BUDGET AND ECONOMIC FORECAST

FEBRUARY 2019

Produced by Minnesota Management and Budget

MINNESOTA

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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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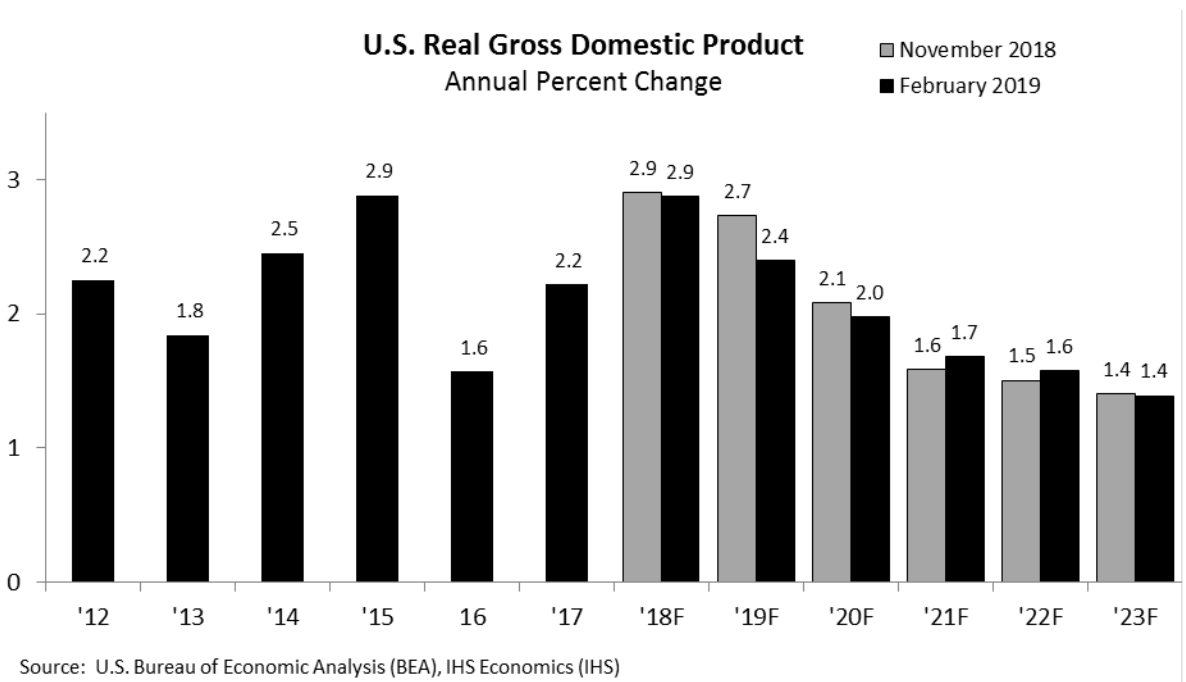
EXECUTIVE SUMMARY

Minnesota's budget and economic outlook has weakened since November. The projected balance for the upcoming biennium has been reduced to $1.052 billion. Slower projected economic growth and lower observed collections compared to prior estimates result in a reduced revenue forecast throughout the budget horizon. A slightly lower expenditure forecast partially offsets the overall reduction to the projected balance. The trend of slower growth continues into the planning horizon with projected spending growth outpacing forecast revenue growth into FY 2022-23.

U.S. Economic Outlook. The near-term outlook for U.S. economic growth has weakened since Minnesota's Budget and Economic Forecast was prepared in November 2018, while the pattern of slowing growth through our planning horizon carries over from the prior forecast. Lower estimates of growth at the end of 2018 led IHS Markit (IHS), Minnesota's macroeconomic consultant, to lower their expectations for this year's real GDP growth from 2.7 percent in November's outlook to 2.4 percent in February. They also lowered their 2020 forecast to 2.0 percent growth from 2.1 percent in the prior forecast.



IHS expects a slowdown late this year, with annual real GDP growth declining from 2.9 percent in 2018 to 2.4 percent in 2019. The downshift continues, with annual real GDP growth expected to decelerate to only 1.4 percent in 2023.

While current conditions can support moderate growth in the near term, IHS expects a slowdown late this year, with annual real GDP growth declining from 2.9 percent in 2018 to 2.4 percent in 2019. This occurs as the contribution to growth from federal fiscal stimulus declines, monetary policy becomes more restrictive, tariffs dampen business investment, global growth weakens, and a strong U.S. dollar relative to our trading partners' currencies pulls down net exports. After mid-2020, a demographically driven decline in the labor force participation rate is expected to further reduce growth. The downshift continues, with annual real GDP growth expected to decelerate from 2.0 percent annually in 2020 to only 1.4 percent in 2023.

Since November, IHS has lowered their forecasts for both 2019 and 2020. In both of these years, real consumer spending, business investment, and government spending all contribute less to real GDP growth than in the November outlook, more than offsetting a reduced drag from net exports. The export drag is moderated in this forecast compared to November, but net exports do not start contributing positively to real GDP growth until 2023.

The February IHS outlook includes all U.S. and retaliatory tariffs imposed to date, including a 10 percent tariff on $200 billion of Chinese goods that went into effect in September. The outlook includes the impact of the partial federal government shutdown that ended in January and assumes subsequent government shutdowns are avoided. IHS estimates that the direct effects of the federal government shutdown reduced growth by 0.1 percentage point in each of the fourth quarter of 2018 and the first quarter of 2019 and added 0.2 percentage point to second quarter growth.

In January, U.S. employers added 304,000 jobs, exceeding expectations and extending the record run to 100 months of U.S. job creation (since October, 2010). Exceptionally strong January job additions led IHS to raise their forecast for 2019 employment growth to 1.7 percent in this forecast from 1.5 percent in November. IHS expects annual employment growth to slow significantly from 1.7 percent this year to 0.9 percent in 2020. In mid-2020, the impacts of an aging population leaving the workforce is expected to slow labor force growth below the growth rate of the population. Annual employment is forecast to grow 0.5 percent in 2021 and decelerate to 0.3 percent by 2023. The employment forecast was lowered by one-tenth of one percent for each of the years between 2020 and 2022.

The forecast for growth in total U.S. wage and salary disbursements has been lowered since November. IHS now expects 4.4 percent growth in wage income in 2018, down from 4.7 in November. Similarly, wage growth in 2019 is now forecast to be 4.4 percent, down from 4.6 percent in November. The 2020 forecast has been reduced from 4.7 to 4.6 percent.

Business fixed investment grew 5.3 percent in 2017 and continued to grow at a robust rate in 2018. IHS expects business investment growth likely peaked at 6.8 percent in 2018. They now forecast business investment to decelerate to 3.6 in 2019 and then slow each year until investment grows 2.4 percent in 2023. The forecast for 3.6 percent business investment growth in 2019 is one percentage point lower than IHS forecast in November.

The forecast of drag on real GDP growth from net exports has improved since the November forecast. However, IHS expects the declining trend in net exports to continue, subtracting 0.2 percentage points from GDP per quarter through 2022. Several factors contribute to the continuing forecast net export drag. First, the global economy shows signs of weakening. IHS expects trade-weighted growth of foreign GDP to slow from 3.1 percent in 2017 to 2.7 percent in 2018, then average 2.4 percent through 2023. Second, trade tensions between the United States and China have been building over this year. Finally, escalating trade tensions last year coincided with a steep appreciation of the U.S. dollar. A stronger dollar increases the price of domestically-produced goods for foreign customers, eroding U.S. exports.

The IHS February outlook is similar to that of other macroeconomic forecasters. The February Blue Chip Consensus, the average of about 50 business forecasts, calls for real GDP to grow 2.5 percent in 2019, slightly above the IHS forecast of 2.4. For 2020, IHS expects slightly higher growth than other forecasters: 2.0 percent compared to 1.8 percent for the Blue Chip Consensus.

Minnesota Economic Outlook. Minnesota's steady economic performance continues, as the U.S. expansion approaches record length. But the state's ability to add jobs is reaching the limit set by slow labor force growth. Throughout the expansion, Minnesota has steadily added jobs, driving the state's unemployment rate well below the U.S. rate. Together, high demand for labor and low unemployment continue to support growth in total Minnesota wage income and wages per worker. However, as retiring baby boomers dampen growth in the state's workforce, employment growth is increasingly constrained. Across the state, job vacancies are at high levels, and employers and job-seekers must become ever more creative to match people to jobs.

As a result of slowing employment growth, more of Minnesota's growth in total wage income is expected to arise from higher wages per worker and less from increases in the number of people working. In this forecast, we see employment growth slowing as employers try to fill open positions from a shrinking supply of available workers. We also see total wages growing, but at a slower rate than in the November forecast. Information from the Quarterly Census of Employment and Wages (QCEW) indicates that wage growth during the third quarter of 2018 was slower than we had forecast in November. Income tax withholding collections suggest that wage growth for the last five months has also been below the forecast.

Minnesota's labor market appears to be slowing down. Since August 2018, the seasonally adjusted unemployment rate has remained at 2.8 percent, the lowest in over 18 years. Between 2011 and 2017, Minnesota employers added 42,000 new jobs each year on average. But in the 12 months ending in December 2018, employers added 21,500 jobs, bringing Minnesota's annual job growth to 0.7 percent, a considerable slowdown from 1.3 percent in 2017. Combined with historically low unemployment, this could signal that we are feeling the impacts of a constrained labor force.

We expect that slowing annual employment growth, combined with a moderate acceleration in wages per worker, will lead total wage and salary income to grow at rates of 3.7 to 4.5 percent per year in 2019 and 2020, followed by a deceleration to 4.4, 4.2 and 3.9 percent in years 2021, 2022, and 2023, respectively. For 2019-2021, these are weaker growth rates than we expected in February. The forecast reduction is due to a downward revision to 2018 employment, lower than expected wage growth, recent weakness in income tax withholding receipts, and a lower U.S. wage growth forecast.

Robust demand for workers and low unemployment define Minnesota's current, tight labor market. Statewide, there have been fewer unemployed job-seekers than open positions for the past 18 months. The state's job vacancy rate is now 5.2 percent (5.2 openings per 100 jobs), the highest level for this series (which originates in 2001). And the tight labor market is being felt across Minnesota. For the first time in the data series, both the Twin Cities and Greater Minnesota have a ratio of less than one unemployed persons to every job vacancy. The ratio is 0.5 in the Twin Cities and 0.7 in Greater Minnesota.

Since the November forecast, the U.S. Census Bureau released 2018 population estimates. In the prior forecast, we reported that positive net domestic migration—the number of people moving to Minnesota from other states less those moving away—was positive from 2016-17 for the first time in fifteen years. According to the new information from the Census Bureau, 2018 was the second year of consecutive positive domestic net in-migration. Minnesota's population growth is comprised of three parts: the natural rate of population increase (number of births less deaths), net domestic migration, and net international immigration. With the natural rate of population increase lower than historical rates, domestic and international migration play a crucial role in Minnesota's labor force growth.

Budget Outlook: Current Biennium. With four months remaining in the FY 2018-19 biennium, weaker revenue projections, partially offset by lowered spending estimates, result in a projected balance in the current biennium of $563 million, $157 million lower than prior estimates.

Current Biennium: FY 2018-19 General Fund Budget

Forecast Comparison

($ in millions)	November 2018 Forecast	February 2019 Forecast	$ Change	% Change
Beginning Balance	**$3,333**	**$3,333**	**$ -**	0.0%
Revenues	45,410	45,212	(198)	(0.4)
Expenditures	45,549	45,508	(41)	(0.1)
Cash Flow & Budget Reserves	2,425	2,425	-	0.0
Stadium Reserve	50	50	-	0.0
Budgetary Balance	**$720**	**$563**	**$(157)**	

Revenues. Total general fund revenues for FY 2018-19 are now forecast to be $45.212 billion, $198 million (0.4 percent) less than the November 2018 forecast. Total tax revenues for the biennium are forecast to be $43.136 billion, $254 million (0.6 percent) below the prior forecast. Lower expected individual income and sales tax revenue more than offset higher forecasts for corporate income and other tax revenues. This forecast reflects revised estimates of the revenue impact of corporate taxpayer responses to the federal law changes in the Tax Cuts and Jobs Act (TCJA).

Net individual income tax receipts for the current biennium are now forecast to be $403 million (1.7 percent) less than the prior forecast. This change is due to a negative net income tax variance so far in FY 2019, lower forecast income growth in CY 2018 and CY 2019, lower expected net income tax payments by fiduciaries (estates and trusts), a lower assumed tax liability for 2017—the base year of this forecast—and a lower estimate of the dividend impact of the federal TCJA.

Current Biennium: FY 2018-19 General Fund Revenues
Forecast Comparison

($ in millions)	November 2018 Forecast	February 2019 Forecast	$ Change	% Change
Individual Income Tax	$24,133	$23,731	$(403)	(1.7)%
General Sales Tax	11,143	11,124	(19)	(0.2)
Corporate Franchise Tax	2,703	2,833	130	4.8
State General Property Tax	1,619	1,620	1	0.1
Other Tax Revenue	3,792	3,828	36	1.0
Total Tax Revenues	**43,390**	**43,136**	**(254)**	**(0.6)%**
Non-Tax Revenues	1,603	1,660	57	3.5
Other Resources	417	417	0	0.0
Total Revenues	**$45,410**	**$45,212**	**$(198)**	**(0.4)%**

General sales tax revenue in FY 2018-19 is now forecast to be $19 million (0.2 percent) less than in the November forecast. A gross tax receipts forecast that is $24 million lower than in November more than offsets a $5 million reduction in the refund forecast. The lower revenue forecast is primarily due to lower forecast growth in taxable sales. The synthetic sales tax base, which we construct from U.S. forecasts for spending on a wide range of taxable goods and services, grows more slowly in this forecast than in November. This is due to (1) slower expected growth in U.S. sales of goods included in Minnesota's sales tax base (such as non-auto durable goods, certain capital equipment, food service and accommodations, and other non-durable goods) and a lower forecast for Minnesota personal income relative to the U.S.

