment will restrain spending growth in 2023.

During March and April 2020, the U.S. shed 22.0 million jobs. Since May 2020, the U.S. has added jobs nearly every month. In August 2022, the U.S. surpassed the pre-pandemic level of employment. In January through July 2022, the U.S. added an average of 457,000 jobs per month. Employment growth has decelerated, adding an average of 289,000 jobs per month in the past three months. IHS forecasts payroll employment to increase by 5.9 million in 2022, decline by

534,000 over the course of 2023 and 2024, and rise by an average of 729,000 jobs per year in years 2025-2027. With GDP declining in 2023, IHS expects the unemployment rate to rise to 5.7 percent by late 2024 before decelerating to 4.5 percent by 2026.

The current baseline forecast hinges critically on the Fed's ability to curb inflation. IHS assumes the Fed will raise the fed funds rate to 4.85 percent by mid-2023 before gradually decelerating to below 3.0 percent in 2025. As a result, IHS expects inflation to slow to 4.3 percent in 2023 and 2.7 percent in 2024. If inflation persists above this level, the Fed may act more aggressively to raise interest rates than assumed in the baseline forecast.

Minnesota Economic Outlook. With the U.S. economic outlook now incorporating a three-quarter recession, the economic outlook for Minnesota has weakened since MMB's Budget and Economic Forecast was prepared in February 2022. Nevertheless, Minnesota's labor market remains one of the tightest in the nation, with the lowest unemployment rate and the fifth highest labor force participation rate in the U.S. As of October, Minnesota employers have added jobs for 13 consecutive months, growing employment 3.6 percent over the last 12 months and adding an average of 9,000 additional jobs per month in 2022. October posted the strongest month of 2022 to date, with an addition of 17,400 jobs in the state.

In this forecast, a weakened U.S. outlook for consumer spending, wage and salary growth, total employment, and personal income drives our expectation that Minnesota's employment and wage growth will decelerate in 2023 and 2024. An aging labor force constrains Minnesota's employment growth through the forecast horizon. Minnesota's economic outlook is informed by the IHS forecasts for both the U.S. and for Minnesota, data from the Minnesota Department of Economic and Employment Development (DEED), Quarterly Census of Employment and Wages (QCEW), Minnesota tax revenues, and our own forecast modelling.

Minnesota's seasonally adjusted October unemployment rate of 2.1 percent is the lowest among U.S. states and 1.6 percentage points below the U.S. unemployment rate of 3.7 percent.

The unemployment rate does not capture Minnesotans that have left the labor force, including retirements or those staying home to care for children. Since the onset of the pandemic in February 2020, Minnesota's labor force has fallen by 92,000, and the state's labor force participation rate has declined by 2.8 percentage points. Nevertheless, at 68.0 percent, Minnesota's labor force participation rate remains 5.8 percentage points above the U.S. rate of 62.2 percent and is the fifth highest among U.S. states. This means there is little slack in Minnesota's labor market compared to other parts of the country.

After growing 2.3 percent in 2021, we forecast that Minnesota employment will grow 3.1 percent this year, slow to 0.3 percent in 2023 and then flatten through 2024. From 2025 to 2027 we expect employment growth to average 0.5 percent, or 14,300 jobs per year. Minnesota's employment growth is constrained throughout the forecast horizon by lower levels of immigration into Minnesota and an aging labor force moving into retirement. Total Minnesota wage income, the sum of all wages distributed in the state, grew 7.2 percent in 2021. We expect strong wage growth to continue at a rate of 6.9 percent in 2022 before decelerating to 4.5 percent in 2023 and an average of 5.0 percent for years 2024-2027. Strong total wage growth along with slowing employment growth means that we expect increases in wage and salary income per worker.

Budget Outlook: Current Biennium. When the last *Budget and Economic Forecast* was released in February 2022, a surplus of $9.253 billion was projected for the current biennium. Legislative action appropriating supplemental spending and adjusting general fund resources in the 2022 session reduced the projected balance to $7.049 billion. Since then, actual collections have exceeded forecast and estimated spending has been reduced. With this release, the current biennium is now expected to conclude with a budgetary surplus of $11.605 billion.

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

($ in millions)	End of Session	November 2022 Forecast	$ Change
Beginning Balance	**$7,026**	**$7,026**	**$ -**
Forecast Revenues	56,655	59,928	3,273
Projected Spending	53,299	51,779	(1,521)
Budget Reserve	2,656	2,852	196
Cash Flow Account	350	350	-
Stadium Reserve	327	368	41
Forecast Balance	**$7,049**	**$11,605**	**$4,556**

Revenues. Total general fund revenues for FY 2022-23 are now forecast to be $59.928 billion, $3.273 billion (5.8 percent) more than the February 2022 forecast. Total tax revenues for the biennium are forecast to be $57.303 billion, $2.709 billion (5.0 percent) above the prior estimate. The forecasts for Minnesota's three largest tax types are higher than in February. This is the third forecast of FY 2022-23 since FY 2022 began on July 1, 2021. After 16 months of observed collections, fiscal year-to-date tax and non-tax revenues for FY 2022-23 are $39.582 billion, 66 percent of the total expected over the biennium. These higher revenues raise the base—or starting point—for our forecasts of several tax types.

Current Biennium: FY 2022-23 General Fund Revenues
End-of-Session vs. November 2022 Forecast Comparison

($ in millions)	End-of-Session	November 2022 Forecast	$ Change	% Change
Individual Income Tax	$30,174	$31,959	$1,785	5.9%
General Sales Tax	13,822	14,092	269	1.9
Corporate Franchise Tax	4,427	5,183	756	17.1
State General Property Tax	1,536	1,534	-2	-0.1
Other Tax Revenue	4,635	4,535	-99	-2.1
Total Tax Revenues	**$54,594**	**57,303**	**2,709**	**5.0%**
Non-Tax Revenues	1,626	2,116	490	30.1
Other Resources	435	509	75	17.2
Total Revenues	**$56,655**	**$59,928**	**$3,273**	**5.8%**

Net individual income tax receipts are now forecast to be $1.785 billion (5.9 percent) more than the February forecast adjusted for law changes. The increase is primarily due to a higher estimate of base year (TY 2021) tax liability and higher forecast growth in non-wage income.

Our higher estimate of base year income tax liability is informed by higher-than-expected tax receipts through FY 2022. At the close of FY 2022, net income tax revenue was $2.396 billion (16.5 percent) more than forecast. The positive variance was primarily due to higher-than-expected income tax payments and lower than expected refunds for tax year 2021. So far in FY 2023, net income tax receipts are $58.8 million (1.3 percent) more than forecast.

Net general sales tax revenue in FY 2022-23 is now forecast to be $269 million (1.9 percent) more than the prior estimate. Both an increase in forecast gross sales tax receipts and a reduction in expected refunds contribute to the change. The increased forecast in the current biennium for gross sales tax receipts reflects higher than expected gross receipts so far in FY 2023 and a higher near-term forecast for taxable sales compared to February. Using forecasts for spending on a wide range of taxable goods and services, we construct the Minnesota synthetic sales tax base, a proxy for the actual sales tax base. The synthetic base grew 1.1 percentage points faster in FY 2022 than we forecast in February. In this forecast the base is expected to grow 0.9 percentage points faster in FY 2023 than we expected in February.

The corporate franchise tax is forecast to generate $5.183 billion in FY 2022-23, $756 million (17.1 percent) more than the prior estimate. A higher base of gross corporate tax receipts is the primary driver of this change. At the close of FY 2022, net corporate tax receipts exceeded the February forecast (adjusted for law changes) by $447 million (18.8 percent). Year-to-date net receipts for FY 2023 are $93 million above the law-change-adjusted prior forecast.

Non-tax revenues in FY 2022-23 are now expected to be $490 million (30.1 percent) higher than our February forecast. This is primarily due to an increased forecast for investment income, which is expected to be $412 million higher than our prior estimate. Higher expected interest rates and a larger cash balance drive this forecast change.

The current forecast for FY 2024-25 total revenues is $410 million (0.7 percent) more than the end-of-session estimate. Total tax revenues for the next biennium are forecast to be $288 million (0.5 percent) below the prior estimate. A lower forecast for individual income tax receipts, other tax revenues, and state general property tax revenues are partially offset by higher forecasts for general sales tax revenues and corporate tax receipts. A forecast change of $701 million (44.8 percent) in non-tax revenues more than offsets the lower forecast for tax revenues.

Next Biennium: FY 2024-25 General Fund Revenues

End-of-Session vs. November 2022 Forecast Comparison

($ in millions)	**End-of-Session**	**November 2022 Forecast**	**$ Change**	**% Change**
Individual Income Tax	$33,140	$32,165	($975)	-2.9%
General Sales Tax	15,064	15,155	92	0.6
Corporate Franchise Tax	3,654	4,486	832	22.8
State General Property Tax	1,497	1,492	-5	-0.3
Other Tax Revenue	4,751	4,519	-232	-4.9
Total Tax Revenues	**$58,106**	**$57,818**	**($288)**	**-0.5%**
Non-Tax Revenues	1,565	2,266	701	44.8
Other Resources	200	197	-3	-1.6
Total Revenues	**$59,871**	**$60,281**	**$410**	**0.7%**

In FY 2024-25, the income tax forecast is $975 million (2.9 percent) lower than the prior estimate. This change is primarily driven by lower assumed wage and non-wage income. In addition, the inflation measure that is used to index Minnesota tax brackets and other parameters is now forecast to be higher than it had been in February. This has the effect of reducing forecast liability in TY 2023 by $100 million (primarily lowering revenues in FY 2024) and TY 2024 by $318 million (primarily lowering revenues in FY 2025).

Net sales tax receipts for FY 2024-25 are now forecast to be $92 million (0.6 percent) more than the prior estimate. The change is due to a higher base of gross sales tax receipts from the higher forecast for FY 2022-23, which is partially offset by lower forecast growth in taxable sales for FY 2024-25.

Net corporate tax receipts for FY 2024-25 are now forecast to be $832 million (22.8 percent) higher than the prior estimate. The change is due to a higher base of gross corporate tax receipts expected in FY 2022-23, which more than offsets a lower forecast for corporate profits.

As in the current biennium, a higher forecast for investment income drives a $701 million (44.8 percent) increase in expected non-tax revenues in FY 2024-25.

Expenditures. Total spending in the FY 2022-23 biennium is lower than prior estimates. Expenditures in the current biennium are now expected to be $51.778 billion, a reduction of $1.521 billion (2.9 percent) from end-of-session estimates.

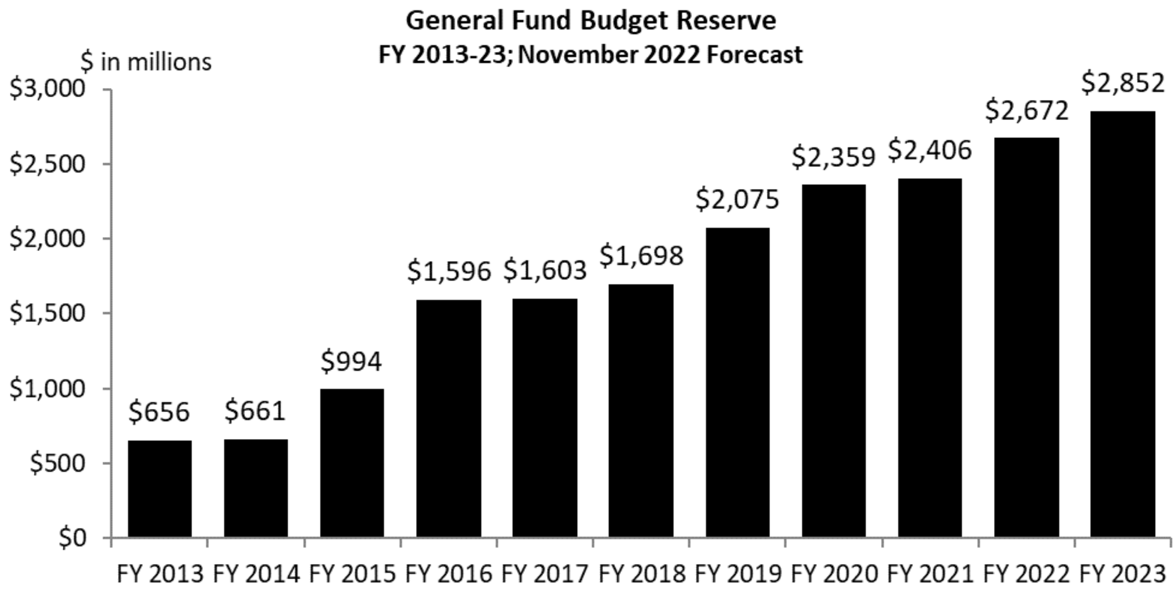
A $1.103 billion (6.8 percent) reduction in estimated spending for health and human services (HHS) and a $280 million (1.4 percent) reduction in estimated spending for E-12 education account for nearly all of the overall reduction in spending in the FY 2022-23 biennium.

Changes for the current biennium for other spending were modest. Debt service expenditures are $43 million (3.6 percent) lower than previous estimates primarily due to slower-than-expected spending on capital projects, resulting in a smaller-than-expected August 2022 bond sale. Property tax aids and credits spending is $5 million (0.1 percent) lower than expected largely attributable to FY 2022 actual payments for the homestead credit refund and renters' property tax refund coming in lower than expected.

Current Biennium: FY 2022-23 General Fund Expenditures
Change from End-of-Session Estimates

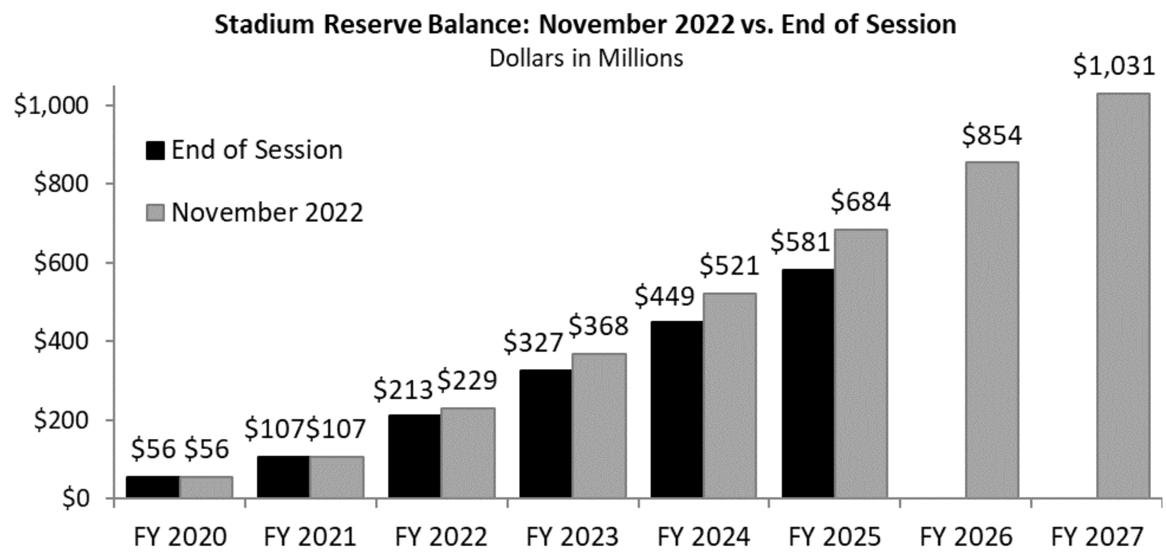
($ in millions)	**End of Session**	**November 2022 Forecast**	**$ Change**	**% Change**
E-12 Education	$20,503	$20,223	$(280)	(1.4)%
Property Tax Aids & Credits	4,654	4,649	(5)	(0.1)
Health & Human Services	16,337	15,234	(1,103)	(6.8)
Debt Service	1,183	1,140	(43)	(3.6)
All Other	10,622	10,532	(90)	(0.8)
Total Expenditures	**$53,299**	**$51,778**	**$(1,521)**	**(2.9)%**

Reserves. 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 $2.852 billion. Given the reserve balance at the end of FY 2022 was below the new target level, funds from the projected surplus are allocated so that the reserve balance is now at the target level of $2.852 billion. The cash flow account balance is unchanged at $350 million.



Over the last 10 years the reserve balance has significantly largely increased due to a law change that sets a reserve target based on the volatility of the state's revenue sources and allows for automatic allocation to the reserve when there is a projected balance at the time to the November Budget and Economic Forecast. The reserve balance as of this release is $2.852 billion after an allocation of $196 million in FY 2023.

The FY 2023 projected balance of the stadium reserve account is $368 million, $41 million higher than end-of-session estimates. In FY 2022, lawful gambling revenue available for stadium uses was $145 million. Annual lawful gambling revenue available for stadium uses is expected to grow to $199 million by the end of FY 2027.



The stadium general reserve account was expected to grow year over year when end of session estimates were released. With revenues for stadium uses increasing at a faster rate in the November 2022 forecast versus previous end of session estimates, the reserve is now projected to grow to $1.031 billion by the end of FY 2027.

Total state expenditures for the stadium, including those the state makes on behalf of the City of Minneapolis, were $43 million in FY 2022 and are expected to be $45 million per year through FY 2027. All revenue in excess of spending amounts is allocated to the stadium reserve. In FY 2023, $139 million is expected to be added to the stadium reserve. By FY 2027 the amount allocated to the reserve is expected to be $177 million. Given the increasing allocation amounts, the stadium reserve balance is expected to reach $1.031 billion by FY 2027.

Next Biennium: FY 2024-25 General Fund Budget
Change From End-of-Session Estimates

($ in millions)	End of Session	November 2022 Forecast	$ Change
Beginning Balance	**$10,382**	**$15,175**	**$4,794**
Forecast Revenues	59,871	60,281	410
Projected Spending	54,553	53,953	(600)
Balance Before Reserve	**$15,699**	**$21,503**	**$5,804**
Budget Reserve	2,656	2,852	196
Cash Flow Account	350	350	-
Stadium Reserve	581	684	103
Budgetary Balance	**$12,112**	**$17,616**	**$5,504**

Budget Outlook: Next Biennium. At the end of the 2022 legislative session, the general fund balance for the next biennium was projected to reach $12.112 billion. The larger projected surplus for the current biennium, along with reduced base spending estimates and a small forecast revenue increase result in a projected balance of $17.616 billion. The majority of the projected balance in the FY 2024-25 biennium is due to the $11.605 billion unallocated surplus left-over from FY 2022-23. Of the projected balance, only $6.011 billion is generated by revenues forecast for the biennium less base spending estimates.

The projected FY 2024-25 balance is not considered a surplus because it is estimated using projected revenues and base spending estimates before appropriations for the FY 2024-25 budget are enacted by the 2023 legislature. The projected balance is a starting point for the Governor's budget recommendations and the legislature's budget setting process. When compared to revised forecast estimates for the current biennium, general fund revenue in FY 2024-25 is projected to increase $353 million (0.9 percent) while spending is expected to grow $2.175 billion (4.2 percent) compared to the current biennium.

Next Biennium: FY 2024-25 General Fund Budget
Biennial Comparison; November 2022 Forecast

($ in millions)	FY 2022-23	FY 2024-25	$ Change	% Change
Beginning Balance	**$7,026**	**$15,175**	**$8,149**	**116.0%**
Revenues				
Taxes	57,303	57,818	515	0.9
Non-Tax Revenues	2,116	2,266	151	7.1
Transfers, Other Resources	509	197	(313)	(61.4)
Total Revenues	**$59,928**	**$60,281**	**$353**	**0.6%**
Expenditures				
E-12 Education	20,223	21,252	1,029	5.1
Property Tax Aids	4,649	4,473	(176)	(3.8)
Health & Human Services	15,234	17,811	2,578	16.9
Debt Service	1,140	1,147	7	0.6
All Other	10,533	9,271	(1,262)	(12.0)
Total Expenditures	**$51,779**	**$53,953**	**$2,175**	**4.2%**
Budget Reserve	2,852	2,852	-	
Cash Flow Account	350	350	-	
Stadium Reserve	368	684	316	
Budgetary Balance	**$11,605**	**$17,616**	**$6,011**	

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.

Revenues. The current forecast for FY 2024-25 total revenues is $410 million (0.7 percent) more than the end-of-session estimate. Total tax revenues for the next biennium are forecast to be $288 million (0.5 percent) below the prior estimate. A lower forecast for individual income tax receipts, other tax revenues, and state general property tax revenues are partially offset by higher forecasts for general sales tax revenues and corporate tax receipts. A forecast change of $701 million (44.8 percent) in non-tax revenues more than offsets the lower forecast for tax revenues.

Next Biennium: FY 2024-25 General Fund Revenues
End-of-Session vs. November 2022 Forecast Comparison

($ in millions)	End-of-Session	November 2022 Forecast	$ Change	% Change
Individual Income Tax	$33,140	$32,165	$(975)	-2.9%
General Sales Tax	15,064	15,155	92	0.6
Corporate Franchise Tax	3,654	4,486	832	22.8
State General Property Tax	1,497	1,492	(5)	-0.3
Other Tax Revenue	4,751	4,519	(232)	-4.9
Total Tax Revenues	**$58,106**	**$57,818**	**$(288)**	**-0.5%**
Non-Tax Revenues	1,565	2,266	701	44.8
Other Resources	200	197	(3)	-1.6
Total Revenues	**$59,871**	**$60,281**	**$410**	**0.7%**

The income tax forecast change is due to both lower forecast gross income tax receipts—driven by lower income growth—and higher forecast refunds. Growth in both wage and non-wage income sources are lower in this forecast than in February. Compared to our February forecast, wage income combined with UI benefits on Minnesota tax returns is forecast to be 2.3. 2.1, and 1.0 percent lower in CY 2023, 2024, and 2025, respectively.

Higher expected sales tax refunds partially offset higher expected gross sales tax receipts to bring the net sales tax forecast $92 million higher than the end-of-session estimate. The forecast change is due to a higher base of gross sales tax receipts from the higher forecast for FY 2022-23 partially offset by lower forecasted growth in taxable sales for FY 2024-25.

Net corporate receipts are now forecast to be $832 million (22.8 percent) more than the prior estimate. The forecast change is due to a higher base of gross corporate tax receipts expected in FY 2022-23, which offsets a lower forecast for corporate profits.

Expenditures. Base level expenditures in the next biennium are expected reach $53.953 billion, an increase of $2.175 billion (4.2 percent) compared to the current budget. The two largest expenditures, E-12 education and health and human services (HHS), drive the biennial growth. In HHS, growth in medical assistance spending (MA) drives the majority of the $2.578 billion (16.9 percent) change. E-12 spending is expected to grow $1.029 billion (5.1 percent) due to higher compensatory aid and special education spending. Spending for property tax aids and credits is expected to be $176 million (3.8 percent) lower than the current biennium due to $500 million in one-time payments to frontline workers in FY 2023. Offsetting the overall growth is $1.262 billion (12.0 percent) lower spending in the other areas of state government, due in large part to one-time spending in FY 2022-23.

Next Biennium: FY 2024-25 General Fund Expenditures
Biennial Comparison; November 2022 Forecast

($ in millions)	FY 2022-23	FY 2024-25	$ Change	% Change
E-12 Education	$20,223	$21,252	$1,029	5.1
Property Tax Aids & Credits	4,649	4,473	(176)	(3.8)
Health & Human Services	15,234	17,811	2,578	16.9
Debt Service	1,140	1,147	7	0.6
All Other	10,533	9,271	(1,262)	(12.0)
Total Expenditures	**$51,779**	**$53,953**	**$2,175**	**4.2%**

Compared to prior estimates spending in the FY 2024-25 biennium is expected to be down $598 million (1.1 percent). A reduction in HHS spending estimates, largely driven by lower managed care payments, explains more than all of the change. These reductions are partially offset by higher than anticipated spending in property tax aids and credits, primarily due to increases in the property tax refund program. E-12 spending is relatively unchanged, driven by two offsetting items: an increase in compensatory revenue and a decrease in projected pupils. Other areas of the state budget have little change compared to prior estimates.

Next Biennium: FY 2024-25 General Fund Expenditures
Change from End-of-Session

($ in millions)	End of Session	November 2022 Forecast	$ Change	% Change
E-12 Education	$21,242	$21,252	$9	0.0%
Property Tax Aids & Credits	4,343	4,473	130	3.0
Health & Human Services	18,533	17,811	(722)	(3.9)
Debt Service	1,149	1,147	(2)	(0.2)
All Other	9,286	9,272	(14)	(0.2)
Total Expenditures	**$54,553**	**$53,955**	**($598)**	**(1.1%)**

Budget Outlook: Planning Estimates. This forecast provides the first planning estimates for the FY 2026-27 biennium. While these estimates inherently carry a higher degree of uncertainty than estimates for FY 2023-25, they do present an outlook of longer run spending and revenue growth that will assist in budget planning when setting the FY 2024-25 budget.

Revenue projections for FY 2024-27 are based on IHS's February Baseline forecast for the planning years. Expenditure projections assume that current law funding levels and policies continue unchanged, adjusted for caseload and enrollment changes authorized in law, as well as formula-driven growth. The expenditure forecast does not assume cost growth outside of a few specific budget areas where assumptions for price increases or market conditions are specified by statute.

Planning Horizon: General Fund Budget
By Biennium, FY2024-27, November 2022 Forecast

($ in millions)	FY 2024-25	FY 2026-27	$ Change	Annual % Change
Forecast Revenues	$60,281	$64,591	$4,310	3.5%
Projected Spending	53,953	56,161	2,208	2.0%
Difference	**$6,327**	**$8,430**		
Estimated Inflation (CPI)[1]	*$1,552*	*$3,309*		

To highlight structural balance, the table shows forecast revenues and projected spending and excludes the impact of balances from prior years and reserves. In the FY 2024-25 biennium forecast revenue is expected to exceed base level spending by $6.327 billion and in FY 2026-27 the structural balance is expected to grow to $8.430 billion due to revenue growth outpacing base level spending growth.

Projected inflationary growth based on the Consumer Price Index is now forecast to be 3.0 percent in FY 2024 and 2.5 percent in FY 2025. In the planning biennium inflation growth is expected to be 2.2 percent per year in FY 2026 and FY 2027. After adjusting for programs with price increases included in the current law formula, applying the annual inflation rate – compounded over 2 and 4 years – would add approximately $1.552 billion in spending pressure to the FY 2024-25 biennium and $3.309 billion to FY 2026-27.

Since the biennial budget was enacted for the current biennium in the summer of 2021, actual inflation experienced in FY 2021-23 has been significantly higher than assumed when appropriations were set. The standard methodology used to calculate inflation in this document accounts for projected inflationary *growth* into the next biennium and the planning estimates (FY 2024-27) but does not factor in any changes in inflation for the current biennium since the budget for FY 2022-23 was enacted. The current circumstance, in which inflation in the current biennium is materially higher than when the budget was enacted, could result in state agencies and programs experiencing inflationary cost pressures that current appropriation levels do not anticipate and those cost pressures are not reflected in the base nor the calculated impact of inflation in FY 2024-27 base spending levels.

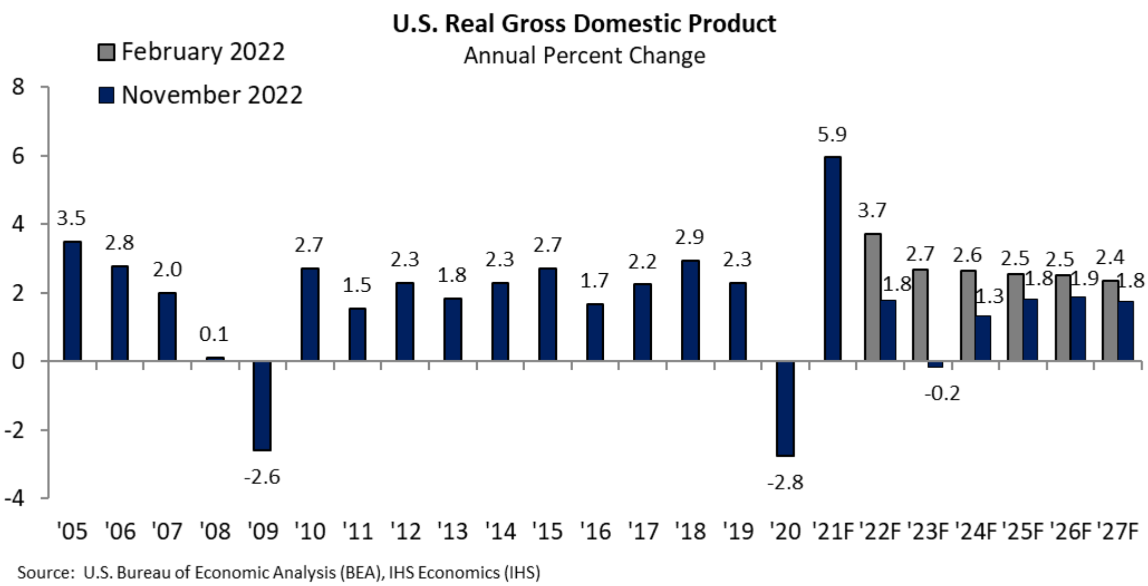
Planning estimates are not intended to predict surpluses or deficits four years into the future; rather, their purpose is to assist in determining how closely ongoing expenditures are likely to match future revenues based on trends in the economy and the level of spending that is needed to maintain programs and services. The FY 2026-27 planning estimates provide an important baseline against which the longer-term impacts and affordability of budget decisions can be measured.

[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 in HHS.

ECONOMIC OUTLOOK

U.S. Economic Outlook

Since Minnesota's *Budget and Economic Forecast* was last prepared in February, the global and U.S. economies have seen dramatic changes. These include the Russian invasion of Ukraine, high inflation, and six Federal Reserve actions to raise interest rates. As a result of these factors, the outlook for U.S. real GDP has weakened. IHS Markit (IHS), Minnesota's macroeconomic consultant now expects tighter financial conditions to weaken investment in interest rate-sensitive sectors (such as housing), inducing a mild, three-quarter recession beginning in the fourth quarter of 2022. In their November forecast, IHS expects annual real GDP to grow 1.8 percent this year, less than half of the 3.7 percent growth they expected in the February forecast. IHS expects real GDP to decline 0.2 percent next year, as the U.S. economy moves through a recession, with unemployment rising to 5.7 percent. In February, IHS expected real GDP to increase 2.7 percent in 2023 and unemployment to average 3.5 percent.



IHS now expects U.S. real GDP to grow 1.8 percent in 2022, a 1.9 percentage point decrease from IHS' February baseline forecast. IHS expects GDP to decline 0.2 percent in 2023, followed by 1.3 percent growth in 2024, and an average of 1.8 percent growth in years 2025-2027.

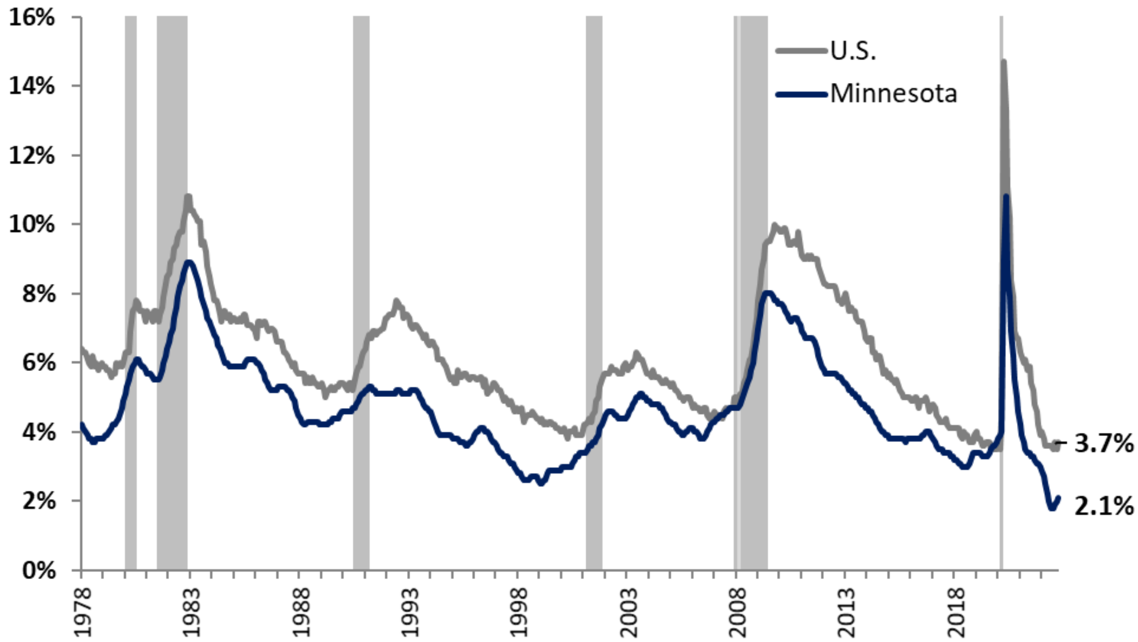
IHS expects this will be a mild recession by historical standards, with a 0.7 percent peak-to-trough decline in real GDP, compared to the average, pre-2008 recessionary decline of 1.7 percent. A weak recovery is forecast to begin in the third quarter of 2023. They forecast real GDP to increase

1.3 percent in 2024, half the growth rate they expected in February. Slower growth is projected through the years of our forecast, with average annual increases in real GDP of 1.9 percent in 2025-27, down from an average of 2.5 percent per year in the prior forecast. This is due to lower forecasts for both productivity—which has notably declined this year—and the size of the U.S. labor force.

