



BUDGET AND ECONOMIC FORECAST



FEBRUARY 2024

Produced by Minnesota Management and Budget

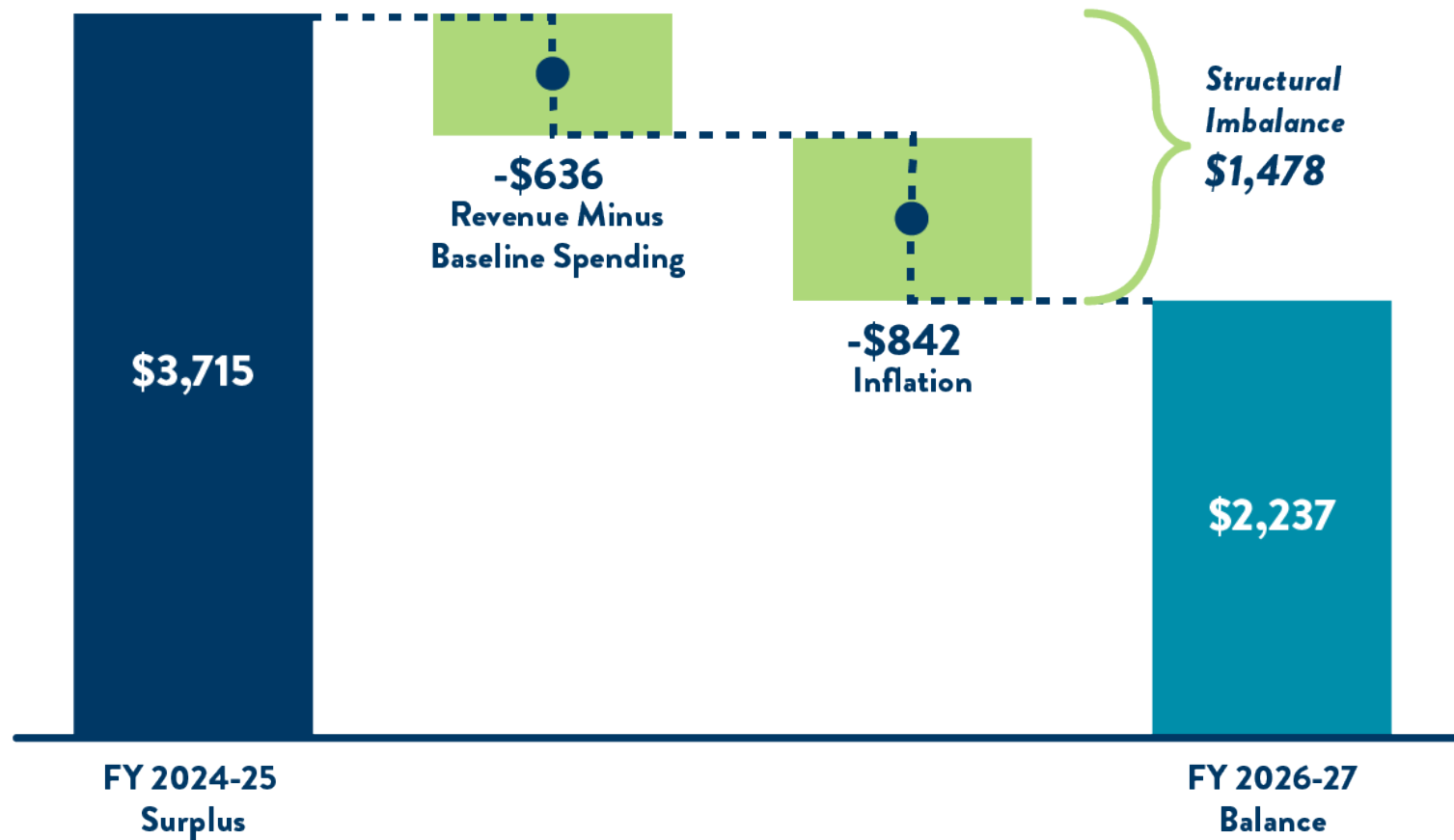
Budget Outlook Improved, Structural Imbalance Remains

- Higher revenue forecast raises the projected general fund surplus in FY 2024-25 to \$3.7 billion, up \$1.3 billion.
- Near-term U.S. economic outlook improved; growth expected to persist through forecast years.
- Higher expected corporate profits, higher tax receipts so far this fiscal year, significantly raise corporate tax revenue forecast.
- Spending forecast unchanged in current biennium, slightly higher in planning years.
- Structural imbalance smaller, but not eliminated.