This forecast includes an off-model adjustment for the impact of the U.S. Supreme Court decision in South Dakota v. Wayfair, which allows states to require remote sellers with no physical presence in the state, such as online and mail-order companies, to collect and remit sales or use tax on sales to customers within the state. The adjustment is $11 million larger than in the prior forecast, because growth in actual sales tax receipts attributed to remote sellers has been higher than assumed in November. In the absence of the *Wayfair* adjustment, the FY 2018-19 net sales forecast change would be negative $30 million.

The corporate franchise tax is forecast to generate $2.833 billion in FY 2018-19, $130 million (4.8 percent) more than in November. A higher forecast for gross tax payments—driven by higher-than-expected actual payments so far in FY 2019—more than offsets higher forecast refunds.

Expenditures. Estimated expenditures for the FY 2018-19 biennium are now expected to be $45.508 billion, $41 million (0.1 percent) lower than previous estimates. Lower actual expenditures in Health and Human Services (HHS) compared to the prior forecast is the largest driver of the change. E-12 education and property tax aids and credits spending is also slightly lower. All other spending is materially unchanged from November estimates.

Current Biennium: FY 2018-19 General Fund Expenditures
Change From November 2018 Forecast

($ in millions)	February 2019 Forecast	$ Change	% Change
K-12 Education	$18,841	$(3)	(0.0)%
Property Tax Aids & Credits	3,658	(6)	(0.2)
Health & Human Services	13,372	(31)	(0.2)
Debt Service	1,113	-	0.0
All Other	8,524	-	0.0
Total Expenditures	**$45,508**	**$(41)**	**(0.1)%**

Reserves. The current biennium is expected to end with reserve balances unchanged from November estimates. The budget reserve balance is $2.075 billion with an additional $350 million in the cash flow account. The $50 million stadium reserve balance, while still projected to grow over time, is also unchanged from November estimates.

Budget Outlook: Next Biennium. A balance of $1.052 billion is now projected for the FY 2020-21 biennium, a reduction of $492 million compared to November forecast. Revenues in the next biennium are now projected to be $47.941 billion, a reduction of $386 million (0.8 percent) compared to the forecast in November. Lower spending estimates for the next biennium partially offset lower projected revenue growth. The current law expenditure forecast is now set at $47.403 billion, $51 million (0.1 percent) lower than November estimates.

Next Biennium: FY 2020-21 General Fund Budget
Forecast Comparison

($ in millions)	November 2018 Forecast	February 2019 Forecast	$ Change	% Change
Beginning Balance	**$3,194**	**$3,037**	**$(157)**	(4.9)%
Revenues	48,327	47,941	(386)	(0.8)
Expenditures	47,454	47,403	(51)	(0.1)
Cash Flow & Budget Reserves	2,425	2,425	-	0.0
Stadium Reserve	98	98	-	0.0
Budgetary Balance	**$1,544**	**$1,052**	**$(492)**	

Revenues. Total general fund revenues for 2020-21 are now forecast to be $47.941 billion, $2.729 billion (6.0 percent) more than the current FY 2018-19 forecast. Total tax revenues for the next biennium are forecast to be $46.062 billion, a $2.926 billion increase (6.8 percent) over FY 2018-19 forecast tax revenues. Growth in the individual income and sales taxes account for 93 percent of the biennial tax revenue change. All major tax types show positive biennial changes.

Next Biennium: FY 2020-21 General Fund Revenues
Biennial Comparison; February 2019 Forecast

($ in millions)	FY 2018-19	FY 2020-21	$ Change	% Change
Individual Income Tax	$23,731	$25,705	$1,974	8.3%
General Sales Tax	11,124	11,857	733	6.6
Corporate Franchise Tax	2,833	2,912	79	2.8
State General Property Tax	1,620	1,638	18	1.1
Other Tax Revenue	3,828	3,949	122	3.2
Total Tax Revenues	**43,136**	**$46,062**	**$2,926**	**6.8%**
Non-Tax Revenues	1,660	1,511	(149)	(9.0)
Other Resources	417	369	(48)	(11.5)
Total Revenues	**$45,212**	**$47,941**	**$2,729**	**6.0%**

Regarding forecast change, the current forecast for FY 2020-21 total revenues is $386 million (0.8 percent) less than in November. Total tax revenues for the next biennium are forecast to be $426 million (0.9 percent) below the prior forecast.

The sources of forecast change in FY 2020-21 are similar to those in the current biennium. For the individual income tax, a reduced forecast for FY 2019 receipts lowers the starting point for the FY 2020-21 forecast, and slower income growth in TY 2019 and TY 2020 reduce it further. Slower expected growth in taxable sales in FY 2020 and FY 2021 bring down the next biennium sales tax forecast, and a higher forecast for FY 2019 corporate receipts raises the starting point for the FY 2020-21 corporate tax forecast. Lower forecasts for individual income and sales tax revenues more than offset higher expected receipts from corporate and other taxes.

Next Biennium: FY 2020-21 General Fund Revenues
Forecast Comparison

($ in millions)	November 2018 Forecast	February 2019 Forecast	$ Change	% Change
Individual Income Tax	$26,276	$25,705	$(571)	(2.2)%
General Sales Tax	12,022	11,857	(165)	(1.4)
Corporate Franchise Tax	2,650	2,912	262	9.9
State General Property Tax	1,638	1,638	0	0.0
Other Tax Revenue	3,901	3,949	48	1.2
Total Tax Revenues	**46,487**	**$46,062**	**(426)**	**(0.9)%**
Non-Tax Revenues	1,471	1,511	40	2.7
Other Resources	369	369	0	0.0
Total Revenues	**$48,327**	**$47,941**	**$(386)**	**(0.8)%**

Note that growth in total revenues is declining over the three biennia included in this forecast. Between FY 2016-17 to FY 2018-19, total revenues grow 6.5 percent. The rate falls to 6.0 percent between FY 2018-19 and FY 2020-2021, and falls again to 4.7 percent between FY 2020-21 and the planning estimates. The annualized (per year) growth rates across those three periods are 3.2 percent, 3.0 percent, and 2.3 percent, respectively.

Next Biennium: FY 2020-21 General Fund Expenditures
Change From November 2018 Forecast

($ in millions)	**February 2019 Forecast**	**$ Change**	**% Change**
K-12 Education	$19,553	$(48)	(0.2)%
Property Tax Aids & Credits	3,739	29	0.8
Health & Human Services	14,875	(30)	(0.2)
Debt Service	1,199	-	0.0
All Other	8,038	(2)	0.0
Total Expenditures	**$47,403**	**$(51)**	**(0.1)%**

Expenditures. The current law expenditure forecast is now set at $47.403 billion, $51 million (0.1 percent) lower than November estimates. Updated data used to estimate the number of students attending E-12 schools results in lower projected E-12 education spending by $48 million (0.2 percent). Lower actual participation in HHS programs drives a reduced forecast of $30 million (0.2 percent) in the next biennium compared to November. Partially offsetting the overall spending reduction is a $29 million (0.8 percent) increase in the forecast for property tax aid and credit spending, largely due to higher estimated property tax refund payments. Debt service and all other spending is materially unchanged from November estimates.

Reserves. The $2,075 billion budget reserve balance and $350 million cash flow account balance are not projected to change from the current biennium in this forecast. The stadium reserve account balance is expected to be $98 million by the end of FY 2021, an increase of $48 million compared to FY 2018-19 due to growth in lawful gambling tax receipts and expected contributions from city of Minneapolis sales tax receipts beginning in 2021 under current law.

Budget Outlook: Planning Estimates. Base level spending in this forecast grows at a higher rate into the FY 2022-23 planning estimates when compared to growth from the current biennium into FY 2020-21. However revenue growth, when compared to FY 2018-21, is lower into the planning horizon. The diverging growth rates between revenue and spending results in projected current law spending exceeding current law revenue by $11 million in FY 2022-23.

The lower revenue and spending forecast for FY 2019-21 continues into the planning estimates. Combining FY 2019-23 spending and revenue changes in this forecast compared to November results in $959 million less projected available balance by FY 2023.

Planning Horizon: General Fund Budget
By Biennium, FY2020-23, February 2019 Forecast

($ in millions)	**FY 2020-21**	**FY 2022-23**	**$ Change**	**Annual % Change**
Forecast Revenues	$47,941	$50,192	$2,251	2.3%
Projected Spending	47,403	50,203	2,800	2.9%
Difference	**$538**	**$(11)**	**$(549)**	
Estimated Inflation (CPI)[1]	*$1,097*	*$2,694*		

As with projections for FY 2020-21, spending estimates are not adjusted for inflation in most areas of the budget in the planning estimates. Projected inflation based on the Consumer Price Index (CPI) is expected to be 2.2 percent and 2.0 percent in FY 2020 and FY 2021 followed by 2.4 percent each year in FY 2022 and FY 2023. After adjusting the spending base for programs with price increases included in the current law formula, applying the annual inflation rate, compounded over two and four year periods, would add approximately $1.1 billion to the FY 2020-21 base and $2.7 billion to the FY 2022-23 planning estimates.

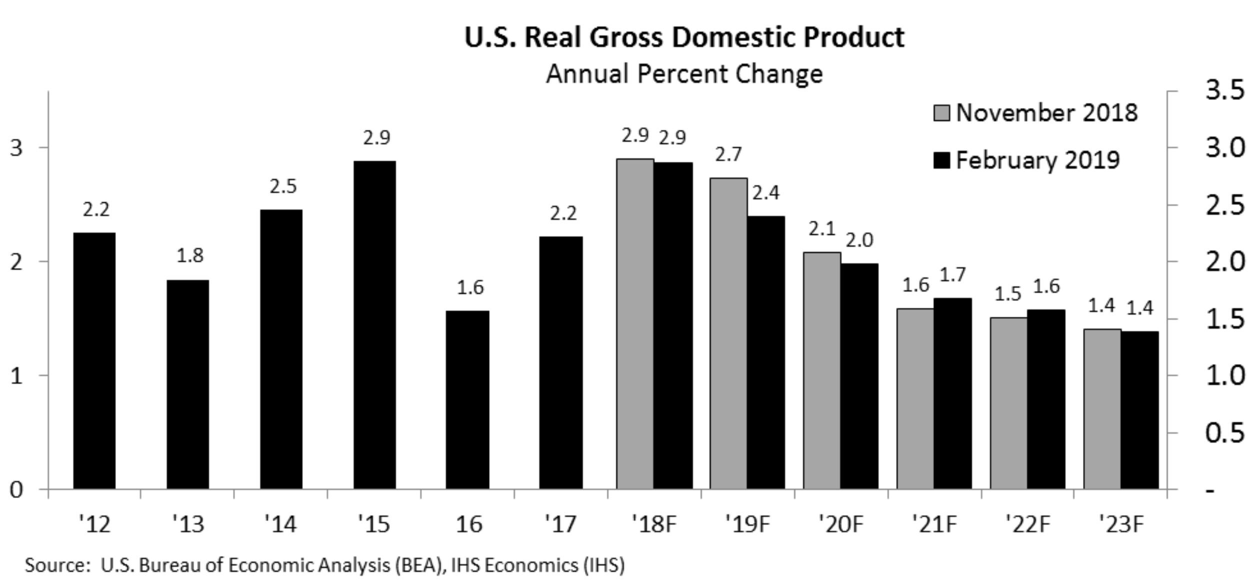
[1] Inflation calculation grows the estimated general fund spending base in each year by the projected CPI growth rate after removing special education, debt service, capital projects, property tax refunds, and the state share for managed and long term care.

ECONOMIC OUTLOOK

U.S. Economic Outlook

The near-term outlook for U.S. economic growth has weakened since Minnesota's *Budget and Economic Forecast* was prepared in November 2018, while the pattern of slowing growth through our planning horizon carries over from the prior forecast. Lower estimates of growth at the end of 2018 led IHS Markit (IHS), Minnesota's macroeconomic consultant, to lower their expectations for this year's real GDP growth from 2.7 percent in November's outlook to 2.4 percent in February. They also lowered their 2020 forecast to 2.0 percent growth from 2.1 percent in the prior forecast.

While current conditions can support moderate growth in the near term, IHS expects a slowdown late this year, with annual real GDP growth declining from 2.9 percent in 2018 to 2.4 percent in 2019. This occurs as the contribution to growth from federal fiscal stimulus declines, monetary policy becomes more restrictive, tariffs dampen business investment, global growth weakens, and a strong U.S. dollar relative to our trading partners' currencies pulls down net exports. After mid-2020, a demographically driven decline in the labor force participation rate is expected to further reduce growth. The downshift continues, with annual real GDP growth expected to decelerate from 2.0 percent annually in 2020 to only 1.4 percent in 2023.



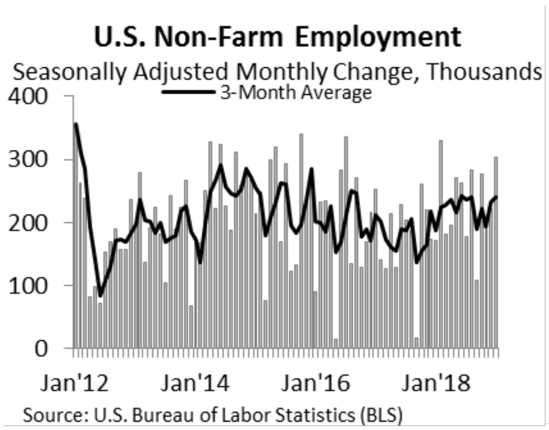
While current conditions can support moderate growth in the near term, IHS expects a slowdown late this year, with annual real GDP growth declining from 2.9 percent in 2018 to 2.4 percent in 2019. The downshift continues, with annual real GDP growth expected to decelerate to only 1.4 percent in 2023.

IHS prepared their February 2019 outlook without knowing the Bureau of Economic Analysis (BEA) GDP measure for the fourth quarter of 2018, which was delayed due to the federal government shutdown. IHS' own estimate of fourth quarter growth is 2.4 percent, putting their forecast for 2018 growth at 2.9 percent. Since November, IHS has lowered their forecasts for both 2019 and 2020. In both of these years, real consumer spending, business investment, and government spending all contribute less to real GDP growth than in the November outlook, more than offsetting a reduced drag from net exports. The export drag is moderated in this forecast compared to November, but net exports' contribution to growth does not flip from negative to positive until 2023.