During most of this year, IHS was forecasting "growth recession"—with GDP growth below potential and upward pressure on the unemployment rate. As of their November outlook, IHS is expecting a "true recession," with contracting real GDP. The downward revision in the near-term economic outlook between IHS' October and November forecasts is the result of three factors. First, persistently higher than anticipated inflation led the Federal Open Market Committee (FOMC) to increase the federal funds rate by 75 basis points at the November meeting, the fourth consecutive increase of this magnitude. Second, the FOMC signaled a commitment to fighting inflation even at the risk of a recession. Third, in response to these developments, financial market conditions tightened considerably. Stock and bond prices fell, the dollar appreciated, and spreads between Treasuries and private bonds have widened.

Unemployment Rate

Monthly, Seasonally Adjusted, October 2022



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

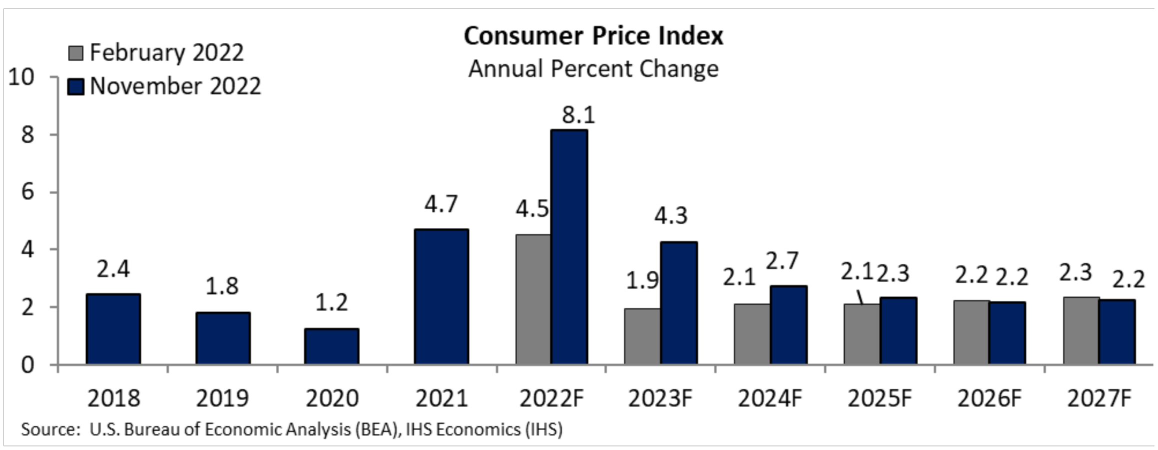
IHS expects this will be a mild recession by historical standards with a weak recovery beginning in the third quarter of 2023. Since the NBER began tracking U.S. recessions, there have been twelve recessions with an average peak-to-trough decline in real GDP for these twelve recessions of about 2.5 percentage points. The peak-to-trough decline in real GDP in IHS' near-term recession forecast is 0.7 percent with unemployment peaking at 5.7 percent in 2023.

This recession is expected to be investment-driven, with declines in investment spending in 2022, 2023, and 2024. Within investment, the residential sector is assumed to be hit hardest by tightened financial conditions. IHS expects consumer spending to grow 1.9 percentage points more slowly in each of 2023 and 2024 than they forecast in February, although it does not decline in either year.

BEA's third estimate of real GDP for the second quarter of 2022 shows a decline of 0.6 percent (annual rate), following a decline of 1.6 percent in the first quarter. IHS now expects real GDP to grow 2.6 percent in the third quarter and decline 0.4 percent in the fourth, compared to 2.9 and 2.7 percent growth in the February forecast. In this forecast, the fourth quarter of 2022 is the first of three consecutive quarters of real GDP contraction.

The Business Cycle Dating Committee of the National Bureau for Economic Research (NBER) maintains the history of U.S. business cycles including the peaks and troughs that define each recession. Since 1948, there have been twelve recessions with an average peak-to-trough decline in real GDP of about 2.5 percent. For the recessions following 2008, the average has been 1.7 percent. The peak-to-trough decline in real GDP in IHS' near-term recession forecast is 0.7 percent, which would make the recession mild by historical standards.

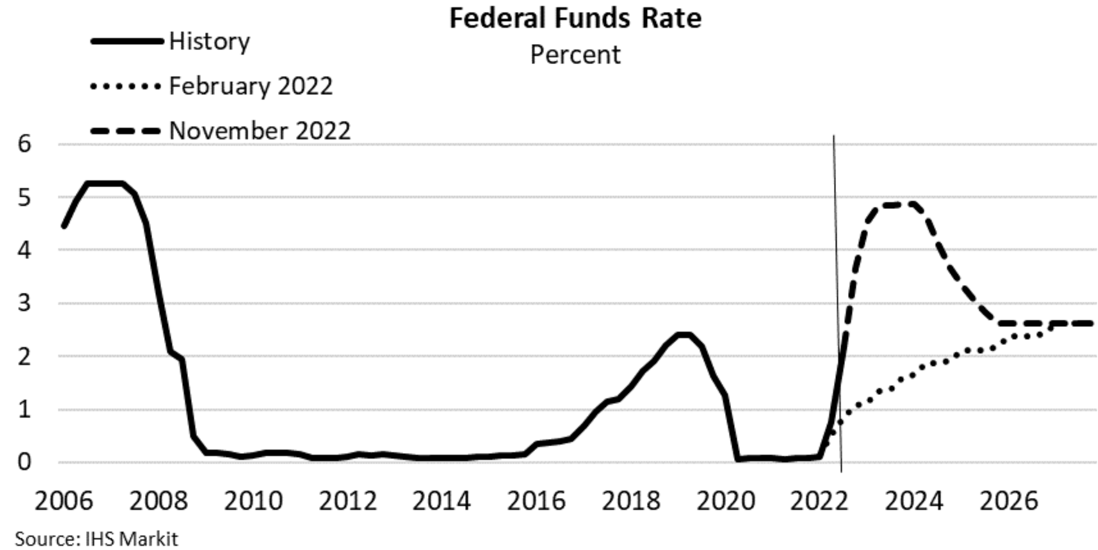
Inflation. In early 2022, the Russian invasion of Ukraine disrupted supply of natural gas and some agricultural commodities, exacerbating already high food and energy price inflation. In recent months inflation has expanded to the services sector including airfare, medical services, housing, and transportation. IHS now expects annual CPI inflation of 8.1 percent in 2022, 3.6 percentage points higher than they forecast in February. Since the middle of the year, oil prices have fallen, helping to bring CPI inflation down from its summertime peak. IHS expects slower economic growth, supply-chain normalization, and the eventual softening of labor market conditions to continue to bring down inflation. They forecast CPI inflation to fall to 4.3 percent in 2023 and further to 2.7 percent in 2024. They expect CPI inflation to average 2.2 percent annually in years 2025 to 2027.



IHS has raised their forecast of Consumer Price Index (CPI) inflation in 2022 to 8.1 percent from 4.5 percent in their February outlook. For 2023, they now expect 4.3 percent inflation compared to 1.9 percent in February. IHS expects slower economic growth, supply-chain normalization, and the eventual softening of labor market conditions to continue to bring down inflation.

Monetary Policy. To combat high inflation, the Federal Reserve has raised their policy rate, the federal funds rate, six times this year including four consecutive 75 basis-point increases. These actions have resulted in a cumulative increase of 375 basis points, bringing the target range to

3.75 to 4.0 percent. IHS now expects the Fed to raise its policy rate range to 4.75 to 5.0 percent by March 2023. In the IHS November forecast, the Fed reverses course in the spring of 2024 and brings the rate below 3.0 percent in 2025.



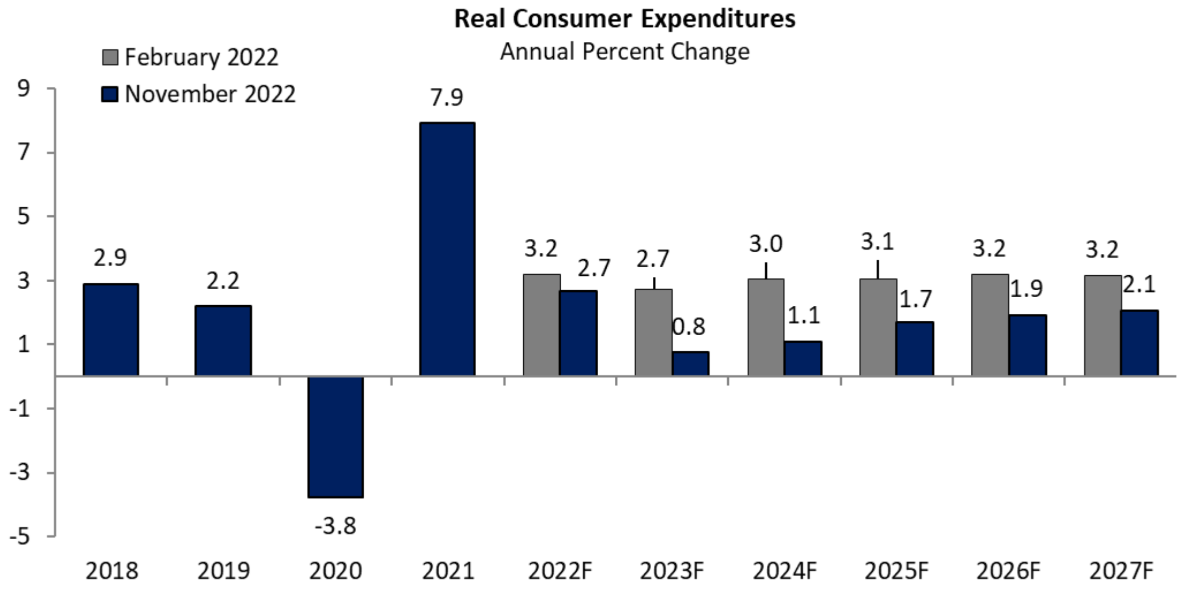
The Federal Reserve has increased its policy rate, the federal funds rate, by 375 total basis points since February 2022. In their current outlook, IHS now expects the Fed to raise its policy rate range to 4.75 to 5.0 percent by March 2023, before unwinding to fall below 3.0 percent in 2025.

Corporate Profits. Before-tax corporate profits grew 31 percent in 2021, and IHS expects profits will grow 9.4 percent in 2022. IHS expects corporate profits will continue to grow in the first quarter of calendar year 2023, followed by a three-quarter decline which will result in a year over year decline of 2.7 percent in 2023. IHS expects modest increases of 1.4 percent and 2.0 percent in 2024 and 2025.

Federal Fiscal Policy. The November IHS forecast reflects the impact of all federal relief packages enacted in 2020 as well as the $1.9 trillion American Recovery Plan (ARP) enacted in March 2021. The forecast also includes the impact of the Infrastructure Investment and Jobs Act (IIJA) enacted in November 2021, the Consolidated Appropriations Act of 2022 funding federal government for fiscal year 2022 enacted March 2022, the Inflation Reduction Act enacted in August 2022, and assumes current tax policy. IHS has not included the impact of student loan debt forgiveness in the baseline or alternative forecasts.

Real Consumer Spending. Although IHS expects real GDP to decline in the fourth quarter of 2022 and the first two quarters of 2023, they expect that real consumer spending will continue to post growth in 2022 and 2023. The outlook for consumer spending assumes that higher consumer loan interest rates and rising unemployment will restrain spending growth in 2023.

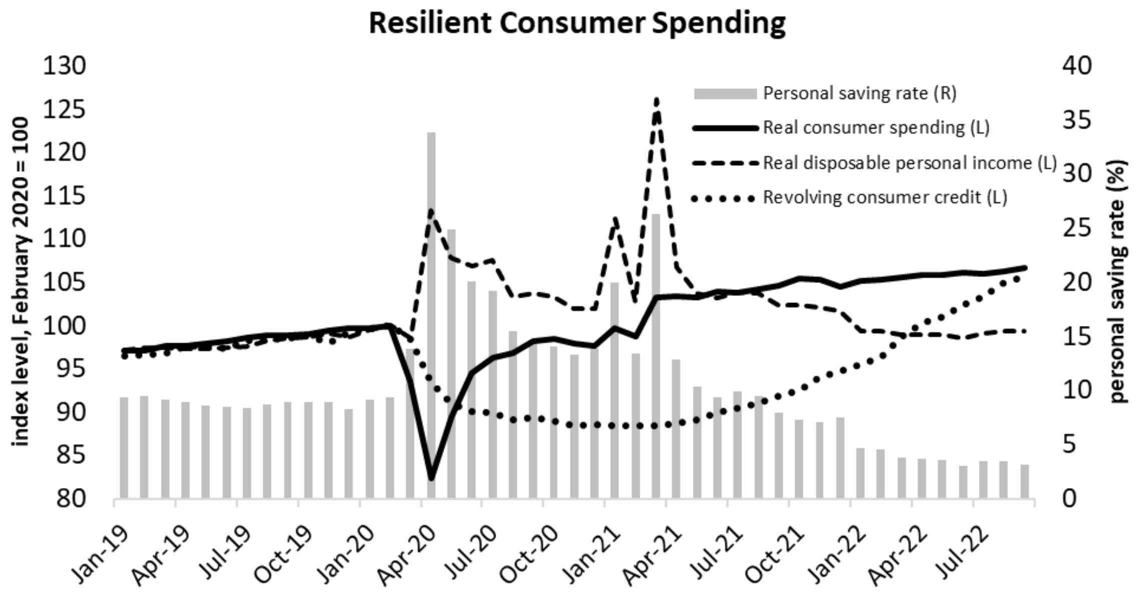
IHS now expects consumer spending to grow 2.7 percent in 2022, 0.8 percent in 2023, and 1.1 percent in 2024, a significant decrease from the February forecast. Growth then accelerates in years in years 2025-2027, averaging 1.9 percent annually, but still at lower rates than IHS expected in their February forecast. IHS expects consumer spending to remain the primary contributor to growth in the economy, even as they have lowered their consumer spending forecast.



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

> *IHS now expects consumer spending to grow 2.7 percent in 2022, 0.8 percent in 2023, and 1.1 percent in 2024, a significant decrease from the February forecast. Growth then accelerates in years in years 2025-2027, averaging 1.9 percent annually, but still at lower rates than IHS expected in February.*

Real consumer spending has remained resilient over the past year even in the face of high inflation. Spending has increased 2.1 percent over the first nine months of 2022, despite the fact that real disposable income has decreased 2.3 percent. This indicates that consumers are finding ways to continue spending even as prices outgrow nominal income. Two important ways that consumers have maintained their spending are by reducing their saving and increasing their use of credit to fund purchases. Revolving consumer credit has increased 11.6 percent in the first nine months of 2022 and is now 6.6 percent higher than in February 2020. The personal saving rate has averaged 3.7 percent in 2022, down from the extraordinarily high 2021 average rate of 11.8 percent.



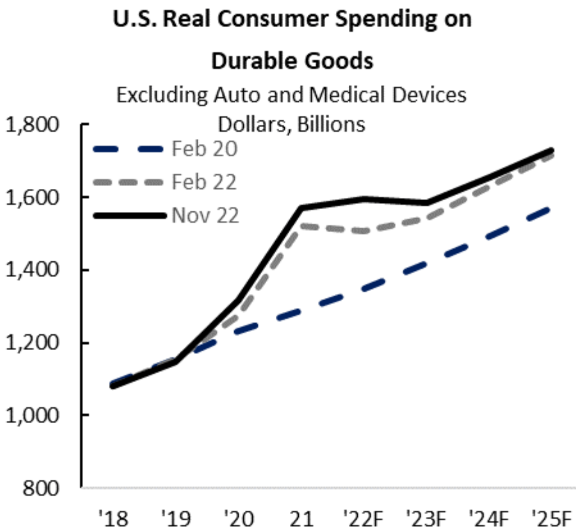
Source: U.S. Bureau of Economic Analysis (BEA), Federal

Real consumer spending has grown 2.1 percent over the first nine months of 2022, despite the fact that real disposable income has decreased 2.3 percent. Revolving consumer credit has increased 11.6 percent in 2022. The personal saving rate has averaged 3.7 percent in 2022 after averaging an extraordinarily high 11.8 percent in 2021.

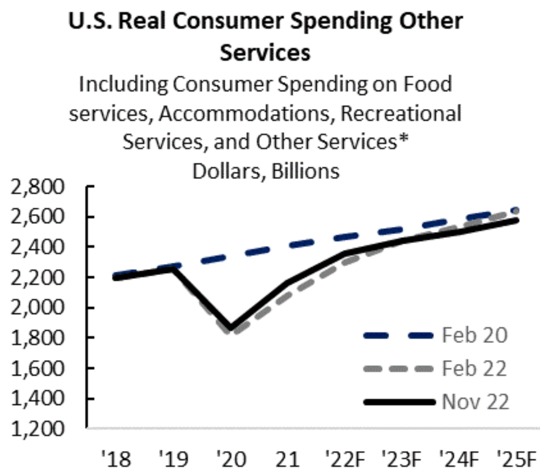
Real disposable personal income increased substantially during 2020 and 2021, increasing 6.2 percent and 1.9 percent respectively. Growth in disposable personal income was strongly influenced by pandemic-related government payments. Individuals benefited from federal transfer payments in the form of stimulus checks and emergency unemployment insurance benefits. IHS expects real disposable income to decline by 6.2 percent in 2022, as federal transfer payments significantly decline and consumers spend down savings in the face of rising prices over the course of the year. Declining food and gasoline prices are expected to support growth of real disposable income, which is forecast to grow at annual rates of 3.0 and 3.3 percent in 2023 and 2024, respectively.

The growth in disposable personal income in 2020 and 2021 was accompanied by a significant increase in personal saving. Between 2009 and 2019, the U.S. household saving rate averaged 7.2 percent annually. Fueled by federal transfer payments and limited opportunities to spend on services, the personal saving rate jumped to 16.8 percent in 2020 and remained at an elevated 11.8 percent in 2021. The personal savings rate has fallen over the course of 2022 and is expected to be 3.6 percent in 2022 and 5.2 percent in 2023, as consumers spend down excess savings.

During the pandemic, consumers shifted their spending from personal services and activities like entertainment, dining, and travel, to goods. This shift caused spending on durable and non-durable goods to substantially exceed their pre-pandemic peaks, and both types of spending remain at elevated levels. Spending on durable goods other than autos and medical devices grew 19.4 percent in 2021 and is expected to decelerate considerably to 1.5 percent in 2022 followed by a decline of 0.1 percent in 2023. Consumer spending on other services, which includes face-to-face services, such as such as food services, accommodations, and recreation, grew 14.8 percent in 2021 after a 19.7 percent decline in 2020. IHS expects consumer spending on other services to surpass pre-pandemic levels in 2022 and grow 10.4 percent in 2022 and 6.1 percent in 2023.



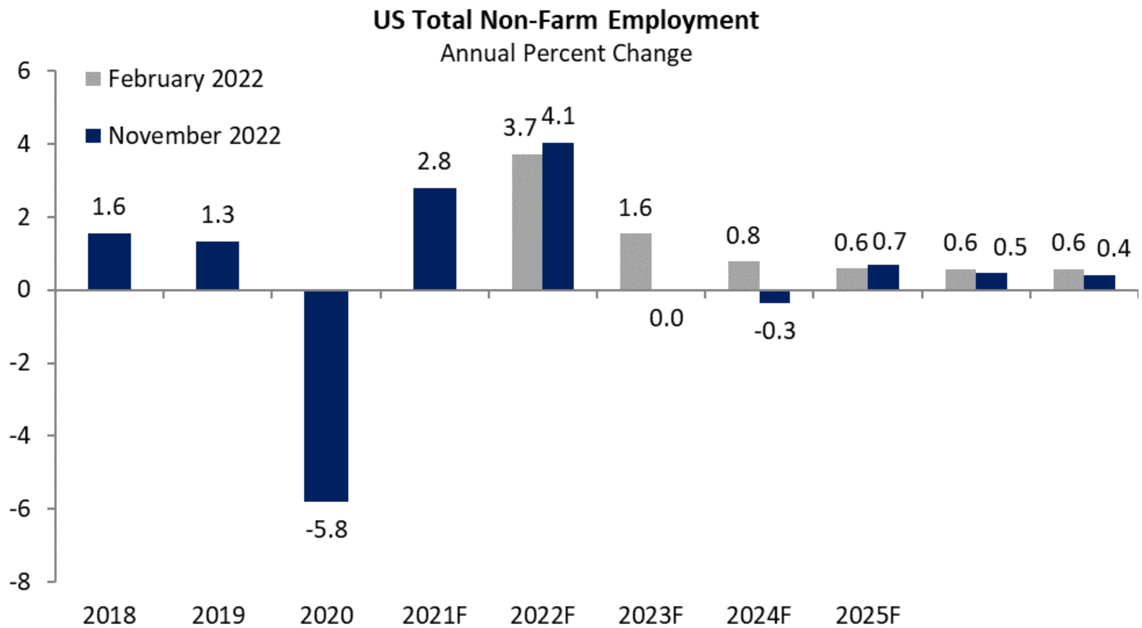
Source: U.S. Bureau of Economic Analysis (BEA), IHS Economics (IHS)



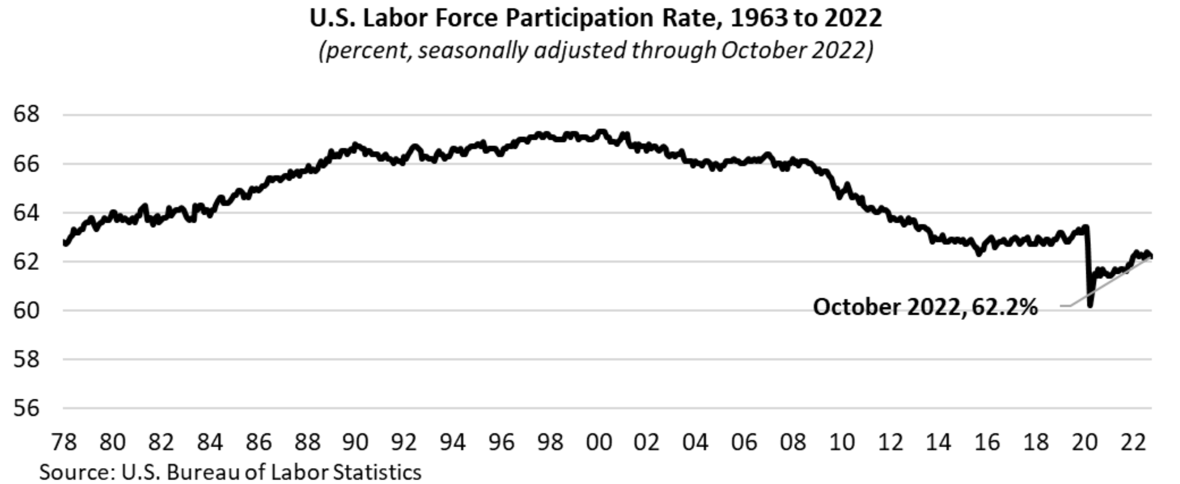
**Other services includes communication services, education services, professional and other services, personal care and clothing services, social services, and household maitenance services.*

Spending on durable goods other than autos and medical devices grew 19.4 percent in 2021 and is expected to decelerate considerably to 1.5 percent in 2022 followed by a decline of 0.1 percent in 2023. Consumer spending on other services, which includes face-to-face services, such as such as food services, accommodations, and recreation, grew 14.8 percent in 2021 after a 19.7 percent decline in 2020. IHS expects consumer spending on other services to surpass pre-pandemic levels in 2022 and grow 10.4 percent in 2022 and 6.1 percent in 2023.

Labor Market. During March and April 2020, the U.S. shed 22.0 million jobs. Since May 2020, the U.S. has added jobs nearly every month. In August 2022, the U.S. surpassed the pre-pandemic level of employment. In January through July 2022, the U.S. added an average of 457,000 jobs per month. Employment growth has decelerated, adding an average of 289,000 jobs per month in the past three months. IHS forecasts payroll employment to increase by 5.9 million in 2022, decline by 534,000 over the course of 2023 and 2024, and rise by an average of 729,000 jobs per year in years 2025-2027. With GDP declining in 2023, IHS expects the unemployment rate to rise to 5.7 percent by late 2024 before decelerating to 4.5 percent by 2026.



In August 2022, the U.S. surpassed the pre-pandemic level of employment. In January through July 2022, the US added an average of 457,000 jobs per month. Employment growth has decelerated, adding 289,000 jobs per month in the past three months. With GDP declining in 2023, IHS expects the unemployment rate to rise to 5.7 percent by late 2024 before decelerating to 4.5 percent by 2026.

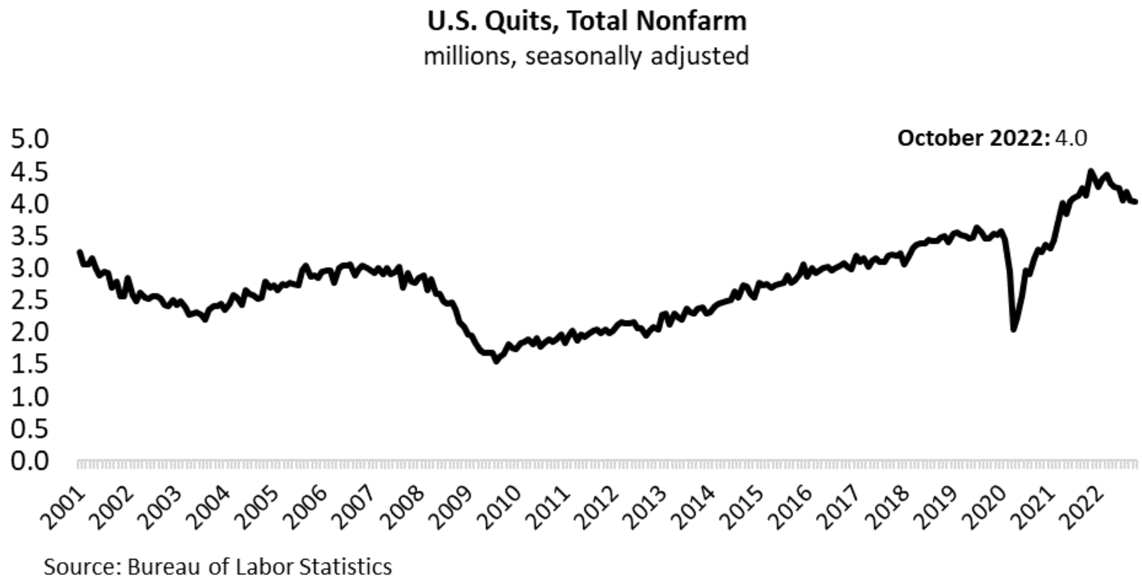


The U.S. labor force participation rate, the proportion of potential workers who were employed or unemployed and actively seeking employment, was 62.2 percent in October 2022. Despite rising wages and job openings near all-time highs, the participation rate remains below the pre-pandemic peak. An aging population is putting downward pressure on the labor force participation rate, a trend expected to continue throughout the forecast horizon.

Despite rising wages and job openings near all-time highs, the U.S. labor force participation rate, the proportion of potential workers who were employed or unemployed and actively seeking employment, was 62.2 percent in October 2022. The labor force participation rate remains below the pre-pandemic peak. An aging population is putting downward pressure on the labor force participation rate, a trend expected to continue throughout the forecast horizon.

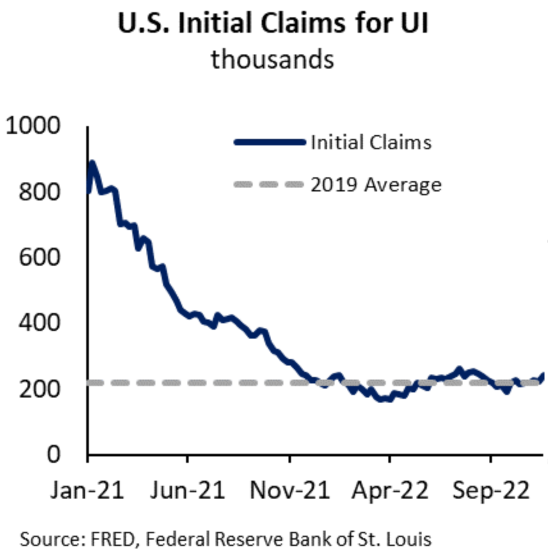
The number of unemployed persons classified as "permanent job losers"—people who self-report that they do not expect to return to work within six months—was 1.3 million in October, down from 2.1 million in October of last year. The number of workers on temporary layoff—those who do expect to return to work within six months—was 847,000.

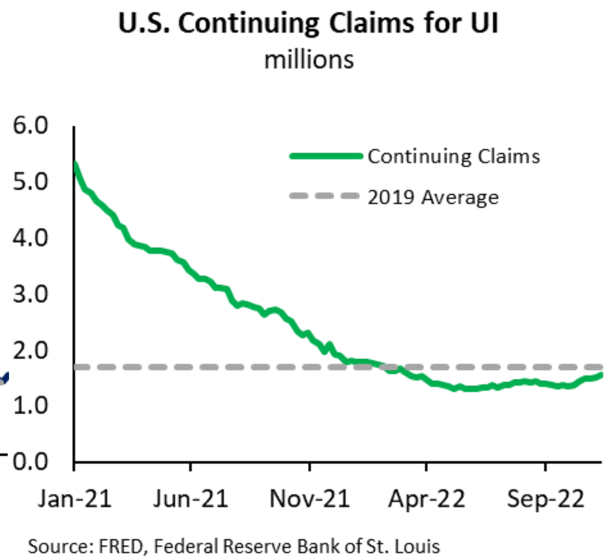
Historically high levels of quits in 2021 and 2022 have created a very dynamic labor market. Although the rate of quits has slowed throughout 2022, the quits rate has been historically high, with 4.2 million people quitting per month on average. The quits rate for October 2022, which measured the number of quits as a percent of total employment, was 2.6 percent. This measure peaked at 3.0 percent in November and December 2021 and is slowly moderating toward the 2019, pre-pandemic average of 2.3 percent. High levels of quits indicate a labor market in which individuals are comfortable leaving one job for higher wages elsewhere. As quits decline, inflation is more likely to ease, because the rate of wage growth will likely decelerate.



Historically high levels of quits in 2021 and 2022 have created a very dynamic labor market. Although the rate of quits has slowed throughout 2022, the quits rate has been historically high, with 4.2 million people quitting per month on average.

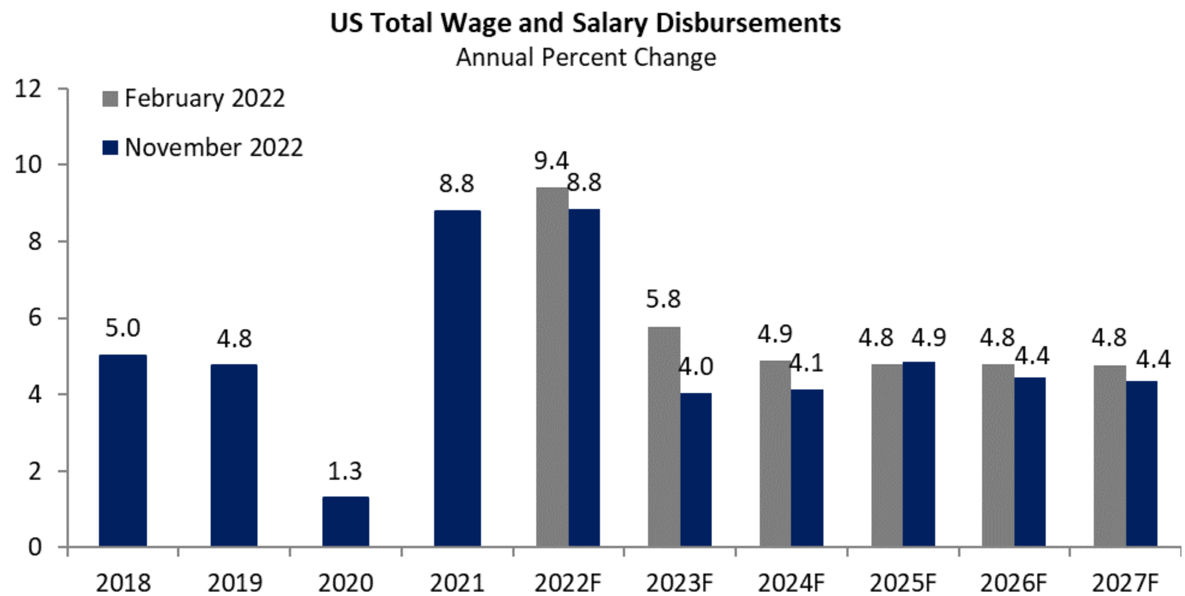
As quits increased to historically high levels in the second half of 2021, unemployment insurance (UI) claims continued to drop to more normal levels. Both U.S. initial claims for UI (claims filed by individuals after a separation from an employer) and continued claims for UI (claims filed by individuals after a week of continued unemployment) receded to pre-pandemic levels at the end of 2021. Initial claims have remained close to 2019 levels throughout 2022, and continued claims have remained at or below their 2019 levels. UI benefits comprised 5.5 percent of disposable personal income in the second quarter of 2020, and they have comprised 0.1 percent of disposable personal income in 2022. UI benefits averaged 0.2 percent of disposable personal income from 2015 to 2019.





