



BUDGET AND ***ECONOMIC FORECAST***



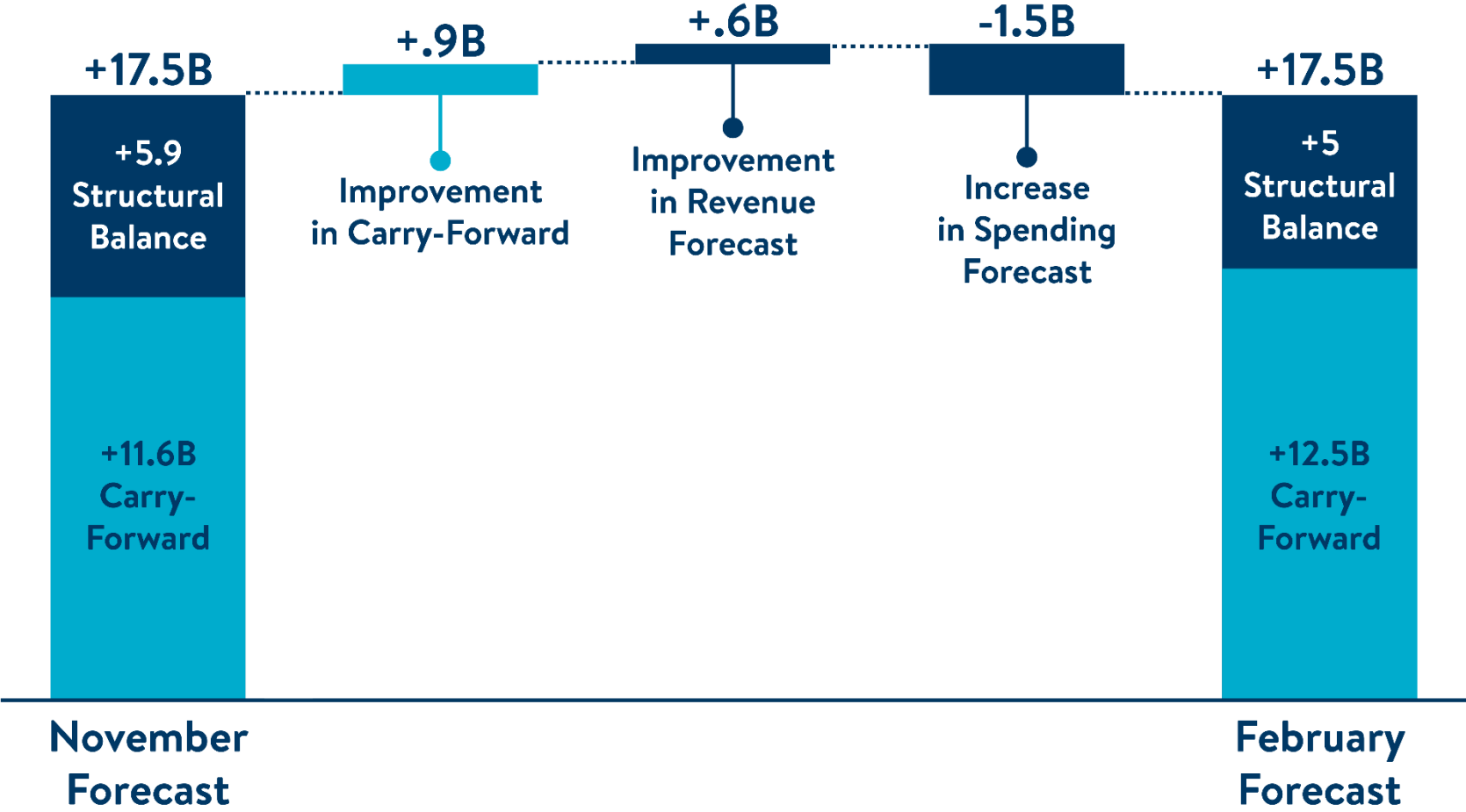
FEBRUARY 2023

Produced by Minnesota Management and Budget

State Budget Outlook Stable

- The projected general fund balance in FY 2024-25 is now \$17.5 billion, of which \$12.5 billion is leftover from previous biennium.
- Higher FY 2023 collections, higher profits growth raise income & corporate tax revenue forecasts.
- Statutory inclusion of inflation raises spending forecast.
- Revenues expected to exceed spending through FY 2027.
- U.S. economic outlook improves; lower inflation, milder recession expected this year.