FY 2024-25 Forecast Changes

(\$ in millions)	FY 2024-25 Nov Forecast	FY 2024-25 Feb Forecast	Forecast Change
Beginning Balance	\$16,516	\$16,516	\$ -
Revenues	59,655	60,997	1,343
Spending	70,516	70,535	19
Cash Flow Account	350	350	-
Budget Reserve	2,913	2,913	-
Budgetary Balance	\$2,392	\$3,715	\$1,324

Structural Imbalance Remains in FY 2026-27



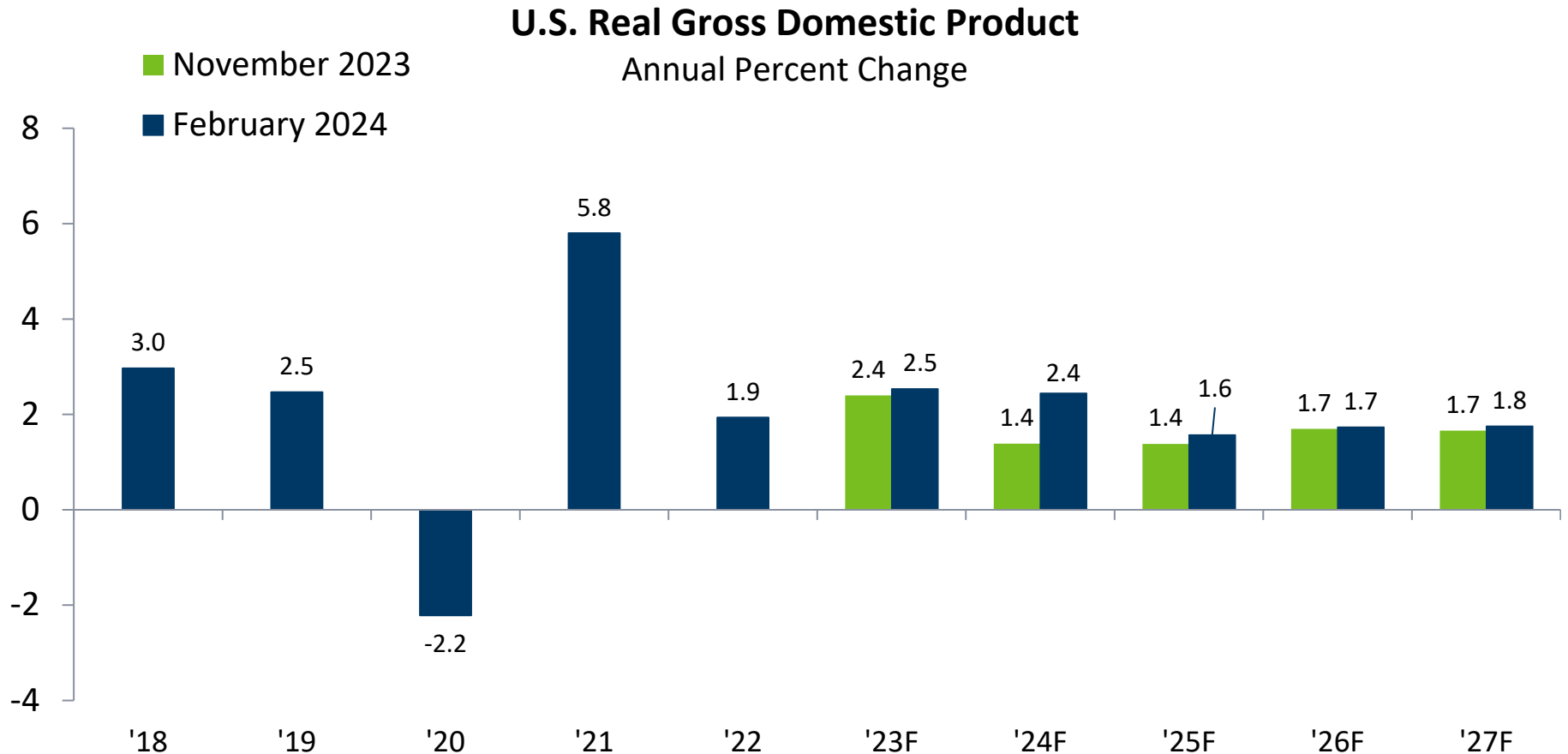
\$ in millions

Economic and Revenue Outlook

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

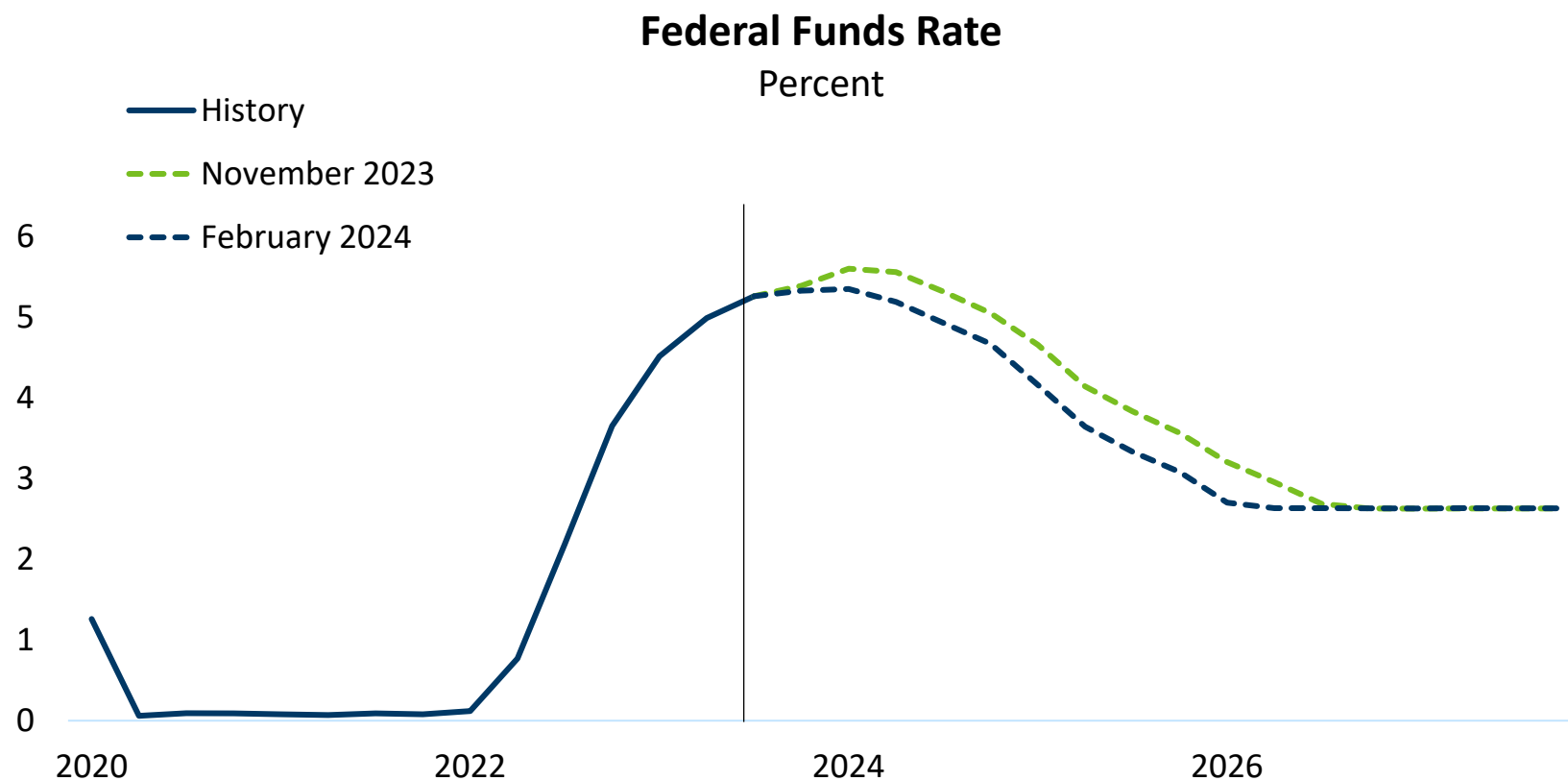


U.S. Economic Outlook Improves for this Year and Next



Source: Bureau of Economic Analysis (BEA), SPGMI Global Market Intelligence, IHS Global Inc (SPGMI)