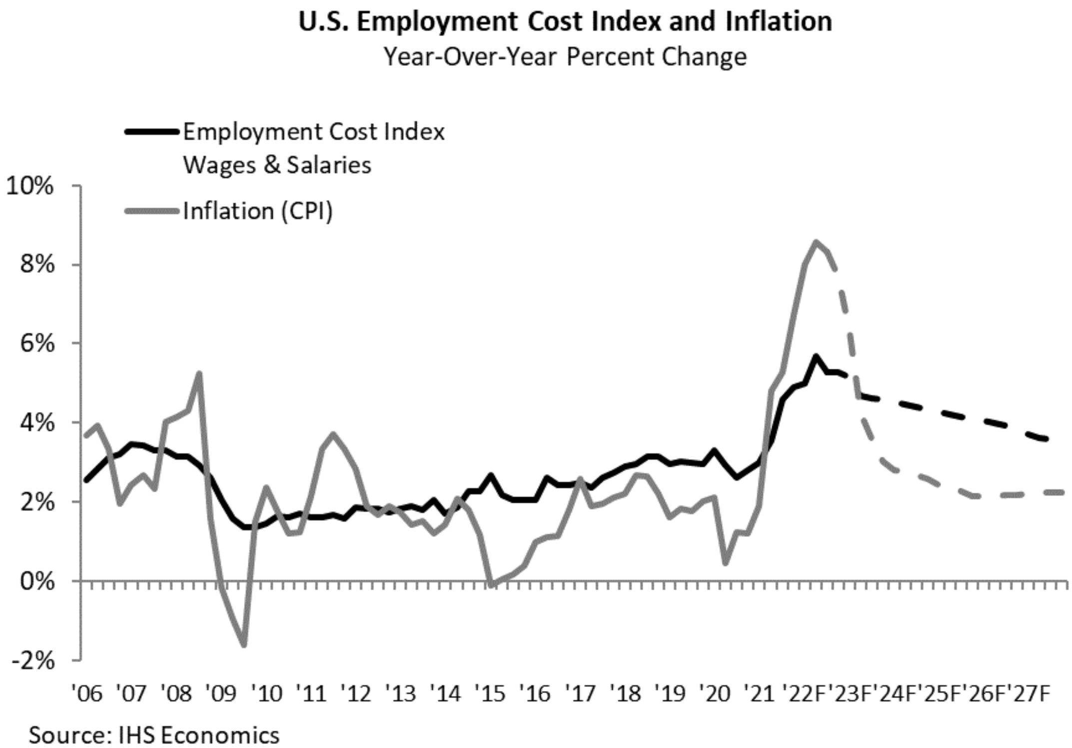
Unemployment insurance (UI) claims subsided to more normal levels over the course of 2021. Both initial claims for UI (claims filed by individuals after a separation from an employer) and continued claims for UI (claims filed by individuals after a week of continued unemployment) receded to pre-pandemic levels at the end of 2021. Initial claims have remained close to 2019 levels throughout 2022, and continued claims have remained at or below their 2019 levels.

Wage and Salary Income. Firm wage growth and household wealth continue to support consumer spending in this forecast. Since federal stimulus payments to households have ended, and UI benefits have decreased to more typical levels, IHS expects wage and salary income to be the primary driver of personal income growth during the forecast period. IHS has decreased their forecast for growth in total U.S. wage and salary disbursements compared to February. IHS expects wage income growth of 8.8 percent in 2022, a 0.6 percentage point decrease from the February forecast. The forecast for wage and salary income has also been revised down for years 2023 and 2024 to 4.0 and 4.1 percent respectively. IHS expects wage and salary growth to rebound to 4.9 percent in 2025 and average 4.4 percent in both 2026 and 2027.



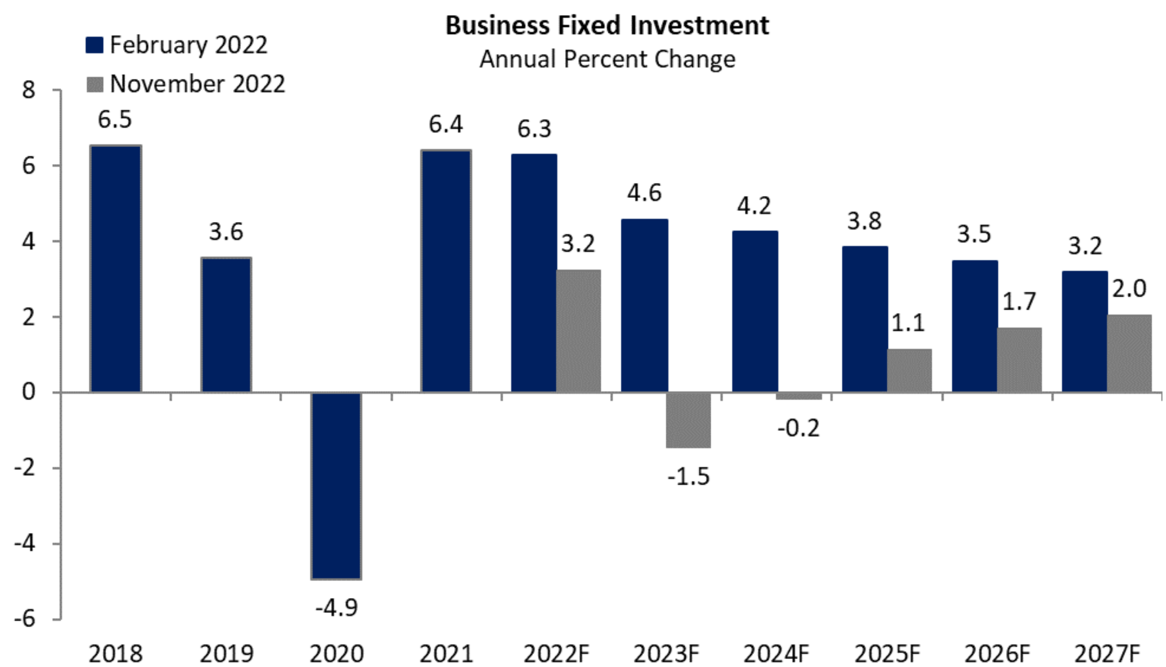
IHS expects wage income growth of 8.8 percent in 2022, a 0.6 percentage point decrease from the February forecast. The forecast for wage and salary income has been revised down for years 2023 and 2024, to 4.0 and 4.1 percent respectively.

The Employment Cost Index (ECI) is a quarterly measure of the change in the cost of labor, free from the influence of employment shifts among occupations and industries. The index is broken into two components, one for wages and one for benefits. The index shown below is the ECI for wages. The ECI reached 5.7 percent in the second quarter of 2022, a 40-year high. ECI fell to 5.3 percent in the third quarter of 2022. At the same time, the percent change in prices as measured by the CPI reached 8.6 percent in the second quarter of 2022, also a 40-year high. CPI also dropped modestly to 8.3 percent in the third quarter of 2022. The growth in prices as measured by the CPI has exceeded the growth in wages as measured by the ECI for the past six quarters. This suggests that by these two measures, while nominal wage growth has been strong, it has not outpaced inflation. However, IHS expects this trend will reverse and wages will grow faster than inflation beginning in the second quarter of 2023. IHS expects price growth will fall below three percent in 2024 and decelerate to 2.2 percent in years 2025-2027, below the wage growth expectation over the same period.



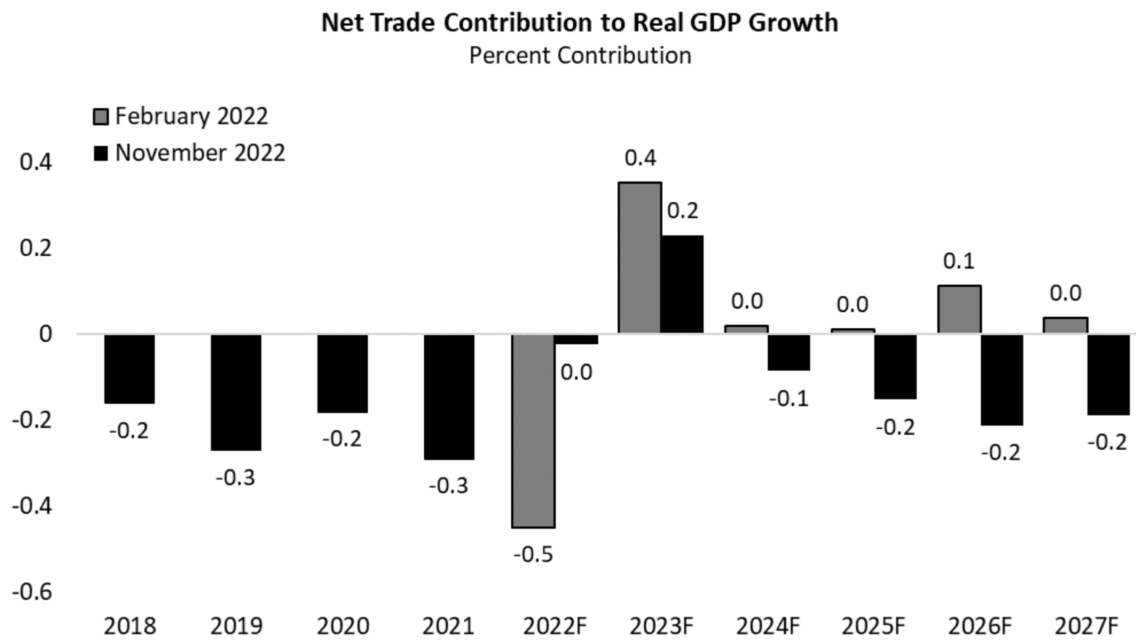
The growth in prices as measured by the CPI has exceeded the growth in wages as measured by the ECI for the past six quarters. This suggests that by these two measures, while nominal wage growth has been strong, it has not outpaced inflation. However, IHS expects this trend will reverse and wages will again grow faster than inflation beginning in the second quarter of 2023.

Real Business Fixed Investment. Real business fixed investment is expected to increase 3.2 percent in 2022 and decline 1.5 percent in 2023 and 0.2 percent in 2024. In years 2025-2027, business fixed investment growth is expected to average 1.6 percent growth per year. This is a dramatic departure from the February forecast and reflects the impact of tightening financial conditions on business fixed investment. Investment in petroleum and mining has been robust, reflecting recent increases in petroleum prices However, spending in other areas has been weak.



In their November outlook, IHS expects business fixed investment to be much weaker than expected in February because of tightening financial conditions. Real business fixed investment is expected to increase 3.2 percent in 2022 and decline 1.5 percent in 2023 and 0.2 percent in 2024.

International Trade. The trade deficit closed substantially between March and August, from a deficit of 107 billion dollars (an all-time high) to a deficit of 66 billion dollars. Lower imports account for most of the reduction. In 2021, supply chain problems caused imports to lagged goods demand. As supply chain issues eased, imports increased and became business inventory. Now, the demand for imported goods is easing and imports are falling and will not recover until the demand for goods recovers. In their November forecast, IHS expects export growth to outpace import growth in 2023 as U.S. demand for foreign products decreases. IHS expects net exports to be a drag on real GDP growth from 2024 through 2027, as U.S. demand for foreign goods once again grows faster than foreign demand for U.S. goods.



After representing a substantial drag on U.S. real GDP growth in the first quarter of 2022, net exports have boosted real GDP growth in the second and third quarters. IHS expects net exports to contribute positively to growth in the fourth quarter and in 2023 as US demand for foreign goods decreases. IHS expects net exports to again be a drag on the economy for years 2024 through 2027.

The nominal broad trade-weighted dollar index has strengthened considerably in 2022. This strength is partially due to rapidly rising U.S. interest rates, and partially due to the Russian invasion of Ukraine, which has increased the prices of U.S. exports (specifically oil and agricultural commodities) relative to imports. The index is expected to appreciate through early 2023 before gradually falling through 2027, supporting exports.

Major Trading Partner Exchange Rate

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

Source: Board of Governors of the Federal Reserve System, FRED (Federal Reserve Bank of St. Louis)

A significant rise in the dollar against U.S trading partners from 2014 to 2019 strengthened imports and weakened exports. After weakening in 2020 and 2021, the dollar has strengthened considerably in 2022. This strength is partially due to rapidly rising U.S. interest rates, and partially due to the Russian invasion of Ukraine, which has increased the prices of U.S. exports relative to imports. IHS expects the dollar to depreciate slightly from 2023 through 2027, supporting exports.

The IHS November baseline forecast for 2022 is similar to the November Blue Chip Consensus, the median of 50 business and academic forecasts. The November Blue Chip Consensus calls for 1.8 percent growth in 2022, equal to IHS' forecast for this year. IHS' forecast for 2023 is lower than the Blue Chip Consensus. IHS expects real GDP to decline 0.2 percent in 2022, 0.4 percentage points lower than the Blue Chip Consensus of 0.2 percent growth next year.

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

The current baseline forecast hinges critically on the Fed's ability to curb inflation. IHS assumes the Fed will raise the fed funds rate to 4.85 percent by mid-2023 before gradually decelerating to below 3.0 percent in 2025. As a result, IHS expects inflation to slow to 4.3 percent in 2023 and 2.7 percent in 2024. If inflation persists above this level, the Fed may act more aggressively to raise interest rates than assumed in the baseline forecast.

The Russian-Ukraine conflict poses risk to this forecast if it intensifies, leading to persistently higher energy prices and re-emergence of supply-chain issues.

In this outlook, real GDP is forecast to grow at below-2.0-percent annual rates through 2027. This slower growth makes the economy vulnerable to negative shocks, as there is less room for the economy to recover from a setback than when growth is faster.

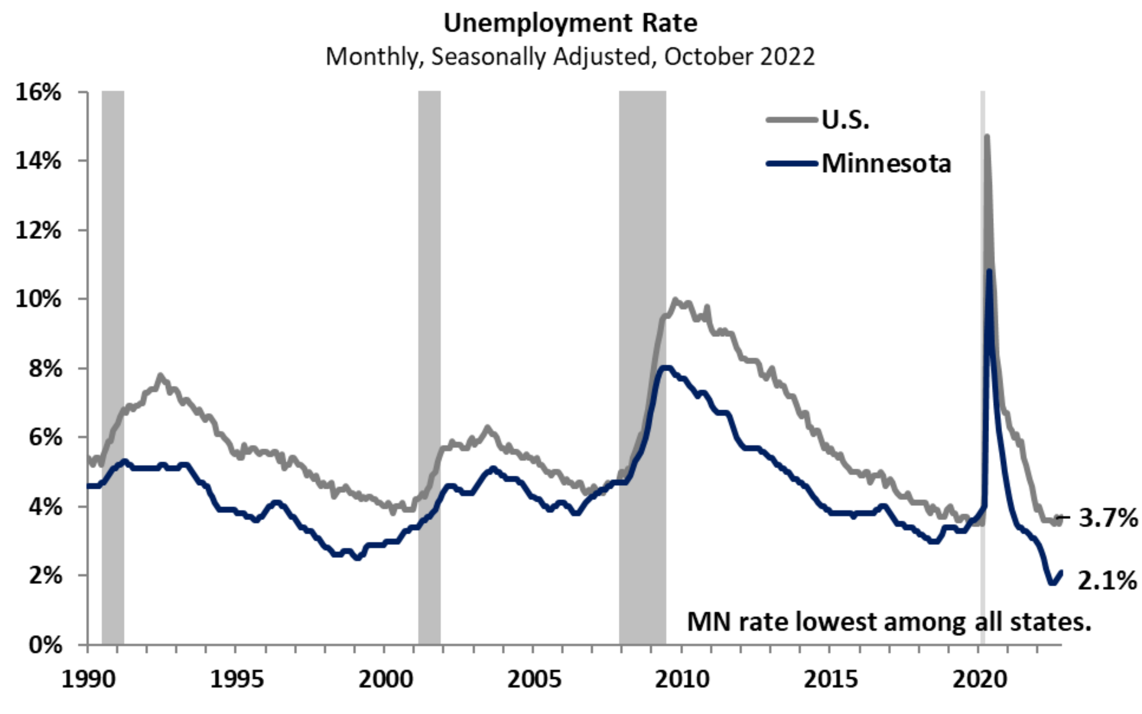
Other key assumptions of IHS' November outlook are: (1) the tariffs enacted by the U.S. and China since 2017 remain in effect, (2) global GDP growth slows from 3.1 percent in 2022 to 1.2 percent in 2023, and (3) the Brent crude oil price will continue to decelerate from a peak of $113/barrel in the second quarter of 2022 to $96/barrel in the fourth quarter of this year and subsiding to $90/barrel by the fourth quarter of 2023.

IHS assigns a 55 percent probability to the November baseline outlook. They assign a 30 percent probability to a more pessimistic scenario, characterized by (1) an intensification and continuation of the Russia-Ukraine conflict that generates persistently higher energy and commodity prices, wider risk spreads, and slower global growth, and (2) a slower resolution of existing supply-chain issues. In this scenario, GDP grows 1.7 percent in 2022 and contracts 1.1 percent in 2023, compared to 1.8 percent and -0.2 percent in the baseline scenario. In their more optimistic scenario, IHS assumes a stronger consumer and business response to the Infrastructure Investment and Jobs act (IIJA) and a quicker resolution to the Russia-Ukraine conflict. In this scenario, GDP grows 1.9 percent in 2022 and 0.7 percent in 2023. The optimistic scenario receives a 15 percent probability.

Minnesota Economic Outlook

With the U.S. economic outlook now incorporating a three-quarter recession, the economic outlook for Minnesota has weakened since MMB's *Budget and Economic Forecast* was prepared in February 2022. Nevertheless, Minnesota's labor market remains one of the tightest in the nation, with the lowest unemployment rate and the fifth highest labor force participation rate in the U.S. As of October, Minnesota employers have added jobs for 13 consecutive months, growing employment 3.6 percent over the last 12 months.

In this forecast, a weakened U.S. outlook for consumer spending, wage and salary growth, total employment, and personal income drives our expectation that Minnesota's employment and wage growth will decelerate in 2023 and 2024. An aging labor force constrains Minnesota's employment growth through the forecast horizon. Minnesota's economic outlook is informed by the IHS forecasts for both the U.S. and for Minnesota, data from the Minnesota Department of Economic and Employment Development (DEED), Quarterly Census of Employment and Wages (QCEW), Minnesota tax revenues, and our own forecast modelling.



Minnesota has the lowest unemployment rate in the U.S. The seasonally adjusted unemployment rate in MN was 2.1 percent in October 2022, a full 1.6 percentage points below the U.S. The unemployment rate does not capture Minnesotans that have left the labor force, including retirements or those who opted to stay home to care for children. Since the onset of the pandemic, Minnesota's labor force has fallen by 92,000.

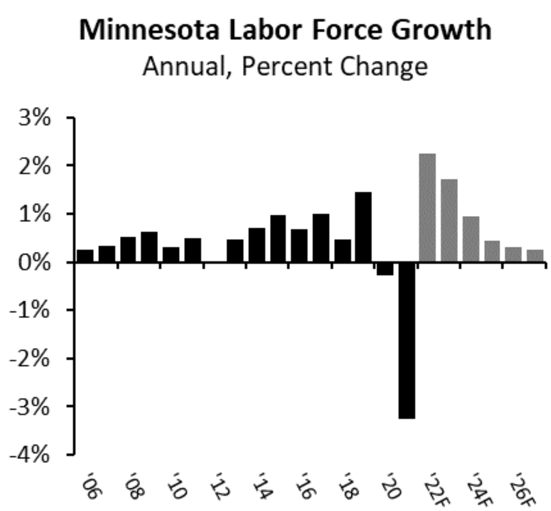
Labor Market. Minnesota has one of the tightest labor markets in the country, with the lowest unemployment rate among U.S. states (2.1 percent), the fifth highest labor force participation rate (68.0 percent) and more than two open positions for each unemployed individual in

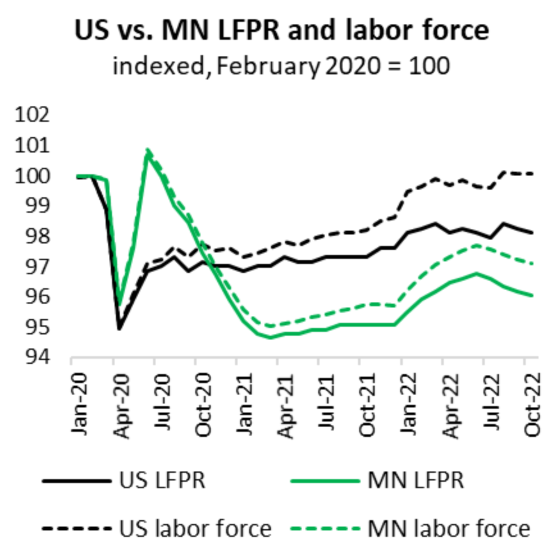
Minnesota. The state's employers have created an average of 9,000 jobs per month in 2022. October posted the strongest month of 2022 to date, with an addition of 17,400 jobs.

Minnesota lost 417,600 jobs in March and April 2020, approximately 14 percent of February 2020 payroll employment. Through October 2022, Minnesota has regained 376,600 of those jobs, or 90 percent of the payroll jobs lost during the pandemic recession, leaving employment 41,000 (1.4 percent) less than in February 2020. U.S. employment surpassed the February 2020 level in August 2022.

Minnesota's seasonally adjusted October unemployment rate of 2.1 percent is the lowest among U.S. states and 1.6 percentage points below the U.S. unemployment rate of 3.7 percent. The unemployment rate does not capture Minnesotans that have left the labor force, including retirements or those who opted to stay home to care for children.

Since the onset of the pandemic in February 2020, Minnesota's labor force has fallen by 92,000. This decline in the labor force can also be seen in the labor force participation rate, the share of the over-16 population that is either working or looking for work. As of October, Minnesota's labor force participation rate was 68.0 percent, 0.7 percentage points higher than a year ago and 2.8 percentage points lower than in February 2020. Nevertheless, Minnesota's labor force participation rate remains 5.8 percentage points above the U.S. rate of 62.2 percent and is the fifth highest among U.S. states. This means there is little slack in Minnesota's labor market compared to other parts of the country.

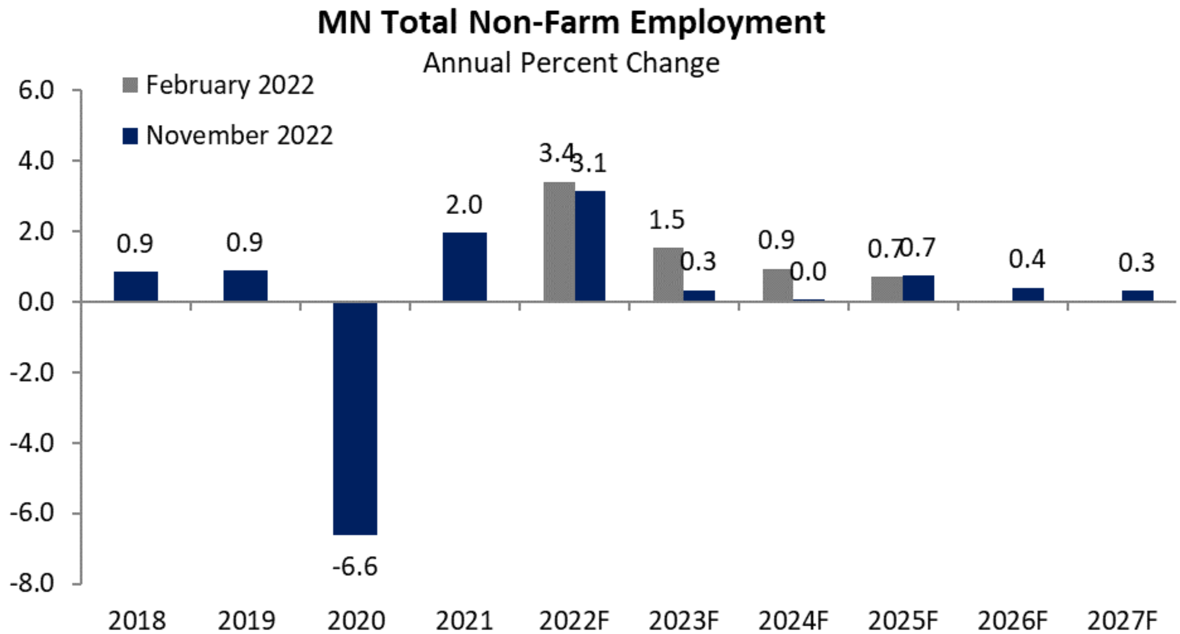




Source: Minnesota Department of Employment and Economic Development (DEED), Minnesota Management & Budget (MMB)

Minnesota's labor force participation rate remains 5.8 percentage points above the U.S. rate and the fifth highest among U.S. states. This means there is little slack in Minnesota's labor market compared to other parts of the country. Additionally, the forecast for growth in Minnesota's labor force is constrained by an aging population.

After growing 2.3 percent in 2021, we forecast that Minnesota employment will grow 3.1 percent (89,000 jobs) this year and slow to 0.3 percent (9,800 jobs) in 2023 and 0.0 percent (1,400 jobs) in 2024. From 2025 to 2027 we expect employment growth to average 0.5 percent, or 14,300 jobs per year. Minnesota's employment growth is constrained throughout the forecast horizon by lower levels of immigration into Minnesota and an aging labor force moving into retirement. The MMB model of the Minnesota economy incorporates preliminary information on forthcoming revisions to Minnesota's non-farm payroll employment, as well as personal income wages informed by new data from the Quarterly Census of Employment and Wages (QCEW) and income tax withholding collections since November.



After growing 2.3 percent in 2021, we forecast that Minnesota employment will grow 3.1 percent (89,000 jobs) this year and slow to 0.3 percent (9,800 jobs) in 2023 and 0.0 percent (1,400 jobs) in 2024. From 2025 to 2027 we expect employment growth to average 0.5 percent. Minnesota's employment growth is constrained throughout the forecast horizon by lower levels of immigration into Minnesota and an aging labor force moving into retirement.

Broader measures of unemployment can provide additional insights into characteristics of Minnesota's labor market. The most comprehensive measure of unemployment, which the 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 4.9 percent, down from 6.8 percent one year ago. All estimates of alternative measures of unemployment are provided in 12-month moving averages to increase the sample size for each measure, and as a result, improve the reliability of each statistic.

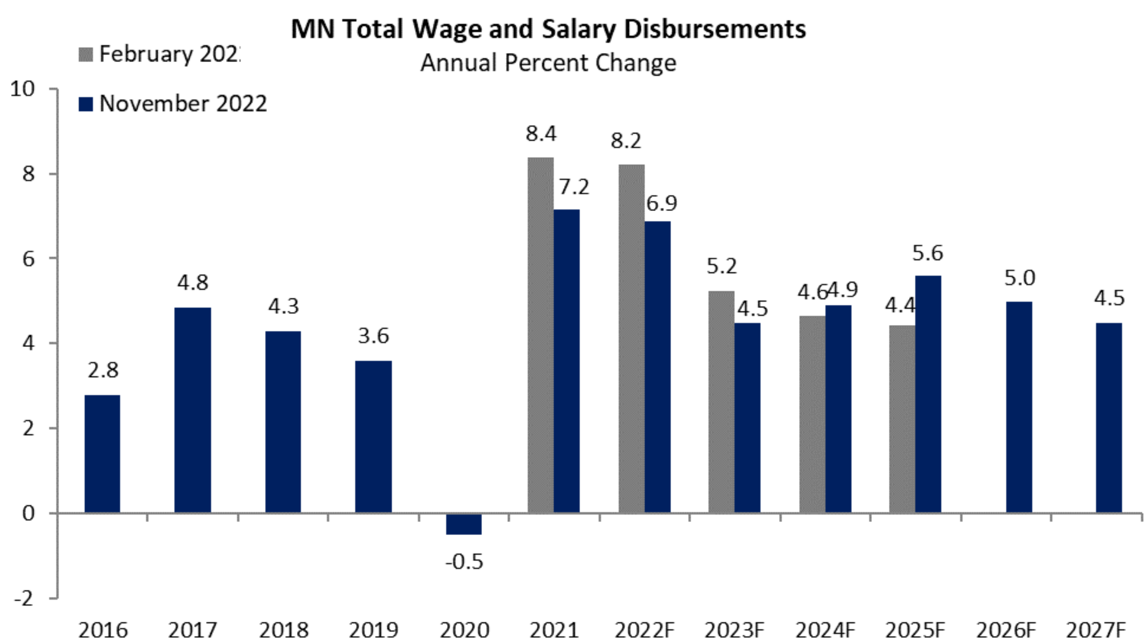
About three quarters of the difference between the state's U-3 and U-6 rates is due to workers who have part-time jobs but would prefer to work full time. In October, 26,100 workers fell into this category, 11,100 fewer than in October 2022. In October, 4,900 Minnesotans were counted as discouraged workers--those marginally attached workers who believe no jobs are available to them--up from 4,500 a year ago.

In October, 11,500 Minnesotans were reported as long-term unemployed, those unemployed more than 27 weeks. This number was down from 41,400 one year ago and is comparable to February 2020, when there were 11,100 long-term unemployed.

The 2020 Census data revealed that Minnesota grew by 7.6 percent (402,569 people) in the last decade, slightly higher than the national growth during this period of 7.4 percent and more than twice the Midwest regional average of 3.1 percent. Population growth was slower both nationally and in Minnesota because of an aging population. However, population growth in Minnesota slowed in 2020. During the 2010s, Minnesota's population grew by 0.8 percent annually (about 40,300 people per year). In comparison, the state's population grew by less than .001 percent, an estimated 225 people, between 2020 and 2021. This slowing can be attributed to decreased net international migration, lower birth rates, and an increase in mortality as a result of the COVID-19 pandemic. Information on the components of population change, such as domestic migration and international immigration will be released in late December.

Wage and Salary Income. A crucial variable influencing Minnesota's individual income tax liability is total wage and salary income, estimated to account for 69 percent of federal adjusted gross income for Minnesota residents in 2022. As employers work harder to fill open positions, and businesses invest in productivity-enhancing technologies, wage and salary income per worker—or average wage income—is expected to continue to rise.

In February, we expected total wage income, the sum of all wages distributed, to increase 8.4 percent in 2021. We now know that wage and salary income in Minnesota grew 7.2 percent in 2021. We expect strong wage growth to continue at a rate of 6.9 percent in 2022 before decelerating to 4.5 percent in 2023 and an average of 5.0 percent for years 2024-2027.

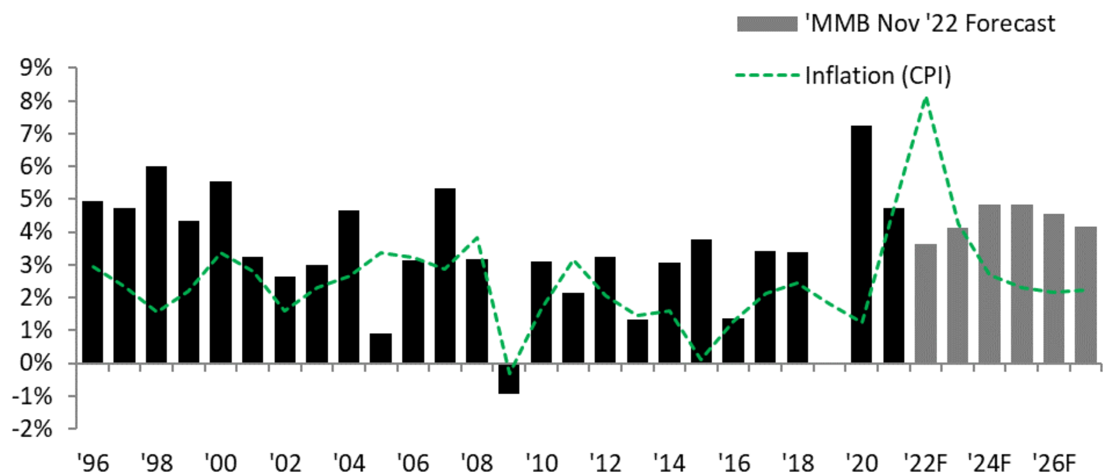


We expect total wage income, the sum of all wages distributed, to increase 6.9 percent in 2022 before decelerating to 4.5 percent in 2023 and an average of 5.0 percent for years 2024-2027.

Combining our wage income forecast with our lower employment growth forecast, we expect growth in the average wage income per worker to increase through 2025. Average wage income is expected to be 3.6 percent in 2022 and accelerate to 4.1 percent in 2023. Our forecast expects wage income per worker of around 4.6 percent per year in years 2024-2027. This exceeds forecasted average rates of inflation over the same period (2.5 percent), implying improvements in real wages. With only moderate growth in Minnesota employment in this forecast, growth in average wages (wage and salary income per worker) is going to be the primary driver of growth in total nominal wage income through our forecast horizon.

Minnesota Average Nominal Wage and Salary Disbursement

Annual Percent Change, Ratio of Total Wage and Salaries to Total Employment



Source: Bureau of Economic Analysis (BEA); Minnesota Department of Employment and Economic Development (DEED); Minnesota Management & Budget (MMB)

We expect Minnesota total wage growth of 6.9 and 4.5 percent for Minnesota in 2022 and 2023. Combined with our employment growth forecast, these rates result in growth of wage income per worker of around 4.6 percent per year in years 2024-2027. This exceeds forecasted rates of inflation over the same period, implying improvements in real wages.