FY 2024-25 Projected Balance



FY 2024-25 Forecast Changes

(\$ in millions)	FY 2024-25 Nov. Forecast*	FY 2024-25 Feb. Forecast	Forecast Change
Beginning Balance	\$15,188	\$16,053	\$865
Revenues	60,177	60,776	599
Total Spending	53,957	55,493	1,536
<i>Base Spending</i>	53,957	54,071	113
<i>Estimated Inflation</i>	-	1,423	1,423
Reserve & Cash Flow	3,202	3,202	-
Stadium Reserve	684	678	(6)
Budgetary Balance	\$17,521	\$17,455	\$(66)

*November fiscal information adjusted for Ch. 1 (Federal Conformity) and Ch. 8 (Attorney General Appropriation) and minor error corrections.

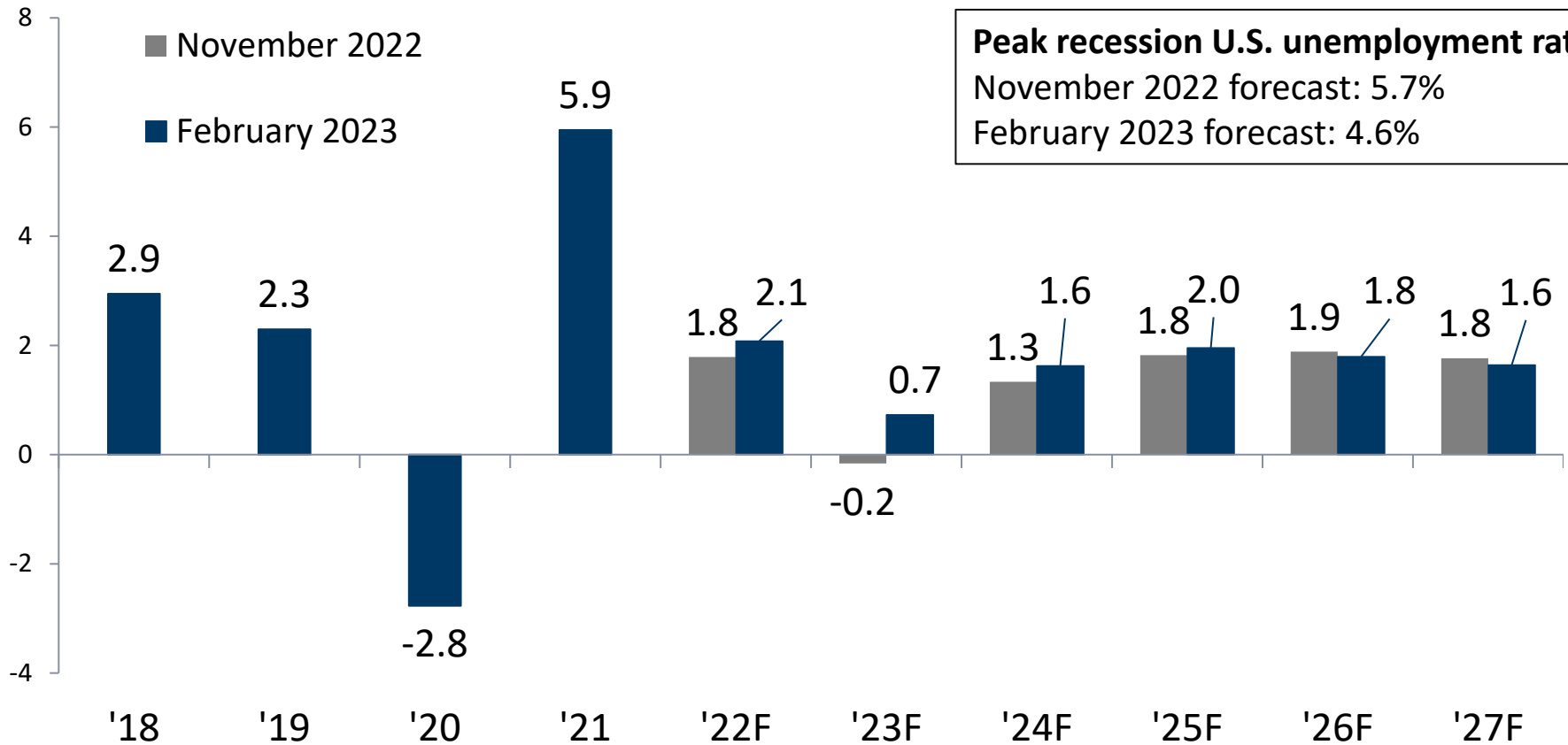
Economic and Revenue Outlook

- U.S. Economic Outlook
- Minnesota Labor Market
- Revenue Forecast
- Forecast Risks