Easing Financial Conditions Support a Stronger U.S. Economic Forecast; Lower Interest Rate Path Expected

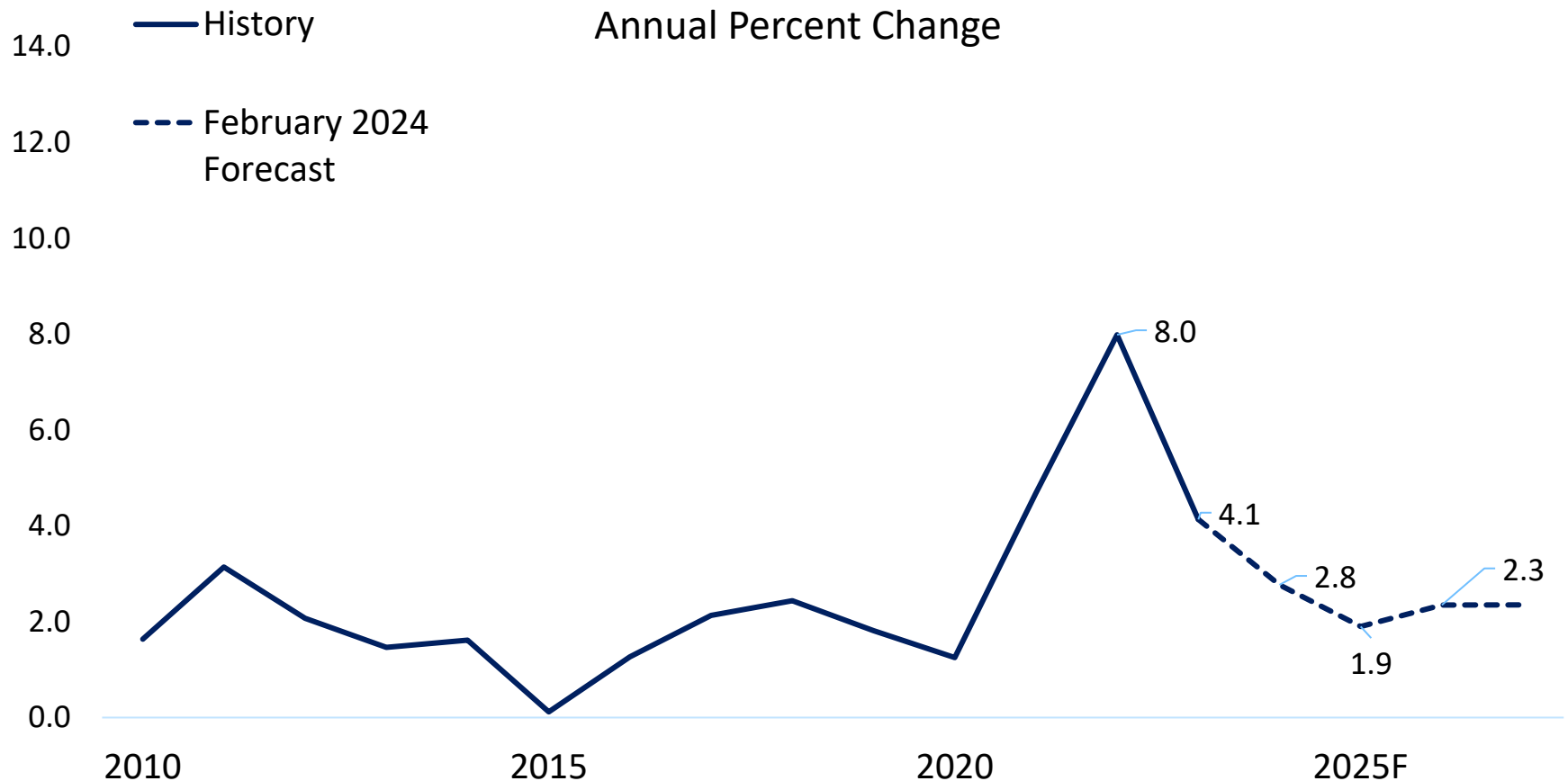