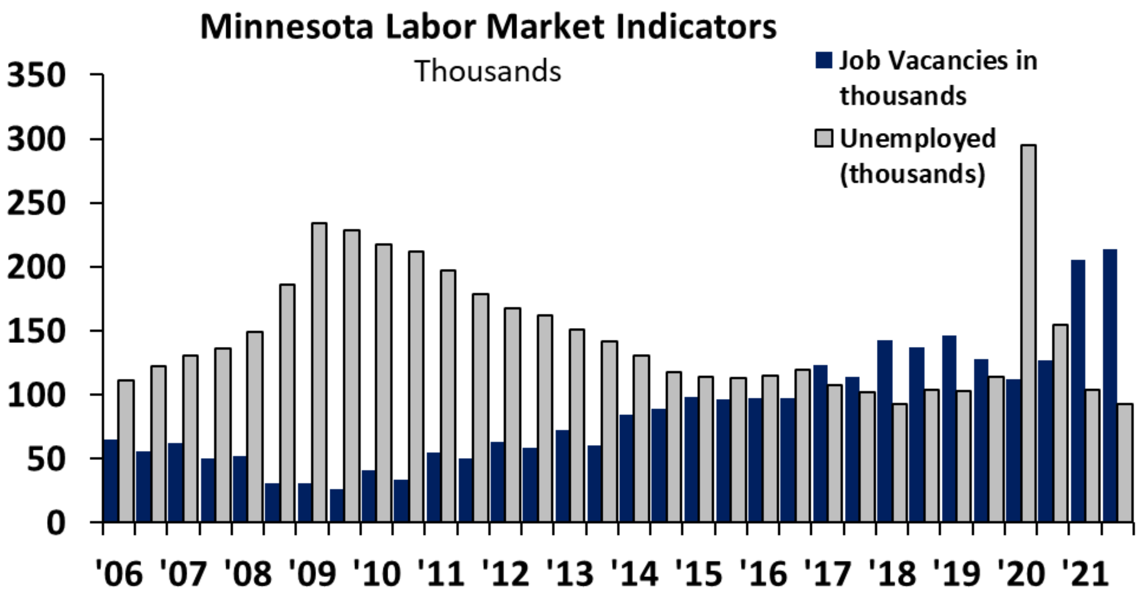
Forecast Comparison: Minnesota & U.S.

Forecast 2022 to 2027, Calendar Years

	2020	2021	2022	2023	2024	2025	2026	2027
Personal Income (Billions of Current Dollars)								
Minnesota								
November 2022	355.2	378.8	385.6	405.1	425.5	447.5	469.1	490.9
%Chg	6.7	6.6	1.8	5.1	5.0	5.2	4.8	4.7
February 2022	350.8	375.1	379.6	397.2	415.9	435.3		
%Chg	6.5	6.9	1.2	4.6	4.7	4.7		
U.S.								
November 2022	19,832	21,295	21,787	22,800	23,799	24,875	25,983	27,178
%Chg	6.7	7.4	2.3	4.6	4.4	4.5	4.5	4.6
February 2022	19,628	21,060	21,495	22,603	23,756	24,973		
%Chg	6.5	7.3	2.1	5.2	5.1	5.1		
Wage and Salary Disbursements (Billions of Current Dollars)								
Minnesota								
November 2022	179.4	192.2	205.5	214.6	225.2	237.8	249.6	260.8
%Chg	0.1	7.2	6.9	4.5	4.9	5.6	5.0	4.5
February 2022	179.1	194.1	210.1	221.0	231.3	241.5		
%Chg	0.0	8.4	8.2	5.2	4.6	4.4		
U.S.								
November 2022	9,457	10,290	11,199	11,650	12,131	12,721	13,286	13,865
%Chg	1.4	8.8	8.8	4.0	4.1	4.9	4.4	4.4
February 2022	9,444	10,306	11,276	11,928	12,511	13,111		
%Chg	1.3	9.1	9.4	5.8	4.9	4.8		
Total Non-Farm Payroll Employment (Thousands)								
Minnesota								
November 2022	2,784	2,849	2,938	2,948	2,949	2,971	2,983	2,992
%Chg	-6.7	2.3	3.1	0.3	0.0	0.7	0.4	0.3
February 2022	2,791	2,846	2,942	2,987	3,015	3,036		
%Chg	-6.6	2.0	3.4	1.5	0.9	0.7		
U.S.								
November 2022	142,146	146,102	152,021	152,012	151,487	152,525	153,226	153,864
%Chg	-5.8	2.8	4.1	0.0	-0.3	0.7	0.5	0.4
February 2022	142,146	146,096	151,541	153,894	155,108	156,017		
%Chg	-5.8	2.8	3.7	1.6	0.8	0.6		
Average Annual Non-Farm Wage (Current Dollars)								
Minnesota								
November 2022	64,416	67,464	69,923	72,808	76,341	80,031	83,676	87,165
%Chg	7.3	4.7	3.6	4.1	4.9	4.8	4.6	4.2
February 2022	64,189	68,226	71,387	73,990	76,703	79,546		
%Chg	7.1	6.3	4.6	3.6	3.7	3.7		
U.S.								
November 2022	66,533	70,431	73,670	76,637	80,080	83,401	86,711	90,112
%Chg	7.7	5.9	4.6	4.0	4.5	4.1	4.0	3.9
February 2022	66,440	70,546	74,409	77,506	80,659	84,034		
%Chg	7.5	6.2	5.5	4.2	4.1	4.2		

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

Job Vacancies. Data from the most recent data from DEED's job vacancy report further illustrates the tight labor market in Minnesota. Employers continue to struggle vacant positions. The most recent Job Vacancy Survey covers the fourth quarter of 2021 and reports that there are now 214,071 job vacancies in the state, an increase of 68 percent from the same period a year ago and a record high. In the fourth quarter of 2021 there were about 0.4 unemployed persons for each vacancy statewide, or 4 people for each ten job openings.



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

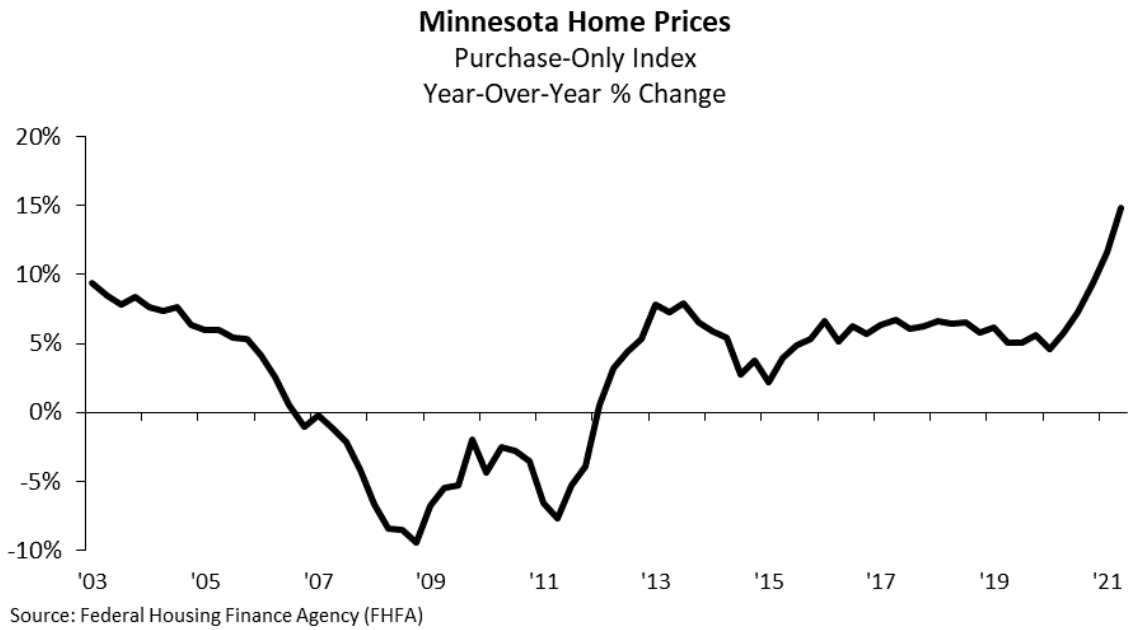
The most recent data from DEED's job vacancy survey reports there are now 214,071 job vacancies in the state. Employers are struggling to fill vacant positions, with only 4 unemployed people available for every 10 job vacancies.

Statewide, the Health Care & Social Assistance industry had the most job vacancies with more than 52,000 openings. Health Care & Social Assistance is followed by Retail Trade with just under 40,000 vacancies, Accommodation & Food Services with more than 31,500 postings, and Manufacturing with 16,500 vacancies. Combined, those four industries account for two-thirds of the total openings in the state.

Homebuilding Activity. The U.S. real estate market is cooling as higher mortgage interest rates and rising consumer prices put pressure on homebuyer budgets. As a result of tightening monetary policy, home mortgage interest rates surpassed 7 percent for the first time in two decades in late October and early November. In Minnesota, home prices continue to rise, and inventory remains limited. In October, new listings in Minnesota decreased 19.1 percent and pending sales were down 33.5 percent over one year ago.

The median sales prices for both metro-area homes and homes in greater Minnesota have continued to increase despite rising interest rates, declines in new listings, and declines in pending sales. In October, the median price for metro-area homes was $359,900, 5.5 percent higher than the median price of $341,000 in October of last year. Homes in the metro area were being sold after an average of more than 36 days on the market compared to an average of 27 days one year ago. On average, metro-area sellers received 98.3 percent of the original list price at closing. The median sales price in Minnesota was $320,000 in October, up 3.8 percent from a year ago.

The combination of higher interest rates and rising home prices is challenging affordability. The housing affordability index--the ratio of median household income to the income needed to purchase a home--has dropped to 98 percent, down from 144 one year ago. A lower affordability index means homes are less affordable. In this forecast, IHS expects the 30-Year fixed mortgage rate to peak at 7.0 percent in the first quarter of 2023, followed by a deceleration to less than 5.0 percent in 2027.



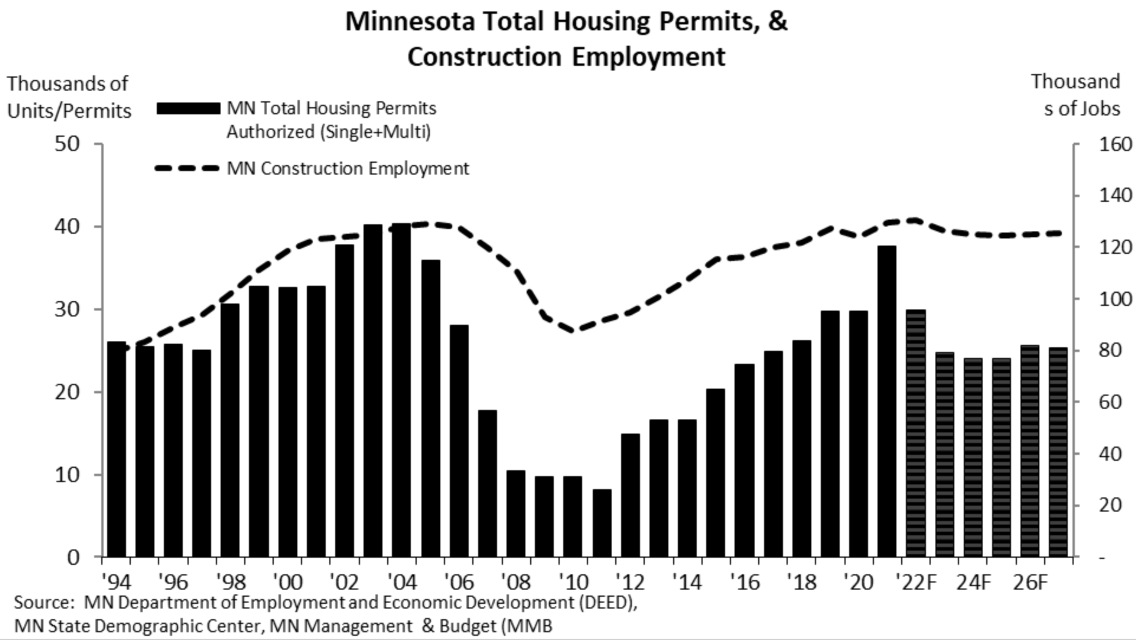
The U.S. real estate market is cooling as higher mortgage interest rates and rising consumer prices put pressure on homebuyer budgets. The Federal Reserve implemented another 75-basis point hike in November, the fourth consecutive increase of this magnitude in 2022. As a result, home mortgage interest rates have surpassed 7 percent for the first time in two decades. In October, new listings in Minnesota decreased 19.1 percent and pending sales were down 33.5 percent over one year ago.

Throughout the U.S., rents have been rising rapidly. In Minnesota, however, and particularly in the Minneapolis metro area, rents have shown stability. According to data from MN HousingLink, rents in the metro area rose steadily for most of the past decade but have stabilized since 2019. Although rents are not rising, Minnesota has a persistent affordable rent problem. In Minneapolis, less than 40 percent of vacancies were affordable to families' making no more than 50 percent of the area median income in October 2022[2].

According to data through September from the U.S. Census Bureau, the total year-to-date number of authorized residential building permits (not seasonally adjusted) in Minnesota is lagging last

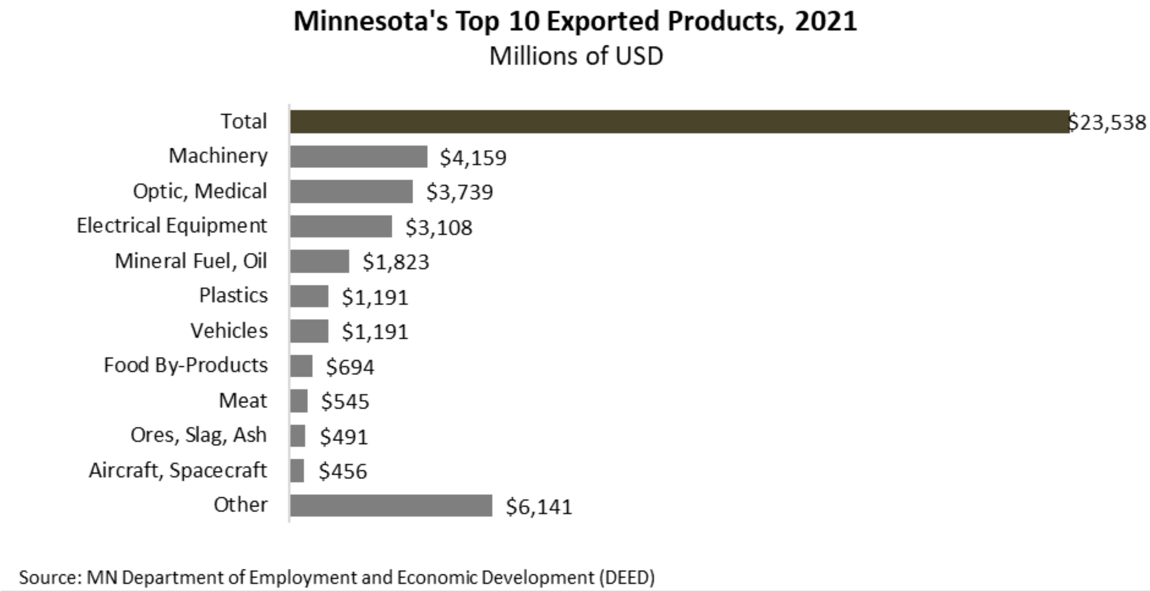
[2]Minnesota HousingLink. "Minnesota Rental Housing Brief," October 2022, page 4. Available here: HousingLink - Minneapolis Rental Housing Briefs.

year by 6.5 percent. The decline is due to a 20.5 percent decline in single-family housing permits and is offset by an 8.0 percent increase in multi-family permits in Minnesota. Last year Minnesota saw the highest number of housing permits since 2005, with over 37,000 permits. In this forecast, we expect total housing permits to fall just shy of 31,000 in 2022 before a dramatic deceleration to 22,100 in 2023. We expect total housing permits to average 25,000 permits per year in years 2024-2027. Single-family permits are a critical housing data source because they are well-measured and are a dependable indicator of where single-family construction is heading. Nationally, single-family housing permits fell for the seventh straight month through September.



Last year Minnesota saw the highest number of housing permits since 2005, with over 37,000 permits. In this forecast, we expect total housing permits to fall just shy of 31,000 in 2022 before a dramatic deceleration to 22,100 in 2023.

Exports. Minnesota's exports of goods and services to countries throughout the world is a significant source of income and jobs in the state. DEED reports that exports supported more than 112,000 jobs in 2020. In 2021, both Minnesota and the U.S. rebounded from weak pandemic-related global conditions impacting imports in 2020.According to DEED, Minnesota's worldwide exports totaled $24 billion in 2021, up 17 percent over 2020, while the U.S. increased 23 percent over 2020. Global demand for machinery, mineral fuel, oil, and electrical equipment supported Minnesota's recovery in exports in 2021 and helped these industries surpass their 2019 levels. Ranked by export value, Minnesota ranked 22nd among states. The state's largest markets are Canada ($6.6 billion), China ($2.7 billion), and Mexico ($2.5 billion).



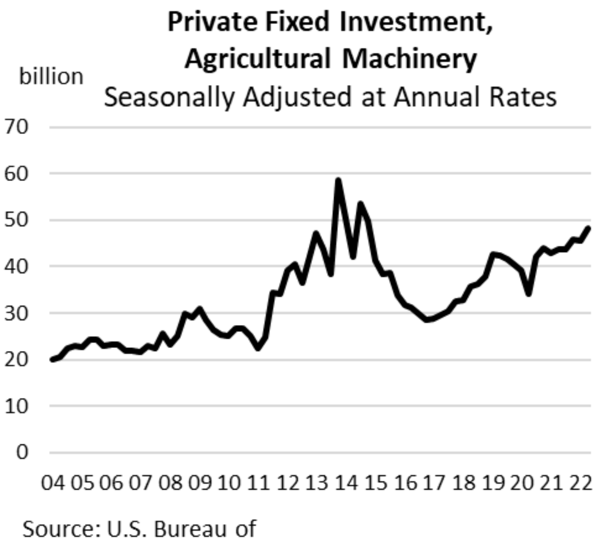
In 2021, both Minnesota and the U.S. rebounded from weak pandemic-related global conditions impacting imports in 2020.According to DEED, Minnesota's worldwide exports totaled $24 billion in 2021, up 17 percent over 2020, while the U.S. increased 23 percent over 2020.

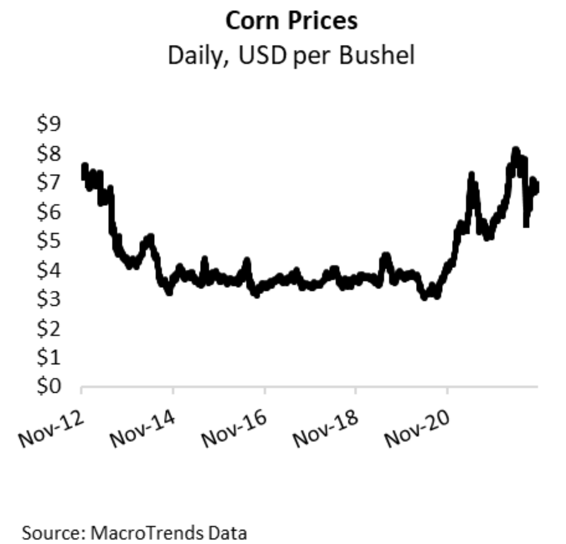
In the third quarter of 2022, Minnesota's exports of goods reached a record high for state quarterly exports, growing 28 percent from a year ago to $7.3 billion. Minnesota's manufactured exports grew to $6.4 billion, growing 21 percent year-over-year in the third quarter of 2022. Year-to date, Minnesota exports are up 18 percent and U.S. exports are up 21 percent. The U.S. Economic Outlook section contains information regarding the impact of a stronger dollar on net exports.

Agriculture. According to the U.S. Department of Agriculture's farm income forecast, overall U.S. net farm income, a broad measure of profits, is estimated to have increased $7.3 billion (5.2 percent) to $147.7 billion in 2022. This increase follows an increase of $45.9 billion (48.5 percent) in 2021. Higher prices are increasing crop cash receipts, which are forecast to increase 15.3 percent in 2022 in nominal terms. If realized, this would be the highest level since 2012. Accounting for most of the net increase are increased receipts for corn, soybeans, and wheat. According to the latest USDA Agricultural Prices Report, the average price for corn during October 2022 was $6.50 per bushel, $1.48 above October 2021. Similarly, the average price for soybeans was $13.50 per bushel, $1.60 above the October 2021 price. Finally, total animal and animal product receipts are expected to increase 28.3 percent in nominal terms in 2022, which offsets a decline in quantity sold.

Investments in agricultural machinery in the second half of 2020 approached all-time highs as operations responded to high commodity prices and increased farm income. This heightened level of investment has continued through the third quarter of 2022. Since the third quarter of 2020, investment in agricultural machinery has reached levels not seen since 2014.

IHS expects the price of U.S. agricultural output, currently more than double the low reached during the pandemic, to remain elevated through 2022 due to disruption to agricultural exports from Russia and Ukraine. IHS then expects prices to ease in 2023 as global yields increase.





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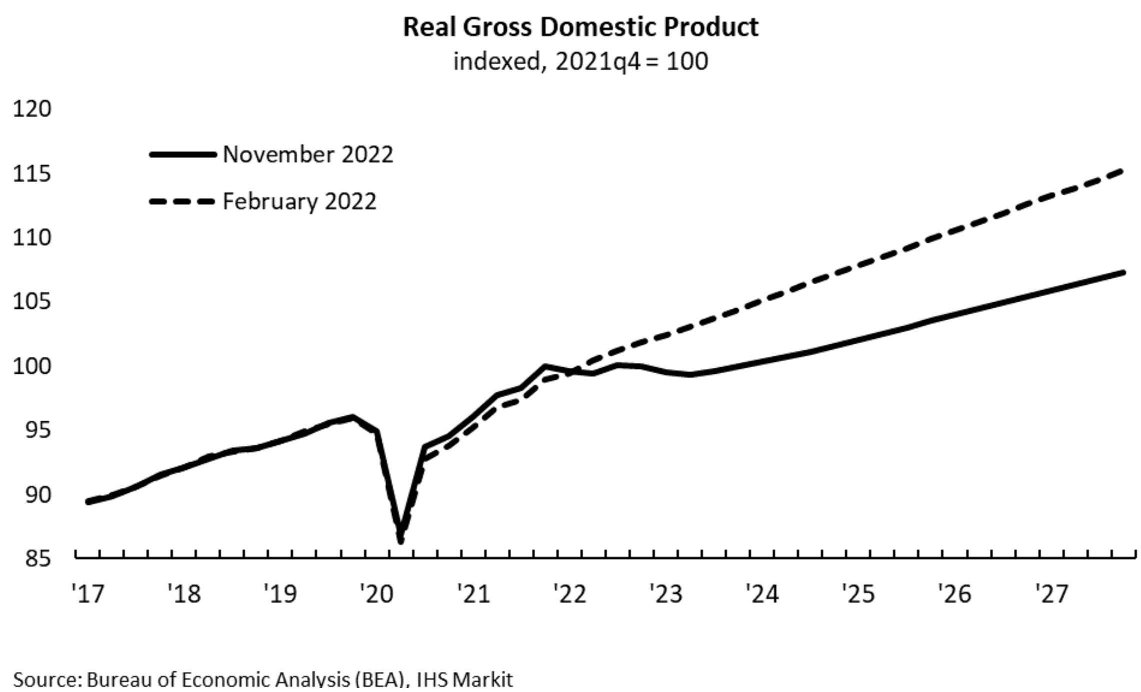
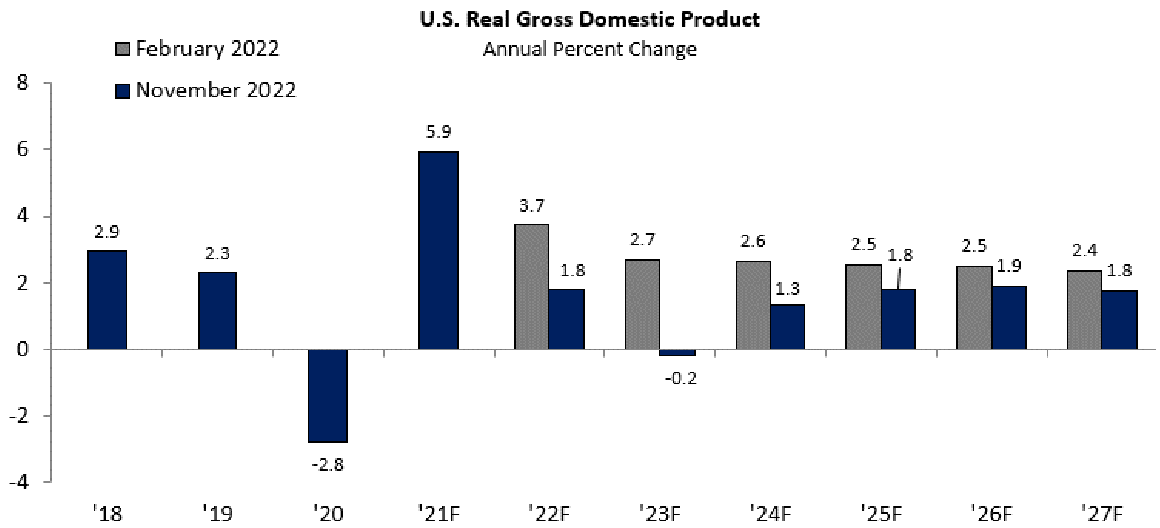
Council of Economic Advisors' Statement

Minnesota's Council of Economic Advisors met on November 14, 2022, to review the IHS Markit (IHS) outlook for U.S. economic growth, which includes the macroeconomic assumptions underlying Minnesota's November 2022 *Budget and Economic Forecast.* Since IHS prepared their February 2022 forecast, the global and U.S. economies have seen dramatic changes. These include the Russian invasion of Ukraine, spiking inflation, six Federal Reserve actions to raise interest rates, and a commitment by the Fed to fight inflation even at the risk of a downturn. Consequently, IHS's outlook for U.S. economic growth in 2022 has significantly weakened. They now expect real GDP to grow 1.8 percent in 2022, less than half of the 3.7 percent growth in their February outlook. They expect this to be followed by a mild recession in 2023, with real GDP contracting 0.2 percent and the unemployment rate rising to 5.7 percent. This is a remarkable change from their February forecast, which assumed 2.7 percent growth in 2023 and unemployment averaging 3.5 percent.

During much of this year, IHS forecast a growth recession for 2023, characterized by below-potential—but still positive—real GDP growth and upward pressure on unemployment. But by October, tightened financial market conditions led IHS to weaken their forecast to include three consecutive quarters of real GDP contraction beginning in the fourth quarter of this year. They expect the recession to be driven by weakness in real investment spending, particularly residential investment. The recession is forecast to be mild by historical standards, with a recovery to begin in the third quarter of 2023.



In the November outlook, tightening financial conditions weaken investment, particularly in home-building. IHS now expects a historically mild 0.7 percent peak-to-trough decline in real GDP, compared to the average, pre-2008 recessionary decline of 1.7 percent.



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

Since the state's last forecast in February, IHS's outlook for U.S. economic growth has weakened for all years in our planning period. They now expect real GDP to grow 1.8 percent in 2022, less than half of the 3.7 percent growth in their February outlook. They expect this to be followed by a mild recession in 2023, with real GDP contracting 0.2 percent and the unemployment rate rising to 5.7 percent.

Following the expected contraction in 2023, IHS expects modest growth to continue through 2027, albeit at lower annual rates than they forecast in February. They now expect real GDP to grow on average 1.7 percent annually in 2024-2027, below the 2.5 percent average annual rate in their February outlook.

IHS has raised their forecast of CPI inflation this year to 8.1 percent from 4.5 percent in their February outlook. With the slower growth in their baseline outlook, they now expect inflation to decelerate to 4.3 percent in 2023. This is more than twice the 1.9 percent rate they expected in February. IHS forecasts CPI inflation to moderate to 2.7 percent in 2024 and 2.3 percent in 2025.

For 2022, the IHS November baseline forecast matches the Blue Chip Consensus, the median of 50 business and academic forecasts. Both the Blue Chip consensus and IHS expect real GDP growth of 1.8 percent in 2022. IHS expects real GDP to contract 0.2 percent in 2023, below the Blue Chip Consensus forecast of 0.2 percent growth for that year.

Council members warn that the economy faces enormous uncertainty, as the Russia-Ukraine conflict continues, global growth is precarious, and the Fed is navigating a narrow path to control inflation. Under these conditions, Council members agree that IHS' baseline outlook is a reasonable starting point for Minnesota's economic and budget forecast, but they caution about significant risks to the forecast. The views of individual Council members varied, but there was general agreement that the risks were balanced between the upside and downside.

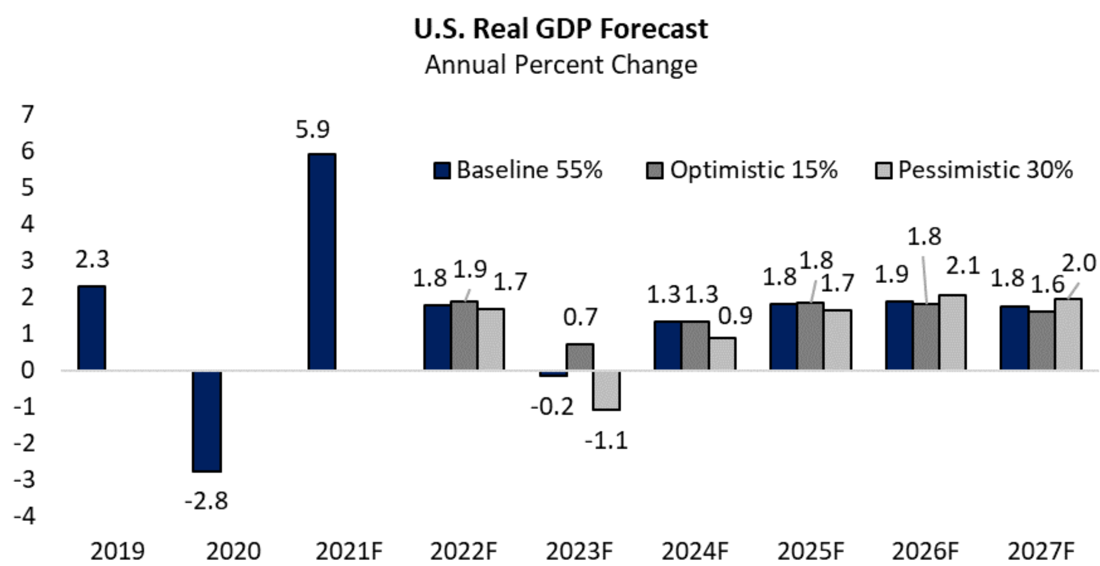
Regarding upside risks, a resolution to the Russia-Ukraine conflict could lower natural gas and commodity prices and ease some remaining supply chain issues. This could allow global growth—and consequently U.S. growth—to exceed the rates in IHS' baseline forecast. In addition, growth in the Consumer Price Index for October was lower than IHS expected in their November baseline.

If inflation continues to moderate, the Fed may be able to achieve their inflation objective without large job losses, and the mild recession in IHS' forecast could be avoided.

Inflation poses the most prominent, near-term, downside risk. Council members warn that stubbornly persistent inflation could lead the Fed to act more aggressively to raise interest rates than IHS assumes in their baseline outlook. This could induce a contraction in 2023 that is deeper and/or longer than IHS has forecast. Moreover, monetary policy works with long and difficult-to-predict lags. Even if inflation and Fed actions follow the IHS forecast, that path could result in more job losses and lower GDP growth than IHS expects.

Council members warn that the difficulty of projecting long-range economic conditions warrants caution when using forecasts for 2025 through 2027. This is of particular concern as the structural effects of the pandemic on the economy are still not fully known. In addition, the IHS baseline forecast calls for modest real GDP growth of less than 2.0 percent from 2024-2027. This slow growth leaves the economy vulnerable to negative shocks, such as geo-political conflicts, natural disasters, and financial market volatility, which could cause growth in the planning estimate years to underperform IHS' expectations.

IHS assigns a 55 percent probability to the November baseline outlook. They assign a 30 percent probability to a more pessimistic scenario, characterized by (1) an intensification and continuation of the Russia-Ukraine conflict that generates persistently higher energy and commodity prices, wider risk spreads, and slower global growth, and (2) a slower resolution of existing supply-chain issues. In this scenario, GDP grows 1.7 percent in 2022 and contracts 1.1 percent in 2023, compared to 1.8 percent and -0.2 percent in the baseline scenario. In their more optimistic scenario, IHS assumes a stronger consumer and business response to the Infrastructure Investment and Jobs act (IIJA) and a quicker resolution to the Russia-Ukraine conflict. In this scenario, GDP grows 1.9 percent in 2022 and 0.7 percent in 2023. The optimistic scenario receives a 15 percent probability.



> *IHS assigns a 55 percent probability to the November baseline outlook. They assign a 30 percent probability to a more pessimistic scenario in which a longer and more intense Russia-Ukraine conflict generates persistently higher prices and slower global growth. They assign a 15 percent probability to a more optimistic scenario, characterized by a stronger impact of the Infrastructure Investment and Jobs Act and a quicker resolution to the Russia-Ukraine conflict.*

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. This distortion has increased in importance as inflation has risen this year, and its future path is uncertain. The omission of inflation in the spending estimates in the November 2022 Budget and Economic Forecast understates the cost of maintaining current service levels as provided by law in FY 2024-25 by roughly $1.552 billion and in FY 2026-27 by $3.309 billion. In addition, inflation that has already occurred in CY 2022 and is forecast for the first half of CY 2023 puts cost pressure on the enacted budget for FY 2022-23.