The February IHS outlook includes all U.S. and retaliatory tariffs imposed to date, including a 10 percent tariff on $200 billion of Chinese goods that went into effect in September. The outlook includes the impact of the partial federal government shutdown that ended in January and assumes subsequent government shutdowns are avoided. IHS estimates that the direct effects of the federal government shutdown reduced growth by 0.1 percentage point in each of the fourth quarter of 2018 and the first quarter of 2019 and added 0.2 percentage point to second quarter growth.

IHS expects consumer spending to remain the primary contributor to growth in the economy, even as the pace of spending eventually slows. In the near-term, consumer spending is supported by rising incomes, household wealth, falling gas prices, lower personal tax rates, a lower interest rate path, and a strong consumer mood. Rising interest rates and waning benefits from the TCJA slows consumer spending in 2020 and 2021.

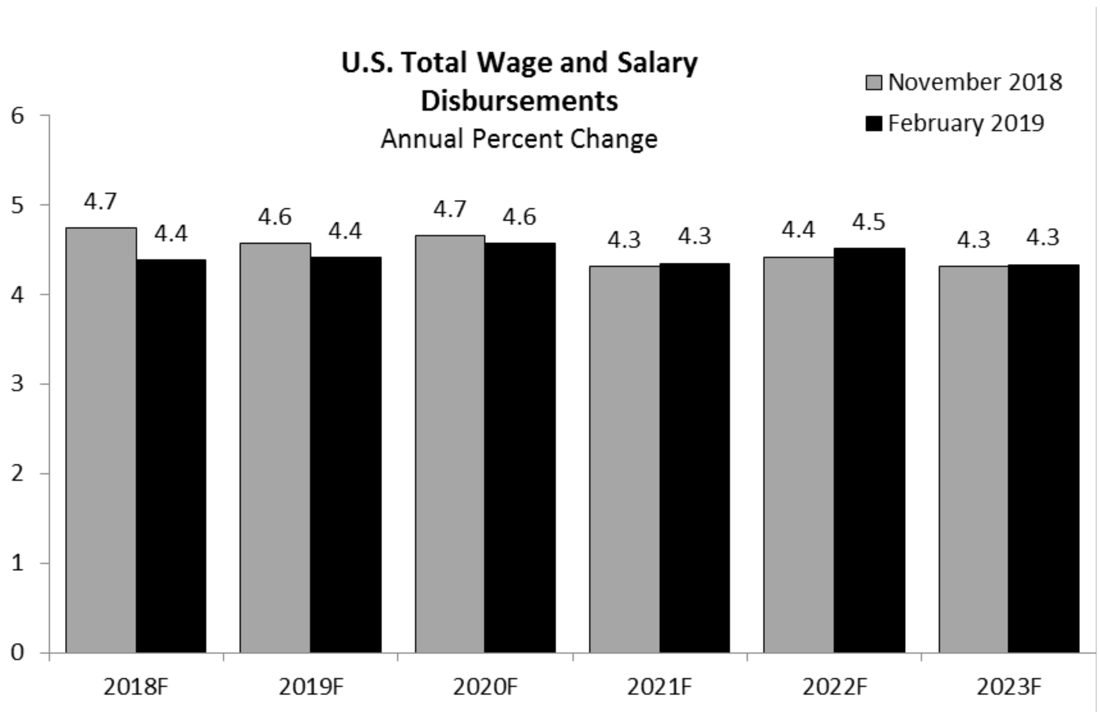
In 2017 the S&P 500 share price index grew 17 percent, followed by strong growth in the first three quarters of 2018. However, over the fourth quarter of 2018 the S&P 500 share price index dropped nearly 15 percent, with 10 percent of that decline occurring in late December. Since the decline in December, the S&P 500 has been steadily increasing and was up 18 percent year-to-date as of February 22, 2019. IHS expects that much of the decline in the fourth quarter of 2018 was only partially due to economic fundamentals and expects the S&P 500 will recover much of recent losses, gaining 18 percent over 2019. If the stock market declines, or if the market generally underperforms IHS' expectations, the resulting erosion of household wealth could cause consumer spending to grow more slowly than IHS has forecast.



In January, U.S. employers added 304,000 jobs, exceeding expectations and extending the record run to 100 months of U.S. job creation (since October, 2010). There are now 0.9 unemployed job-seekers for each job vacancy nationwide, the lowest value for this ratio since the series began in 2000.

The U.S. unemployment rate rose to 4.0 percent in January. The slight uptick in the unemployment rate reflects new workers being drawn into the labor force. Strong demand for workers has tightened the national labor market. There are now 0.9 unemployed job-seekers for each job vacancy nationwide, the lowest value for this ratio since the series began in 2000.

In January, U.S. employers added 304,000 jobs, exceeding expectations and extending the record run to 100 months of U.S. job creation (since October, 2010). Exceptionally strong January job additions led IHS to raise their forecast for 2019 employment growth to 1.7 percent in this forecast from 1.5 percent in November. IHS expects annual employment growth to slow significantly from 1.7 percent this year to 0.9 percent in 2020. In mid-2020, the impacts of an aging population leaving the workforce is expected to slow labor force growth below the growth rate of the population. Annual employment is forecast to grow 0.5 percent in 2021 and decelerate to 0.3 percent by 2023. The employment forecast was lowered by one-tenth of one percent for each of the years between 2020 and 2022.



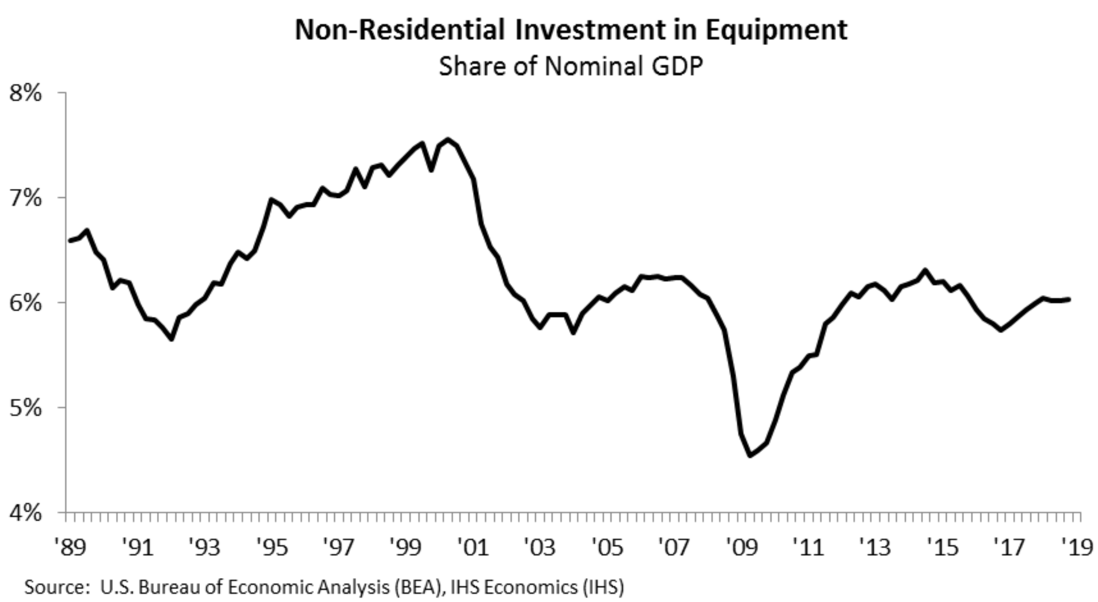
As the labor market feels the impact of an aging workforce, employment growth is expected to slow. In this forecast, IHS has lowered their expectations for total wage and salary income growth. They now expect 4.4 percent growth in 2018 compared to 4.7 in November, and down from 4.6 percent in 2019 to 4.4 percent.

The forecast for growth in total U.S. wage and salary disbursements has been lowered since November. IHS now expects 4.4 percent growth in wage income in 2018, down from 4.7 in November. Similarly, wage growth in 2019 is now forecast to be 4.4 percent, down from 4.6 percent in November. The 2020 forecast has been reduced from 4.7 to 4.6.

Business fixed investment grew at 5.3 percent in 2017 and continued to grow at a robust rate in 2018. IHS expects business investment growth likely peaked at 6.8 percent in 2018. They now forecast business investment to decelerate to 3.6 in 2019 and then slow each year until investment grows 2.4

in 2023. The forecast for 3.6 percent business investment growth in 2019 is one percentage point lower than IHS forecast in November.

U.S. tariffs on imported intermediate goods—the inputs to U.S. production—can disrupt supply chains and impose cost pressure on domestic producers. And other countries' retaliatory tariffs on U.S. goods can lower demand for U.S. exports. Uncertainty about U.S. trade policy—whether tariffs will be expanded further and how long they will persist—can make businesses put their investment and expansion plans on hold.



In their February outlook, IHS expects business investment in equipment to peak at 6.8 percent in 2018 due to stronger nonfarm business sector output. Growth slows to 3.6 percent in 2019 and decelerates further through the forecast period.

The forecast of drag on real GDP growth from net exports has improved since the November forecast. However, IHS expects the declining trend in net exports to continue, subtracting 0.2 percentage points from GDP per quarter through 2022. The U.S. petroleum deficit shrank to an all-time low of $623 million in November, nearly making the U.S. a net petroleum exporter for that month.

Several factors are contributing to a forecast drag on real GDP growth from net exports. First, the global economy shows signs of weakening. France's economy grew 1.5 percent in 2018, a slowdown from 2.3 percent in 2017. The German government cut its growth forecast for 2019 from 1.8 percent to 1 percent, citing geopolitical and trade risks. If the U.K. exits the European Union without an agreement in March, a severe disruption to exports could follow. IHS expects trade-weighted growth of foreign GDP to slow from 3.1 percent in 2017 to 2.7 percent in 2018, then average 2.4 percent through 2023.

Second, trade tensions between the United States and China have been building over this year. On September 24, the United States imposed tariffs on $200 billion worth of Chinese imports, in addition to the $50 billion worth of tariffs enacted earlier this year. As a result of the second wave of tariffs, nearly 50 percent of all Chinese imports into the United States will be subject to tariffs.

China has retaliated by targeting an additional $60 billion in American exports. This forecast includes all tariffs imposed to date, including 10 percent on $200 billion of Chinese imports enacted September 24. This forecast assumes existing tariffs are permanent, but does not assume a rate increase to 25 percent that was scheduled for March second. As of February 24 the scheduled rate increase has been delayed as the two sides continue negotiations.

Finally, escalating trade tensions last year coincided with a steep appreciation of the U.S. dollar. Rising U.S. interest rates and U.S. economic growth that exceeds growth abroad has boosted demand for and the value of U.S. currency. The broad trade-weighted dollar index increased 8 percent over 2018. In this forecast, IHS estimates the dollar's value to decline this year following a peak in the fourth quarter of 2018, and then level off through 2022.

A significant appreciation of the dollar against trading partner currencies since mid-2014 has strengthened imports and weakened exports in recent years. IHS expects the contribution of net exports to real GDP to be negative through 2022, then flip to a net positive in 2023.

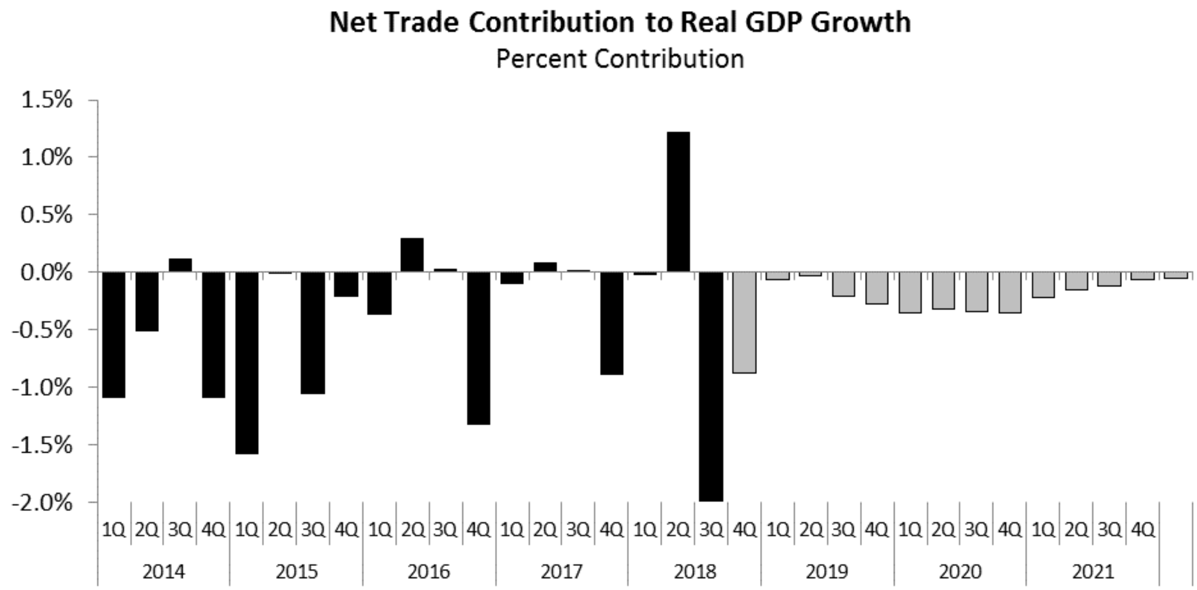
Major Trading Partner Exchange Rate

Trade-Weighted U.S. Dollar Index: June 2014 = 100

Source: U.S. Federal Reserve

A significant rise in the dollar against U.S trading partners since mid-2014 has strengthened imports and weakened exports. Escalating trade tensions this year have coincided with a steep appreciation of the U.S. dollar. The forecast for the nominal, broad dollar has softened since the November forecast, largely reflecting the softening of interest rates in the U.S. The IHS forecast assumes the nominal, broad dollar peaked in the fourth quarter of 2018 and will slow through 2022.