Source: SPGMI

Inflation Expected to Fall This Year and Next

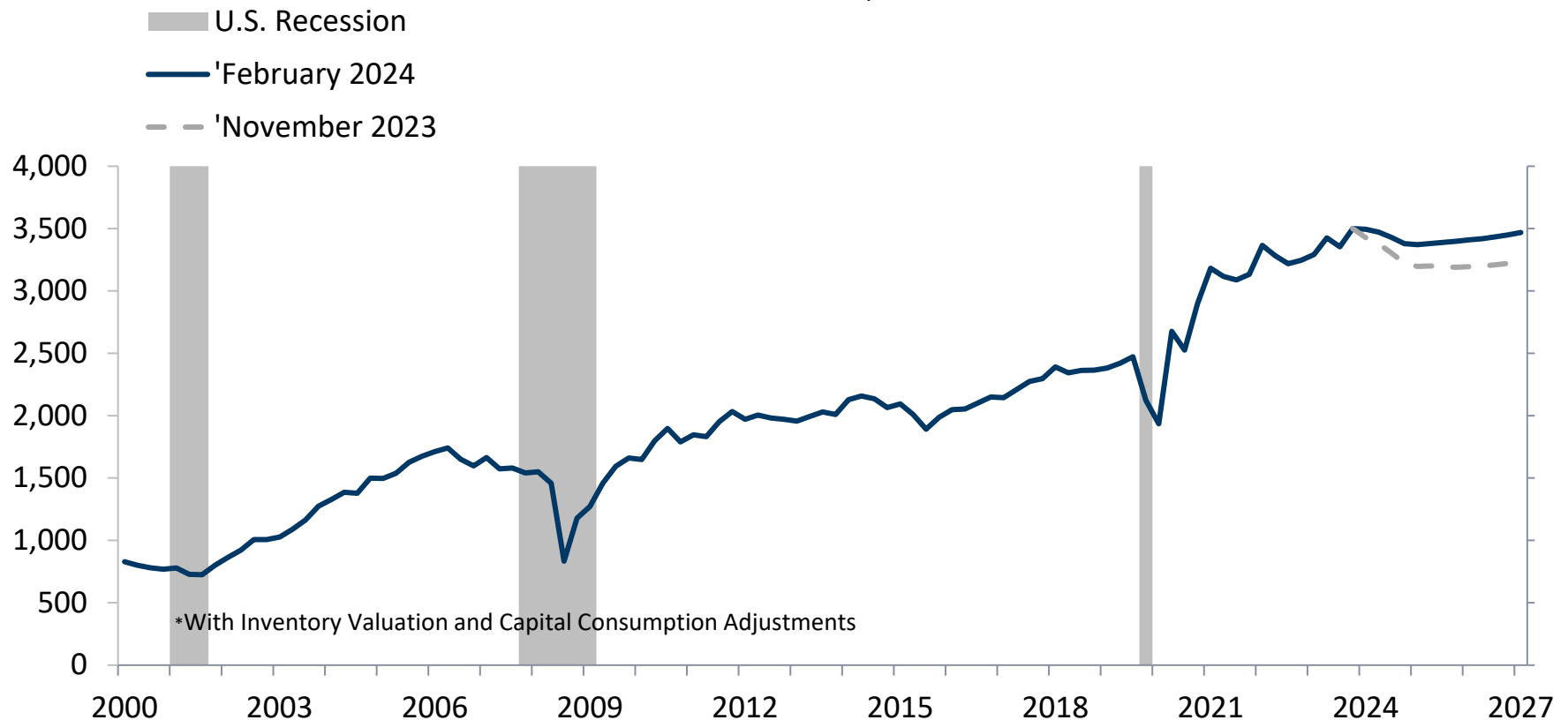
Consumer Price Index

Annual Percent Change