Council members believe that Minnesota's budget reserve—which is $2.656 billion, $43 million below the level recommended by the state's budget reserve policy—affords policymakers crucial financial flexibility. The statutory policy assigns an adequate target reserve level based on MMB's annual evaluation of volatility in Minnesota's general fund tax system. The target is a percentage of forecast revenues, allowing reserves to adjust with revenue changes over time. In addition, the policy automatically transfers 33 percent of a positive forecast balance each November into the reserves until the target is reached. Based on MMB's most recent analysis, the target level is 4.8 percent of biennial (two-year) general fund revenues.

BUDGET OUTLOOK

Current Biennium

When the last *Budget and Economic Forecast* was released in February 2022, a surplus of $9.253 billion was projected for the current biennium. Legislative action appropriating supplemental spending and adjusting general fund resources in the 2022 session reduced the projected balance to $7.049 billion. Since then, actual collections have exceeded forecast and estimated spending has been reduced. With this release, the current biennium is now expected to conclude with a budgetary surplus of $11.605 billion.

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

($ in millions)	End of Session	November 2022 Forecast	$ Change	% Change
Beginning Balance	**$7,026**	**$7,026**	**$ -**	**0.0%**
Revenues				
Taxes	54,594	57,303	2,709	5.0
Non-Tax Revenues	1,626	2,116	490	30.1
Transfers, Other Resources	435	509	75	17.2
Total Revenues	**$56,655**	**$59,928**	**$3,273**	**5.8%**
Expenditures				
E-12 Education	20,503	20,223	(280)	(1.4)
Property Tax Aids	4,654	4,649	(5)	(0.1)
Health & Human Services	16,337	15,234	(1,104)	(6.8)
Debt Service	1,183	1,140	(43)	(3.6)
All Other	10,622	10,533	(89)	(0.8)
Total Expenditures	**$53,299**	**$51,779**	**$(1,521)**	**(2.9)%**
Budget Reserve	2,656	2,852	196	
Cash Flow Account	350	350	-	
Stadium Reserve	327	368	41	
Budgetary Balance	**$7,049**	**$11,605**	**$4,556**	

FY 2022 Close. In August, the books were officially closed for the fiscal year that ended June 30, 2022. Fiscal Year 2022 ended with a general fund balance of $8.744 billion, $3.279 billion 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 2022 General Fund Close
Change From End-of-Session Estimates

($ in millions)	End of Session	FY 2022 Close	$ Change
Beginning Balance	**$7,026**	**$7,026**	**$ -**
Forecast Revenues	27,651	30,629	2,979
Projected Spending	25,994	24,686	(1,307)
Appropriation Carryfwd	-	973	973
Budget Reserve	2,656	2,672	17
Cash Flow Account	350	350	-
Stadium Reserve	213	229	17
Budgetary Balance	**$5,465**	**$8,744**	**$3,279**

Total revenues, transfers-in and other resources in FY 2022 were $2.979 billion higher than previously forecast. Tax revenue was $2.836 billion more than projections and non-tax revenues were $76 million above previous projections. Prior period adjustments were $61 million higher than estimated. 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 2022.

FY 2022 spending was $1.307 billion below prior estimates. Of that amount, $973 million is due to unspent appropriations that have spending authority that carries into FY 2023 and is reflected as increased spending in that year. The most significant appropriation carrying forward was $500 million for Frontline Worker Payments; these payments have subsequently been made in FY 2023. E-12 education spending was $110 million lower due to lower projected pupil counts, while HHS spending was $101 million below prior estimates. Actual cancellations of direct appropriated funding totaled $36 million. The budget reserve ended with a balance of $2.672 billion, $17 million higher than expected to a statutory allocation from surplus assigned risk insurance plan balances. The cash flow account balance was unchanged at $350 million. The stadium reserve account closed the fiscal year with a balance of $229 million, $17 million higher than previous estimates.

FY 2023. Higher projected investment income and lower than projected spending on HHS programs and E-12 education are largely responsible for the additional gain to the projected ending balance for the current biennium. Since February, actual and projected interest rates on invested general fund cash have significantly increased. These higher rates combined with significant cash balances in the general fund result in projected investment earnings of $428 million, $398 million higher (1,427 percent) than prior estimates for the fiscal year.

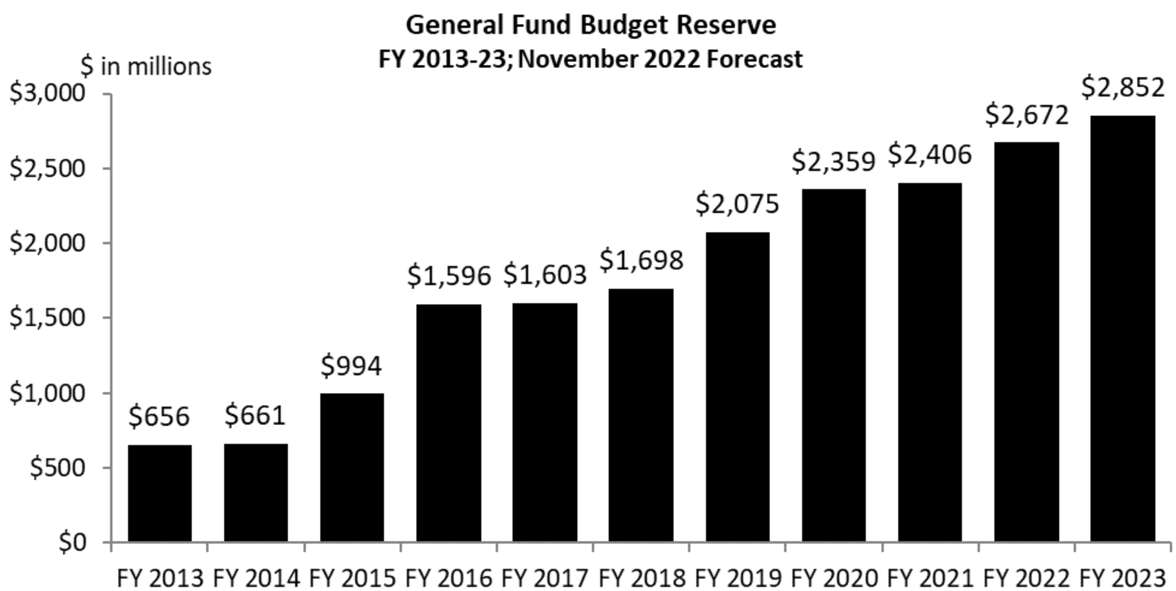
Combining the spending savings from FY 2022 close with reduced estimates for spending in FY 2023 results in $1.520 billion (2.9 percent) lower spending projected for the current biennium compared to prior estimates. Lower HHS spending accounts for the majority of change in the spending estimates. Higher federal participation in Medical Assistance (MA) combined with lower managed care rates drives the downward forecast adjustment in HHS. E-12 education spending, property tax aids and credits, and debt service were also projected to be lower than prior estimates.

Current Biennium: FY 2022-23 General Fund Budget

Change From End-of-Session Estimates

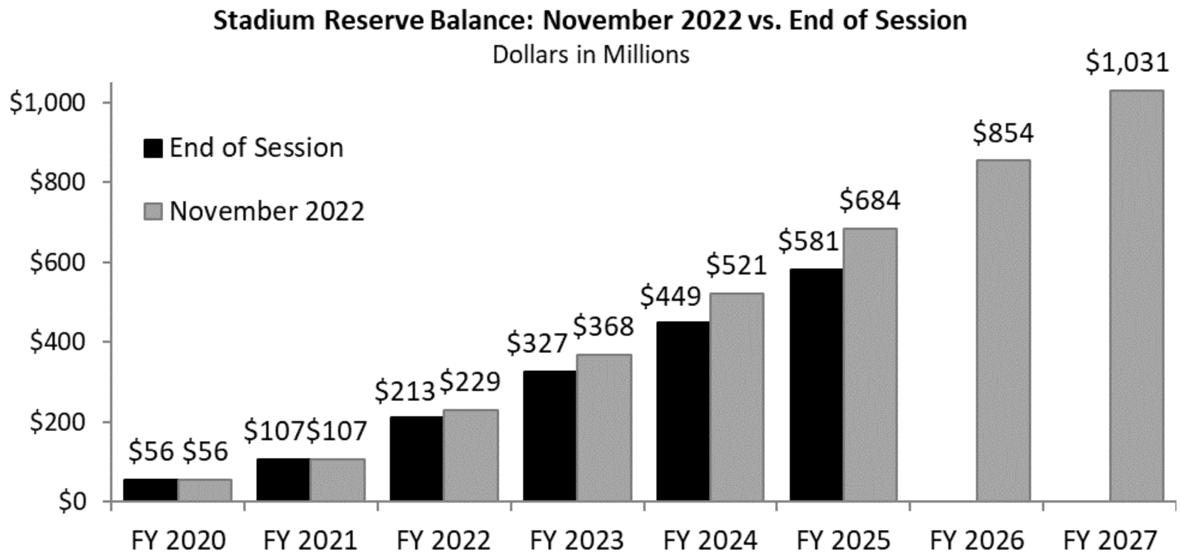
($ in millions)	End of Session	November 2022 Forecast	$ Change
Beginning Balance	**$7,026**	**$7,026**	**$ -**
Forecast Revenues	56,655	59,928	3,273
Projected Spending	53,299	51,779	(1,521)
Budget Reserve	2,656	2,852	196
Cash Flow Account	350	350	-
Stadium Reserve	327	368	41
Forecast Balance	**$7,049**	**$11,605**	**$4,556**

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 $2.852 billion. Given the reserve balance at the end of FY 2022 was below the new target level, funds from the projected surplus are allocated so that the reserve balance is now at the target level of $2.852 billion. The cash flow account balance is unchanged at $350 million.



Over the last 10 years the reserve balance has significantly largely increased due to a law change that sets a reserve target based on the volatility of the state's revenue sources and allows for automatic allocation to the reserve when there is a projected balance at the time to the November Budget and Economic Forecast. The reserve balance as of this release is $2.852 billion after an allocation of $196 million in FY 2023.

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. With revenues for stadium uses increasing at a faster rate in the November 2022 forecast versus previous end of session estimates, the reserve is now projected to grow to $1.031 billion by the end of FY 2027.

The FY 2023 projected balance of the stadium reserve account is $368 million, $41 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 2022, lawful gambling revenue available for stadium uses was $145 million. Annual lawful gambling revenue available for stadium uses is expected to grow to $199 million by the end of FY 2027. Additionally, the state annually retains 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 was required to negotiate the terms of this repayment with the city, which were finalized in fall 2020. In FY 2023, it is projected the state will retain $22 million in Minneapolis sales tax receipts. By FY 2027 that amount is expected to grow to $23 million.

Total state expenditures for the stadium, including those the state makes on behalf of the City of Minneapolis, were $43 million in FY 2022 and are expected to be $45 million per year through FY 2027. All revenue in excess of spending amounts is allocated to the stadium reserve. In FY 2023, $139 million is expected to be added to the stadium reserve. By FY 2027 the amount allocated to the reserve is expected to be $177 million. Given the increasing allocation amounts, the stadium reserve balance is expected to reach $1.031 billion by FY 2027.

Next Biennium

At the end of the 2022 legislative session, the general fund balance for the next biennium was projected to reach $12.112 billion. The larger projected surplus for the current biennium, along with reduced base spending estimates and a small forecast revenue increase result in a projected balance of $17.616 billion. The majority of the projected balance in the FY 2024-25 biennium is due to the $11.605 billion unallocated surplus left-over from FY 2022-23. Of the projected balance, only $6.011 billion is generated by revenues forecast for the biennium less base spending estimates.

The projected FY 2024-25 balance is not considered a surplus because it is estimated using projected revenues and base spending estimates before appropriations for the FY 2024-25 budget are enacted by the 2023 legislature. The projected balance is a starting point for the Governor's budget recommendations and the legislature's budget setting process.

Next Biennium: FY 2024-25 General Fund Budget
Change From End-of-Session Estimates

($ in millions)	**End of Session**	**November 2022 Forecast**	**$ Change**
Beginning Balance	**$10,382**	**$15,175**	**$4,794**
Forecast Revenues	59,871	60,281	410
Projected Spending	54,553	53,953	(600)
Balance Before Reserve	**$15,699**	**$21,503**	**$5,804**
Budget Reserve	2,656	2,852	196
Cash Flow Account	350	350	-
Stadium Reserve	581	684	103
Budgetary Balance	**$12,112**	**$17,616**	**$5,504**

Biennial Budgetary Growth. When compared to revised forecast estimates for the current biennium, general fund revenue in FY 2024-25 is projected to increase $353 million (0.9 percent) while spending is expected to grow $2.175 billion (4.2 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 in the FY 2024-25 budget period is expected to grow to $60.281 billion, an increase of $353 million (0.6 percent) compared to the current biennium. Tax collections are expected to be $515 million higher, with growth in income and sales tax partially offset by reduced collections in corporate income tax and other smaller tax types. Non-tax revenue is expected to exceed the current biennium by $151 million (7.1 percent) driven by an increased investment income forecast due to higher expected interest rates and large expected general fund cash balances. Partially offsetting total revenue growth are $313 million lower (61.4 percent) expected transfers from other funds and other resources, largely due to the phase out of a statutory transfer from the health care access fund to the general fund.

Next Biennium: FY 2024-25 General Fund Budget
Biennial Comparison; November 2022 Forecast

($ in millions)	FY 2022-23	FY 2024-25	$ Change	% Change
Beginning Balance	**$7,026**	**$7,026**	**$ -**	**0.0%**
Revenues				
Taxes	57,303	57,818	515	0.9
Non-Tax Revenues	2,116	2,266	151	7.1
Transfers, Other Resources	509	197	(313)	(61.4)
Total Revenues	**$59,928**	**$60,281**	**$353**	**0.6%**
Expenditures				
E-12 Education	20,223	21,252	1,029	5.1
Property Tax Aids	4,649	4,473	(176)	(3.8)
Health & Human Services	15,234	17,811	2,578	16.9
Debt Service	1,140	1,147	7	0.6
All Other	10,533	9,271	(1,262)	(12.0)
Total Expenditures	**$51,779**	**$53,953**	**$2,175**	**4.2%**
Budget Reserve	2,852	2,852	-	
Cash Flow Account	350	350	-	
Stadium Reserve	368	684	316	
Budgetary Balance	**$11,605**	**$17,616**	**$6,011**	

Spending. Base level expenditures in the next biennium are expected reach $53.953 billion, an increase of $2.175 billion (4.2 percent) compared to the current budget. The two largest expenditures, E-12 education and health and human services (HHS), drive the biennial growth. In HHS, growth in medical assistance spending (MA) drives the majority of the $2.578 billion (16.9 percent) change. E-12 spending is expected to grow $1.029 billion (5.1 percent) due to higher compensatory aid and special education spending. Spending for property tax aids and credits is expected to be $176 million (3.8 percent) lower than the current biennium due to $500 million in one-time payments to frontline workers in FY 2023. Offsetting the overall growth is $1.262 billion (12.0 percent) lower spending in the other areas of state government, due in large part to one-time spending in FY 2022-23.

Budget Reserve. The expected budget reserve account balance of $2.852 billion in the next biennium is unchanged from the current biennium. This balance is $196 million higher than prior estimates due to the statutory allocation of a portion of the current biennium general fund balance to the reserve. The stadium reserve balance is expected to grow $316 million during the next biennium to $684 million. The cash flow account balance of $350 million is unchanged.

Planning Estimates

This forecast provides the first planning estimates for the FY 2026-27 biennium. While these estimates inherently carry a higher degree of uncertainty than estimates for FY 2023-25, they do present an outlook of longer run spending and revenue growth that will assist in budget planning when setting the FY 2024-25 budget.

Revenue projections for FY 2024-27 are based on IHS's February Baseline forecast for the planning years. Expenditure projections assume that current law funding levels and policies continue unchanged, adjusted for caseload and enrollment changes authorized in law, as well as formula-driven growth. The expenditure forecast does not assume cost growth outside of a few specific budget areas where assumptions for price increases or market conditions are specified by statute.

Planning Horizon: General Fund Budget
By Biennium, FY2024-27, November 2022 Forecast

($ in millions)	**FY 2024-25**	**FY 2026-27**	**$ Change**	**Annual % Change**
Forecast Revenues	$60,281	$64,591	$4,310	3.5%
Projected Spending	53,953	56,161	2,208	2.0%
Difference	**$6,327**	**$8,430**		
Estimated Inflation (CPI)[3]	*$1,552*	*$3,309*		

To highlight structural balance, the table shows forecast revenues and projected spending and excludes the impact of balances from prior years and reserves. In the FY 2024-25 biennium forecast revenue is expected to exceed base level spending by $6.327 billion and in FY 2026-27 the structural balance is expected to grow to $8.430 billion due to revenue growth outpacing base level spending growth.

Projected inflationary growth based on the Consumer Price Index is now forecast to be 3.0 percent in FY 2024 and 2.5 percent in FY 2025. In the planning biennium inflation growth is expected to be 2.2 percent per year in FY 2026 and FY 2027. After adjusting for programs with price increases included in the current law formula, applying the annual inflation rate – compounded over 2 and 4 years – would add approximately $1.552 billion in spending pressure to the FY 2024-25 biennium and $3.309 billion to FY 2026-27.

Since the biennial budget was enacted for the current biennium in the summer of 2021, actual inflation experienced in FY 2021-23 has been significantly higher than assumed when appropriations were set. The standard methodology used to calculate inflation in this document accounts for projected inflationary *growth* into the next biennium and the planning estimates (FY 2024-27) but does not factor in any changes in inflation for the current biennium since the budget for FY 2022-23 was enacted. The current circumstance, in which inflation in the current biennium is materially higher than when the budget was enacted, could result in state agencies and programs experiencing inflationary cost pressures that current appropriation levels do not

[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 in HHS.

anticipate and those cost pressures are not reflected in the base nor the calculated impact of inflation in FY 2024-27 base spending levels.

Planning estimates are not intended to predict surpluses or deficits four years into the future; rather, their purpose is to assist in determining how closely ongoing expenditures are likely to match future revenues based on trends in the economy and the level of spending that is needed to maintain programs and services. The FY 2026-27 planning estimates provide an important baseline against which the longer-term impacts and affordability of budget decisions can be measured.

REVENUE OUTLOOK

Current Biennium

Total general fund revenues for FY 2022-23 are now forecast to be $59.928 billion, $3.273 billion (5.8 percent) more than the February 2022 forecast. Total tax revenues for the biennium are forecast to be $57.303 billion, $2.709 billion (5.0 percent) above the prior estimate. The forecasts for Minnesota's three largest tax types are higher than in February.

Current Biennium: FY 2022-23 General Fund Revenues
End-of-Session vs. November 2022 Forecast Comparison

($ in millions)	End-of-Session	November 2022 Forecast	$ Change	% Change
Individual Income Tax	$30,174	$31,959	$1,785	5.9%
General Sales Tax	13,822	14,092	269	1.9
Corporate Franchise Tax	4,427	5,183	756	17.1
State General Property Tax	1,536	1,534	-2	-0.1
Other Tax Revenue	4,635	4,535	-99	-2.1
Total Tax Revenues	**$54,594**	**57,303**	**2,709**	**5.0%**
Non-Tax Revenues	1,626	2,116	490	30.1
Other Resources	435	509	75	17.2
Total Revenues	**$56,655**	**$59,928**	**$3,273**	**5.8%**

Revenues for FY 2022-23 are now expected to exceed their FY 2020-21 levels by $9.449 billion (18.7 percent). Total tax revenues are projected to be $9.566 billion (20.0 percent) more than in FY 2020-21. Individual income tax revenues account for 58.4 percent of the biennial tax revenue growth. Net sales tax receipts account for 22.8 percent of the growth. Corporate, state general property tax, and other receipts in FY 2022-23 account for 18.8 percent of the growth and are 19.0 percent higher than in the previous biennium.

This is the third forecast of FY 2022-23 since FY 2022 began on July 1, 2021. After 16 months of observed collections, fiscal year-to-date tax and non-tax revenues for FY 2022-23 are $39.582 billion, 66 percent of the total expected over the biennium. With 8 months of collections left to observe, 34 percent of forecast tax and non-tax revenues are outstanding.

Biennial Comparison: FY 2020-21 vs. FY 2022-23 General Fund Revenues
November 2022 Forecast

($ in millions)	FY 2020-21	FY 2022-23	$ Change	% Change
Individual Income Tax	$26,368	$31,959	$5,591	21.2%
General Sales Tax	11,915	14,092	2,177	18.3
Corporate Franchise Tax	3,798	5,183	1,386	36.5
State General Property Tax	1,556	1,534	-23	-1.5
Other Tax Revenue	4,101	4,535	434	10.6
Total Tax Revenues	**$47,738**	**$57,303**	**$9,566**	**20.0%**
Non-Tax Revenues	1,739	2,116	377	21.7
Other Resources	1,003	509	-493	-49.2
Total Revenues	**$50,479**	**$59,928**	**$9,449**	**18.7%**

Individual Income Tax. Minnesota individual income tax receipts are now forecast to be $1.785 billion (5.9 percent) more than the February forecast adjusted for law changes. The increase is due to a higher estimate of base year tax liability and higher forecast growth in non-wage income.

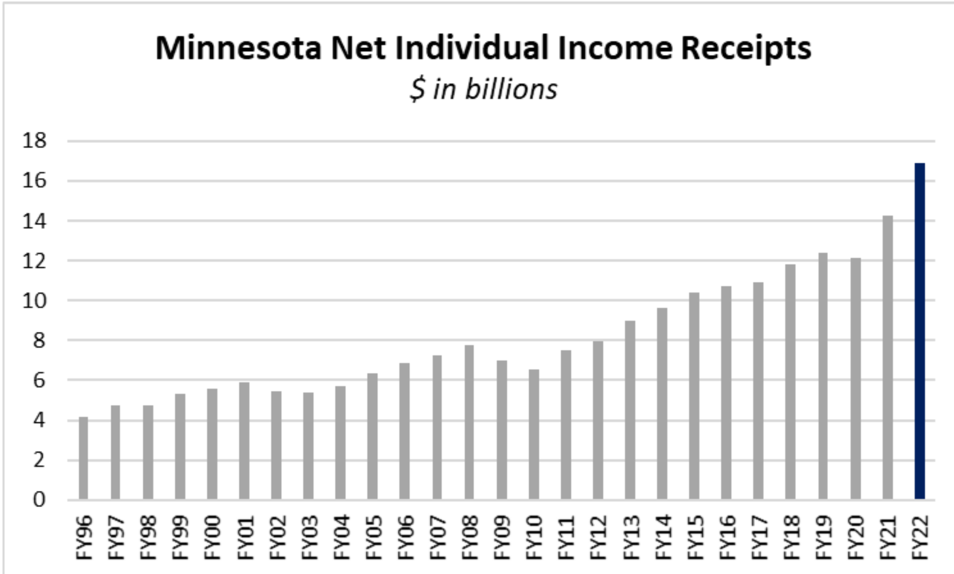
At the close of FY 2022, net income tax revenue was $2.396 billion (16.5 percent) more than forecast. The positive variance was primarily due to higher-than-expected income tax payments and lower than expected refunds for tax year 2021. So far in FY 2023, net income tax receipts are $58.8 million more than forecast.

Minnesota's individual income tax receipts grew 18.6 percent ($2.6 billion) in FY 2022 over FY 2021, consistent with remarkable income tax growth across other U.S. states and the federal government. The National Association of State Budget Officers (NASBO) reports that aggregate state income tax revenues grew 11.5 percent in FY 2022, after growing 18.1 percent in FY 2021.[4] In the federal fiscal year ending September 30, the Congressional Budget Office (CBO) reported that individual income tax receipts grew 29 percent ($588 billion) in FY 2022 over FY 2021,[5] after growing 27 percent ($436 billion) in FY 2021 over FY 2020[6].

[4] National Association of State Budget Officers (NASBO). "Summary: 2022 State Expenditure Report," November 18, 2022, page 7. Available here: https://www.nasbo.org/home.

[5] Congressional Budget Office (CBO). "Monthly Budget Review: Summary for Fiscal Year 2022," November 8, 2022, page 4. Available here: https://www.cbo.gov/publication/58592/html.

[6] Congressional Budget Office (CBO). "Monthly Budget Review: Summary for Fiscal Year 2021," November 8, 2021, page 2. Available here: https://www.cbo.gov/publication/57539



Minnesota's individual income tax receipts grew 18.6 percent ($2.6 billion) in fiscal year 22 over fiscal year 21.

Pass-through businesses, typically S-Corporations and partnerships, may choose to pay a state-level Pass-Through Entity (PTE) tax, which is deductible on their federal returns and credited against Minnesota individual income tax. We report and forecast PTE tax receipts together with the individual income tax.

This forecast builds from estimated final 2021 combined individual income and PTE tax liability. Using information from processed income tax, S-Corp, partnership, and fiduciary tax returns; revenue in the state accounting system; and projections of returns remaining to be processed, we estimate that final 2021 income and PTE tax liability reported on individual tax returns is $15.031 billion, $1.610 billion more than our February estimate. We estimate that liability grew 25.2 percent in TY 2021 over TY 2020.

Calibrating the income tax model to produce our estimated base year liability generally requires making assumptions about base year growth rates for specific income types. Since the November 2021 *Budget and Economic Forecast*, we have forecast wages and unemployment insurance (UI) benefits together, because we think it results in a more accurate depiction of the distribution of taxable income and helps explain the surprisingly high growth in tax liability for TY 2020. In this forecast, growth in the combination of wages and UI benefits reported on tax returns is about 0.43 percent lower in TY 2021 than we assumed in the February forecast. Current information from the Bureau of Economic Analysis (BEA) also indicates that Minnesota's wage income in CY 2021 grew more slowly than we had forecast in February. The BEA reports wage income growth of 7.2 percent, compared to the 8.4 percent growth that we assumed in the prior forecast.

To produce estimated tax year 2021 liability, capital gains realized by Minnesota residents were assumed to have grown 79.0 percent from CY 2020, consistent with some preliminary information on capital gains realizations from processed TY 2021 federal income tax returns and estimates from some other Midwest states. This results in an estimated level of realizations that is 62.7 percent more than what we forecast in February. Taxable interest income in TY 2021 is assumed to be 29.7 percent lower than in our February forecast. Non-farm business income is assumed to grow 19.2 percent in TY 2021, resulting in a level of business income that is 10.2 percent higher than we assumed in the February forecast.

A lower forecast of taxable income growth for CY 2022 only partially offsets the higher base year income tax liability, resulting in a higher forecast for FY 2022-23 income tax revenues. For example, wage and salary income growth in CY 2022 is lower in this forecast than in February. Information from the BEA, Quarterly Census of Employment and Wages (QCEW), income tax withholding collections, and our Minnesota economic forecasting model suggest that Minnesota's growth in wage and salary income has been weaker in CY 2022 than we forecast in February. Annual growth in Minnesota wage income in 2022 is now expected to be 6.9 percent, down from 8.2 percent in the February forecast. Annual wage growth is now forecast to be 4.5 percent in CY 2023 compared to 5.2 percent in February. Compared to our February forecast, wage income combined with UI benefits on Minnesota tax returns is forecast to be 1.6 and 2.3 percent lower in CY 2022 and CY 2023, respectively.

Changes in expected growth rates in some non-wage income types in CY 2022 and 2023 also affect the FY 2022-23 income tax forecast. Capital gains realizations reported by Minnesota residents are now assumed to decline 44.7 percent in CY 2022 from the inferred very high level in 2021. We expect a further decline of 7.0 percent CY 2023.

Consistent with IHS' higher forecast for the federal funds rate, we assume that the effective rate on interest-bearing deposits steadily increases until it reaches a level that is about 1.25 percentage points below the terminal federal funds rate. Therefore, the level of interest income in this forecast exceeds the level in the February forecast for each year beyond CY 2021. Compared to our February forecast, interest income on Minnesota tax returns is forecast to be 30.1 and 55.2 percent higher in CY 2022 and CY 2023, respectively.

This forecast includes an adjustment for the timing of individual income tax credits claimed by the owners of PTEs. Large amounts of PTE tax payments for TY 2021 were made during FY 2022, contributing to the $2.9 billion closing variance we reported for that fiscal year. Individuals with PTE income may claim credits for those payments on their TY 2021 individual income tax returns, reducing their income tax liability. However, to date the full amount of PTE payments made in FY 2022 has not been observed as credits on processed income tax returns. We have adjusted our FY 2023 forecasts for individual income tax refunds and transfers to estimate tax to account for the credits remaining to be claimed. Because the PTE tax is new, we do not have experience with how taxpayers time the associated payments and refunds. Consequently, our allocation of the remaining refunds across the first half of CY 2023 may result in variances in our monthly revenue reports.

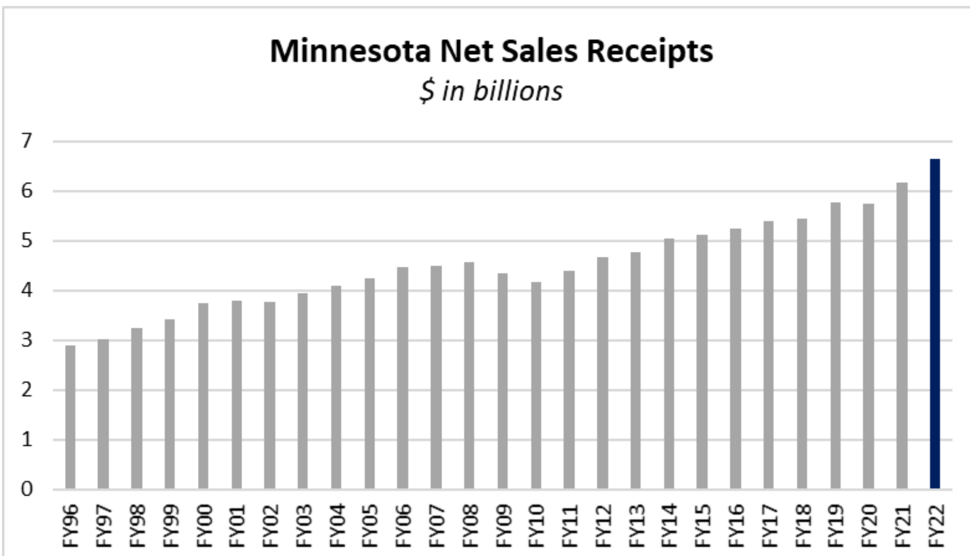
Technical changes to the House Income Tax Simulation (HITS) model reduced TY 2022 income tax liability by $81 million, largely impacting FY 2023. A review of off-model law change estimates reduced the forecast by $46 million in FY 2023.

We did not adjust the income tax forecast for any potential revenue gain from the Biden administration's federal student loan forgiveness program, because the program is currently not being implemented by the federal government, and its economic impacts are not reflected in the IHS November outlook.

New information that is expected to become available between now and February 2023 may change the income tax forecast for FY 2023. Mid-January we expect to learn more about actual tax liability for 2021, the year on which this forecast is based. In late January we will also observe fourth quarter income tax withholding and estimated tax payments, which typically provide new information about the liability year that just ended. Finally, in February, we expect to have the first Minnesota-specific information about 2021 growth rates in various income types—including capital gains—from a preliminary sample of 2021 tax returns. This should help identify income growth arising from sources that are unlikely to carry over into subsequent years.

General Sales Tax. Net general sales tax revenue in FY 2022-23 is now forecast to be $269 million (1.9 percent) more than the prior estimate. Both a $229 million increase in forecast gross sales tax receipts and a $40 million reduction in expected refunds contribute to the change.

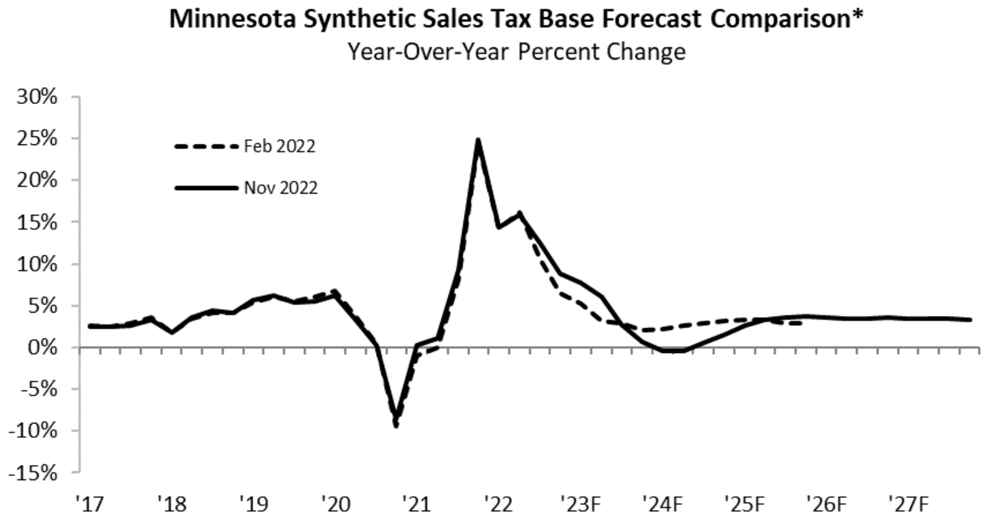
At the close of FY 2022, net sales tax receipts were $6.649 billion, $477 million (7.7 percent) higher than in FY 2021. NASBO reports that aggregate state general sales tax revenues grew 13.6 percent in FY 2022 after growing 9.7 percent in 2021.[7]



In FY 2022, Minnesota's net sales tax receipts were $477 million (7.7 percent) higher than in FY 2021.