Rising interest rates and rising home prices will continue to suppress housing activity this year. Years of tight inventory and rising home prices have created affordability problems for some potential buyers. A shortage of homes at price points in high demand are suppressing home sales. Simultaneously, a tight labor market and labor shortages among skilled construction workers, rising home mortgage rates, and higher input costs are elevating the cost of building a home. IHS expects both housing prices and mortgage rates to continue to rise. While these factors are expected to play a continued role in suppressing housing starts, IHS expects them to be offset by increases in household formation. Housing starts are expected rise from 1.26 million in 2018 to 1.38 million in 2020 as mortgage rates begin to stabilize.



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

Weakening global growth, trade tensions between the U.S. and trading partners, and appreciation of the U.S. dollar all contribute to a larger forecast drag on real GDP growth from net exports. IHS expects the contribution of net exports to real GDP to be negative through the forecast period.

With core personal consumption expenditure (PCE) inflation at the Fed's two percent target, the Federal Reserve indicated it will hold off on further rate increases to monitor data for the direction of the U.S. economy. In the February 2019 outlook, core PCE inflation is forecast to accelerate from 2.0 percent this year to 2.1 percent in 2020 and 2021. Following its December meeting the Federal Open Market Committee (FOMC) raised the federal funds rate target range by 25 basis points to 2.25-2.50 percent. This was the fourth increase of 2018, and is consistent with a tightening labor market. The FOMC made a significant change to its guidance for the outlook for interest-rate policy at the January 30, 2019, meeting. In the post-meeting statement, Chairman Powell indicated that the Fed no longer planned to increase the benchmark rate two more times in 2019, as signaled in December. Chairman Powell cited growing risks of a U.S. economic slowdown due to slowing global growth and policy-related headwinds from trade disputes and Brexit as an opportunity to wait "patiently" for clarification on economic conditions.

A slight downward revision in the forecast for real GDP growth and core PCE inflation, combined with the dovish outcome of the January 2019 FOMC meeting, are the contributing factors to IHS' February assumption that there will be one FOMC rate increase in 2019, followed by another in 2020. The rate is expected to reach a long-term equilibrium level of 3.0 in 2022, lowered from previous peak rate of 3.43. This is a significant revision from the November forecast, which had three rate increases in 2019 and one in 2020.

The IHS February outlook is similar to that of other macroeconomic forecasters. The February Blue Chip Consensus, the average of about 50 business forecasts, calls for real GDP to grow 2.5 percent in 2019, slightly above the IHS forecast of 2.4. For 2020, the IHS expects slightly higher growth than other forecasters: 2.0 percent compared to 1.8 percent for the Blue Chip Consensus.

Forecast risks: Even aside from the threats to economic growth mentioned throughout this section—including trade policy uncertainty, the possibility that the U.K. will leave the European Union without a trade deal in March, and stock market volatility—there are risks inherent in this forecast. First, annual real GDP growth of 1.4-2.4 percent as is expected in this forecast is below the 3.1 percent average annual growth that we saw during the 20 years prior to the Great Recession. Slow growth makes the economy more vulnerable to shocks, reducing its capacity to weather an unexpected event.

Second, the current economic recovery and expansion period is now into its tenth year, well beyond the average length of post-World War II U.S. expansions. While simple old age is not thought to end an expansion, the longer the cycle gets, the lower the probability of continuing to avoid a downturn. IHS does not include a recession in their baseline scenario. However, they assign a 25 percent probability to a pessimistic scenario that includes a three-quarter recession in 2020. Over recent months, IHS has deepened the projected recession. They also note that risk of a downturn increases as the U.S. transitions from above-trend growth in 2018-19 to below-trend growth in 2020, as they assume in this forecast. Among the 50 Blue Chip macro-economic forecasters, the most recent consensus probability of a 2020 recession is now 39 percent. In other words, even the slow growth that is now forecast for 2020-2023 is at risk.

Finally, the IHS February outlook depends on several key forecast assumptions. If these assumptions do not materialize, the economic outcome will differ from IHS's baseline forecast. (1) IHS assumes that personal provisions of the 2017 Tax Act are eventually extended. (2) IHS expects the Federal Reserve to implement one federal funds rate increase in 2019 and one more in 2020, bringing the upper end of the target range to 3.0 percent. (3) This forecast assumes that the 25 percent tariff on $50 billion of goods from China and a tariff of 10 percent, effective September 24, on an additional $200 billion of goods from China. This forecast does not assume these tariffs step up to 25 percent in March of 2019. (4) The February outlook assumes that global growth will decelerate, with annual real GDP growth from major-currency U.S. trading partners slowing from 3.1 percent in 2017 to 2.7 percent in 2018, then to an average of 2.4 percent through 2023. (5) IHS expects the Brent crude oil price to fall from $71 per barrel in 2018 to $65 in 2020 before gradually increasing to $71 in 2023. (6) Following Census projections, IHS expects growth in the U.S. working-age population to slow from 0.9 percent in 2017 to 0.8 percent in 2022, as the aging of the population subtracts 1.1 percentage points from the labor force participation rate by the end of that year. The annual rate of household formation falls from 1.4 million in 2018 to 1.34 million in 2022.

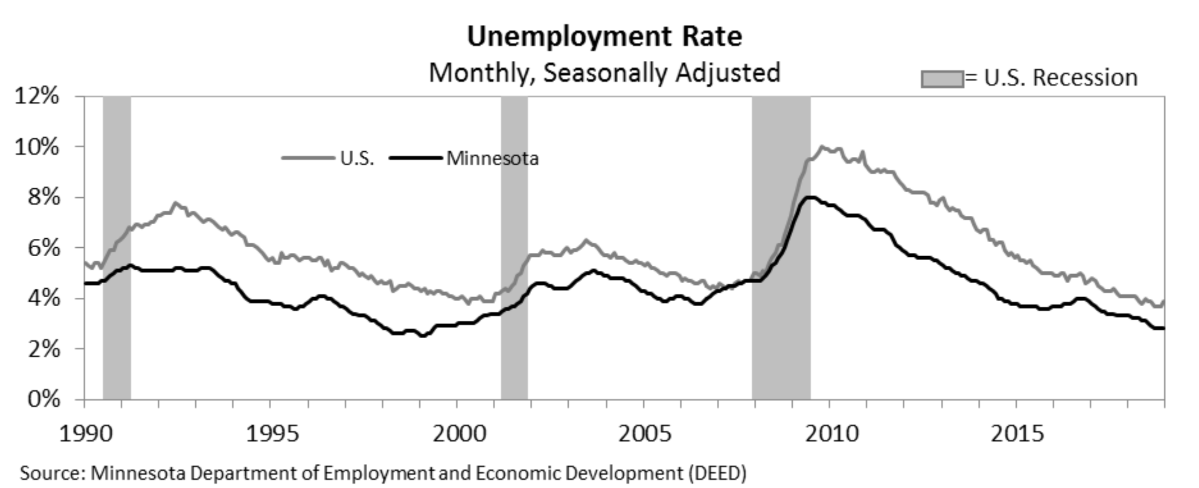
IHS assigns a probability of 60 percent to the November baseline outlook. As mentioned above, they assign a 25 percent probability to a more pessimistic scenario, in which a downward correction to real estate prices and declining consumer and business confidence trigger a three-quarter recession in 2020. IHS assigns a 15 percent probability to a more optimistic scenario, in which a pick-up in home purchases by young adults fuels the housing market, and improvements in productivity boost incomes and, consequently, consumer spending. This scenario assumes that unemployment can fall to a lower level before it exerts inflationary pressure, keeping consumer price inflation lower than in the baseline.

Minnesota Economic Outlook

Minnesota's steady economic performance continues, as the U.S. expansion approaches record length. But the state's ability to add jobs is reaching the limit set by slow labor force growth. Throughout the expansion, Minnesota has steadily added jobs, driving the state's unemployment rate well below the U.S. rate. Together, high demand for labor and low unemployment continue to support growth in total Minnesota wage income and wages per worker. However, as retiring baby boomers dampen growth in the state's workforce, employment growth is increasingly constrained. Across the state, job vacancies are at high levels, and employers and job-seekers must become ever more creative to match people to jobs.

As a result of slowing employment growth, more of Minnesota's growth in total wage income is expected to arise from higher wages per worker and less from increases in the number of people working. In this forecast, we see employment growth slowing as employers try to fill open positions from a shrinking supply of available workers. We also see total wages growing, but at a slower rate than in the November forecast. Information from the Quarterly Census of Employment and Wages (QCEW) indicates that wage growth during the third quarter of 2018 was slower than we had forecast in November. Income tax withholding collections suggest that wage growth for the last five months has also been below the forecast. A downward revision to 2018 employment, lower than expected wage growth, recent weakness in income tax withholding receipts, and a lower U.S. wage growth forecast have brought down wage growth expectations for Minnesota.

Labor Market. Minnesota's labor market appears to be slowing down. Since August 2018, the seasonally adjusted unemployment rate has remained at 2.8 percent, the lowest in over 18 years. Between 2011 and 2017, Minnesota employers added 42,000 new jobs each year on average. But in the 12 months ending in December 2018, employers added 21,500 jobs, bringing Minnesota's annual job growth to 0.7 percent, a considerable slowdown from 1.3 percent in 2017. After seasonal adjustment, Minnesota lost jobs in four of the last five months of 2018. Combined with the historically low unemployment, this could signal that we are feeling the impacts of a constrained labor force.



Minnesota's seasonally adjusted unemployment rate has held at 2.8 percent, an 18 year low, since August 2018. This rate is 1.1 percentage points below the national rate and 0.5 percentage points lower than a year ago.

Forecast Comparison: Minnesota & U.S.

Forecast 2016 to 2023, Calendar Years

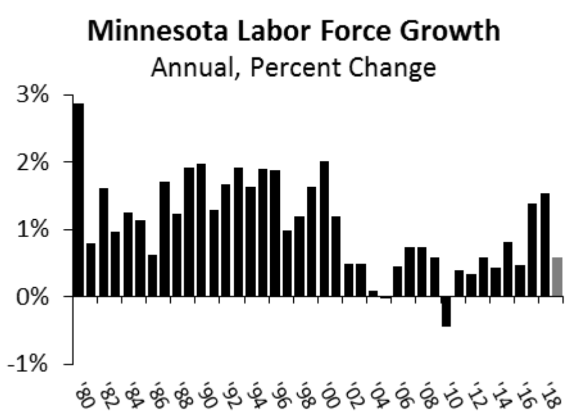
	2016	2017	2018	2019	2020	2021	2022	2023
Total Non-Farm Payroll Employment (Thousands)								
Minnesota								
February 2019	2,894	2,933	2,955	2,989	3,016	3,031	3,042	3,045
%Chg	1.4	1.3	0.7	1.2	0.9	0.5	0.4	0.1
November 2018	2,892	2,933	2,970	3,021	3,053	3,070	3,080	3,083
%Chg	1.3	1.4	1.3	1.7	1.1	0.5	0.3	0.1
U.S.								
February 2019	144,348	146,611	149,064	151,526	152,965	153,705	154,457	154,857
%Chg	1.8	1.6	1.7	1.7	0.9	0.5	0.5	0.3
November 2018	144,349	146,624	149,011	151,292	152,990	153,849	154,516	154,914
%Chg	1.8	1.6	1.6	1.5	1.1	0.6	0.4	0.3
Wage and Salary Disbursements (Billions of Current Dollars)								
Minnesota								
February 2019	158.0	165.5	172.3	178.6	186.7	195.0	203.2	211.1
%Chg	2.8	4.7	4.1	3.7	4.5	4.4	4.2	3.9
November 2018	158.0	165.5	173.1	182.5	191.6	199.6	207.9	216.1
%Chg	2.8	4.7	4.5	5.5	4.9	4.2	4.1	3.9
U.S.								
February 2019	8,081	8,454	8,825	9,214	9,635	10,054	10,507	10,962
%Chg	2.9	4.6	4.4	4.4	4.6	4.3	4.5	4.3
November 2018	8,081	8,454	8,855	9,259	9,690	10,107	10,553	11,008
%Chg	2.9	4.6	4.7	4.6	4.7	4.3	4.4	4.3
Non-Wage Personal Income (Billions of Current Dollars)								
Minnesota								
February 2019	133.3	137.6	144.0	150.6	157.1	164.0	170.3	176.6
%Chg	1.8	3.2	4.7	4.5	4.4	4.4	3.9	3.7
November 2018	133.3	137.6	143.4	150.6	160.0	167.9	174.1	180.4
%Chg	1.8	3.2	4.2	5.0	6.3	4.9	3.7	3.7
U.S.								
February 2019	8,044	8,377	8,739	9,100	9,463	9,842	10,228	10,618
%Chg	2.3	4.1	4.3	4.1	4.0	4.0	3.9	3.8
November 2018	8,044	8,377	8,730	9,119	9,594	10,024	10,420	10,826
%Chg	2.3	4.1	4.2	4.5	5.2	4.5	4.0	3.9
Total Personal Income (Billions of Current Dollars)								
Minnesota								
February 2019	291.4	303.1	316.8	329.1	343.8	358.9	373.5	387.7
%Chg	2.3	4.0	4.5	3.9	4.5	4.4	4.1	3.8
November 2018	291.4	303.1	315.6	333.1	351.6	367.6	382.0	396.6
%Chg	2.3	4.0	4.1	5.6	5.5	4.5	3.9	3.8
U.S.								
February 2019	16,125	16,831	17,564	18,314	19,098	19,896	20,735	21,580
%Chg	2.6	4.4	4.4	4.3	4.3	4.2	4.2	4.1
November 2018	16,125	16,831	17,585	18,378	19,284	20,131	20,974	21,834
%Chg	2.6	4.4	4.5	4.5	4.9	4.4	4.2	4.1

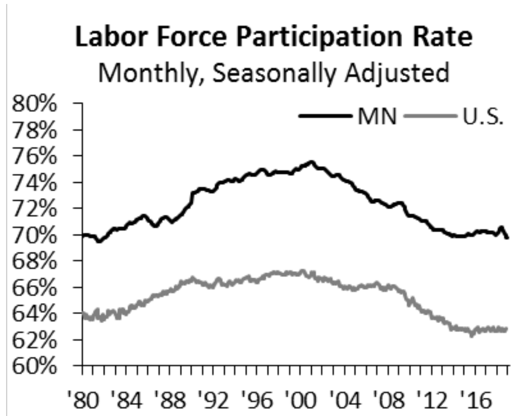
Source: IHS Economics and Minnesota Management and Budget (MMB)

Minnesota’s employment outlook has been lowered since the November forecast. In November, Minnesota’s 2018 employment growth outlook was strong, tracking at 1.3 percent. When final data became available for November and December of 2018, annual employment growth was lowered to 0.7 percent.