Corporate Profits Forecast Higher than in November

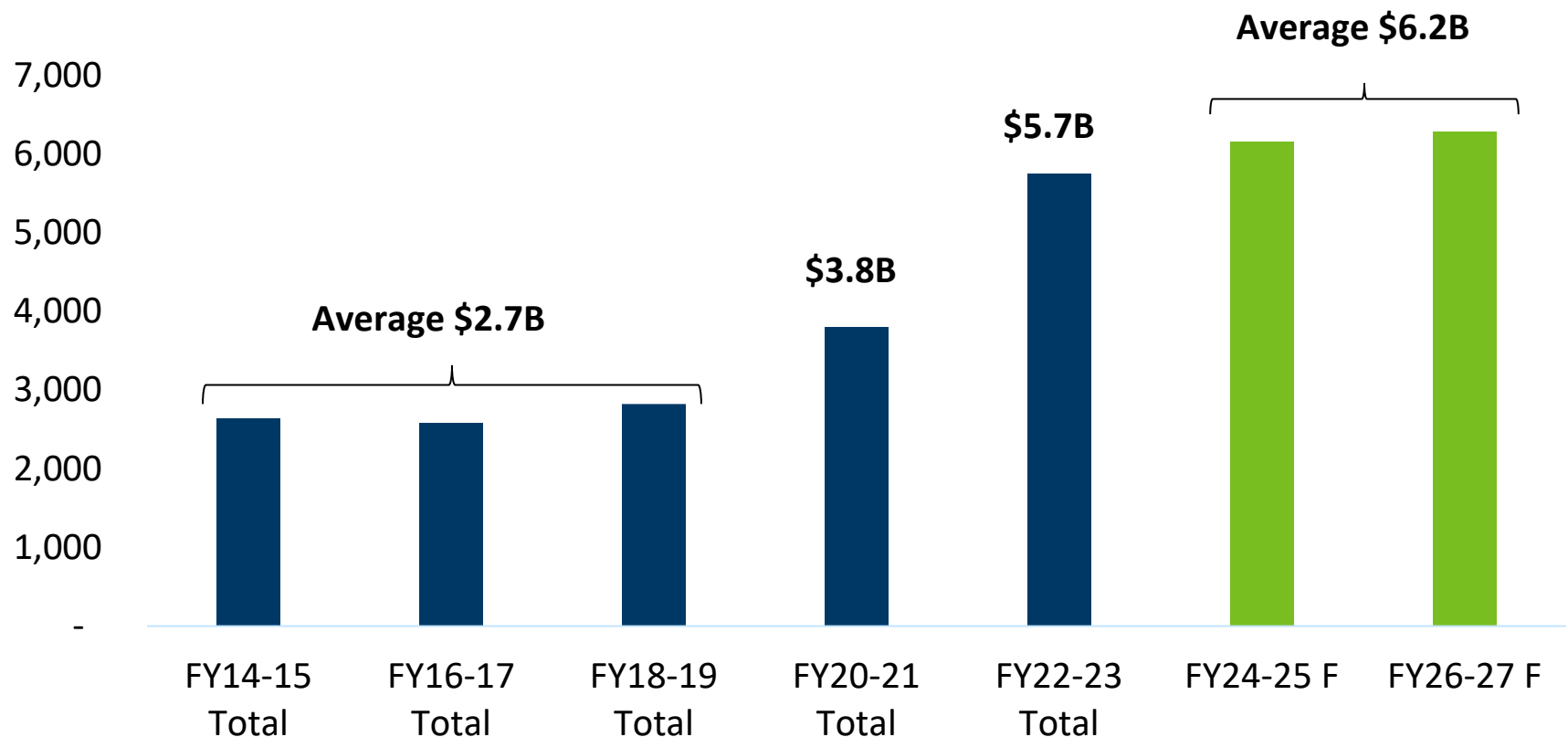
U.S. Corporate Profits Before Tax*
Billions of Dollars, Annual Rate