The increased forecast in the current biennium for gross sales tax receipts reflects higher than expected gross receipts so far in FY 2023 and a higher near-term forecast for taxable sales compared to February. Using forecasts for spending on a wide range of taxable goods and services, we construct the Minnesota synthetic sales tax base, a proxy for the actual sales tax base. The synthetic base grew 1.1 percentage points faster in FY 2022 than we forecast in February. In this forecast the base is expected to grow 0.9 percentage points faster in FY 2023 than we expected in February.

[7] National Association of State Budget Officers (NASBO). "Summary: 2022 State Expenditure Report," November 18, 2022, page 7. Available here: https://www.nasbo.org/home.



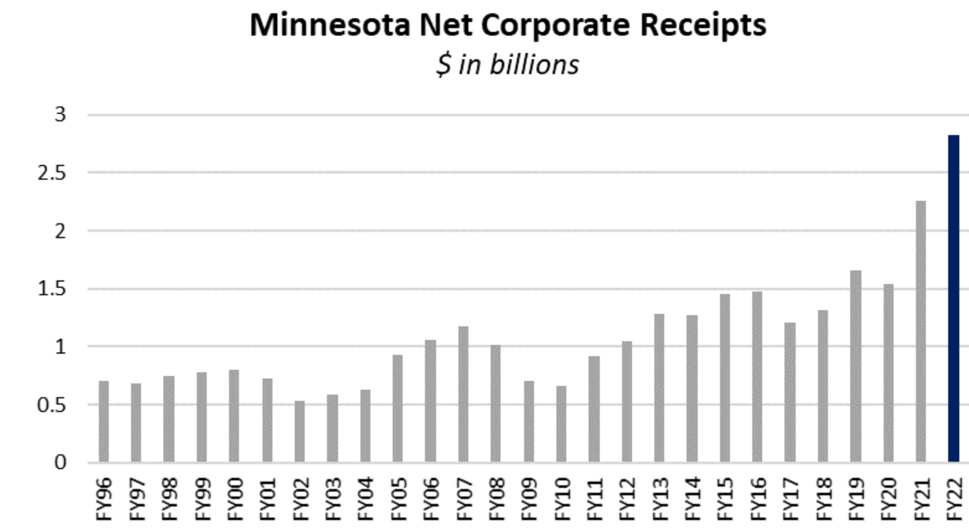
Source: U.S. Bureau of Economic Analysis; IHS Economics; Minnesota Management & Budget (MMB)

The proxy for Minnesota's sales tax base grew 12.8 percent in FY 2022, 1.1 percentage points faster than we had assumed in February. In this forecast, the synthetic sales tax base grows 4.2 percent in FY 2023, 0.9 percentage points faster than in February. We expect the synthetic sales tax base to then decelerate to 0.3 percent growth in FY 2024.

Corporate Franchise Tax. The corporate franchise tax is forecast to generate $5.183 billion in FY 2022-23, $756 million (17.1 percent) more than the prior estimate. A higher base of gross corporate tax receipts is the primary driver of this change.

Minnesota's corporate receipts grew 25.0 percent ($564 million) in FY 2022 over FY 2021, consistent with remarkable corporate tax growth across other U.S. states and the federal government. NASBO reports that aggregate state corporate tax revenues grew 61.5 percent in FY 2022 after growing 47.1 percent in 2021.[8] In the federal fiscal year ending September 30, the CBO reported that federal corporate receipts grew 14.0 percent in FY 2022 over FY 2021[9], after growing 76.0 percent in 2021.[10]

[8] National Association of State Budget Officers (NASBO). "Summary: 2022 State Expenditure Report," November 18, 2022, page 7. Available here: https://www.nasbo.org/home.
[9] Congressional Budget Office (CBO). "Monthly Budget Review: Summary for Fiscal Year 2022," November 8, 2022, page 4. Available here: https://www.cbo.gov/publication/58592/html.
[10] Congressional Budget Office (CBO). "Monthly Budget Review: Summary for Fiscal Year 2021," November 8, 2021, page 4. Available here: https://www.cbo.gov/publication/57539.



Minnesota's corporate receipts grew 25 percent ($564 million) in fiscal year 2022 over fiscal year 2021.

The forecast change is due to a higher base of corporate receipts, which offsets a lower forecast for corporate profits. At the close of FY 2022, net corporate tax receipts exceeded the February forecast (adjusted for law changes) by $447 million (18.8 percent). Year-to-date net receipts for FY 2023 are $93 million above the law-change-adjusted prior forecast. The previous corporate forecast estimate was based on IHS' February forecast, which assumed a year over year decline of 4.8 percent in corporate profits in CY 2022 and -0.2 percent in CY 2023. In this forecast we use IHS' November 2022 baseline outlook which assumes growth of 5.3 percent in CY 2022, followed by a 5.6 percent decline in CY 2023.

The forecast change is driven by a higher base of gross corporate tax receipts, which offsets a lower forecast for corporate profits. The previous corporate forecast estimate was based on IHS' February forecast, which assumed a year over year decline of 4.8 percent in corporate profits in CY 2022 and -0.2 percent in CY 2023. In this forecast we use IHS' November 2022 baseline outlook which assumes growth of 5.3 percent in CY 2022, followed by a 5.6 percent decline in CY 2023.

The corporate income tax forecast includes an off-model adjustment for the impact of the Historic Structure Rehabilitation Credit (HSRC). Our practice is to forecast the full revenue impact of the HSRC within corporate refunds, even though some credits accrue to non-corporate taxpayers, and some credits reduce tax payments rather than increase refunds. Total HRSCs are now forecast to be about $8 million lower in FY 2022-23 than the February forecast.

Other Tax Revenue, Non-Tax Revenue, Other Resources. Other tax revenue is now expected to be $99 million (2.1 percent) lower than the prior estimate. Among other taxes, mortgage registry taxes show the largest dollar amount change, $69 million (17.5 percent) lower than the prior estimate. Estimated deed transfer receipts are $48 million (12.0 percent) lower than in the prior forecast. The lower forecasts for these revenue sources are due to lower actual receipts in FY 2022 and year-to-date in FY 2023 year and lower forecasts for home sales and mortgage refinances.

Non-tax revenues are now expected to be $490 million (30.1 percent) higher than our February forecast. This is primarily due to an increased forecast for investment income, which is expected to be $412 million higher than our prior estimate. Higher expected interest rates and a larger cash balance drive this forecast change.

Next Biennium

Total revenues for FY 2024-25 are now estimated to be $60.281 billion, an increase of $353 million (0.6 percent) over the current forecast for FY 2022-23 revenues. Total tax revenues for FY 2024-25 are estimated to be $57.818 billion, a 0.9 percent increase over FY 2022-23 forecast revenues. Growth of individual income tax and sales taxes account for nearly all the biennial tax revenue change. Of the major tax types, the corporate franchise tax, the state general property tax, and other tax revenues, show declines in expected revenues from FY 2022-23 to FY 2024-25.

Biennial Comparison: FY 2022-23 vs. FY 2024-25 General Fund Revenues
November 2022 Forecast

($ in millions)	**FY 2022-23**	**FY 2024-25**	**$ Change**	**% Change**
Individual Income Tax	$31,959	$32,165	$206	0.6%
General Sales Tax	14,092	15,155	1,063	7.5
Corporate Franchise Tax	5,183	4,486	(697)	(13.5)
State General Property Tax	1,534	1,492	(41)	(2.7)
Other Tax Revenue	4,535	4,519	(16)	(0.4)
Total Tax Revenues	**$57,303**	**$57,818**	**$515**	**0.9%**
Non-Tax Revenues	2,116	2,266	151	7.1
Other Resources	509	197	(313)	(61.4)
Total Revenues	**$59,928**	**$60,281**	**$353**	**0.6%**

The current forecast for FY 2024-25 total revenues is $410 million (0.7 percent) more than the end-of-session estimate. Total tax revenues for the next biennium are forecast to be $288 million (0.5 percent) below the prior estimate. A lower forecast for individual income tax receipts, other tax revenues, and state general property tax revenues are partially offset by higher forecasts for general sales tax revenues and corporate tax receipts. A forecast change of $701 million (44.8 percent) in non-tax revenues more than offsets the lower forecast for tax revenues.

Next Biennium: FY 2024-25 General Fund Revenues
End-of-Session vs. November 2022 Forecast Comparison

($ in millions)	End-of-Session	November 2022 Forecast	$ Change	% Change
Individual Income Tax	$33,140	$32,165	$(975)	(2.9)%
General Sales Tax	15,064	15,155	92	0.6
Corporate Franchise Tax	3,654	4,486	832	22.8
State General Property Tax	1,497	1,492	(5)	(0.3)
Other Tax Revenue	4,751	4,519	(232)	(4.9)
Total Tax Revenues	**$58,106**	**$57,818**	**$(288)**	**(0.5)%**
Non-Tax Revenues	1,565	2,266	701	44.8
Other Resources	200	197	(3)	(1.6)
Total Revenues	**$59,871**	**$60,281**	**$410**	**0.7%**

Individual Income Tax. Individual income tax revenues for FY 2024-25 are forecast to be $32.165 billion, $206 million (0.6 percent) more than the current forecast for FY 2022-23. This accounts for 40.0 percent of the total tax revenue biennial change.

Regarding forecast change, lower forecast gross income tax receipts—driven by lower income growth—and higher forecast refunds reduce the net income tax forecast $975 million (2.9 percent) from the prior estimate.

Growth in both wage and non-wage income sources are lower in this forecast than in February. Compared to our February forecast, wage income combined with UI benefits on Minnesota tax returns is forecast to be 2.3. 2.1, and 1.0 percent lower in CY 2023, 2024, and 2025, respectively.

Capital gains realizations reported by Minnesota residents are now assumed to decline 7.0 percent in CY 2023 compared to a 3.0 percent decline in the February forecast. In this forecast, the level of capital gains realizations in CY 2023 is 6.1 percent lower than in February. Our estimates of capital gains in CY 2024 and 2025 are 5.3 percent and 13.4 percent higher, respectively. For CY 2024 and 2025, we have lowered our forecast of non-farm business income growth to an average of 0.9 percent annually from an average of 4.9 percent annually in February.

The level of interest income in this forecast exceeds the level in the February forecast for each year beyond 2021. Compared to our February forecast, interest income on Minnesota tax returns is forecast to be 120.4 and 188.2 percent higher in CY 2024 and CY 2025, respectively.

By statute, Minnesota tax brackets and other parameters of the state tax code are indexed by the chained CPI-U. Inflation as measured by the chained CPI-U is now forecast to be higher than it had been in February. This has the effect of reducing forecast liability in TY 2023 by $100 million (primarily lowering revenues in FY 2024) and TY 2024 by $318 million (primarily lowering revenues in FY 2025).

Technical changes to the HITS model reduced income tax liability by $114 million in TY 2023 and $136 million in TY 2024, mainly affecting FY 2024 and FY 2025. A review of off-model law change estimates reduced the forecast by $67 million in FY 2024 and $69 million in FY 2025.

General Sales Tax. Net general sales tax receipts for FY 2024-25 are expected to exceed FY 2022-23 levels by $1.063 billion (7.5 percent), offsetting declines in corporate, statewide property tax, and other revenues. Growth in forecast gross sales tax receipts and an increase in refunds between FY 2022-23 and FY 2024-25 both contribute to the biennial change.

Gross sales tax receipts in FY 2024-25 are forecast to exceed FY 2022-23 levels by $1.084 million (7.5 percent). The Minnesota synthetic sales tax base, a proxy for the actual tax base, is expected to grow 4.2 percent in FY 2023 before decelerating to 0.3 percent growth in FY 2024, 2.4 percentage points slower than we forecast in February. The synthetic sales tax base is expected to grow 3.3 percent in FY 2025. 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 $92 million higher than the end-of-session estimate. Gross sales tax receipts for FY 2024-25 are now forecast to be $114 million (0.7 percent) higher than the prior estimate. The forecast change is due to a higher base of gross sales tax receipts from the higher forecast for FY 2022-23, which is partially offset by lower forecast growth in taxable sales for FY 2024-25. The synthetic sales tax base is expected to grow a cumulative 2.3 percentage points slower between FY 2023 and FY 2025 than we assumed in the prior projection.

Corporate Franchise Tax. The corporate franchise tax is forecast to generate $4.486 billion in FY 2024-25, $697 million (13.5 percent) less than the current FY 2022-23 forecast.

Gross corporate receipts are forecast to decline by $697 million from FY 2022-23 to FY 2024-25. This decline is the result of a slowdown in corporate profits arising from a three-quarter U.S. recession that is expected to impact corporate tax receipts in FY 2024. Corporate refunds are forecast to grow across the biennia by $60 million, contributing to the biennial decline in net corporate taxes.

Regarding forecast change, a higher forecast for FY 2024-25 gross corporate tax receipts offsets a higher refund forecast to generate a $832 million (22.8 percent) increase in net expected corporate receipts. The forecast change is due to a higher base of gross corporate tax receipts expected in FY 2022-23, which more than offsets a lower forecast for corporate profits. The previous corporate forecast estimate was based on IHS' February forecast, which assumed a year over year decline of 5.0 percent in corporate profits in CY 2024 and 4.9 percent growth in CY 2025. In this forecast we use IHS' November 2022 baseline outlook, which assumes growth of 0.2 percent in CY 2024, followed by 0.9 percent in CY 2025.

Other Tax Revenue, Non-Tax Revenue, Other Resources. Other tax revenue is now forecast to decline $16 million (0.4 percent) in FY 2024-25 over FY 2022-23. Non-tax revenues are now expected to be $701 million (44.8 percent) higher than our February forecast. This is primarily due to an increased forecast for investment income, which is expected to be $723 million higher than our prior estimate. Higher expected interest rates and a larger cash balance drive this forecast change.

Planning Estimates

This is the first reporting of revenue planning estimates for FY 2026-27. Total revenues for the biennium are now estimated to be $64.591 billion, an increase of $4.310 billion (7.2 percent) over the current forecast for FY 2024-25 revenues. Total tax revenues for 2026-27 are estimated to be $62.823 billion, an increase of $5.005 billion (8.7 percent) over FY 2024-25.

Planning Estimates: FY 2026-27 General Fund Revenues
Biennial Comparison; November 2022 Forecast

($ in millions)	FY 2024-25	FY 2026-27	$ Change	% Change
Individual Income Tax	$32,165	$35,640	$3,475	10.8%
General Sales Tax	15,155	16,206	1,051	6.9
Corporate Franchise Tax	4,486	4,645	159	3.5
State General Property Tax	1,492	1,491	(2)	(0.1)
Other Tax Revenue	4,519	4,842	323	7.1
Total Tax Revenues	**$57,818**	**$62,823**	**$5,005**	**8.7%**
Non-Tax Revenues	2,266	1,642	(624)	(27.5)
Other Resources	197	126	(71)	(35.9)
Total Revenues	**$60,281**	**$64,591**	**$4,310**	**7.2%**

Together, the individual income and sales taxes account for about 90 percent of the projected biennial tax revenue growth. The individual income tax shows the largest increase, growing by $3.475 billion (10.8 percent), and contributing 69 percent of the total tax revenue biennial change. The general sales tax is expected to exceed FY 2024-25 forecast levels by $1.051 billion (6.9 percent), accounting for 21 percent of the growth in tax revenues. The corporate franchise tax is expected to exceed FY 2024-25 forecast levels by $159 million (3.5 percent), accounting for 3 percent of the growth in tax revenues. The other taxes account for the remaining $321 million of biennial growth.

The revenue planning estimates are based on the IHS baseline forecast, which assumes U.S. real GDP will grow 1.8 percent in CY 2025 followed by 1.9 percent in CY 2026 and 1.8 percent in CY 2027.

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 FY 2022-23 and the enacted budget for FY 2024-25. Second, in subsequent forecasts changes to our estimates of individual income tax liability for tax years 2022 through 2025, as well as changes to the base levels of other revenue types for FY 2023 through 2025, will change the FY 2026-27 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 2026-27 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 2026 and 2027. The IHS baseline forecast calls for modest real GDP growth of less than 2.0 percent from 2024-2027. This slow growth leaves the economy vulnerable to negative shocks, such as geo-political conflicts, natural disasters, and financial market volatility, which could cause growth in the planning estimate years to underperform IHS' expectations.

EXPENDITURE OUTLOOK

Current Biennium

Total spending in the FY 2022-23 biennium is lower than prior estimates. Expenditures in the current biennium are now expected to be $51.779 billion, a reduction of $1.521 billion (2.9 percent) from end-of-session estimates.

Current Biennium: FY 2022-23 General Fund Expenditures
Change from End-of-Session Estimates

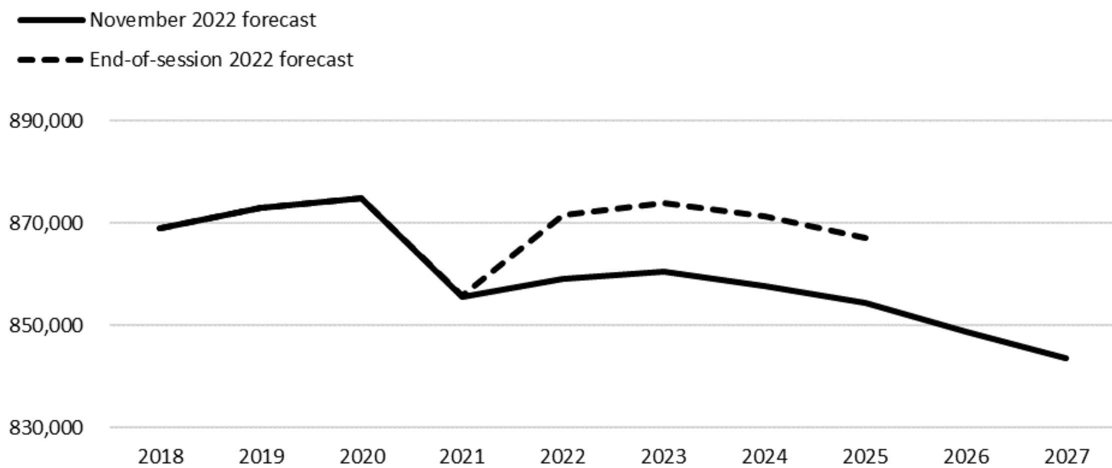
($ in millions)	End of Session	November 2022 Forecast	$ Change	% Change
E-12 Education	$20,503	$20,223	$(280)	(1.4)%
Property Tax Aids & Credits	4,654	4,649	(5)	(0.1)
Health & Human Services	16,337	15,234	(1,104)	(6.8)
Debt Service	1,183	1,140	(43)	(3.6)
All Other	10,622	10,533	(89)	(0.8)
Total Expenditures	**$53,299**	**$51,779**	**$(1,521)**	**(2.9)%**

A $1.104 billion (6.8 percent) reduction in estimated spending for health and human services (HHS) and a $280 million (1.4 percent) reduction in estimated spending for E-12 education account for nearly all of the overall reduction in spending in the FY 2022-23 biennium.

Changes for the current biennium for other spending were modest. Debt service expenditures are $43 million (3.6 percent) lower than previous estimates primarily due to slower-than-expected spending on capital projects, resulting in a smaller-than-expected August 2022 bond sale. Property tax aids and credits spending is $5 million (0.1 percent) lower than expected largely attributable to FY 2022 actual payments for the homestead credit refund and renters' property tax refund coming in lower than expected.

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, funding tied to specific activities or categories of funding. In the current biennium, the state is projected to spend $20.223 billion on education.

E-12 Education Pupils, Actual and Projected
Pupils by State Fiscal Year



E-12 education pupil projections are lower than end-of-session estimates for the FY 2022-23 and FY 2024-25 biennia and are projected to decrease into the FY 2026-27 biennium.

E-12 education spending in the current biennium is down $280 million (1.4 percent) from prior estimates, driven primarily by lower pupil counts. Preliminary actual FY 2022 counts are lower than previously estimated by 12,540 (1.4 percent). Lower counts in FY 2022 also reduce the estimate for FY 2023, which is is down 13,381 (1.5 percent). The Minnesota Department of Education (MDE) uses near term growth trends based on historical data and other factors to project pupil counts. This new information about actual enrollment trends is the primary cause of the decrease relative to the previous forecast. Pupil counts are expected to be flat for FY 2022 and FY 2023 followed by decreases through the remainder of the forecast horizon.

A decreasing number of births to Minnesota residents in recent years is the primary cause of the downward long-term trend. Births correlate to the number of early childhood and kindergarten enrollments in future years. Birth counts have been on a steady downward trend since calendar year (CY) 2014. While births in CY 2021 increased over an anomalously low CY 2020 total, actual birth counts from CY 2021, as well as preliminary data for CY 2022, indicate that the long-term downward trend will persist.

Pupils are the primary factor in most E-12 education aid formulas in Minnesota. The largest formula, general education, is estimated to be $201 million (1.3 percent) lower than prior estimates. Special education and charter school lease aid are also down by $59 million (1.6 percent) and $11 million (6.2 percent) respectively. All other E-12 spending is down $7 million (0.5 percent).

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

($ in millions)	FY 2022-23 $ Change	FY 2022-23 % Change	FY 2024-25 $ Change	FY 2024-25 % Change
Basic Formula	$(172)	(1.3)%	$(190)	(1.5)%
Compensatory	1	0.1	407	37.4
Other General Education	(30)	(2.4)	(96)	(7.6)
General Education Subtotal	**(201)**	**(1.3)**	**121**	**0.8**
Special Education	(59)	(1.6)	(92)	(2.2)
Charter School Lease Aid	(11)	(6.2)	(13)	(6.2)
All Other	(7)	(0.5)	(7)	(0.4)
Total E-12 General Fund Change	**$(280)**	**(1.4)%**	**$9**	**0.0%**

Health & Human Services. Health and Human Services (HHS) is approximately 29 percent of total state general fund spending. The majority of these expenditures (82 percent) are forecast programs including Medical Assistance (MA), Chemical Dependency (CD), the Minnesota Family Investment Program (MFIP), MFIP Child Care Assistance Program (CCAP), 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 low-income older adults. MA costs are split between the state and federal government, though only the state share of expenditures is reflected in the general fund forecast.

In the FY 2022-23 biennium, anticipated HHS general fund spending is $15.234 billion, down $1.104 billion (6.8 percent) from end-of-session estimates. A $1.172 billion (9.5 percent) reduction in MA explains the majority of the change. This forecast also incorporates $78 million of allocations made from the $190 million COVID-19 Management general fund appropriation. These allocations were originally appropriated in another bill area, so the spending was reflected there in prior estimates. These allocations largely explain the growth outside of forecast programs in the HHS forecast.

Decreases in state expenditures in the current biennium are attributable to reductions in the MA forecast. MA spending in the current biennium is down $1.172 billion (9.5 percent) from end-of-session estimates. The largest factor contributing to this change is the recognition of a three quarter extension of the federal public health emergency (PHE) through January 2023. As part of the federal government's Families First Coronavirus Response Act, the state receives an additional 6.2 percent federal match (FMAP) on the state's MA claims for each calendar quarter a federal public health emergency related to COVID-19 remains active for at least one day. The November 2022 forecast assumes the state will receive this additional federal match through March 2023. These three additional calendar quarters provide an additional $762 million in enhanced federal match.

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

($in millions)	FY 2022-23 $ Change	FY 2022-23 % Change	FY 2024-25 $ Change	FY 2024-25 % Change
Extension of the COVID-19 Emergency Declarations (Includes FMAP Extension)	$(603)	(4.9)%	101	0.7%
Increase Base FMAP to 51.49%	-	-	(180)	(1.3)
Pharmacy Rebates	(259)	(2.1)	(164)	(1.1)
Basic Care Average Payments	(138)	(1.1)	(481)	(3.3)
Nursing Facility Caseload	(58)	(0.5)	(123)	(0.9)
Basic Care Caseload	100	0.8	244	1.7
Other MA	(214)	(1.7)	1	0
Total MA General Fund Change	**(1,172)**	**(9.5)**	**(602)**	**(4.2)**
Reduced CCAP Expenditures	(37)	(0.2)%	(143)	(0.8)
All other HHS changes	105	0.6	23	0.1%
Total HHS General Fund Change	**$(1,104)**	**(6.8)%**	**$(722)**	**(3.9)%**

The state must provide, except in limited circumstances, continuous coverage to individuals enrolled in MA as a condition of receiving the enhanced FMAP. Following the end of the PHE, the state must redetermine the eligibility of all current enrollees. As assumed in the end-of-session forecast, the state will begin redetermining eligibility after the PHE's end and complete these renewals within 14 months after the end of the PHE. The unwinding of the continuous coverage results in higher caseload levels that partially offsets the additional FMAP. The net impact of the PHE extension and the additional caseload is a reduction of $603 million (4.9 percent) in state spending this biennium.

Higher actual and expected pharmacy rebates further reduce MA expenditures by $259 million (2.1 percent) in the current biennium from end-of-session estimates. The Medicaid Drug Rebate Program provides drug manufacturers with access to the Medicaid program in exchange for rebates on outpatient prescription medications. These pharmacy rebates reduce MA program costs and are received after the actual claim is paid. The state received substantially more pharmacy rebates in FY 2022 than assumed in the end-of-session forecast due to higher caseload levels. The higher rebates in FY 2022 are assumed to continue in future years. This forecast reflects ongoing updates to better reflect the impact of changing enrollment on pharmacy rebates.

Lower than expected MA payments for basic health care services reduce state spending in the current biennium by $138 million (1.1 percent). Approximately 80 percent of basic care spending is made through monthly payments to health plans for coverage of MA enrollees, referred to as managed care capitation payments. Actuaries develop and certify managed care rates, which are included in health plan contracts for the following calendar year. Rates for CY 2023 were based upon the actual cost experience of health plans during CY 2021. Managed care rates for CY 2023 are lower than expected across all eligibility categories, primarily due to lower than expected actual base cost experience of the plans. The end-of-session forecast assumed adults without children and families with children calendar year 2023 rates would increase 3.0 percent over calendar year 2022 rates. The actual rates decreased 2.3 percent and 5.3 percent respectively.

Elderly basic and disabled basic care rates were expected to increase 5 percent over 2022 rates, but the actual rates increased 3.2 percent and decreased 1.6 percent. This forecast holds the same long-term growth assumptions in managed care payment rates as prior forecasts.

In addition, this forecast recognizes a reduction in nursing facility caseload, which lowers state MA expenditures by $58 million (0.5 percent) from end-of-session estimates. In the end-of-session forecast, the state assumed that utilization of nursing facilities would increase following the peak of the Delta and Omicron COVID-19 surges. The expected increase in utilization has not materialized, leading to a reduction in caseload projections.

These spending reductions are partially offset by increased enrollment among the state's basic care populations. Basic care refers to individuals receiving health care services, rather than long term care services. Increased caseload results in an additional $100 million (0.8 percent) of state MA spending over end-of-session estimates. This increase reflects higher-than-forecast actual enrollment since the February 2022 forecast. This caseload increase is separate from the impact of the PHE continuous coverage provisions and is expected to continue into the next biennium.

Outside the MA program, use of the CCAP is 21.4 percent lower than end-of-session estimates. Previous estimates assumed utilization of forecast child care assistance would increase to pre-pandemic levels by the end of this biennium. However, the expected growth has not materialized in recent months. Consequently, this forecast assumes lower caseload levels. This reduced utilization eliminates the entire $37 million general fund share of the child care program in the current biennium, with the entire program supported by federal funds. The state share returns in future years.

Property Tax, Aids, and Credits. Property tax aids and credits are approximately 9.0 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.

Property tax aids & credits spending is down $5 million (0.1 percent) in the current biennium, largely attributable to a decrease in FY 2022 actuals for the homestead credit refund and renters' property tax refund. These decreases are slightly offset by a projected increase in these programs in the second year of this biennium.

Debt Service and All Other Spending. Debt service expenditures for the current biennium total $1.140 billion, which is a $43 million (3.6 percent) reduction from prior estimates. The reduction is primarily due to slower-than-expected spending on capital projects, resulting in a smaller-than-expected August 2022 bond sale. Higher-than-expected investment income and savings realized from an August 2022 bond refunding also contributed to this reduction. These savings were partially offset by higher bond interest rates realized in the August 2022 bond sale, resulting in lower bond premiums, which together increase the estimated size of the bond sales and future debt service payments.

Each forecast includes assumptions about the size of future capital budgets. In general, the assumptions are based on the 10-year average size of capital budget bills and differentiate between the larger even-year capital budgets and smaller odd-year capital budgets. However, the forecast applies a different methodology when the legislature does not enact a bonding bill in an even year. In the February 2022 forecast, the debt service forecast assumed an $880 million capital budget in even years and a $135 million capital budget in odd years. Because a capital budget bill was not enacted during the 2022 legislative session, this forecast assumes a larger $880 million capital budget for the 2023 legislative session and maintains the previous assumptions of $880 million capital budgets for even-year legislative sessions and $135 million capital budgets in odd-year legislative sessions.

All other spending is forecast to be $10.532 billion, $90 million (0.8 percent) lower than end-of-session estimates. This decrease is largely attributable to decreases of $69 million (3.6 percent) in state government & veterans due to $80 million of allocations to other bill areas from the $190 million COVID-19 Management appropriation, $15 million (4.0 percent) in capital projects & grants, and $10 million (0.4 percent) in public safety & judiciary bill areas. These spending reductions were partially offset by a $4 million (0.9 percent) increase in transportation spending and a $5 million (25.0 percent) reduction in cancelation estimates.

In 2022, the Department of Administration completed the sale of the building it purchased in FY 2020 for use as a cold storage facility and the proceeds of the sale were deposited into the general fund. The building was originally purchased with a COVID-19 Minnesota fund appropriation but was largely reimbursed by the Federal Emergency Management Administration (FEMA). This forecast includes a general fund transfer of approximately $5 million in FY 2023 to repay FEMA its portion of the costs.

Next Biennium

Next Biennium: FY 2024-25 General Fund Expenditures
Biennial Comparison; November 2022 Forecast

($ in millions)	FY 2022-23	FY 2024-25	$ Change	% Change
E-12 Education	$20,223	$21,252	$1,029	5.1%
Property Tax Aids & Credits	4,649	4,473	(176)	(3.8)
Health & Human Services	15,234	17,811	2,578	16.9
Debt Service	1,140	1,147	7	0.6
All Other	10,532	9,271	(1,262)	(12.0)
Total Expenditures	**$51,778**	**$53,953**	**$2,175**	**4.2%**

Forecast expenditures in the FY 2024-25 biennium are expected to reach $53.953 billion, an increase of $2.175 billion (4.2 percent) over the FY 2022-23 biennium. Driving the overall increase is growth of $2.578 (16.9 percent) in HHS, where MA spending accounts for a majority of the biennial change. E-12 spending is expected to grow $1.029 billion (5.1 percent) due to higher compensatory revenue and special education spending. Spending for property tax aids and credits is expected to be $176 million (3.8 percent) lower than the current biennium. Debt service is expected to grow $7 million (0.6 percent) compared to FY 2022-23. Offsetting the overall growth is $1.262 billion (12.0 percent) lower spending in the other areas of state government, due in large part to one-time spending in FY 2022-23.

Overall spending in the FY 2024-25 biennium is expected to be down $600 million (1.1 percent) compared to prior estimates. A reduction in HHS spending estimates, largely driven by lower managed care payments, explains more than all of the change. These reductions are partially offset by higher than anticipated spending in property tax aids and credits, primarily due to increases in the property tax refund program. E-12 spending is relatively unchanged, driven by two offsetting items: an increase in compensatory revenue and a decrease in projected pupils. Other areas of the state budget have little change compared to prior estimates.

Next Biennium: FY 2024-25 General Fund Expenditures

Change from End-of-Session

($ in millions)	End of Session	November 2022 Forecast	$ Change	% Change
E-12 Education	$21,242	$21,252	$9	0.0%
Property Tax Aids & Credits	4,343	4,473	130	3.0
Health & Human Services	18,533	17,811	(722)	(3.9)
Debt Service	1,149	1,147	(2)	(0.2)
All Other	9,286	9,271	(16)	(0.2)
Total Expenditures	**$54,553**	**$53,953**	**($600)**	**(1.1%)**

E-12 Education. E-12 expenditures in FY 2024-25 are forecast to reach $21.252 billion, growing $1.029 billion (5.1 percent) relative to FY 2022-23. The two largest drivers of biennial growth are compensatory revenue and special education. Compensatory revenue payments are forecast to be $527 million (54.4 percent) higher in FY 2024-25 than FY 2022-23. This growth is due in part to a return from abnormally low payments in FY 2022-23. FY 2022-23 biennial compensatory revenue was based on fall 2020 and fall 2021 student counts. Compensatory revenue in these years was abnormally low due to the pandemic and federal policies that provided free meals to all students, resulting in fewer households submitting income forms that qualify them for FRP meals and compensatory revenue. This growth also a reflects changes in the state's processes for enrolling students in free or reduced-price (FRP) meals, which are discussed in greater detail on the following page.

Another large driver of biennial growth is special education, which is increasing $431 million (12.1 percent). While most E-12 education spending does not include inflation, special education is primarily a cost reimbursement program, so instructional and transportation cost inflation contribute to biennial growth.