In this forecast, we expect about 35,000 additional jobs in 2019 and 27,000 in 2020, for employment growth rates of 1.2 and 0.9 percent in those years. As employment gains become increasingly constrained by slow labor force growth, we expect employment growth to decelerate to less than one-half percent in the years of our planning estimates. There is a measure of downside risk in these estimates. If the labor force grows more slowly than the forecast, our employment forecast is at risk.

Minnesota's labor force participation rate, which is consistently well above the U.S. rate, has been in decline since a peak in 2001 of 75.6 percent. This is consistent with the U.S. trend, and both trends are consistent with an aging population. From January through June of 2018, labor force participation reversed trend and increased. This may have been the result of robust wage growth and ample open positions enticing workers to enter the labor force or remain in the labor force and push back planned retirement. Since June, however, the rate has been falling, and as of December, the overall labor force participation rate (the share of the over-16 population that is either working or looking for work) was 69.8 percent. Despite this decline, Minnesota's labor force participation rate remains well above the national rate (9.2 percentage points) and is the highest among U.S. states.





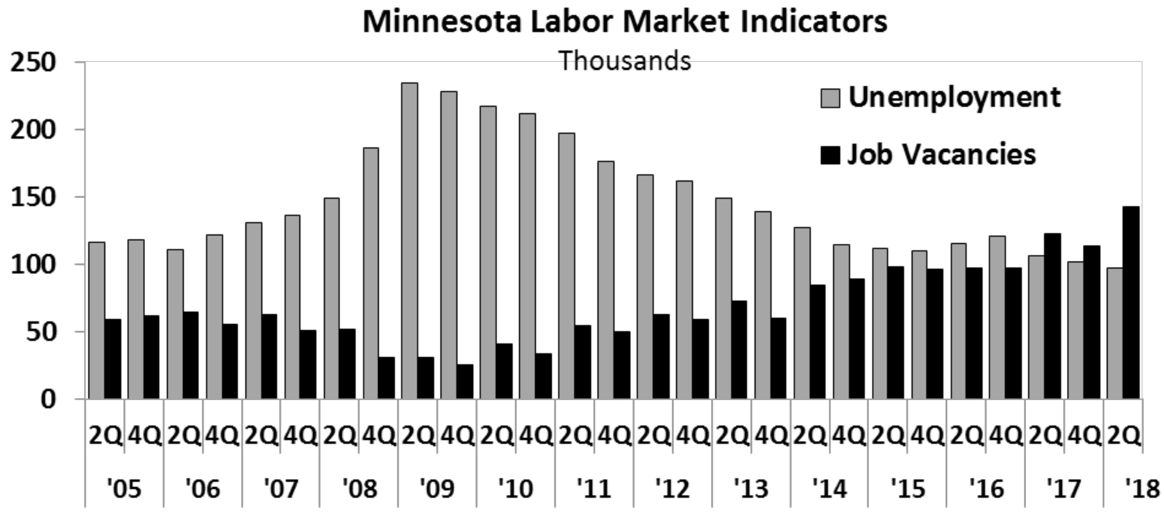
Source: Minnesota Department of Employment and Economic Development (DEED), Minnesota Management & Budget (MMB)

In December 2018, Minnesota's labor force participation rate was 69.8 percent, 9.2 percentage points higher than the national average and the highest among U.S. states.

Minnesota's high labor force participation means there are fewer people to draw into the labor force. In other words, there is little slack in Minnesota's labor market compared to other parts of the country. It is remarkable for labor force participation to hold steady as baby boomer retirements continue, but that demographic reality also suggests that the high labor force participation rate is likely not sustainable. Consequently, in our forecast Minnesota's labor force participation rate falls and labor force growth slows to 0.6 percent in 2019, and gradually slows to 0.2 percent in 2023.

A ratio of unemployed persons to job vacancies less than one indicates that there are fewer unemployed job-seekers than open positions across the state. At the peak of the Great Recession, there were nearly seven unemployed persons for each job opening. According to the Department of Employment and Economics Development's (DEED's) job vacancy report, in the second quarter of 2018 there were 0.7 unemployed persons for each vacancy. DEED reported about 142,000 vacancies in the second quarter of 2018, an increase of 16 percent over the second quarter of 2017. Minnesota's job vacancy rate is now 5.2 percent (5.2 openings per 100 jobs), the highest level for this series (which originates in 2001). But now, the tight labor market is being felt across Minnesota. For the first time in the data series, both the Twin Cities and Greater Minnesota have a ratio of less than one unemployed persons to every job vacancy. The ratio is 0.5 in the Twin Cities and 0.7 in Greater Minnesota. This data is published bi-annually and has not been updated since the November forecast. Data through the fourth quarter of 2018 will be available from DEED in late March, 2019.

The data shown in this chart is discussed in the previous paragraph.

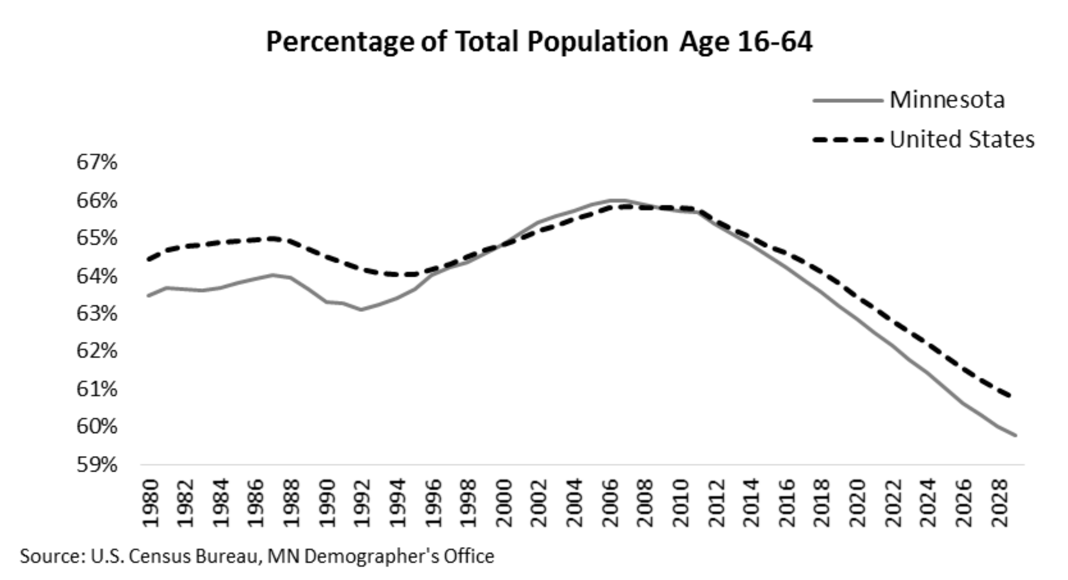


Source: Minnesota Department of Employment and Economic Development (DEED)

Job vacancies remain high across the state. The ratio of unemployed persons to job vacancies statewide has been less than one at 0.9 for the past year and is now down to about 0.7. A ratio of unemployed persons to job vacancies less than one indicates that there are fewer unemployed job-seekers than open positions across the state. Deed reports that 58 percent of job vacancies were located in the Twin Cities seven-county area and the remaining 42 percent were in Greater Minnesota.

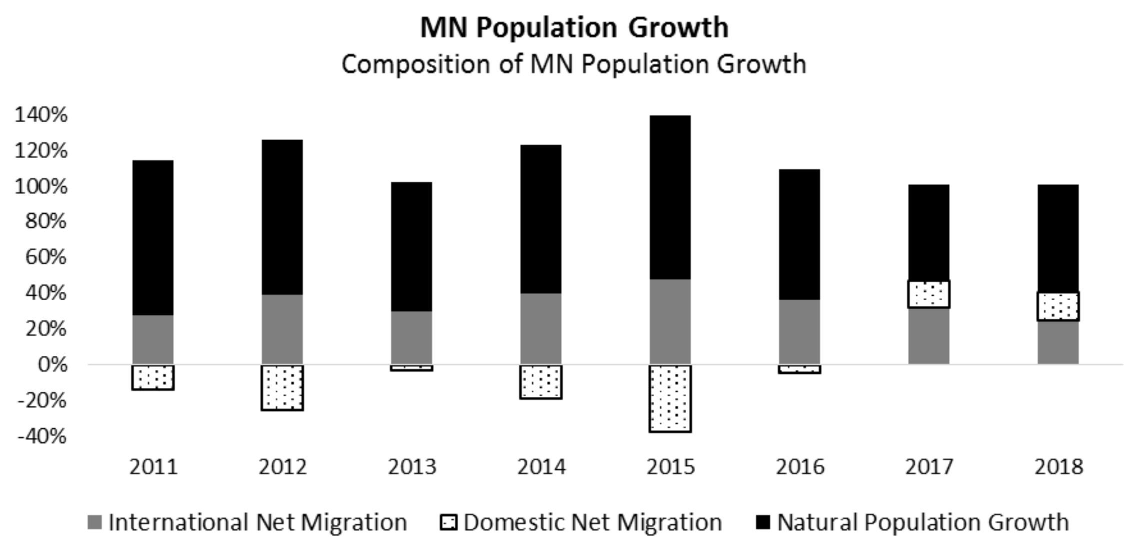
Robust demand for workers and low unemployment define Minnesota's current, tight labor market. Statewide, there have been fewer unemployed job-seekers than open positions for the past 18 months. Minnesota's unemployment rate is 1.1 percent below the national rate and 0.5 percentage points lower than a year ago. Job vacancies are widespread among occupations, with the largest numbers of openings in health care, accommodation and food service, retail trade, and manufacturing. DEED reports that about 58 percent of job vacancies were located in the Twin Cities seven-county area and the remaining 42 percent were in Greater Minnesota. Persistently high job vacancies suggest that the state's employers are struggling to fill open positions.

Since the November forecast, the U.S. Census Bureau released 2018 population estimates. In the prior forecast, we reported that positive net domestic migration—the number of people moving to Minnesota from other states less those moving away—was positive from 2016-17 for the first time in fifteen years. According to the new information from the Census Bureau, 2018 was the second year of consecutive positive domestic net in-migration. Minnesota gained 6,769 residents from other states in 2018, and 7,941 in 2017. Minnesota's population growth is comprised of three parts: the natural rate of population increase (number of births less deaths), net domestic migration, and net international immigration. With the natural rate of population increase lower than historical rates, domestic and international migration play a crucial role in Minnesota's labor force growth.



As the natural rate of population growth slows, net domestic and international migration play a crucial role in Minnesota's labor force growth.

Net international in-migration was down in 2018, adding 10,718 residents as compared to 16,460 in 2017. In total, the number of Minnesotans increased by 43,000 (0.8 percent) between 2017 and 2018. This is a potential bright spot for the Minnesota's labor force. Of Midwestern States, only North Dakota reported stronger population growth than Minnesota (1.0 percent), and Minnesota ranked 17th among U.S. States. This information is consistent with a tight labor market and rising wages. As Minnesota's labor force growth slows, and job opportunities remain plentiful, wages should rise and continue to make Minnesota an attractive state for job seekers. A shift toward positive domestic net in-migration could supplement the labor force, as boomer retirements continue.

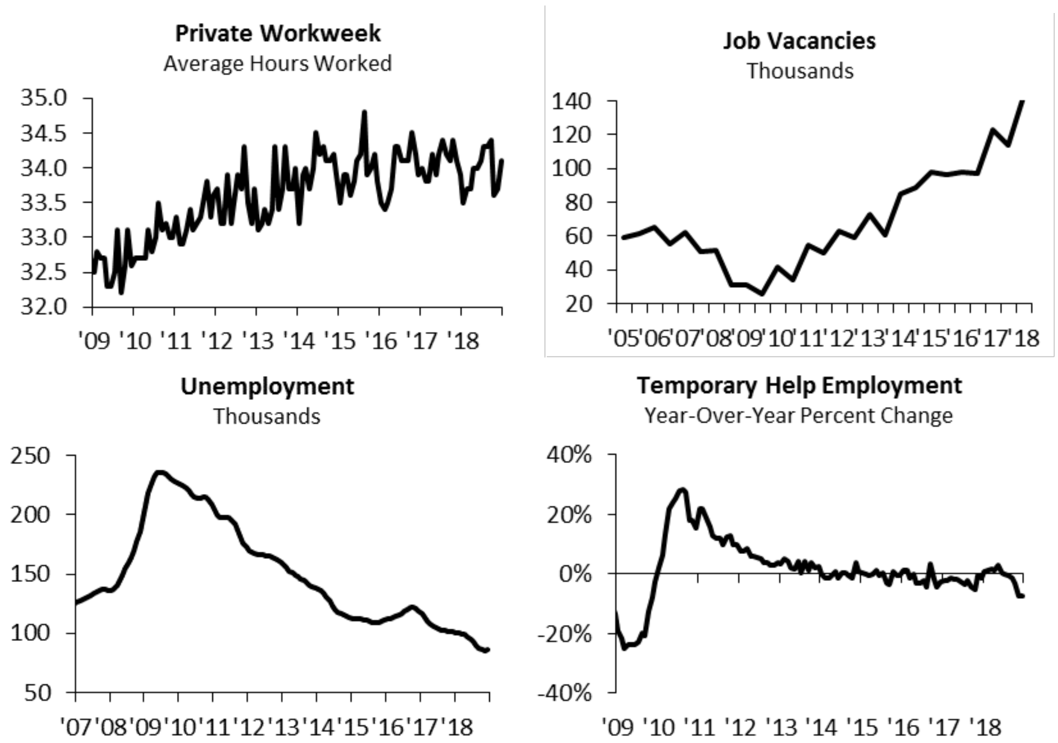


In total, the number of Minnesotans increased by 43,000 (0.8 percent) between 2017 and 2018. Minnesota's population growth is comprised of three parts: the natural rate of population increase (number of births and deaths), net domestic migration, and net international immigration. With the natural rate of population growing more slowly than historical growth rates, domestic and international migration play a crucial role in Minnesota's labor force growth.