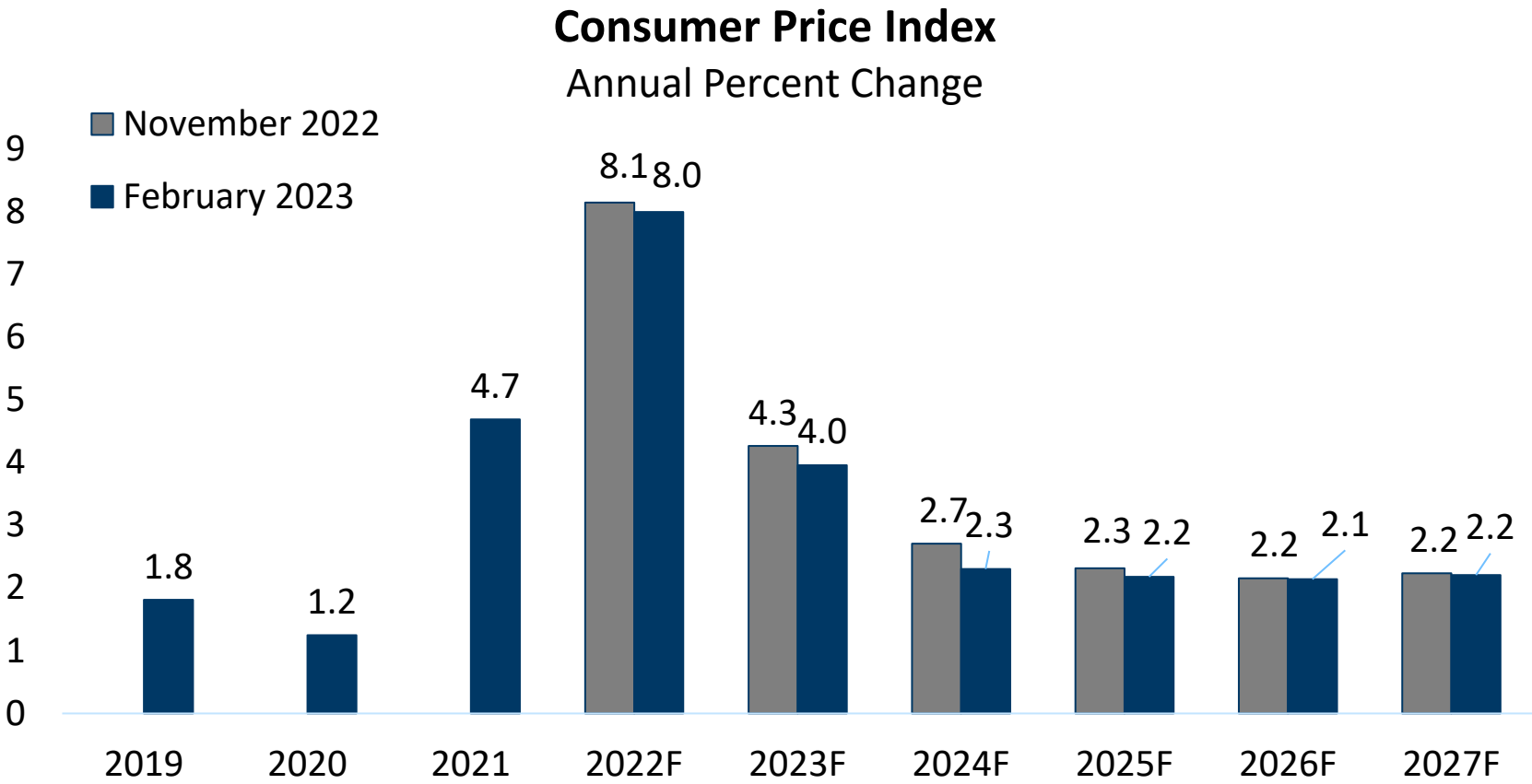


U.S. Economic Outlook Improves; Mild Recession Still Expected

U.S. Real Gross Domestic Product