Relative to end-of-session estimates, overall E-12 education spending is expected to be $9 million (0.0 percent) higher in FY 2024-25. The significant increase in compensatory revenue ($407 million; 37.4 percent) discussed above is offset by reductions in the pupil forecast impacting programs such as the general education basic formula ($190 million, 1.5 percent), other general education ($96 million; 7.6 percent), and special education ($92 million, 2.2 percent). The pupil forecast is lower than end-of-session estimates by 1.6 percent in FY 2024 and 1.5 percent in FY 2025 as a result of lower enrollment in recent years, as discussed above.

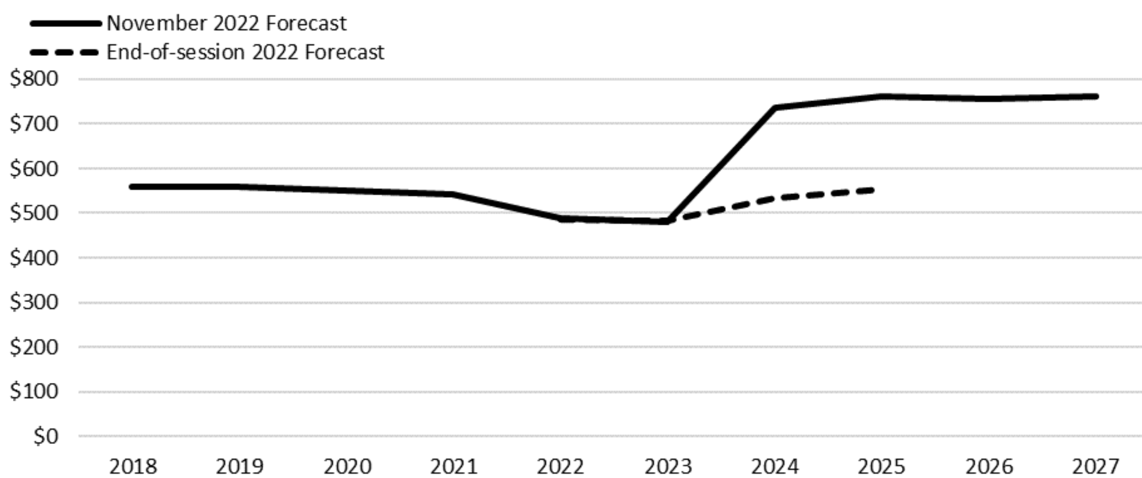
Compensatory Education Revenue and Direct Certification Through Medicaid

Compensatory education revenue, also referred to as “compensatory revenue,” is state funding to help meet the “educational needs of pupils who enroll under-prepared to learn and whose progress toward meeting state or local content or performance standards is below the level that is appropriate for learners of their age..”[11]

Compensatory revenue amounts are calculated, per statute, based on the number of students qualifying for FRP meals in the federal meal program, as well as the concentration of such students at each school site. Prior to school year 2022-23, eligibility for FRP meals occurred primarily via either submission of a household income form or via “direct certification” with a limited number of Department of Human Services programs. Direct certification refers to a process for determining student eligibility for meal benefits based on documentation obtained directly from a state or local agency.

E-12 Compensatory Revenue

Amounts in Millions of Dollars, by State Fiscal Year



E-12 compensatory revenue is projected to increase in FY 2024 after years of declining.

Starting in the current school year, Minnesota is participating in a U.S. Department of Agriculture demonstration project that enables FRP enrollment to occur via direct certification for children enrolled in Medicaid (DCM) and who meet FRP income eligibility based on Medicaid income calculations. DCM increases the number of students qualifying for FRP meals because it provides automatic enrollment without the need for a household to submit a form and because it uses a slightly different definition of household than the traditional meal program does.

Preliminary data submitted by districts to MDE in fall 2022 indicate that approximately 75,000 more students than previously forecast will qualify for compensatory revenue. Compensatory revenue is received in the fiscal year following the count of eligible students; that is, the fall 2022 (FY 2023) student data impacts FY 2024 compensatory revenue.

[11] Minnesota Statutes 2022, 126C.15, subd. 1.

Health & Human Services. General fund spending for HHS is expected to reach $17.811 billion in the FY 2024-25 biennium, an increase of $2.578 billion (16.9 percent) from the current biennium. As in previous forecasts, MA is the primary driver of the biennial change.

General fund spending in MA is expected to grow $2.606 billion (23.3 percent) from FY 2022-23 to FY 2024-25, primarily as a result of changes in the federal share of the program. In general, growth in total MA spending is due to two factors: the cost of care and enrollment. However, changes in the federal share of the program also drive changes in state spending. In this case, the end of the federal PHE exacerbates the growth. This forecast assumes the state will have the enhanced 6.2 percent FMAP for seven of the eight calendar quarters in the current biennium compared to zero in the next biennium. The state currently expects to receive $1.586 billion in enhanced FMAP this biennium, much of which has been reflected in prior forecasts. This enhanced match temporarily reduces the state share of MA but does not change long-term program trends. Consequently, total MA payments and the state share of those payments increase in the FY 2024-25 biennium following the end of the enhanced matching rate.

Overall HHS general fund spending is down $722 million (3.9 percent) in FY 2024-25 compared to prior estimates. Changes to the MA program explain most of the reduction ($601 million, or 83.2 percent of the change from end-of-session estimates). The largest driver of the reduced spending is lower basic care average payments. Lower managed care rates for CY 2023 result in lower projected rates in future years, reducing state MA expenditures by $481 million (3.3 percent) relative to end-of-session estimates.

The state's base FMAP is increasing in FY 2024, lowering expected state spending by $180 million (1.3 percent) in the FY 2024-25 biennium. The Centers for Medicaid and Medicare Services recently announced a 0.70 percentage point increase to Minnesota's baseline FMAP from 50.79 percent to 51.49 percent starting October 1, 2023. This increase is a result of changes in Minnesotan's personal income compared to the national average and is unrelated to changes in the federal PHE. This additional match is not conditioned on any program changes. This forecast assumes this increased federal share continues through the forecast horizon.

Higher forecast pharmacy rebates continue in the FY 2024-25 biennium, which reduces state expenditures $164 million (1.1 percent) from end-of-session estimates. The base adjustment from higher-than-expected pharmacy rebate collections in FY 2022 continues into this biennium. However, the savings is lower due to the sunsetting of the state's Drug Formulary Committee at the end of the FY 2022-23 biennium. This committee manages the state's preferred drug list, which generates supplemental pharmacy rebates. Without this committee, the state cannot manage the preferred drug list and would therefore have no ability to negotiate the collection of supplemental rebates. This results in an annual reduction of approximately $36 million in the state's share of supplemental rebates, which partially reduces the stronger base rebate projections.

The continued impact of reduced nursing facility caseload projections relative to the previous forecast reduces state expenditures by $123 million in the FY 2024-25 biennium. The assumption of flat average monthly caseload levels in nursing facilities continues throughout the forecast horizon.

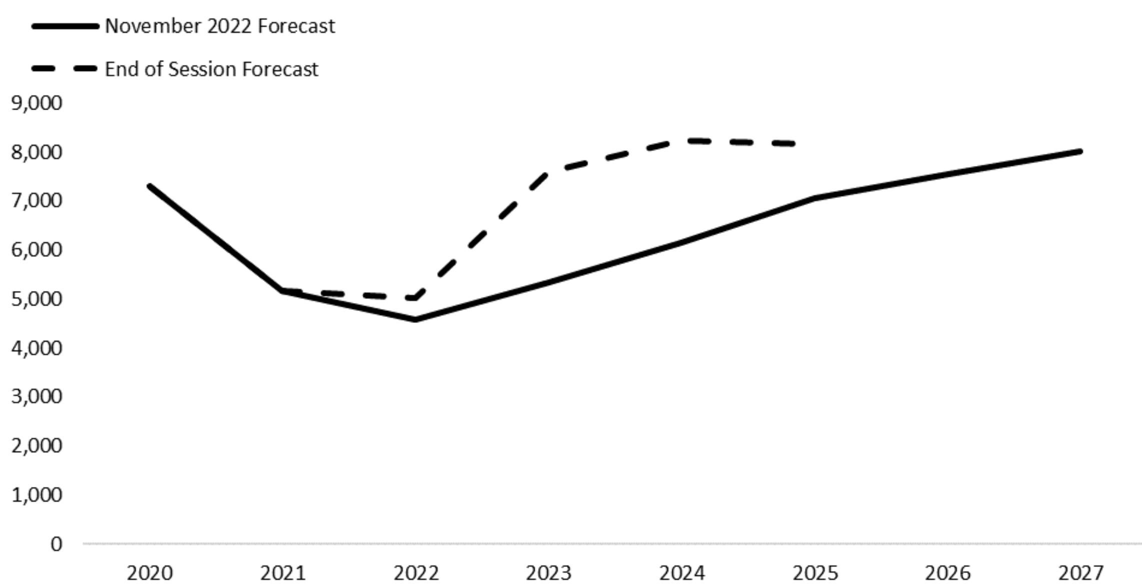
These reductions are partially offset by higher MA basic care caseload levels, which increases state spending $244 million (1.7 percent). This change is primarily explained by higher-than-projected actual caseload levels in the FY 2022-23 biennium, which is expected to continue into the next biennium. Additionally, basic care caseload levels are expected to increase as a result of a mild recession projected in the economic forecast.

The extension of the PHE and the subsequent unwinding of the continuous coverage requirements are projected to increase costs in the FY 2024-25 biennium. An extension of the PHE to January 2023 delays the completion of eligibility redeterminations of all MA enrollees into the FY 2024-25 biennium. This results in higher caseload levels and increases state spending $101 million (0.7 percent) from end-of-session estimates. However, unlike in the current biennium, these costs are not offset by an enhanced federal match.

Outside of the MA program, the continued reduction in CCAP program utilization reduces state HHS expenditures by $143 million (0.8 percent) in the FY 2024-25 biennium. Caseload is down 19.4 percent from the end-of-session estimates because of slower increases in utilization.

MFIP CCAP Utilization

Average Monthly Recipients, By State Fiscal Year



Utilization of the CCAP program is down all years over the forecast horizon.

Property Tax, Aids, and Credits. In the next biennium, property tax aids and credits spending is expected to be $4.473 billion, a decrease of $176 million (3.8 percent) from FY 2022-23. This reduction is a result of several one-time appropriations in the current biennium, including Front Line Worker Aid ($500 million) and one-time local government assistance to counties ($29 million). These decreases are partially offset by $248 million (14.7 percent) growth in property tax refund programs.

Property tax aids and credits spending is forecast to be $130 million (3.0 percent) above 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 $82 million (6.2 percent) due to inflation, relatively slower income growth, residential homestead market value growth, and higher local government property tax levies. The increases in market values and property tax levies also impact the special property tax refund, which is forecast to be $14 million (132.7 percent) more than end-of-session estimates. Renters' property tax refunds are also projected to increase and are up $19 million (4.1 percent) due to more people applying for the refund, inflation, and wage growth.

The school building bond agricultural credit is forecast to be $13 million (7.4 percent) more than prior projections due to greater referenda passage in the November 2022 election and an increased school debt service forecast.

Debt Service and All Other Spending. Debt service expenditures total $1.147 billion in the next biennium, which is $2 million (0.2 percent) lower than prior estimates. The reduction is due to an increase in short-term investment earnings on cash balances and is nearly offset by the increase in debt service payments. This estimate reflects higher interest rate assumptions on future bond sales and slightly higher spending on capital projects. It also reflects the assumption of a larger capital budget in CY 2023 compared to previous estimates, thus increasing the size of projected bond sales and future debt service costs. Higher bond interest rates result in lower bond premiums, which together increase the estimated size of future bond sales and debt service payments.

Expenditures in all other areas of the state budget are expected to be $9.272 billion, $1.260 billion (12.0 percent) lower in FY 2024-25 compared to the current biennium. This reduction is largely attributable to one-time spending in the current biennium, such as the $190 million COVID-19 Management appropriation.

Estimated spending in all other bill areas is $16 million (0.2 percent) lower than prior estimates, largely attributable a $13.1 million (3.7 percent) decrease in anticipated capital projects & grants spending and a $6.1 million (0.2 percent) reduction in public safety & judiciary spending.

Planning Estimates

Planning Estimates: FY 2026-27 General Fund Expenditures

Biennial Comparison; November 2022 Forecast

($ in millions)	FY 2024-25	FY 2026-27	$ Change	% Change
E-12 Education	$21,252	$21,459	$207	1.0%
Property Tax Aids & Credits	4,473	4,592	119	2.7
Health & Human Services	17,811	19,881	2,070	11.6
Debt Service	1,147	1,257	111	9.6
All Other	9,271	8,972	(299)	(3.2)
Total Expenditures	**$53,953**	**$56,161**	**$2,208**	**4.1%**

Total projected spending in the FY 2026-27 biennium is expected to reach $56.161 billion, an increase of $2.208 billion (4.1 percent). The growth trends in the major forecast programs remain the same as described for FY 2024-25 with growth in HHS spending accounting for most of the increase due to continued growth in MA spending. Increases in E-12 education spending is largely due to program cost growth in special education. Property tax aids and credits growth is primarily due to higher property tax refunds.

E-12 Education. Spending in E-12 education in FY 2026-27 is expected to reach $21.459 billion, growing $207 million (1.0 percent) from FY 2024-25. Inflationary increases in special education costs are the largest driver of growth. Special education spending is estimated to grow by $447 million (11.2 percent) due to an increase in students qualifying for services and increased service costs. This increase is offset by a decrease in general education spending estimated at $261 million (1.7 percent) caused primarily by declining statewide pupil counts, as well as increased property tax valuations driving more program funding to property tax levies rather than state aid.

Health & Human Services. HHS expenditures are projected to be $19.881 billion in the FY 2026-27 biennium, an increase of $2.070 billion (11.6 percent) compared to the FY 2024-25 biennium. Nearly all the biennial increase is driven by MA, which is expected to grow $1.849 billion (13.4 percent) between these biennia.

Growth in MA is driven by services for the elderly and people with disabilities. State spending is expected to increase $1.240 billion (12.1 percent) on these services in the following biennium. This increase is due to enrollment growth in home and community-based services, as well as growth in enrollment and average elderly and disabled basic care capitation payments. State spending for families with children and adults without children is expected to grow by $230 million (6.1 percent).

Property Tax, Aids, and Credits. In FY 2026-27, property tax aids and credits spending is forecast to total $4.592 billion, which is $119 million (2.7 percent) more than FY 2024-25 estimates. Property tax refunds continue to increase, with the $76 million (5.5 percent) in anticipated growth occurring principally in the homestead credit refund and renters' property tax refund programs. Additionally, school building bond agricultural credits increase in the planning estimates by $17 million (9.1 percent) due to an increase in the school debt service forecast. Additionally, police state aid payments to local governments are expected to increase by $17 million (9.2 percent). The increase in these payments is driven by the anticipated increase in tax collections on auto insurance premiums, which are then distributed to units of local government to offset law enforcement pension costs.

Debt Service. Debt service costs for the FY 2026-27 biennium total $1.257 billion, an increase of $111 million compared to the FY 2024-25 biennium. This increase is primarily attributable to a combination of delayed agency spending on authorized projects and a larger capital budget assumed during the 2023 legislative session.

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Minnesota Economic Forecast Summary

Forecast 2022 to 2027 - Calendar Years

	2022	2023	2024	2025	2026	2027
Current Dollar Income (Billions of Dollars)						
Personal Income	385.606	405.118	425.488	447.478	469.108	490.940
%Chg	1.8	5.1	5.0	5.2	4.8	4.7
Wage & Salary Disbursements	205.456	214.643	225.165	237.778	249.600	260.813
%Chg	6.9	4.5	4.9	5.6	5.0	4.5
Non-Wage Personal Income	180.147	190.473	200.320	209.700	219.508	230.128
%Chg	-3.4	5.7	5.2	4.7	4.7	4.8
Supplements to Wages & Salaries	43.426	45.710	48.087	50.867	53.468	55.828
%Chg	3.9	5.3	5.2	5.8	5.1	4.4
Dividends, Interest, & Rent Income	73.117	79.475	84.292	87.874	91.514	95.545
%Chg	4.9	8.7	6.1	4.2	4.1	4.4
Farm Proprietors Income	5.098	5.565	5.552	5.529	5.476	5.444
%Chg	55.1	9.2	-0.2	-0.4	-1.0	-0.6
Non-Farm Proprietors Income	25.088	25.259	25.307	25.679	26.752	27.828
%Chg	1.3	0.7	0.2	1.5	4.2	4.0
Personal Current Transfer Receipts	66.103	68.596	72.753	77.264	81.517	86.081
%Chg	-15.2	3.8	6.1	6.2	5.5	5.6
Less: Contrib. for Gov. Social Ins.	31.057	32.499	34.036	35.882	37.586	38.969
%Chg	5.8	4.6	4.7	5.4	4.8	3.7
Real Income (Billions of 2009 Dollars)						
Real Personal Income	313.780	318.778	327.255	337.123	346.585	355.505
%Chg	-4.3	1.6	2.7	3.0	2.8	2.6
Real Wage & Salary Disbursements	167.190	168.903	173.180	179.135	184.408	188.863
%Chg	0.6	1.0	2.5	3.4	2.9	2.4
Employment (Thousands)						
Employment - Total Non-Farm Payrolls	2,938.3	2,948.1	2,949.5	2,971.1	2,983.0	2,992.2
%Chg	3.1	0.3	0.0	0.7	0.4	0.3
Construction	130.6	126.6	124.8	124.7	125.0	125.5
%Chg	0.6	-3.1	-1.4	-0.1	0.3	0.3
Manufacturing	328.2	329.8	330.1	334.1	338.2	341.6
%Chg	4.6	0.5	0.1	1.2	1.2	1.0
Private Service-Providing	2,065.0	2,071.1	2,070.1	2,084.6	2,089.2	2,091.9
%Chg	3.5	0.3	0.0	0.7	0.2	0.1
Government	408.1	414.5	418.4	421.7	424.5	427.2
%Chg	0.9	1.6	0.9	0.8	0.7	0.6
Minnesota Civilian Labor Force	3,087.8	3,141.0	3,170.7	3,184.9	3,194.5	3,202.3
Unemployment Rate (%)	2.3	3.5	4.0	3.5	3.3	3.1
Demographic Indicators (Millions)						
Total Population	5.716	5.736	5.763	5.790	5.817	5.844
%Chg	0.1	0.4	0.5	0.5	0.5	0.5
Total Population Age 16 & Over	4.566	4.596	4.629	4.663	4.696	4.728
%Chg	0.4	0.6	0.7	0.7	0.7	0.7
Total Population Age 65 & Over	0.098	0.101	0.105	0.108	0.111	0.113
%Chg	2.6	3.2	3.2	2.9	2.6	2.3
Total Households	2.300	2.316	2.338	2.360	2.382	2.404
%Chg	0.7	0.7	0.9	0.9	0.9	0.9
Housing Indicators (Thousands)						
Total Housing Permits (Authorized)	30.786	22.090	24.061	25.981	25.650	25.372
%Chg	-14.2	-28.2	8.9	8.0	-1.3	-1.1
Single-Family	14.167	12.605	14.763	15.798	15.445	15.170
%Chg	-23.5	-11.0	17.1	7.0	-2.2	-1.8

Source: Minnesota Management & Budget (MMB) November 2022 Forecast

U.S. Economic Forecast Summary

Forecast 2022 to 2027, Calendar Years

	2022	2023	2024	2025	2026	2027
Real National Income Accounts (Billions of 2009 Dollars)						
Real Gross Domestic Product (GDP)	19,960.3	19,928.2	20,194.0	20,562.0	20,950.2	21,320.0
%Chg	1.8	-0.2	1.3	1.8	1.9	1.8
Real Consumption	14,119.9	14,228.0	14,385.3	14,631.5	14,913.2	15,222.5
%Chg	2.7	0.8	1.1	1.7	1.9	2.1
Real Nonresidential Fixed Investment	2,927.1	2,884.2	2,879.1	2,911.8	2,961.2	3,021.6
%Chg	3.2	-1.5	-0.2	1.1	1.7	2.0
Real Residential Investment	644.3	543.1	575.6	618.6	633.6	637.1
%Chg	-10.4	-15.7	6.0	7.5	2.4	0.5
Real Personal Income	17,727.6	17,940.8	18,305.0	18,740.9	19,196.8	19,680.6
%Chg	-3.8	1.2	2.0	2.4	2.4	2.5
Current Dollar National Income Accounts (Billions of Dollars)						
Gross Domestic Product (GDP)	25,401.9	26,398.3	27,373.0	28,448.2	29,603.3	30,799.4
%Chg	9.0	3.9	3.7	3.9	4.1	4.0
Personal Income	21,787.0	22,799.8	23,799.2	24,875.4	25,982.9	27,178.0
%Chg	2.3	4.6	4.4	4.5	4.5	4.6
Wage & Salary Disbursements	11,199.4	11,649.8	12,131.0	12,720.7	13,286.5	13,865.0
%Chg	8.8	4.0	4.1	4.9	4.4	4.4
Non-Wage Personal Income	10,587.6	11,150.0	11,668.2	12,154.7	12,696.5	13,313.1
%Chg	-3.8	5.3	4.6	4.2	4.5	4.9
Price and Wage Indexes						
U.S. GDP Deflator (2005=1.0)	127.272	132.465	135.547	138.349	141.299	144.458
%Chg	7.0	4.1	2.3	2.1	2.1	2.2
U.S. Consumer Price Index (1982-84=1.0)	2.930	3.055	3.138	3.210	3.280	3.353
%Chg	8.1	4.3	2.7	2.3	2.2	2.2
Employment Cost Index (Dec 2005=1.0)	1.530	1.602	1.673	1.743	1.812	1.877
%Chg	5.2	4.7	4.4	4.2	4.0	3.6
Employment (Thousands)						
Employment - Total Non-Farm Payrolls	152.0	152.0	151.5	152.5	153.2	153.9
%Chg	4.1	0.0	-0.3	0.7	0.5	0.4
Construction	7.7	7.5	7.4	7.3	7.4	7.4
%Chg	3.4	-2.0	-2.1	-0.2	0.6	0.7
Manufacturing	12.8	12.7	12.2	12.1	12.0	11.9
%Chg	3.7	-1.0	-3.7	-1.1	-1.0	-0.3
Private Service-Providing	108.7	108.6	108.5	109.5	110.1	110.6
%Chg	4.7	0.0	-0.1	0.9	0.6	0.4
Government	22.3	22.6	22.8	22.9	23.1	23.2
%Chg	1.2	1.3	0.9	0.7	0.6	0.6
U.S. Civilian Labor Force	164.4	165.5	166.1	166.7	167.2	167.7
Employment - Household Survey	158.3	157.4	157.4	158.7	159.6	160.3
Unemployment Rate (%)	3.7	4.9	5.3	4.8	4.6	4.4
Other Key Measures						
Non-Farm Productivity (index, 2005=1.0)	1.132	1.132	1.150	1.161	1.178	1.195
%Chg	-1.7	0.0	1.5	1.0	1.4	1.4
Total Ind. Production (index, 2007=100)	104.251	103.703	104.221	105.840	107.538	109.028
%Chg	4.3	-0.5	0.5	1.6	1.6	1.4
Manhours in Private Non-Farm Estab.						
Billions of Hours	217.9	215.8	215.0	217.1	218.6	219.8
%Chg	3.8	-0.9	-0.4	1.0	0.7	0.5
Average Weekly Hours	33.0	32.9	32.9	33.0	33.1	33.1
Manufacturing Workweek	41.2	40.7	40.8	40.8	40.7	40.7

Source: IHS Economics; November 2022 Baseline

Alternative Forecast Comparison

Calendar Years

	22Q3	22Q4	23Q1	23Q2	23Q3	23Q4	2021	2022	2023	2024
Real Gross Domestic Product (GDP), Percent Change, Seasonally Adjusted at Annual Rate										
Blue Chip Consensus (02-22)	2.6	0.4	-0.6	-0.3	0.4	0.9	5.9	1.8	0.2	**
IHS Economics Baseline (02-22)	2.6	-0.4	-2.0	-0.4	1.0	1.6	5.9	1.8	-0.2	1.3
Moody's Analytics (02-22)	2.6	-0.1	0.1	0.4	1.9	**	5.9	1.8	0.7	**
Wells Fargo (02-22)	2.6	1.1	0.7	0.1	-2.5	-3.2	5.9	1.9	0.1	-0.2
CBO Outlook (07-21)	3.7	2.9	2.2	2.5	2.1	1.5	5.7	3.8	2.8	1.6
Consumer Price Index (CPI), Percent Change, Seasonally Adjusted at Annual Rate (except where noted)										
Blue Chip Consensus (02-22)	5.7	4.9	4.0	3.0	2.8	2.5	4.7	8.1	4.2	**
IHS Economics Baseline (02-22)	8.3	7.7	6.3	4.2	3.6	3.0	4.7	8.1	4.3	2.7
Moody's Analytics (02-22)	5.7	4.0	3.6	3.1	2.5	**	4.7	8.1	4.0	**
Wells Fargo (11-20) *	8.3	7.4	6.0	4.2	3.4	3.1	4.7	8.1	4.1	2.7
CBO Outlook (07-21)	3.6	3.3	3.0	2.7	2.5	2.4	4.7	6.1	3.1	2.4

* Year-over-Year Percent Change
**Not Available

IHS Economics Baseline Forecast Comparison

Calendar Years

	2020	2021	2022	2023	2024	2025	2026	2027
Real Gross Domestic Product (GDP), Annual Percent Change								
February 2019	2.0	1.7	1.6	1.4	-	-		
November 2019	2.1	2.0	1.6	1.5	-	-		
February 2020	2.1	2.0	1.7	1.5	-	-		
April 2020	-5.4	6.3	4.0	1.6	-	-		
November 2020	-3.6	3.1	2.5	2.5	2.9	3.0		
February 2021	-3.5	5.7	4.1	2.3	2.6	2.6		
November 2021	-3.4	5.5	4.3	2.9	2.7	2.6		
February 2022	-3.4	5.7	3.7	2.7	2.6	2.5		
November 2022	-2.8	5.9	1.8	-0.2	1.3	1.8	1.9	1.8
Consumer Price Index (CPI), Annual Percent Change								
February 2019	2.1	2.3	2.4	2.4	-	-		
November 2019	1.9	1.8	2.5	2.5	-	-		
February 2020	1.8	1.7	2.2	2.5	-	-		
April 2020	0.7	2.1	2.7	2.7	-	-		
November 2020	1.3	2.3	2.6	2.2	2.1	2.2		
February 2021	1.3	2.1	2.1	2.0	2.1	2.2		
November 2021	1.2	4.5	3.3	2.1	2.2	2.2		
February 2022	1.3	4.7	4.5	1.9	2.1	2.1		
November 2022	1.2	4.7	8.1	4.3	2.7	2.3	2.2	2.2

Source: IHS Economics

Forecast Comparison: Minnesota & U.S.

Forecast 2022 to 2027, Calendar Years

	2020	2021	2022	2023	2024	2025	2026	2027
Personal Income (Billions of Current Dollars)								
Minnesota								
November 2022	355.2	378.8	385.6	405.1	425.5	447.5	469.1	490.9
%Chg	6.7	6.6	1.8	5.1	5.0	5.2	4.8	4.7
February 2022	350.8	375.1	379.6	397.2	415.9	435.3		
%Chg	6.5	6.9	1.2	4.6	4.7	4.7		
U.S.								
November 2022	19,832	21,295	21,787	22,800	23,799	24,875	25,983	27,178
%Chg	6.7	7.4	2.3	4.6	4.4	4.5	4.5	4.6
February 2022	19,628	21,060	21,495	22,603	23,756	24,973		
%Chg	6.5	7.3	2.1	5.2	5.1	5.1		
Wage and Salary Disbursements (Billions of Current Dollars)								
Minnesota								
November 2022	179.4	192.2	205.5	214.6	225.2	237.8	249.6	260.8
%Chg	0.1	7.2	6.9	4.5	4.9	5.6	5.0	4.5
February 2022	179.1	194.1	210.1	221.0	231.3	241.5		
%Chg	0.0	8.4	8.2	5.2	4.6	4.4		
U.S.								
November 2022	9,457	10,290	11,199	11,650	12,131	12,721	13,286	13,865
%Chg	1.4	8.8	8.8	4.0	4.1	4.9	4.4	4.4
February 2022	9,444	10,306	11,276	11,928	12,511	13,111		
%Chg	1.3	9.1	9.4	5.8	4.9	4.8		
Total Non-Farm Payroll Employment (Thousands)								
Minnesota								
November 2022	2,784	2,849	2,938	2,948	2,949	2,971	2,983	2,992
%Chg	-6.7	2.3	3.1	0.3	0.0	0.7	0.4	0.3
February 2022	2,791	2,846	2,942	2,987	3,015	3,036		
%Chg	-6.6	2.0	3.4	1.5	0.9	0.7		
U.S.								
November 2022	142,146	146,102	152,021	152,012	151,487	152,525	153,226	153,864
%Chg	-5.8	2.8	4.1	0.0	-0.3	0.7	0.5	0.4
February 2022	142,146	146,096	151,541	153,894	155,108	156,017		
%Chg	-5.8	2.8	3.7	1.6	0.8	0.6		
Average Annual Non-Farm Wage (Current Dollars)								
Minnesota								
November 2022	64,416	67,464	69,923	72,808	76,341	80,031	83,676	87,165
%Chg	7.3	4.7	3.6	4.1	4.9	4.8	4.6	4.2
February 2022	64,189	68,226	71,387	73,990	76,703	79,546		
%Chg	7.1	6.3	4.6	3.6	3.7	3.7		
U.S.								
November 2022	66,533	70,431	73,670	76,637	80,080	83,401	86,711	90,112
%Chg	7.7	5.9	4.6	4.0	4.5	4.1	4.0	3.9
February 2022	66,440	70,546	74,409	77,506	80,659	84,034		
%Chg	7.5	6.2	5.5	4.2	4.1	4.2		

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

Factors Affecting Tax Revenue

Billions of Current Dollars

	2022	2023	2024	2025	2026	2027
Individual Income Tax (Calendar Year)						
Minnesota Non-Farm Tax Base						
April 2020	279.6	289.6				
%Chg	5.9	3.6				
November 2020	284.06	295.875	310.85	325.625		
%Chg	4.4	4.2	5.1	4.8		
February 2021	289.0	301.4775	314.755	329.365		
%Chg	4.3	4.3	4.4	4.6		
November 2021	302.010	318.900	335.453	352.298		
%Chg	6.8	5.6	5.2	5.0		
February 2022	305.088	320.878	336.385	351.933		
%Chg	7.3	5.2	4.8	4.6		
November 2022	303.662	319.375	334.763	351.330	367.868	384.188
%Chg	5.9	5.2	4.8	4.9	4.7	4.4
Minnesota Wage and Salary Disbursements						
April 2020	183.69	192.7125				
%Chg	8.8	4.9				
November 2020	195.29	203.705	213.76	223.398		
%Chg	5.2	4.3	4.9	4.5		
February 2021	197.785	206.6925	215.5975	225.518		
%Chg	5.0	4.5	4.3	4.6		
November 2021	207.565	219.910	231.063	242.383		
%Chg	7.3	5.9	5.1	4.9		
February 2022	210.050	221.035	231.293	241.530		
%Chg	8.2	5.2	4.6	4.4		
November 2022	205.456	214.643	225.165	237.778	249.600	260.813
%Chg	6.9	4.5	4.9	5.6	5.0	4.5
Minnesota Dividends, Interest, & Rental Income						
April 2020	74.023	75.260				
%Chg	3.0	1.7				
November 2020	64.796	66.811	69.615	72.903		
%Chg	1.7	3.1	4.2	4.7		
February 2021	66.764	69.156	72.153	75.574		
%Chg	2.8	3.6	4.3	4.7		
November 2021	67.217	70.184	73.788	77.933		
%Chg	4.8	4.4	5.1	5.6		
February 2022	67.625	71.344	75.139	79.039		
%Chg	5.4	5.5	5.3	5.2		
November 2022	73.117	79.475	84.292	87.874	91.514	95.545
%Chg	4.9	8.7	6.1	4.2	4.1	4.4
Minnesota Non-Farm Proprietors' Income						
April 2020	21.850	21.670				
%Chg	-5.9	-0.8				
November 2020	23.973	25.360	27.473	29.325		
%Chg	5.0	5.8	8.3	6.7		
February 2021	24.402	25.632	27.003	28.273		
%Chg	2.6	5.0	5.3	4.7		
November 2021	27.231	28.806	30.600	31.983		
%Chg	7.5	5.8	6.2	4.5		
February 2022	27.414	28.497	29.951	31.361		
%Chg	5.8	4.0	5.1	4.7		
November 2022	25.088	25.259	25.307	25.679	26.752	27.828
%Chg	1.3	0.7	0.2	1.5	4.2	4.0

Factors Affecting Tax Revenue (Continued)