Minnesota's employment gains continue to be broad-based, though slowing since the November forecast. Over the last year the sectors with strongest employment growth were leisure and hospitality, construction, and manufacturing. In addition to breadth across industry sectors, four of Minnesota's five metropolitan statistical areas (MSAs) show a positive job growth over the 12 months ending with December 2018 (per data that has not been revised since December), with only Rochester posting a decline in total nonfarm employment (-0.2%). Only the Mankato, MN MSA showed stronger employment growth at the end of December than we reported in the November forecast.

Other indicators show Minnesota's employment growth continuing, but at a slower pace. According to DEED, Minnesotans filing new claims for unemployment benefits rose for the second straight month in November to 17,167, a 4.7 percent increase than one year prior indicating a slight uptick in layoffs. However, initial claims levels remain well below historical averages. Temporary help jobs have been gradually decreasing since August, 2018. In December, the average workweek in the private sector was 34.1, consistent with the long-term positive trend in this indicator. The number of unemployed Minnesotans was 86,683 in December, also at a level not seen since 1999.

Minnesota Leading Indicators



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

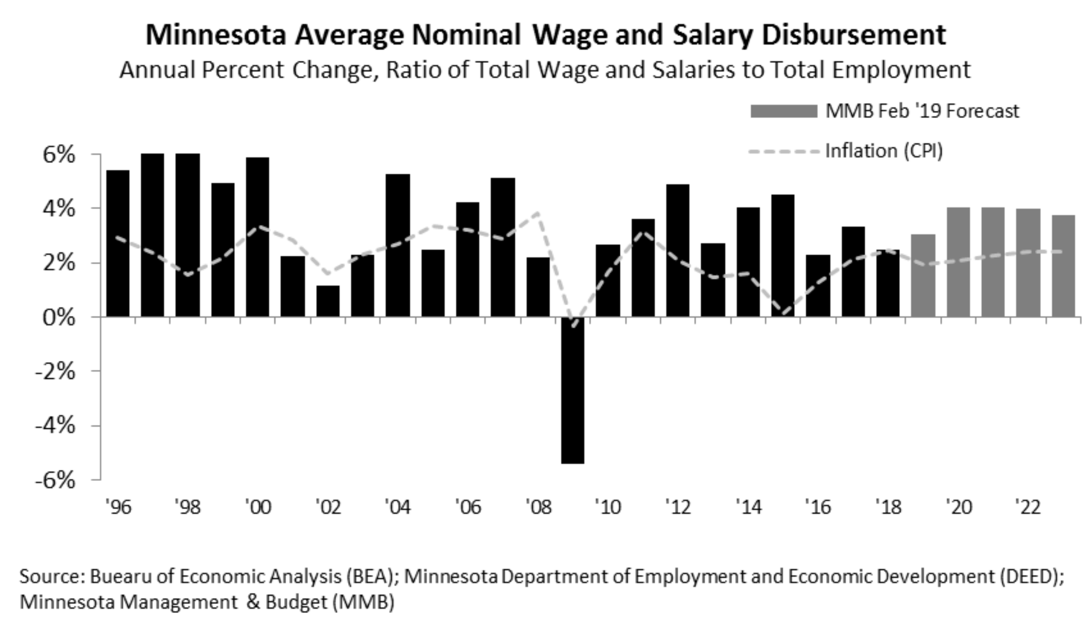
Strong demand for workers and low unemployment characterize Minnesota's tight labor market. These are positive signs for job seekers and switchers in Minnesota.

Wage and Salary Income. A crucial variable influencing Minnesota's individual income tax liability is total wage and salary income, estimated to account for more than 70 percent of federal adjusted gross income for Minnesota residents in 2018. As employers work harder to fill open positions, and businesses invest in productivity-enhancing equipment, wage and salary income per worker—or average wage income—is expected to rise.

We expect that slowing annual employment growth, combined with a moderate acceleration in wages per worker, will lead total wage and salary income to grow at rates of 3.7 to 4.5 percent per year in 2019 and 2020, followed by a deceleration to 4.4, 4.2 and 3.9 percent in years 2021, 2022, and 2023, respectively. For 2019-2021, these are weaker growth rates than we expected in February. The forecast reduction is due to a downward revision to 2018 employment, lower than expected wage growth, recent weakness in income tax withholding receipts, and a lower U.S. wage growth forecast. In November, Minnesota's 2018 employment growth outlook was strong, tracking at 1.3 percent. When final data became available for November and December of 2018, annual employment growth was lowered to 0.7 percent. In addition, information from the Quarterly Census of Employment and Wages (QCEW) indicates that wage growth during the third quarter of 2018 was slower than we had forecast in November. Income tax withholding collections suggest that wage growth for the last five months has also been below the forecast. Finally, the U.S. wage growth forecast is now lower in each year from 2018-2020 than it was in November. The largest change was in 2018, with U.S. wage growth falling from 4.7 percent in November to 4.4 percent in the current forecast.

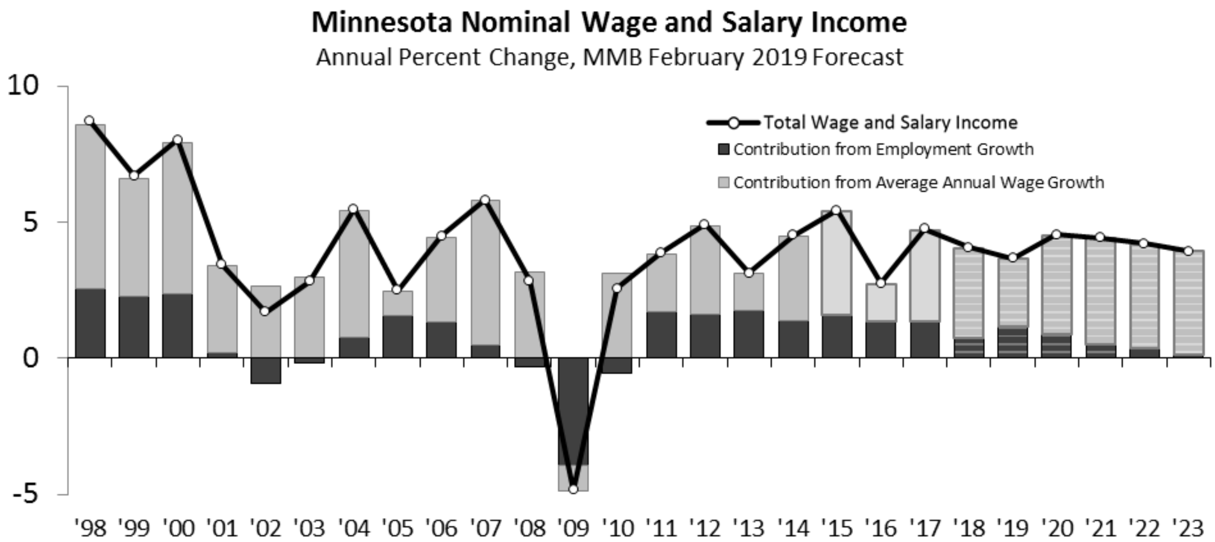
We now expect Minnesota wage growth to outperform U.S. wage growth in 2021—4.4 percent for Minnesota compared to 4.3 percent for the U.S.—but to lag U.S. growth by an average of 0.4 percentage points per year in the remaining forecast years. Combined with our employment growth forecast, these rates result in growth of wage income per worker of around 3.8 percent per year. This exceeds forecasted rates of inflation over the same period, implying improvements in real wages.

Minnesota personal income per capita has been higher than the U.S. since the late 1980s. Through the end of 2017, the state's per capita income was 105 percent of the national level, ranking Minnesota fourteenth among states.



We expect Minnesota wage growth of 3.7 and 4.5 percent for Minnesota in 2019 and 2020. Combined with our employment growth forecast, these rates result in growth of wage income per worker of around 3.8 percent per year. This exceeds forecasted rates of inflation over the same period, implying improvements in real wages.

With only moderate growth in Minnesota employment in this forecast, 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.



Source: U.S. Bureau of Economic Analysis (BEA), Minnesota Management & Budget

Average wage growth is going to be the main driver of the nominal wage growth in the upcoming years. The contribution of employment growth is expected to decline over the forecast period.

Homebuilding Activity. Despite several years of rising prices, the demand for homes remained strong enough to drive prices upward in Minnesota over the past year. A low inventory of homes is expected to persist in 2019. According to the Minnesota Association of Realtors (MAR), there is a 2.1 month supply of homes for sale based on the current sales pace statewide, with most sellers receiving 95.7 percent of the original list price at sale. In the metro area, the inventory is even more limited. According to Minneapolis Association of Realtors, there are only 1.6 months' availability in the Twin Cities, with 6,024 active listings in January 2019, up 5.0 percent from last year. The long-term, persistently tight supply continues to drive rising median and mean sale prices, as well as rents. In January, the median sales price had increased 6.4 percent, reflecting a statewide median sales price of $233,000. Time on the market until a property is sold is about 65 days, a 3.0 percent decrease over the same period last year.

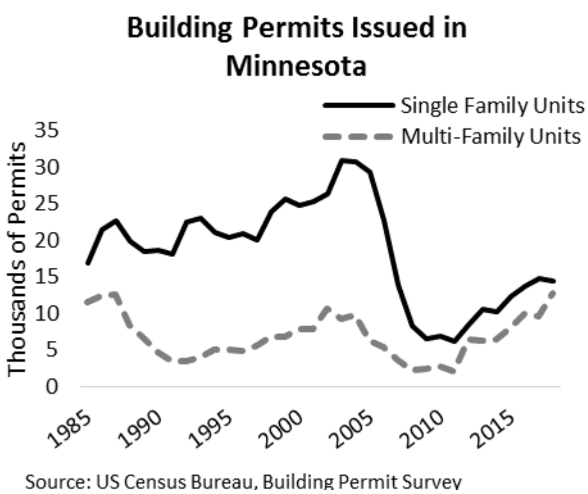
While rising home prices increase the net worth of the homeowner, they also pose a risk to home affordability. Minnesota home prices are now higher than any time since 2005, when the 30-year fixed mortgage rate was about 6.2 percent. In contrast, rates are now averaging around 4.6 percent. While higher median prices increase monthly payments, lower rates constrain them. Combining these effects, affordability reached a ten year low in 2018 based on the housing affordability index — the ratio of median household income to the income needed to purchase a house. Affordability is now near where it was in 2007, when the index was around 150. The housing affordability index was 169 in January, 7.1 percent lower than a year earlier.

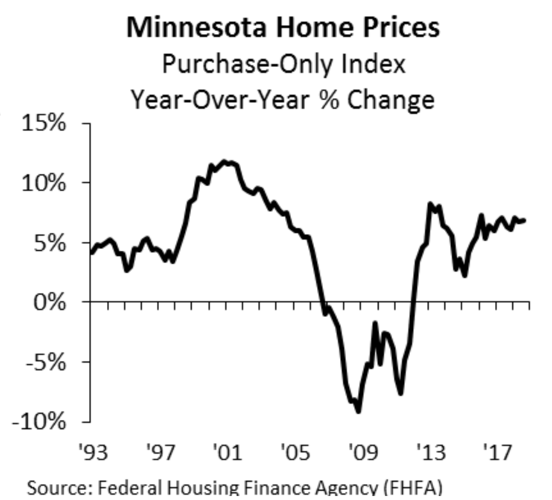
In this forecast, IHS expects the 30-Year fixed mortgage rate to increase to 4.7 percent in 2019, up from 4.5 percent in 2018. IHS then expects the rate to increase to 4.9 percent in 2020 and remain near 5 percent for the remainder of the forecast horizon.

After years of weak seller activity and strong buyer activity, the past nine months have seen more active listings than the same month in the previous year, indicating a moderate increase in supply. Closed sales were down 2.6 percent in 2018, finishing the year at 84,386 homes.

In 2018, homes between $150,000 and $300,000 were in greatest demand. The rising cost of labor and materials are posing limits to the supply of houses in this price range. Rising demand for alternatives to a single family home are reflected in the growth of multi-family housing permits, such as condos and townhouses. 2018 saw the highest level of multi-family permits since 1987. Lack of affordable housing can pose problems for employers seeking to attract new employees.