Annual Percent Change



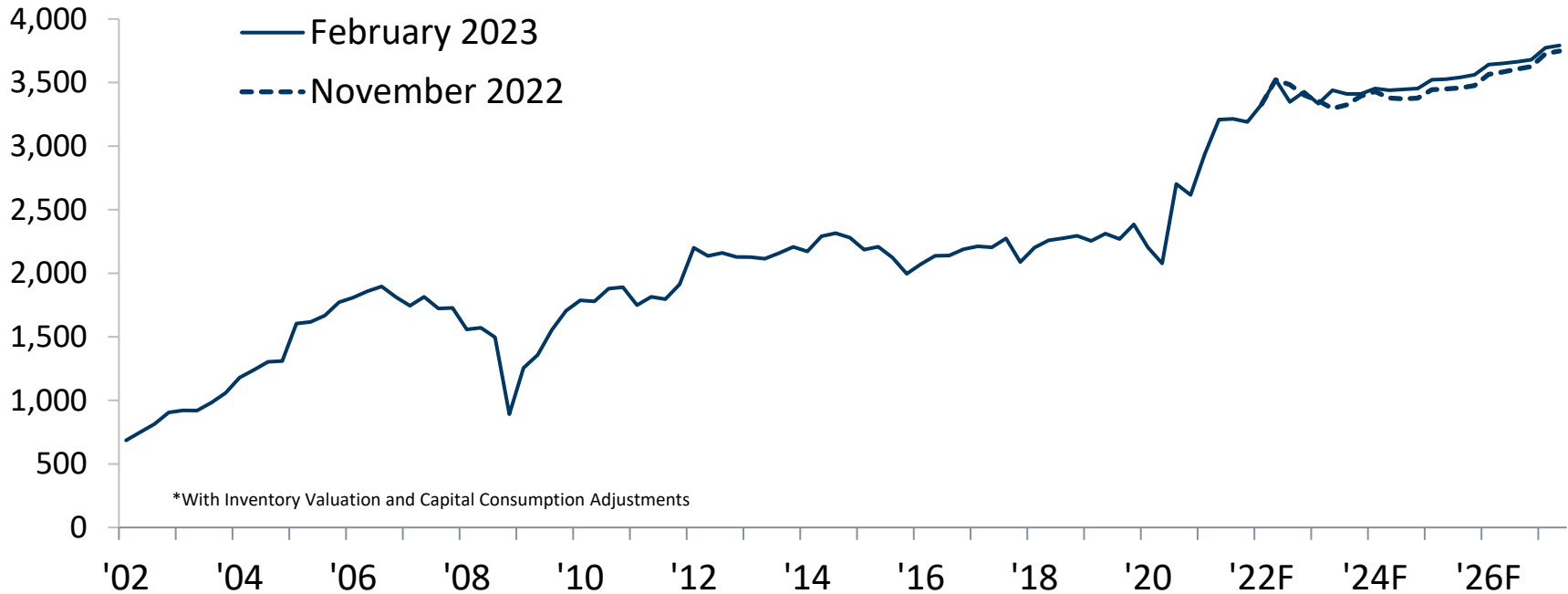
Inflation Expected to Settle Beyond 2023