Billions of Current Dollars

	2022	2023	2024	2025	2026	2027
General Sales Tax (Fiscal Year)						
Minnesota Synthetic Sales Tax Base						
April 2020	92.196	94.886				
%Chg	12.0	2.9				
November 2020	98.570	102.488	106.441	110.718		
%Chg	3.6	4.0	3.9	4.0		
February 2021	101.985	106.344	110.864	115.735		
%Chg	6.0	4.3	4.3	4.4		
November 2021	110.969	114.138	117.784	122.392		
%Chg	10.8	2.9	3.2	3.9		
February 2022	111.904	115.627	118.788	122.437		
%Chg	11.7	3.3	2.7	3.1		
November 2022	113.912	118.719	119.106	123.024	127.307	131.659
%Chg	12.8	4.2	0.3	3.3	3.5	3.4
**Historical data revised as a result of comprehensive GDP account revisions*						
Minnesota's Proxy Share of U.S. Consumer Durable Spending (Excluding Autos)						
April 2020	16.964	17.335				
%Chg	6.5	2.2				
November 2020	19.753	19.914	20.130	20.404		
%Chg	-1.2	0.8	1.1	1.4		
February 2021	20.439	20.652	21.027	21.446		
%Chg	-1.8	1.0	1.8	2.0		
November 2021	23.314	22.312	22.025	22.390		
%Chg	7.1	-4.3	-1.3	1.7		
February 2022	23.649	22.954	22.814	22.950		
%Chg	8.6	-2.9	-0.6	0.6		
November 2022	24.998	25.411	25.127	25.567	26.169	26.792
%Chg	10.2	1.7	-1.1	1.8	2.4	2.4
Minnesota's Proxy Share of U.S. Capital Equipment Spending						
April 2020	12.278	11.941				
%Chg	10.8	-2.7				
November 2020	13.659	14.021	14.316	15.221		
%Chg	0.1	2.7	2.1	6.3		
February 2021	15.783	16.353	16.676	17.589		
%Chg	13.1	3.6	2.0	5.5		
November 2021	14.694	15.469	15.992	16.666		
%Chg	5.5	5.3	3.4	4.2		
February 2022	15.069	15.671	16.110	16.686		
%Chg	7.9	4.0	2.8	3.6		
November 2022	13.839	14.179	13.497	13.654	14.227	14.786
%Chg	7.9	2.5	-4.8	1.2	4.2	3.9
Minnesota's Proxy Share of U.S. Construction Spending						
April 2020	8.597	9.080				
%Chg	12.5	5.6				
November 2020	9.139	9.674	10.230	10.786		
%Chg	2.2	5.9	5.7	5.4		
February 2022	9.416	9.284	9.887	10.584		
%Chg	-0.8	-1.4	6.5	7.0		
November 2021	10.377	10.841	11.258	11.797		
%Chg	8.5	4.5	3.9	4.8		
February 2022	10.766	11.257	11.555	12.089		
%Chg	12.0	4.6	2.6	4.6		
November 2022	10.933	10.463	10.764	11.740	12.444	12.960
%Chg	9.1	-4.3	2.9	9.1	6.0	4.1

Factors Affecting Tax Revenue (Continued)

Billions of Current Dollars

	2022	2023	2024	2025	2026	2027
Corporate Franchise Tax (Calendar Year)						
U.S. Corporate Profits (w/ IVA and capital consumption adjustment)						
April 2020	1,965.382	2,037.580				
%Chg	3.0	3.7				
November 2020	1,951.848	2,069.899	2,222.5	2,379.8	2,379.8	2,379.8
%Chg	6.4	6.0	7.4	7.1	7.1	7.1
February 2021	2,100.317	2,190.659	2,319.2	2,439.9	2,439.9	2,439.9
%Chg	-1.5	4.3	5.9	5.2	5.2	5.2
November 2021	2,779.373	2,875.201	3,085.9	3,284.7	3,284.7	3,284.7
%Chg	-2.9	3.4	7.3	6.4	6.4	6.4
February 2022	2,793.825	2,787.388	2,925.9	3,069.8	3,223.3	3,371.3
%Chg	-4.8	-0.2	5.0	4.9	5.0	4.6
November 2022	3,068.713	2,895.524	2,901.3	2,926.9	3,023.8	3,146.4
%Chg	5.3	-5.6	0.2	0.9	3.3	4.1
Deed & Mortgage Tax (Fiscal Year)						
U.S. New and Existing Home Sales (Current $ Value)						
November 2020	2,178.5	2,168.0	2,170.0	2,211.4		
%Chg	-1.4	-0.5	0.1	1.9		
February 2021	2,319.2	2,251.4	2,222.4	2,260.3		
%Chg	1.1	-2.9	-1.3	1.7		
November 2021	2,393.1	2,338.1	2,326.3	2,362.5		
%Chg	3.5	-2.3	-0.5	1.6		
February 2022	2,459.2	2,410.7	2,359.9	2,395.1		
%Chg	6.3	-2.0	-2.1	1.5		
November 2022	2,394.0	1,716.8	1,575.8	1,860.5	2,086.1	2,400.4
%Chg	3.6	-28.3	-8.2	18.1	12.1	15.1

COMPARISON OF ACTUAL AND ESTIMATED NON-RESTRICTED REVENUES

October YTD, 2022-FY2023

($ IN THOUSANDS)

	FORECAST REVENUES	ACTUAL REVENUES	VARIANCE ACT-FCST
Individual Income Tax			
Withholding	3,621,300	3,525,565	(95,735)
Declarations	432,642	522,807	90,164
Miscellaneous	260,388	361,623	101,235
Partnership & S Corporation Gross	496,480	518,470	21,990
Gross	4,810,811	4,928,465	117,654
Partnership & S Corporation Refunds	16,095	49,832	33,737
Individual, Fiduciary, & Withholding Refunds	121,855	146,998	25,143
Total Refunds	137,949	196,830	58,881
Net Income Tax	4,672,861	4,731,635	58,774
Corporate Franchise Tax			
Declarations	624,531	740,789	116,258
Miscellaneous	72,704	47,288	(25,416)
Gross	697,235	788,077	90,842
Refund	33,416	31,023	(2,393)
Net	663,819	757,053	93,234
General Sales and Use Tax			
Gross	2,617,045	2,798,350	181,305
Mpls. sales tax transferred to MSFA	-		-
MPLS Sales Tax w/Holding for NFL Stadium	7,235	7,236	1
Sales Tax Gross	2,624,280	2,805,585	181,306
Refunds (including Indian refunds)	48,357	27,799	(20,558)
Net	2,575,923	2,777,786	201,863
Other Revenues:			
Net Estate	71,800	100,908	29,108
Net Liquor/Wine/Beer	29,906	30,178	272
Net Cigarette/Tobacco	159,937	139,059	(20,878)
Deed and Mortgage	115,482	97,129	(18,353)
Net Insurance Premiums Taxes	117,476	120,254	2,777
Net Lawful Gambling	49,644	51,360	1,716
Health Care Surcharge	67,643	24,689	(42,954)
Other Taxes	(1)	3	4
Statewide Property Tax	179,848	167,681	(12,167)
DHS SOS Collections	29,950	38,005	8,055
Investment Income	9,231	61,291	52,060
Tobacco Settlement	100	-	(100)
Dept. Earnings & MSOP Recov.	53,463	58,257	4,794
Fines and Surcharges	12,047	18,469	6,422
Lottery Revenues	15,110	19,174	4,064
Revenues yet to be allocated	-	17,919	17,919
Residual Revenues	27,749	55,447	27,699
Other Subtotal	939,385	999,823	60,438
Other Refunds	1,734	1,047	(687)
Other Net	937,650	998,776	61,125
Total Gross	**9,071,710**	**9,521,949**	**450,240**
Total Refunds	**221,456**	**256,699**	**35,243**
Total Net	**8,850,253**	**9,265,250**	**414,997**

FY 2022 Actual vs EOS

November 2022 Forecast
($ in thousands)

	EOS FY 2022	Actual FY 2022	$ Change
Actual & Estimated Resources			
Balance Forward From Prior Year	7,025,957	7,025,957	0
Current Resources:			
Tax Revenues	26,552,098	29,390,413	2,838,315
Non-Tax Revenues	850,481	926,552	76,071
Subtotal - Non-Dedicated Revenue	27,402,579	30,316,965	2,914,386
Dedicated Revenue	5	4	-1
Transfers In	176,896	179,721	2,825
Prior Year Adjustments	71,378	132,779	61,401
Subtotal - Other Revenue	248,279	312,504	64,225
Subtotal-Current Resources	27,650,858	30,629,469	2,978,611
Total Resources Available	**34,676,815**	**37,655,426**	**2,978,611**
Actual & Estimated Spending			
E-12 Education	10,077,280	9,960,012	-117,268
Higher Education	1,756,101	1,750,216	-5,885
Property Tax Aids & Credits	2,575,125	2,052,912	-522,213
Health & Human Services	7,039,452	6,922,572	-116,880
Public Safety & Judiciary	1,353,431	1,292,489	-60,942
Transportation	327,502	236,332	-91,170
Environment	207,950	195,128	-12,822
Economic Development, Energy, Ag and Housing	960,957	841,841	-119,116
State Government & Veterans	921,986	665,137	-256,849
Debt Service	592,426	592,426	0
Capital Projects & Grants	186,482	177,361	-9,121
Estimated Cancellations	-5,000	0	5,000
Total Expenditures & Transfers	**25,993,692**	**24,686,426**	**-1,307,266**
Balance Before Reserves	**8,683,123**	**12,969,000**	**4,285,877**
Cash Flow Account	350,000	350,000	0
Budget Reserve	2,655,745	2,672,484	16,739
Stadium Reserve	212,600	229,397	16,797
Appropriations Carried Forward	0	972,828	972,828
Budgetary Balance	**5,464,778**	**8,744,291**	**3,279,513**

FY 2022-23 Current Biennium

November 2022 Forecast
($ in thousands)

	Nov FY 2022	Nov FY 2023	Biennial Total FY 2022-23
Actual & Estimated Resources			
Balance Forward From Prior Year	7,025,957	12,969,000	7,025,957
Current Resources:			
Tax Revenues	29,390,413	27,912,767	57,303,180
Non-Tax Revenues	926,552	1,188,969	2,115,521
Subtotal - Non-Dedicated Revenue	30,316,965	29,101,736	59,418,701
Dedicated Revenue	4	5	9
Transfers In	179,721	159,495	339,216
Prior Year Adjustments	132,779	37,250	170,029
Subtotal - Other Revenue	312,504	196,750	509,254
Subtotal-Current Resources	30,629,469	29,298,486	59,927,955
Total Resources Available	**37,655,426**	**42,267,486**	**66,953,912**
Actual & Estimated Spending			
E-12 Education	9,960,012	10,263,374	20,223,386
Higher Education	1,750,216	1,784,338	3,534,554
Property Tax Aids & Credits	2,052,912	2,595,688	4,648,600
Health & Human Services	6,922,572	8,311,081	15,233,653
Public Safety & Judiciary	1,292,489	1,378,566	2,671,055
Transportation	236,332	245,137	481,469
Environment	195,128	207,884	403,012
Economic Development, Energy, Ag and Housing	841,841	443,281	1,285,122
State Government & Veterans	665,137	1,155,955	1,821,092
Debt Service	592,426	547,759	1,140,185
Capital Projects & Grants	177,361	174,083	351,444
Estimated Cancellations	0	-15,000	-15,000
Total Expenditures & Transfers	**24,686,426**	**27,092,146**	**51,778,572**
Balance Before Reserves	**12,969,000**	**15,175,340**	**15,175,340**
Cash Flow Account	350,000	350,000	350,000
Budget Reserve	2,672,484	2,852,098	2,852,098
Stadium Reserve	229,397	368,060	368,060
Budgetary Balance	**8,744,291**	**11,605,182**	**11,605,182**

FY 2022-23 Current Biennium

November 2022 Forecast vs End of 2022 Legislative Session
($ in thousands)

	EOS FY 2022-23	Nov FY 2022-23	$ Change
Actual & Estimated Resources			
Balance Forward From Prior Year	7,025,957	7,025,957	0
Current Resources:			
Tax Revenues	54,594,416	57,303,180	2,708,764
Non-Tax Revenues	1,625,972	2,115,521	489,549
Subtotal - Non-Dedicated Revenue	56,220,388	59,418,701	3,198,313
Dedicated Revenue	10	9	-1
Transfers In	326,081	339,216	13,135
Prior Year Adjustments	108,481	170,029	61,548
Subtotal - Other Revenue	434,572	509,254	74,682
Subtotal-Current Resources	56,654,960	59,927,955	3,272,995
Total Resources Available	**63,680,917**	**66,953,912**	**3,272,995**
Actual & Estimated Spending			
E-12 Education	20,502,935	20,223,386	-279,549
Higher Education	3,531,718	3,534,554	2,836
Property Tax Aids & Credits	4,653,643	4,648,600	-5,043
Health & Human Services	16,337,467	15,233,653	-1,103,814
Public Safety & Judiciary	2,680,928	2,671,055	-9,873
Transportation	477,224	481,469	4,245
Environment	403,427	403,012	-415
Economic Development, Energy, Ag and Housing	1,292,744	1,285,122	-7,622
State Government & Veterans	1,889,712	1,821,092	-68,620
Debt Service	1,183,167	1,140,185	-42,982
Capital Projects & Grants	366,147	351,444	-14,703
Estimated Cancellations	-20,000	-15,000	5,000
Total Expenditures & Transfers	**53,299,112**	**51,778,572**	**-1,520,540**
Balance Before Reserves	**10,381,805**	**15,175,340**	**4,793,535**
Cash Flow Account	350,000	350,000	0
Budget Reserve	2,655,745	2,852,098	196,353
Stadium Reserve	326,761	368,060	41,299
Budgetary Balance	**7,049,299**	**11,605,182**	**4,555,883**

FY 2024-25 Planning Estimates

November 2022 Forecast
($ in thousands)

	Nov FY 2024	Nov FY 2025	Biennial Total FY 2024-25
Actual & Estimated Resources			
Balance Forward From Prior Year	15,175,340	18,514,408	15,175,340
Current Resources:			
Tax Revenues	28,457,458	29,360,276	57,817,734
Non-Tax Revenues	1,309,204	957,062	2,266,266
Subtotal - Non-Dedicated Revenue	29,766,662	30,317,338	60,084,000
Dedicated Revenue	5	5	10
Transfers In	96,401	25,808	122,209
Prior Year Adjustments	37,218	37,187	74,405
Subtotal - Other Revenue	133,624	63,000	196,624
Subtotal-Current Resources	29,900,286	30,380,338	60,280,624
Total Resources Available	**45,075,626**	**48,894,746**	**75,455,964**
Actual & Estimated Spending			
E-12 Education	10,595,630	10,656,321	21,251,951
Higher Education	1,752,914	1,752,914	3,505,828
Property Tax Aids & Credits	2,209,988	2,262,607	4,472,595
Health & Human Services	8,654,692	9,156,649	17,811,341
Public Safety & Judiciary	1,338,253	1,338,251	2,676,504
Transportation	135,730	135,730	271,460
Environment	179,668	179,497	359,165
Economic Development, Energy, Ag and Housing	333,030	307,080	640,110
State Government & Veterans	639,634	860,464	1,500,098
Debt Service	559,960	586,797	1,146,757
Capital Projects & Grants	166,719	170,633	337,352
Estimated Cancellations	-5,000	-15,000	-20,000
Total Expenditures & Transfers	**26,561,218**	**27,391,943**	**53,953,161**
Balance Before Reserves	**18,514,408**	**21,502,803**	**21,502,803**
Cash Flow Account	350,000	350,000	350,000
Budget Reserve	2,852,098	2,852,098	2,852,098
Stadium Reserve	520,964	684,265	684,265
Budgetary Balance	**14,791,346**	**17,616,440**	**17,616,440**

FY 2024-25 Planning Estimates

November 2022 Forecast vs End of 2022 Legislative Session
($ in thousands)

	EOS FY 2024-25	Nov FY 2024-25	$ Change
Actual & Estimated Resources			
Balance Forward From Prior Year	10,381,805	15,175,340	4,793,535
Current Resources:			
Tax Revenues	58,105,887	57,817,734	-288,153
Non-Tax Revenues	1,564,829	2,266,266	701,437
Subtotal - Non-Dedicated Revenue	59,670,716	60,084,000	413,284
Dedicated Revenue	10	10	0
Transfers In	125,803	122,209	-3,594
Prior Year Adjustments	74,088	74,405	317
Subtotal - Other Revenue	199,901	196,624	-3,277
Subtotal-Current Resources	59,870,617	60,280,624	410,007
Total Resources Available	**70,252,422**	**75,455,964**	**5,203,542**
Actual & Estimated Spending			
E-12 Education	21,242,499	21,251,951	9,452
Higher Education	3,505,828	3,505,828	0
Property Tax Aids & Credits	4,342,805	4,472,595	129,790
Health & Human Services	18,533,104	17,811,341	-721,763
Public Safety & Judiciary	2,682,630	2,676,504	-6,126
Transportation	271,460	271,460	0
Environment	357,639	359,165	1,526
Economic Development, Energy, Ag and Housing	640,837	640,110	-727
State Government & Veterans	1,497,415	1,500,098	2,683
Debt Service	1,148,829	1,146,757	-2,072
Capital Projects & Grants	350,423	337,352	-13,071
Estimated Cancellations	-20,000	-20,000	0
Total Expenditures & Transfers	**54,553,469**	**53,953,161**	**-600,308**
Balance Before Reserves	**15,698,953**	**21,502,803**	**5,803,850**
Cash Flow Account	350,000	350,000	0
Budget Reserve	2,655,745	2,852,098	196,353
Stadium Reserve	581,221	684,265	103,044
Budgetary Balance	**12,111,987**	**17,616,440**	**5,504,453**

Biennial Comparison

November 2022 Forecast
($ in thousands)

	Nov FY 2022-23	Nov FY 2024-25	$ Change
Actual & Estimated Resources			
Balance Forward From Prior Year	7,025,957	15,175,340	8,149,383
Current Resources:			
Tax Revenues	57,303,180	57,817,734	514,554
Non-Tax Revenues	2,115,521	2,266,266	150,745
Subtotal - Non-Dedicated Revenue	59,418,701	60,084,000	665,299
Dedicated Revenue	9	10	1
Transfers In	339,216	122,209	-217,007
Prior Year Adjustments	170,029	74,405	-95,624
Subtotal - Other Revenue	509,254	196,624	-312,630
Subtotal-Current Resources	59,927,955	60,280,624	352,669
Total Resources Available	**66,953,912**	**75,455,964**	**8,502,052**
Actual & Estimated Spending			
E-12 Education	20,223,386	21,251,951	1,028,565
Higher Education	3,534,554	3,505,828	-28,726
Property Tax Aids & Credits	4,648,600	4,472,595	-176,005
Health & Human Services	15,233,653	17,811,341	2,577,688
Public Safety & Judiciary	2,671,055	2,676,504	5,449
Transportation	481,469	271,460	-210,009
Environment	403,012	359,165	-43,847
Economic Development, Energy, Ag and Housing	1,285,122	640,110	-645,012
State Government & Veterans	1,821,092	1,500,098	-320,994
Debt Service	1,140,185	1,146,757	6,572
Capital Projects & Grants	351,444	337,352	-14,092
Estimated Cancellations	-15,000	-20,000	-5,000
Total Expenditures & Transfers	**51,778,572**	**53,953,161**	**2,174,589**
Balance Before Reserves	**15,175,340**	**21,502,803**	**6,327,463**
Cash Flow Account	350,000	350,000	0
Budget Reserve	2,852,098	2,852,098	0
Stadium Reserve	368,060	684,265	316,205
Budgetary Balance	**11,605,182**	**17,616,440**	**6,011,258**

FY 2026-27 Planning Estimates

November 2022 Forecast
($ in thousands)

	Nov FY 2026	Nov FY 2027	Biennial Total FY 2026-27
Actual & Estimated Resources			
Balance Forward From Prior Year	21,502,803	25,212,892	21,502,803
Current Resources:			
Tax Revenues	30,704,782	32,118,219	62,823,001
Non-Tax Revenues	819,753	822,242	1,641,995
Subtotal - Non-Dedicated Revenue	31,524,535	32,940,461	64,464,996
Dedicated Revenue	5	5	10
Transfers In	25,776	25,972	51,748
Prior Year Adjustments	37,134	37,102	74,236
Subtotal - Other Revenue	62,915	63,079	125,994
Subtotal-Current Resources	31,587,450	33,003,540	64,590,990
Total Resources Available	**53,090,253**	**58,216,432**	**86,093,793**
Actual & Estimated Spending			
E-12 Education	10,692,108	10,767,227	21,459,335
Higher Education	1,752,914	1,752,914	3,505,828
Property Tax Aids & Credits	2,285,568	2,305,972	4,591,540
Health & Human Services	9,790,641	10,090,371	19,881,012
Public Safety & Judiciary	1,332,251	1,332,251	2,664,502
Transportation	135,730	135,730	271,460
Environment	179,263	179,098	358,361
Economic Development, Energy, Ag and Housing	287,914	287,914	575,828
State Government & Veterans	639,065	631,420	1,270,485
Debt Service	615,311	641,985	1,257,296
Capital Projects & Grants	171,596	173,494	345,090
Estimated Cancellations	-5,000	-15,000	-20,000
Total Expenditures & Transfers	**27,877,361**	**28,283,376**	**56,160,737**
Balance Before Reserves	**25,212,892**	**29,933,056**	**29,933,056**
Cash Flow Account	350,000	350,000	350,000
Budget Reserve	2,852,098	2,852,098	2,852,098
Stadium Reserve	854,101	1,030,809	1,030,809
Budgetary Balance	**21,156,693**	**25,700,149**	**25,700,149**

Biennial Comparison

November 2022 Forecast
($ in thousands)

	Nov FY 2024-25	Nov FY 2026-27	$ Change
Actual & Estimated Resources			
Balance Forward From Prior Year	15,175,340	21,502,803	6,327,463
Current Resources:			
Tax Revenues	57,817,734	62,823,001	5,005,267
Non-Tax Revenues	2,266,266	1,641,995	-624,271
Subtotal - Non-Dedicated Revenue	60,084,000	64,464,996	4,380,996
Dedicated Revenue	10	10	0
Transfers In	122,209	51,748	-70,461
Prior Year Adjustments	74,405	74,236	-169
Subtotal - Other Revenue	196,624	125,994	-70,630
Subtotal-Current Resources	60,280,624	64,590,990	4,310,366
Total Resources Available	**75,455,964**	**86,093,793**	**10,637,829**
Actual & Estimated Spending			
E-12 Education	21,251,951	21,459,335	207,384
Higher Education	3,505,828	3,505,828	0
Property Tax Aids & Credits	4,472,595	4,591,540	118,945
Health & Human Services	17,811,341	19,881,012	2,069,671
Public Safety & Judiciary	2,676,504	2,664,502	-12,002
Transportation	271,460	271,460	0
Environment	359,165	358,361	-804
Economic Development, Energy, Ag and Housing	640,110	575,828	-64,282
State Government & Veterans	1,500,098	1,270,485	-229,613
Debt Service	1,146,757	1,257,296	110,539
Capital Projects & Grants	337,352	345,090	7,738
Estimated Cancellations	-20,000	-20,000	0
Total Expenditures & Transfers	**53,953,161**	**56,160,737**	**2,207,576**
Balance Before Reserves	**21,502,803**	**29,933,056**	**8,430,253**
Cash Flow Account	350,000	350,000	0
Budget Reserve	2,852,098	2,852,098	0
Stadium Reserve	684,265	1,030,809	346,544
Budgetary Balance	**17,616,440**	**25,700,149**	**8,083,709**

FY 2022-27 Planning Horizon

November 2022 Forecast
($ in thousands)

	Nov FY 2022-23	Nov FY 2024-25	Nov FY 2026-27
Actual & Estimated Resources			
Balance Forward From Prior Year	7,025,957	15,175,340	21,502,803
Current Resources:			
Tax Revenues	57,303,180	57,817,734	62,823,001
Non-Tax Revenues	2,115,521	2,266,266	1,641,995
Subtotal - Non-Dedicated Revenue	59,418,701	60,084,000	64,464,996
Dedicated Revenue	9	10	10
Transfers In	339,216	122,209	51,748
Prior Year Adjustments	170,029	74,405	74,236
Subtotal - Other Revenue	509,254	196,624	125,994
Subtotal-Current Resources	59,927,955	60,280,624	64,590,990
Total Resources Available	**66,953,912**	**75,455,964**	**86,093,793**
Actual & Estimated Spending			
E-12 Education	20,223,386	21,251,951	21,459,335
Higher Education	3,534,554	3,505,828	3,505,828
Property Tax Aids & Credits	4,648,600	4,472,595	4,591,540
Health & Human Services	15,233,653	17,811,341	19,881,012
Public Safety & Judiciary	2,671,055	2,676,504	2,664,502
Transportation	481,469	271,460	271,460
Environment	403,012	359,165	358,361
Economic Development, Energy, Ag and Housing	1,285,122	640,110	575,828
State Government & Veterans	1,821,092	1,500,098	1,270,485
Debt Service	1,140,185	1,146,757	1,257,296
Capital Projects & Grants	351,444	337,352	345,090
Estimated Cancellations	-15,000	-20,000	-20,000
Total Expenditures & Transfers	**51,778,572**	**53,953,161**	**56,160,737**
Balance Before Reserves	**15,175,340**	**21,502,803**	**29,933,056**
Cash Flow Account	350,000	350,000	350,000
Budget Reserve	2,852,098	2,852,098	2,852,098
Stadium Reserve	368,060	684,265	1,030,809
Budgetary Balance	**11,605,182**	**17,616,440**	**25,700,149**

Historical and Projected Revenue Growth

November 2022 Forecast - General Fund

($ in millions)

	Actual FY 2020	Actual FY 2021	Nov FY 2022	Nov FY 2023	Est FY 2024	Est FY 2025	Pling FY 2026	Pling FY 2027	Average Annual
Individual Income Tax	$12,135	$14,233	$16,873	$15,086	$15,812	$16,353	$17,319	$18,321	
$ change	(309)	2,097	2,640	(1,786)	725	542	965	1,003	
% change	**-2.5%**	**17.3%**	**18.6%**	**-10.6%**	**4.8%**	**3.4%**	**5.9%**	**5.8%**	**4.1%**
Sales Tax	$5,746	$6,169	$6,644	$7,448	$7,447	$7,709	$7,970	$8,235	
$ change	(17)	424	474	805	(2)	262	262	265	
% change	**-0.3%**	**7.4%**	**7.7%**	**12.1%**	**0.0%**	**3.5%**	**3.4%**	**3.3%**	**4.4%**
Corporate Tax	$1,539	$2,258	$2,823	$2,360	$2,232	$2,254	$2,298	$2,347	
$ change	(82)	719	564	(463)	(128)	21	44	49	
% change	**-5.1%**	**46.7%**	**25.0%**	**-16.4%**	**-5.4%**	**0.9%**	**2.0%**	**2.1%**	**7.6%**
Statewide Property Tax	$753	$803	$774	$760	$747	$745	$745	$745	
$ change	(57)	50	(29)	(14)	(13)	(2)	0	0	
% change	**-7.1%**	**6.6%**	**-3.6%**	**-1.9%**	**-1.7%**	**-0.2%**	**0.0%**	**0.0%**	**-1.1%**
Other Tax Revenue	$1,904	$2,197	$2,277	$2,258	$2,220	$2,299	$2,373	$2,469	
$ change	(58)	293	80	(19)	(39)	80	73	96	
% change	**-2.9%**	**15.4%**	**3.6%**	**-0.8%**	**-1.7%**	**3.6%**	**3.2%**	**4.1%**	**2.5%**
Total Tax Revenue	$22,077	$25,660	$29,390	$27,913	$28,457	$29,360	$30,705	$32,118	
$ change	(522)	3,583	3,730	(1,478)	545	903	1,345	1,413	
% change	**-2.3%**	**16.2%**	**14.5%**	**-5.0%**	**2.0%**	**3.2%**	**4.6%**	**4.6%**	**4.1%**
Non-Tax Revenues	$817	$922	$927	$1,189	$1,309	$957	$820	$822	
$ change	(62)	105	5	262	120	(352)	(137)	2	
% change	**-7.0%**	**12.8%**	**0.5%**	**28.3%**	**10.1%**	**-26.9%**	**-14.3%**	**0.3%**	**2.0%**
Transfers, All Other	$256	$746	$313	$197	$134	$63	$63	$63	
$ change	(8)	490	(434)	(116)	(63)	(71)	(0)	0	
% change	**-3.0%**	**191.4%**	**-58.1%**	**-37.0%**	**-32.1%**	**-52.9%**	**-0.1%**	**0.3%**	**-15.2%**
Total Revenue	$23,150	$27,329	$30,629	$29,298	$29,900	$30,380	$31,587	$33,004	
$ change	(592)	4,178	3,301	(1,331)	602	480	1,207	1,416	
% change	**-2.5%**	**18.0%**	**12.1%**	**-4.3%**	**2.1%**	**1.6%**	**4.0%**	**4.5%**	**3.9%**

Historical and Projected Spending Growth

November 2022 Forecast - General Fund
($ in millions)

	Actual FY 2020	Actual FY 2021	Nov FY 2022	Nov FY 2023	Est FY 2024	Est FY 2025	Pling FY 2026	Pling FY 2027	Average Annual
E-12 Education	$9,836	$9,919	$9,960	$10,263	$10,596	$10,656	$10,692	$10,767	
$ change	248	83	41	303	332	61	36	75	
% change	**2.6%**	**0.8%**	**0.4%**	**3.0%**	**3.2%**	**0.6%**	**0.3%**	**0.7%**	**1.8%**
Higher Education	$1,693	$1,714	$1,750	$1,784	$1,753	$1,753	$1,753	$1,753	
$ change	51	21	36	34	(31)	-	-	-	
% change	**3.1%**	**1.2%**	**2.1%**	**1.9%**	**-1.8%**	**0.0%**	**0.0%**	**0.0%**	**0.8%**
Prop. Tax Aids & Credits	$1,867	$2,026	$2,053	$2,596	$2,210	$2,263	$2,286	$2,306	
$ change	(60)	159	27	543	(386)	53	23	20	
% change	**-3.1%**	**8.5%**	**1.3%**	**26.4%**	**-14.9%**	**2.4%**	**1.0%**	**0.9%**	**3.5%**
Health & Human Services	$7,035	$6,611	$6,923	$8,311	$8,655	$9,157	$9,791	$10,090	
$ change	359	(424)	312	1,389	344	502	634	300	
% change	**5.4%**	**-6.0%**	**4.7%**	**20.1%**	**4.1%**	**5.8%**	**6.9%**	**3.1%**	**4.1%**
Public Safety & Judiciary	$1,237	$1,314	$1,292	$1,379	$1,338	$1,338	$1,332	$1,332	
$ change	11	77	(21)	86	(40)	(0)	(6)	-	
% change	**0.9%**	**6.2%**	**-1.6%**	**6.7%**	**-2.9%**	**0.0%**	**-0.4%**	**0.0%**	**2.5%**
Debt Service	$540	$516	$592	$548	$560	$587	$615	$642	
$ change	(10)	(25)	77	(45)	12	27	29	27	
% change	**-1.8%**	**-4.5%**	**14.9%**	**-7.5%**	**2.2%**	**4.8%**	**4.9%**	**4.3%**	**0.5%**
All Other	$1,570	$1,547	$2,116	$2,211	$1,450	$1,638	$1,409	$1,393	
$ change	125	(23)	569	96	(762)	189	(230)	(16)	
% change	**8.7%**	**-1.4%**	**36.8%**	**4.5%**	**-34.4%**	**13.0%**	**-14.0%**	**-1.1%**	**1.8%**
Total Spending	$23,778	$23,647	$24,686	$27,092	$26,561	$27,392	$27,877	$28,283	
$ change	724	(131)	1,040	2,406	(531)	831	485	406	
% change	**3.1%**	**-0.6%**	**4.4%**	**9.7%**	**-2.0%**	**3.1%**	**1.8%**	**1.5%**	**2.6%**

FY 2018-2027 Stadium Reserve Balance

November 2022 Forecast

($ in thousands)

	Actual FY 2018	Actual FY 2019	Actual FY 2020	Actual FY 2021	Actual FY 2022	Projected FY 2023	Projected FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027
Actual & Estimated Resources										
Beginning Balance	26,821	44,171	55,075	55,700	106,709	229,397	368,060	520,964	684,265	854,101
Prior Year Adjustments	0	0	42	1	0	0	0	0	0	0
Current Resources:										
Gambling Revenue	38,675	52,835	42,494	82,782	144,819	160,900	175,050	185,650	192,350	199,250
Sales Tax Exemption for Construction Equipment	0	0	0	0	0	0	0	0	0	0
Retained City of Minneapolis Revenue	0	0	0	10,539	21,215	21,704	22,028	22,088	22,311	22,648
Corporate Franchise Tax Revenue	20,000	0	0	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	**58,675**	**52,835**	**42,494**	**93,321**	**166,034**	**182,604**	**197,078**	**207,738**	**214,661**	**221,898**
Actual & Estimated Spending										
Debt Service	29,923	30,158	30,156	30,157	30,154	30,155	30,152	30,151	30,152	30,157
Total Payments for City Stadium Obligations	7,947	8,177	8,260	8,259	8,673	9,107	9,203	9,361	9,681	9,971
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	756	897	794	1,197	1,819	1,978	2,120	2,226	2,293	2,362
Total Uses	**41,325**	**41,932**	**41,910**	**42,313**	**43,346**	**43,940**	**44,175**	**44,437**	**44,825**	**45,189**
Sources Minus Uses	**17,350**	**10,903**	**584**	**51,008**	**122,687**	**138,663**	**152,904**	**163,301**	**169,835**	**176,708**
Expenses Covered By General Fund[1]	0	0	0	0	0	0	0	0	0	0
Use of the Reserve	0	0	0	0	0	0	0	0	0	0
Stadium Reserve Balance	**44,171**	**55,075**	**55,700**	**106,709**	**229,397**	**368,060**	**520,964**	**684,265**	**854,101**	**1,030,809**

[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.