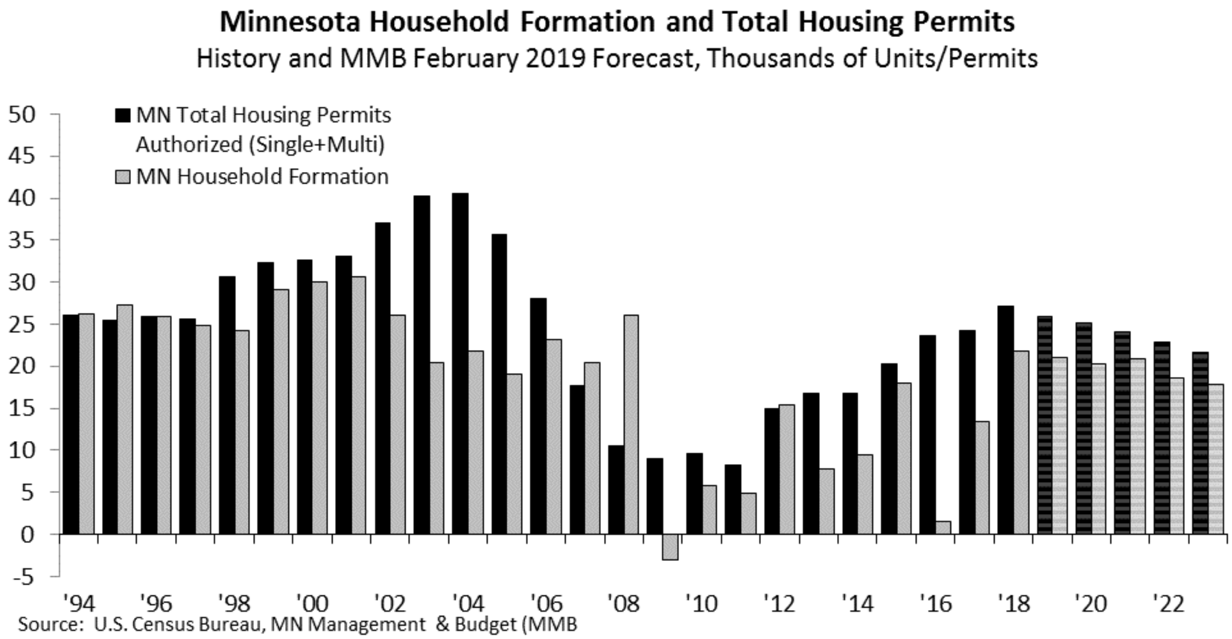
Annual household formations have exhibited a post-recession average of about 10,000 new households per year, much lower than the pre-recession ten year average of 24,500. The lower household formation may reflect changes in living preferences among younger adults, as well as the increasing share of older Minnesota residents. As Minnesota's economy continues to grow, we forecast a continued recovery in household formations. In 2017, household formations were up, with 13,500 new households. We expect annual net new formations to be 21,200 and 20,800 in 2018 and 2019 respectively, followed by a gradual decline, falling to 18,500 in 2023.





Minnesota's home prices are now higher than any time since 2005, posing a risk to affordability. Affordability reached a ten year low in 2018 according to the housing affordability index- the ratio of median household income to the income needed to purchase a house. 2018 saw most multi-unit permits since 1987, indicating a growing demand for alternatives to a single-unit home, such as condos and townhomes.

According to the U.S. Census Bureau, the total year-to-date number of authorized residential building permits (not seasonally adjusted) in Minnesota was 26,357 through December 2018, up from 24,229 over the same period last year. In this forecast, we expect total housing permits to fall slightly to 26,000 in 2019 and gradually decline to an estimated 22,000 in 2021.



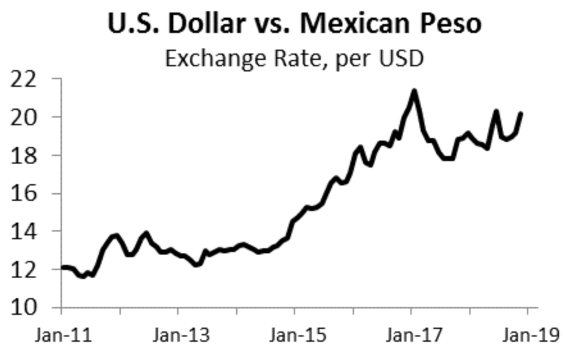
Source: U.S. Census Bureau, MN Management & Budget (MMB)

Following the 2008-09 recession, household formations have averaged about 10,000 new households per year, much lower than the pre-recession ten year average of 24,500.

Exports. Minnesota's exports of goods and services to countries throughout the world is a significant source of Minnesota income and jobs. Minnesota exports grew to $23 billion (8.0 percent) in 2017, placing Minnesota 23rd among states ranked by export value. This growth has occurred despite headwinds from international trade tensions and the rising value of the U.S. dollar.

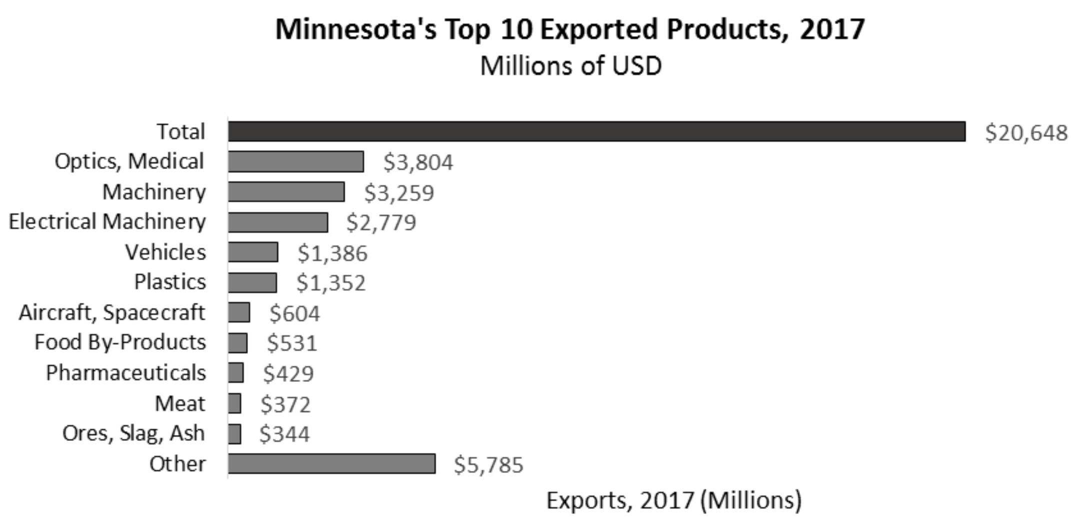
In the first quarter of 2018, Minnesota's exports increased 9.0 percent, followed by a record 15.0 percent in the second quarter, and 6.5 percent in third, compared to the same quarters last year. The largest factor contributing to the boost in second-quarter growth was increased exports in May, including a surge in soybean exports prior to Chinese tariffs enacted July 6, 2018. Minnesota's third quarter exports (including agricultural, mining and manufactured products) were valued at $5.7 billion. This quarter saw the flipside of the second quarter soybean surge, as Minnesota's miscellaneous grain and seed exports fell 30 percent, driven by a $21 million drop in soybean sales to China. Over the same time periods (the first, second, and third quarters of this year), U.S. exports grew 8.0 percent, 11.0 percent, and 8.1 percent, respectively, compared to the same quarters last year.

As trade tensions between the U.S. and China have intensified, and U.S. interest rates have risen relative to foreign rates, the dollar has appreciated sharply. A stronger U.S. dollar relative to major trading partners makes U.S.-produced goods and commodities more expensive elsewhere in the world, reducing foreign demand for Minnesota's products relative to what it would have been without the higher cost. Despite this headwind, Minnesota's exports have increased for seven consecutive quarters.



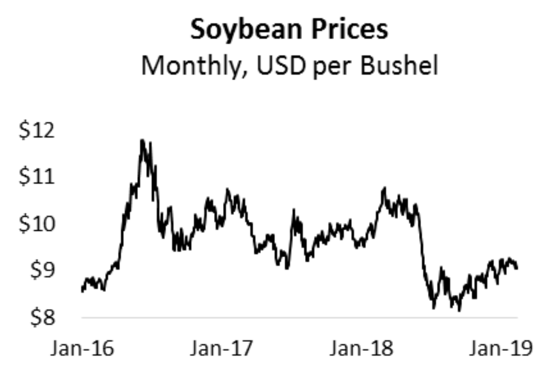
A substantial rise in the dollar against the currencies of our trading partners since July 2014 has advantaged imports and disadvantaged exports.

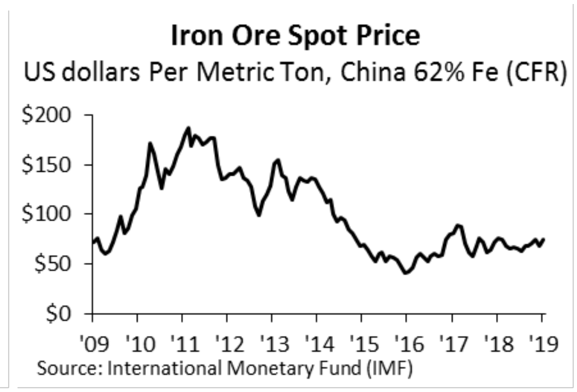
In the third quarter of 2018, exports of cereals fell 23 percent, and miscellaneous grain and seed exports fell 30 percent, driven by a drop in soybean sales to China in the amount of $21 million. After U.S. and Chinese tariff rhetoric escalated in late May 2018, soybean prices fell more than 20 percent. On September 18, 2018, the price was $8.14/bushel, the lowest in a decade. Since then, prices have moderately increased to $9/bushel. This forecast assumes that the 25 percent tariff on $50 billion of goods from China and a tariff of 10 percent, effective September 24, on an additional $200 billion of goods from China. This forecast does not assume these tariffs step up to 25 percent in March of 2019.



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

In addition to the direct effect of trading partner tariffs on U.S. exports produced in Minnesota, U.S. tariffs on imports may affect Minnesota manufacturing, transportation, and logistics firms in three significant ways. First, U.S. tariffs on imported steel, aluminum, and intermediate goods from China increase input costs for Minnesota companies that use those inputs to manufacture consumer products. Second, policy uncertainty and supply chain disruption impose costs on manufacturers. Manufacturers must incur costs to diversify input sources, and they may forego investments until policies stabilize. Third, a slowdown in trade affects Minnesota transportation and logistics firms. Much of the trade into and out of the Upper Midwest flows through the Twin Cities, so a slowdown of our neighboring states' trade sectors may negatively affect Minnesota firms.





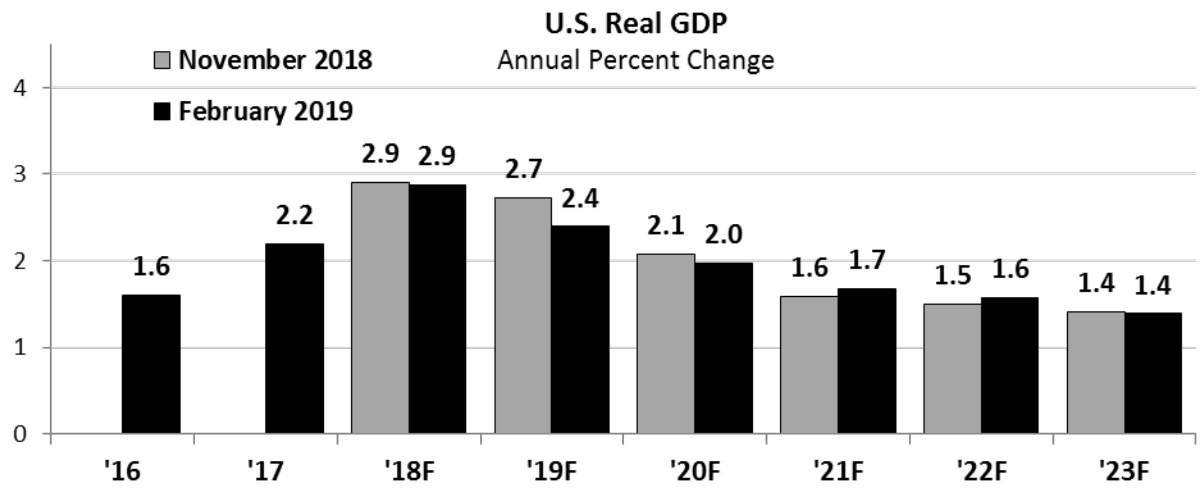
After U.S. and Chinese tariff rhetoric escalated in late May 2018, soybean prices fell more than 20 percent. On September 18, 2018, the price was $8.14/bushel, the lowest in a decade. The recent improvement in iron ore prices supported the recovery of mining operations on Minnesota's Iron Range in 2017 and 2018.

2017 was a positive year for Minnesota's Iron Range, when employment in the mining and logging sector grew by 5.1 percent. In the third quarter of 2018, DEED reports that Minnesota's iron ore exports rose at a strong pace--$205 million worth of ore, slag, or ash in the third quarter, a 42 percent increase over a year ago. 2017 saw iron ore prices rise to a level not seen in more than two years, reaching about $89 per ton in February 2017. Since then, prices have declined, approaching $74 per ton in January 2019.

Most of the iron ore produced on Minnesota's Iron Range is used for domestic steel production. More than 80 percent of iron ore mined in the United States comes from Minnesota. While the new U.S. tariffs have had varied impacts across industries, the new tariffs on imported steel appear to have created a boost in U.S. production and increase demand for Minnesota-produced ore.

Council of Economic Advisors' Statement

Minnesota's Council of Economic Advisors met on February 12, 2019, to review the IHS Markit (IHS) outlook for U.S. economic growth, which includes the assumptions underlying Minnesota's February 2019 *Budget and Economic Forecast.* Compared to their November 2018 forecast, IHS has lowered their growth expectations for 2019 and 2020, while slightly raising them for 2021 and 2022. While current conditions can support moderate growth in the near term, IHS expects a slowdown late this year, with annual real GDP growth decelerating to only 1.4 percent annually in 2023.



Source: Bureau of Economic Analysis and IHS Markit.

Since November, IHS has lowered their growth expectations for 2019 through 2020, while slightly raising them for 2021 and 2022. IHS has included the impacts of the federal government shutdown that ended in January, and assumes that subsequent shutdowns are avoided. Council members agreed that IHS's expectations for U.S. growth are a good starting point for MMB's forecast.