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

U.S. Corporate Profits Forecast

U.S. Corporate Profits Before Tax*
Billions of Dollars, Annual Rate

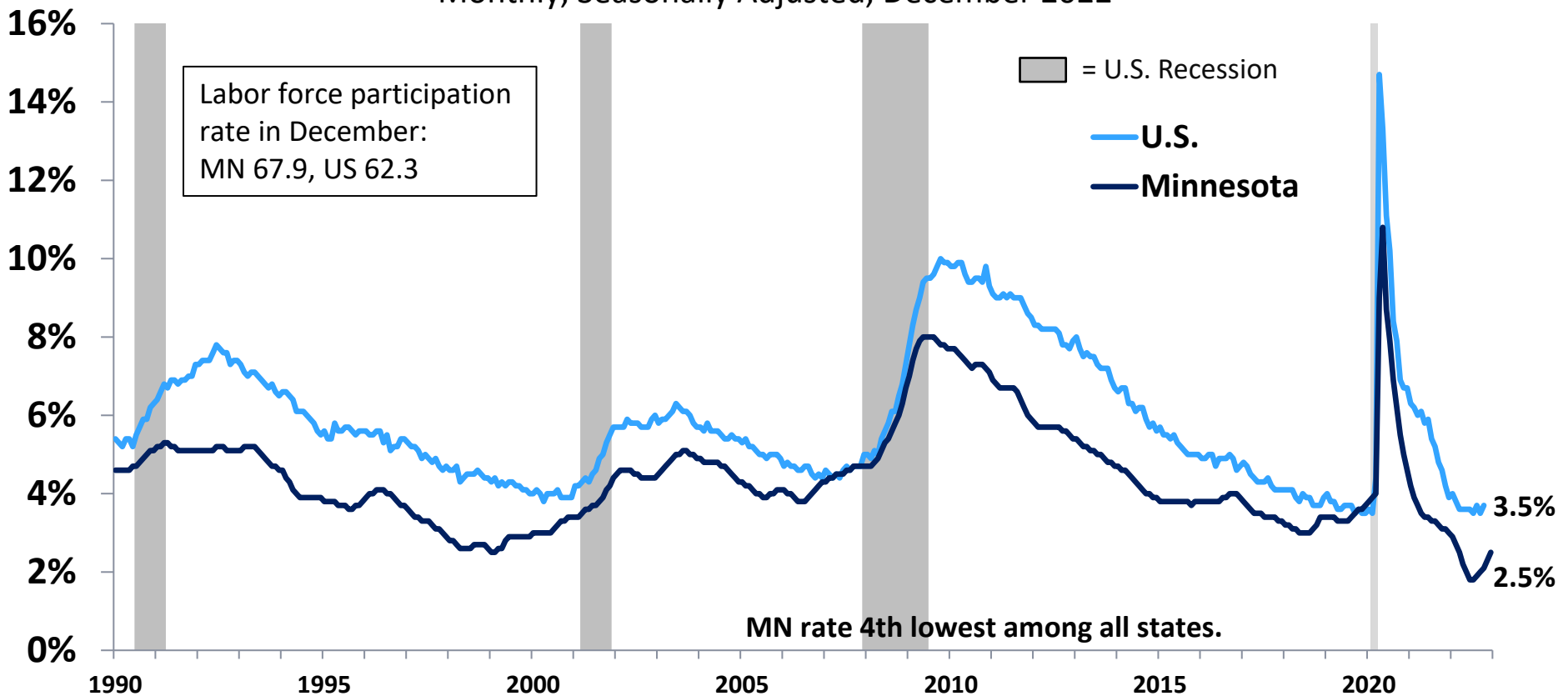


Source: U.S. Bureau of Economic Analysis (BEA); IHS Economics; Minnesota Management & Budget (MMB)