Minnesota's Corporate Tax Revenue

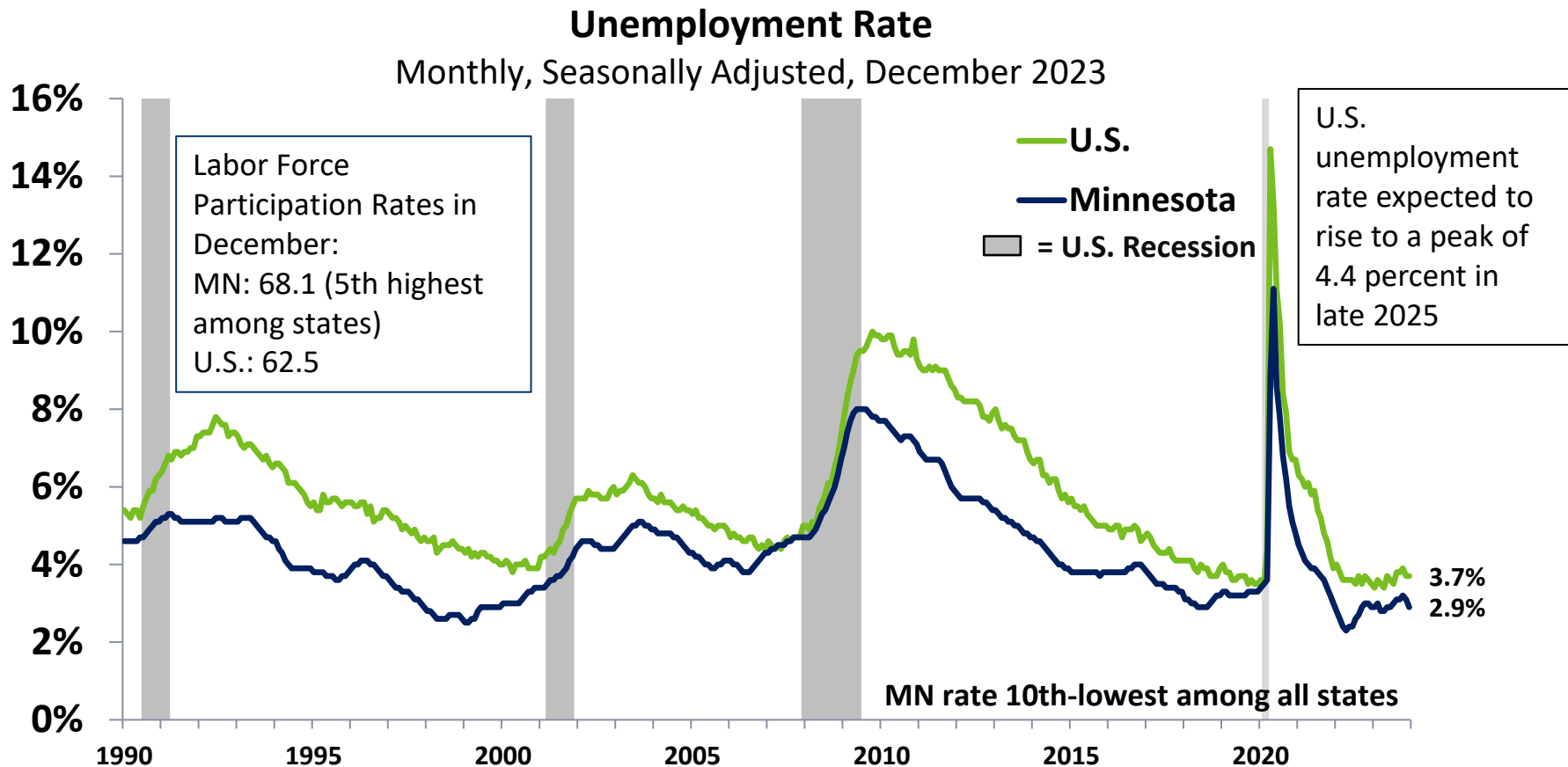
Biennial Receipts

Total Corporate Franchise Tax Receipts, *Millions*



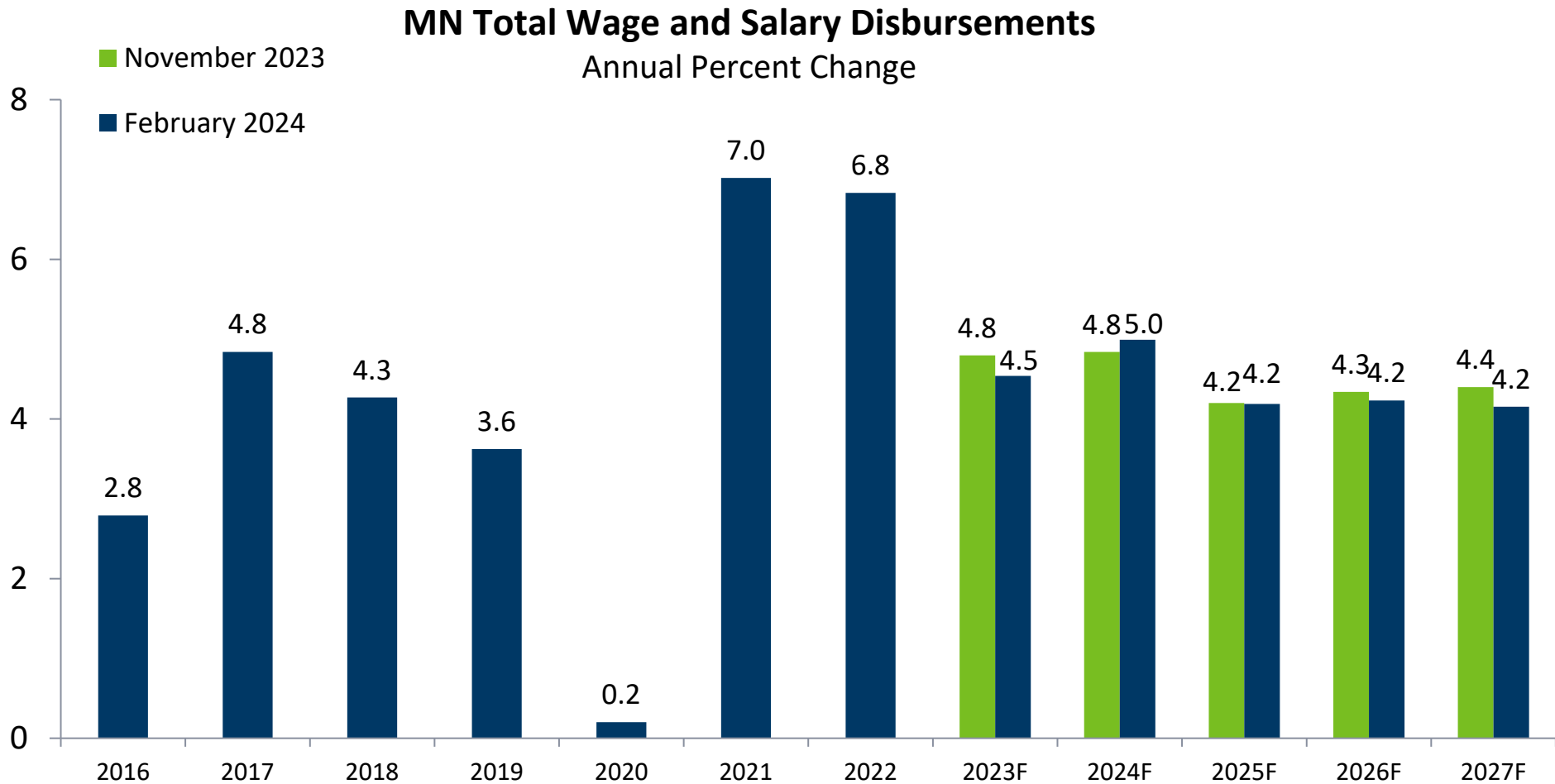
Source: MMB

Minnesota's Labor Market



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

Near-term Minnesota Wage Income Forecast Higher



Revenue Forecast

(\$ in millions)

	FY 2024-25		FY 2026-27	
	Feb. 2024 Forecast	Forecast Change	Feb. 2024 Forecast	Forecast Change
Individual Income Tax	\$30,796	\$449	\$33,662	\$(103)
General Sales Tax	15,359	126	16,383	71
Corporate Franchise Tax	6,162	749	6,287	940
All Other Revenue	8,680	18	8,483	(0)
Total Revenues	\$60,997	\$1,343	\$64,814	\$907

U.S. Economic Forecast Risks



Inflation



Monetary policy



International conflict



Federal fiscal policy



Productivity growth a source of upside potential



17 months left until the end of the biennium

Spending and Long Term Budget Outlook

- Expenditure Forecast
- Long Term Budget Outlook



Spending Forecast

(\$ in millions)

	FY 2024-25		FY 2026-27	
	Feb. 2024 Forecast	Forecast Change	Feb. 2024 Forecast	Forecast Change
E-12 Education	\$24,500	\$37	\$25,600	\$121
Health and Human Services	21,108	(10)	22,877	17
Property Tax Aids and Credits	5,482	5	4,649	(1)
Debt Service	1,137	(4)	1,350	10
All Other	18,307	(8)	10,973	(33)
<i>Estimated Inflation</i>	<i>n/a</i>	-	842	(38)
Total Spending	\$70,535	\$19	\$66,292	\$75

Long Term Budget Outlook

(\$ in millions)	FY 2024-25	FY 2026-27
Beginning Balance	\$16,516	\$6,978
Forecast Revenues	60,997	64,814
Projected Spending*	70,535	66,292
Reserve & Cash Flow	3,263	3,263
Remaining Balance	\$3,715	\$2,237
<i>Structural Balance</i>		<i>\$(1,478)</i>

*Projected spending includes \$842 million of discretionary inflation in FY 2026-27.



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