Minnesota's Labor Market

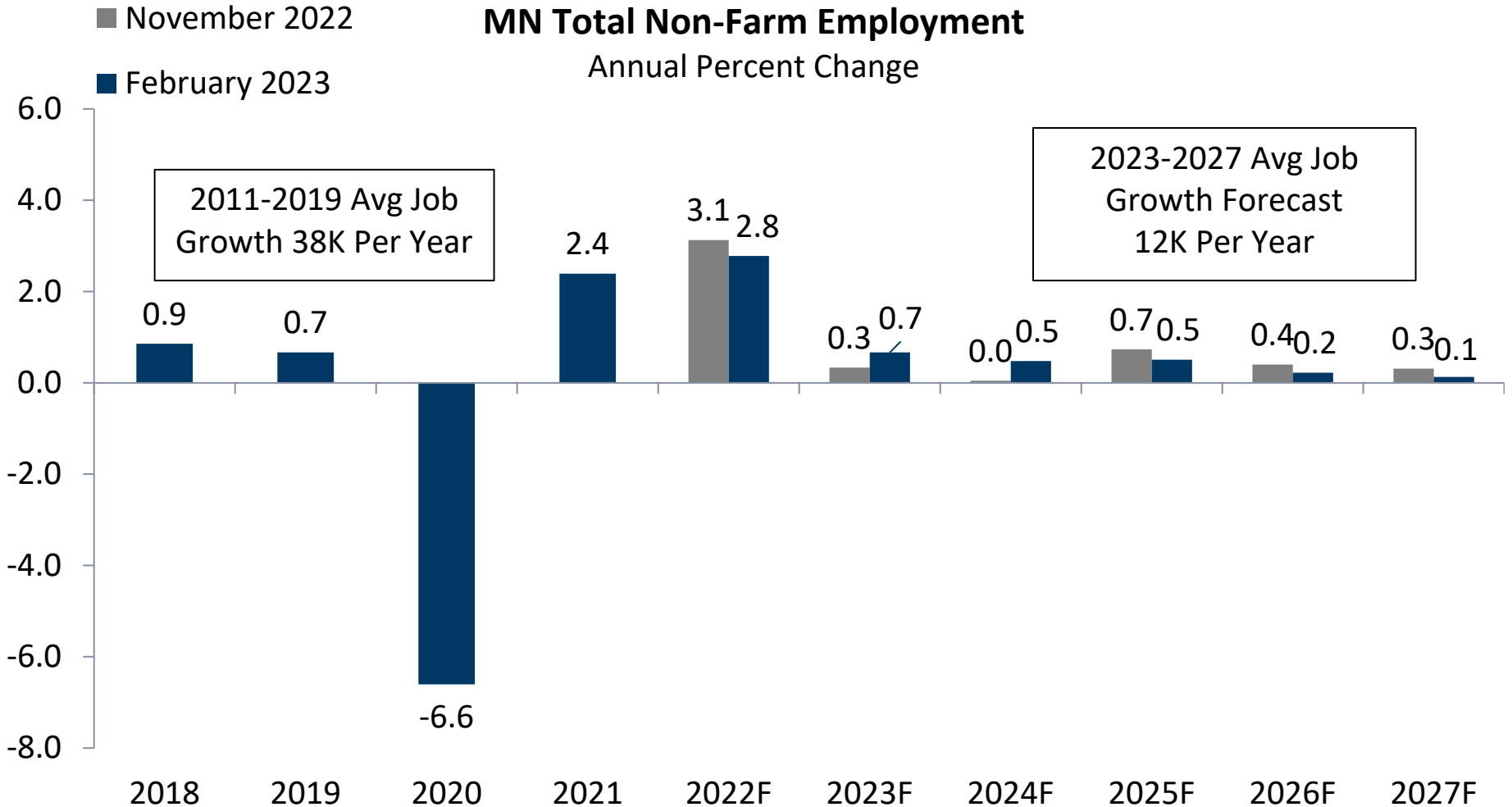
Unemployment Rate

Monthly, Seasonally Adjusted, December 2022



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

Minnesota's Labor Market



Revenue Forecast

(\$ in millions)

	FY 2022-23		FY 2024-25	
	Feb. 2023 Forecast	Forecast Change	Feb. 2023 Forecast	Forecast Change
Individual Income Tax	\$32,367	\$408	\$32,661	\$563
General Sales Tax	14,053	(39)	15,130	(26)
Corporate Franchise Tax	5,587	404	4,575	125
All Other Revenue	8,675	(19)	8,411	(64)
Total Revenues	\$60,681	\$753	\$60,776	\$599

Forecast Risks



Inflation



Monetary policy



Corporate profit and capital gains volatility



Debt ceiling impasse



28 months until the end of FY 2024-25

Spending and Long Term Budget Outlook

- Expenditure Forecast
- Long Term Budget Outlook



Recent Legislation Drives Spending Change

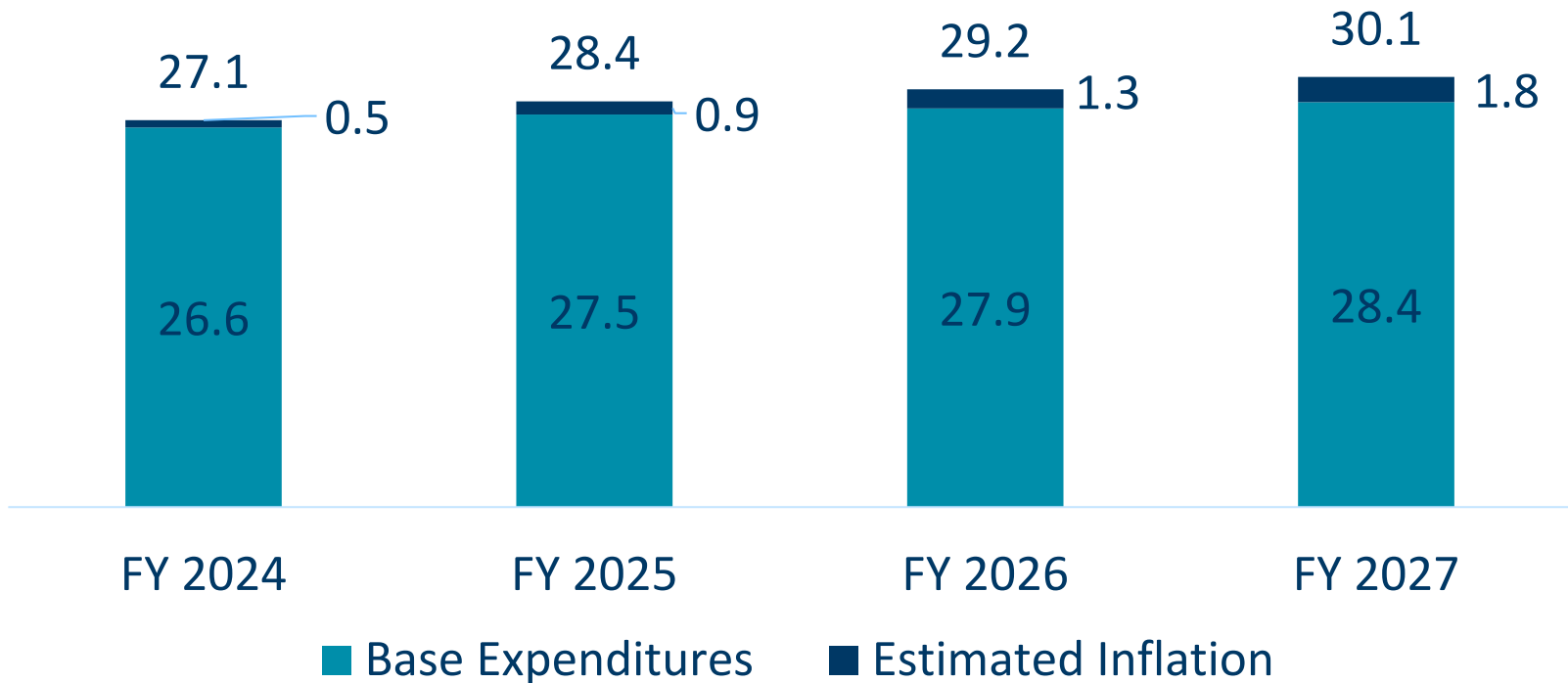
(\$ in millions)

	FY 2022-23		FY 2024-25	
	Feb. 2023 Forecast	Forecast Change	Feb. 2023 Forecast	Forecast Change
E-12 Education	\$20,184	\$(40)	\$21,302	\$50
Health and Human Services	15,208	(26)	17,814	3
Property Tax Aids and Credits	4,641	(7)	4,435	(38)
Debt Service	1,140	-	1,140	(7)
All Other	10,481	(39)	9,380	105
<i>Estimated Inflation</i>	-	-	1,423	1,423
Total Spending	\$51,655	\$(112)	\$55,493	1,536

Estimated Inflation Increases Spending Estimates

General Fund Spending by Year

\$ in billions



Long Term Budget Outlook

(\$ in millions)	FY 2024-25	FY 2026-27	Biennial Growth	Annualized % Growth
Forecast Revenues	\$60,776	\$64,730	\$3,954	3.2%
Projected Spending*	55,493	59,364	3,871	3.4%
Structural Balance	\$5,283	\$5,366		
<i>*Estimated Inflation Included Above</i>	<i>[\$1,423]</i>	<i>[\$3,090]</i>		



BUDGET AND ***ECONOMIC FORECAST***



FEBRUARY 2023

Produced by Minnesota Management and Budget