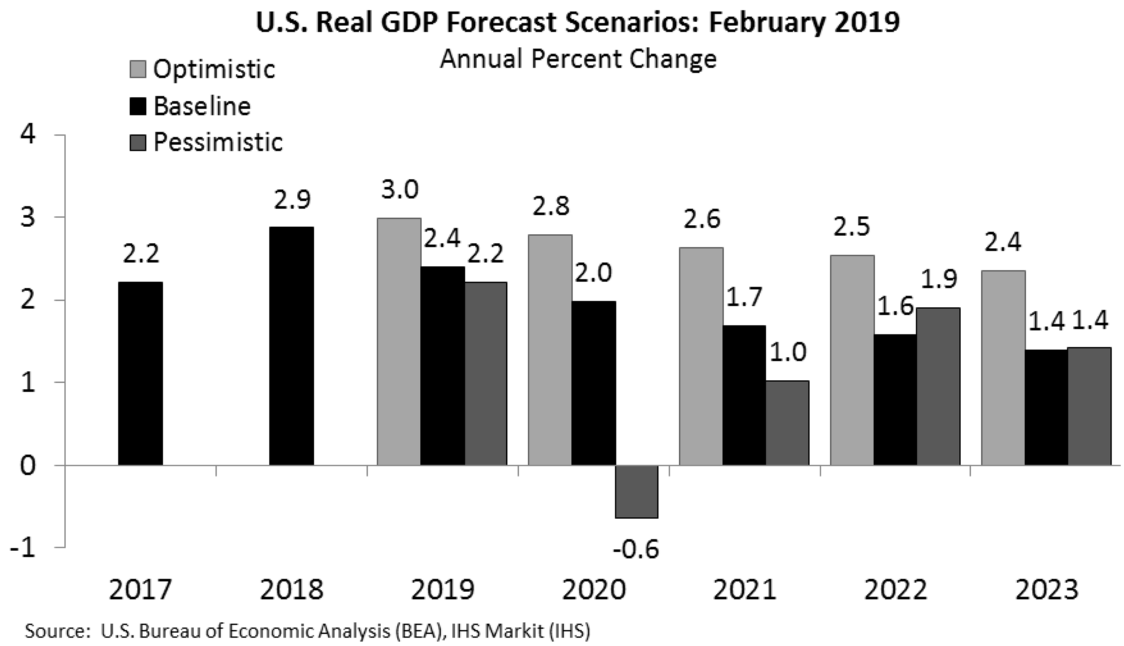
IHS prepared their February 2019 outlook without the benefit of the Bureau of Economic Analysis (BEA) GDP measure for the fourth quarter of 2018, which was delayed due to the federal government shutdown. IHS' own estimate of fourth quarter growth is 2.4 percent, leaving their forecast for 2018 growth at 2.9 percent. IHS now expects real GDP to grow 2.4 percent in 2019, down from 2.7 percent in their November outlook. For 2020, IHS has lowered growth expectations to 2.0 percent from 2.1 percent in November. In both 2019 and 2020, real consumer spending, business investment, and government spending all contribute less to real GDP growth than in the November outlook, more than offsetting a reduced drag from net exports. IHS raised their forecasts for real GDP growth by 0.1 percentage point in each of 2021 and 2022, when they expect stronger contributions from consumer spending and business investment compared to November. The February outlook includes all U.S. and retaliatory tariffs imposed to date, including a 10 percent tariff on $200 billion of Chinese goods that went into effect in September. The outlook includes the impact of the partial federal government shutdown that ended in January and assumes subsequent government shutdowns are avoided. IHS estimates that the direct effects of the federal government shutdown reduced growth by 0.1 percentage point in each of the fourth quarter of 2018 and the first quarter of 2019 and added 0.2 percentage point to second quarter growth.

Regarding economic fundamentals, IHS expects stable household finances and rising employment and income to support growth through most of 2019. They point to the recovery in stock prices since late 2018 and the Fed's slower pace of interest rate increases as components of generally improved financial conditions. Because IHS believes that last year's drop in stock prices was only partly due to economic fundamentals, they expect valuations to recover over the next couple of years. But they expect the economy to slow late this year, as the fiscal stimulus from the Tax Cuts and Jobs Act fades, global growth weakens, and a strong U.S. dollar relative to our trading partners' currencies pulls down net exports. After mid-2020, a demographically driven decline in the labor force participation rate is expected to further reduce growth.

The IHS February 2019 outlook is similar to that of other macroeconomic forecasters. The February Blue Chip Consensus, the average of about 50 business forecasts, calls for real GDP to grow 2.5 percent in 2019, slightly higher than the 2.4 percent growth rate that IHS expects. For 2020, the IHS expects higher growth than other forecasters: 2.0 percent compared to 1.8 percent for the Blue Chip Consensus.

Council members agree that IHS's expectations for U.S. growth are a good starting point for MMB's February 2019 economic forecast. They note that the recent recovery in stock prices and the pause in the Fed's pace of monetary policy tightening remove some risk from the forecast. Council members warn that the following risks to the forecast remain: economic disruptions from geopolitical events; escalation of trade tensions; and stock market performance that does not meet IHS' expectations and weighs on consumer spending. In addition to these economic risks, the partial government shutdown delayed release of some economic data, possibly adding some imprecision to the economic forecast. MMB economists also note that considerable risks to the revenue forecast arise from uncertainty about how corporate and individual taxpayers are responding to new federal tax laws. And finally, Council members also agree that the difficulty of projecting long range economic conditions warrants caution when using forecasts for 2022 and 2023.

IHS assigns a probability of 60 percent to the November baseline outlook. They assign a 25 percent probability to a more pessimistic scenario, in which a downward correction to real estate prices and declining consumer and business confidence trigger a three-quarter recession in 2020. IHS assigns a 15 percent probability to a more optimistic scenario, in which a pick-up in home purchases by young adults fuels the housing market, and improvements in productivity boost incomes and, consequently, consumer spending. This scenario assumes that unemployment can fall to a lower level before it exerts inflationary pressure, keeping consumer price inflation lower than in the baseline.



IHS assigns a 60 percent probability to the November baseline outlook. They assign a 25 percent probability to a more pessimistic scenario, in which a correction to real estate prices and declining consumer and business confidence trigger a three-quarter recession in 2020.

As it has done every year since 2003, the Council recommends that budget planning estimates for the next biennium include expected inflation in both spending and revenue projections. Council members noted that Minnesota's current practice of excluding projected changes in the prices of goods and services from a majority of the spending estimate is fundamentally misleading. It is inconsistent with both sound business practices and CBO methods and potentially encourages legislators and the public to regard the state's financial position more optimistically than the facts warrant. The omission of inflation in the spending estimates in the February 2019 *Budget and Economic Forecast* understates the cost of current services as provided by law in FY 2020-2021 by roughly $1.1 billion, and thus makes the amount of projected revenues above the cost of providing services to appear to be larger than it actually is. This distortion will increase if inflation accelerates from current levels.

Council members believe that Minnesota's budget reserve policy affords policymakers crucial financial flexibility during economic downturns and can promote long-term fiscal stability. 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 5.0 percent of biennial (two-year) general fund revenues. Minnesota's current $2.075 billion budget reserve is about 4.6 percent of forecast FY 2018-19 non-dedicated revenues, below the recommended level based on MMB's analysis.

BUDGET OUTLOOK

Current Biennium

The November 2018 *Budget and Economic Forecast* projected a budgetary balance of $720 million for the current biennium. With four months remaining in the FY 2018-19 biennium, weaker revenue projections, partially offset by lowered spending estimates, result in a projected balance in the current biennium of $563 million, $157 million lower than prior estimates.

Current Biennium: FY 2018-19 General Fund Budget
Forecast Comparison

($ in millions)	November 2018 Forecast	February 2019 Forecast	$ Change	% Change
Beginning Balance	**$3,333**	**$3,333**	**$ -**	**0.0%**
Revenues				
Taxes	43,390	43,136	(254)	(0.6)
Non-Tax Revenues	1,603	1,660	57	3.5
Transfers, Other Resources	417	417	-	0.0
Total Revenues	**$45,410**	**$45,212**	**$(198)**	**(0.4)%**
Expenditures				
E-12 Education	18,845	18,841	(3)	0.0
Property Tax Aids	3,664	3,658	(6)	(0.2)
Health & Human Services	13,403	13,372	(31)	(0.2)
Debt Service	1,113	1,113	-	0.0
All Other	8,524	8,524	-	0.0
Total Expenditures	**$45,549**	**$45,508**	**$(41)**	**(0.1)%**
Reserves	2,425	2,425	-	
Stadium Reserve	50	50	-	
Budgetary Balance	**$720**	**$563**	**$(157)**	

Revenues. With the official close of FY 2018 reported in November, changes is the current biennium are attributable only to updated estimates for FY 2019. Total revenue in FY 2018-19 is now expected to be $45.212 billion, $198 million (0.4 percent) lower than November estimates. A lower income tax forecast ($403 million, 1.7 percent) partially offset by higher forecast for corporate tax ($130 million, 4.8 percent), other tax revenue ($36 million, 1.0 percent) and non-tax revenue ($57 million, 3.5 percent) drive the overall revenue change in FY 2018-19

Spending. Estimated expenditures for the FY 2018-19 biennium are now expected to be $45.508 billion, $41 million (0.1 percent) lower than previous estimates. Lower actual expenditures in Health and Human Services (HHS) compared to the prior forecast is the largest driver of the change. E-12 education and property tax aids and credits spending is also slightly lower. All other spending is materially unchanged from November estimates.

Reserves. The current biennium is expected to end with reserve balances unchanged from November estimates. The budget reserve balance is $2.075 billion with an additional $350 million in the cash flow account. The $50 million stadium reserve balance, while still projected to grow over time, is also unchanged from November estimates.

Next Biennium

A balance of $1.052 billion is now projected for the FY 2020-21 biennium, a reduction of $492 million compared to November forecast. Revenues in the next biennium are now projected to be $47.941 billion, a reduction of $386 million (0.8 percent) compared to the forecast in November. Lower forecast tax revenues of $426 million (0.9 percent) are largely due to a reduced income and sales tax forecast, partially offset by higher projections for corporate income tax receipts. Higher non-tax revenue ($40 million, 2.7 percent) due to a higher forecast for investment income partially offsets the overall reduction in the revenue forecast.

Next Biennium: FY 2020-21 General Fund Budget
Forecast Comparison

($ in millions)	**November 2018 Forecast**	**February 2019 Forecast**	**$ Change**	**% Change**
Beginning Balance	**$3,194**	**$3,037**	**$(157)**	**(4.9)%**
Revenues				
Taxes	46,487	46,062	(426)	(0.9)
Non-Tax Revenues	1,471	1,511	40	2.7
Transfers, Other Resources	369	369	-	0.0
Total Revenues	**$48,327**	**$47,941**	**$(386)**	**(0.8)%**
Expenditures				
E-12 Education	19,601	19,553	(48)	(0.2)
Property Tax Aids	3,710	3,739	29	0.8
Health & Human Services	14,905	14,875	(30)	(0.2)
Debt Service	1,199	1,199	-	0.0
All Other	8,040	8,038	(2)	0.0
Total Expenditures	**$47,454**	**$47,403**	**$(51)**	**(0.1)%**
Reserves	2,425	2,425	-	
Stadium Reserve	98	98	-	
Budgetary Balance	**$1,544**	**$1,052**	**$(492)**	

The current law expenditure forecast is now set at $47.403 billion, $51 million (0.1 percent) lower than November estimates. Updated data used to estimate the number of students attending E-12 schools results in lower projected E-12 education spending by $48 million (0.2 percent). Lower actual participation in HHS programs drives a reduced forecast of $30 million (0.2 percent) in the next biennium compared to November. Partially offsetting the overall spending reduction is a $29 million (0.8 percent) increase in the forecast for property tax aid and credit spending, largely due to higher estimated property tax refund payments. Debt service and all other spending is materially unchanged from November estimates.

Biennial Growth. Despite the forecast reduction to both revenue and spending, the overall general fund budget continues to grow over time. Current law revenues are forecast to grow $2.729 billion in FY 2020-21 compared to the current biennium, an average annual growth rate of 3.0 percent. "Base" level expenditures are projected to grow at an average annual rate of 2.1 percent into the next biennium, an increase of $1.895 billion compared to FY 2018-19. The two largest budget areas, E-12 education and HHS, along with property tax aids and credits and debt service continue to grow into the next biennium due to formula and cost growth that is authorized to increase in law. Partially offsetting the overall biennial growth is reduced projected spending in other areas of state government due to the expiration of one-time spending where base appropriations for current services do not continue in current law.

Next Biennium: FY 2020-21 General Fund Budget
Biennial Comparison; February 2019 Forecast

($ in millions)	FY 2018-19	FY 2020-21	$ Change	Avg. Annual % Change
Beginning Balance	**$3,333**	**$3,037**	**$(296)**	**(4.5)%**
Revenues				
Taxes	43,136	46,062	2,926	3.3
Non-Tax Revenues	1,660	1,511	(149)	(4.6)
Transfers, Other Resources	417	369	(48)	(5.9)
Total Revenues	**$45,212**	**$47,941**	**$2,729**	**3.0%**
Expenditures				
E-12 Education	18,841	19,553	711	1.9
Property Tax Aids	3,658	3,739	81	1.1
Health & Human Services	13,372	14,875	1,503	5.5
Debt Service	1,113	1,199	86	3.8
All Other	8,524	8,038	(486)	(2.9)
Total Expenditures	**$45,508**	**$47,403**	**$1,895**	**2.1%**
Reserves	2,425	2,425	-	0.0
Stadium Reserve	50	98	48	40.0
Budgetary Balance	**$563**	**$1,052**		

Reserves. The $2.075 billion budget reserve balance and $350 million cash flow account balance are not projected to change from the current biennium in this forecast. The stadium reserve account balance is expected to be $98 million by the end of FY 2021, an increase of $48 million due to growth in lawful gambling tax receipts and expected contributions from city of Minneapolis sales tax receipts beginning in 2021 under current law.

Planning Estimates

This forecast provides planning estimates for the FY 2022-23 biennium. While these estimates inherently carry a higher degree of uncertainty than estimates for FY 2019-21, they do present an outlook of longer run spending and revenue growth that will assist in budget planning when setting the FY 2020-21 budget during the 2019 legislative session.

Planning Horizon: General Fund Budget
By Biennium, FY2020-23, February 2019 Forecast

($ in millions)	**FY 2020-21**	**FY 2022-23**	**$ Change**	**Annual % Change**
Forecast Revenues	$47,941	$50,192	$2,251	2.3%
Projected Spending	47,403	50,203	2,800	2.9%
Difference	**$538**	**$(11)**	**$(549)**	
Estimated Inflation (CPI)[2]	*$1,097*	*$2,694*		

Base level spending in this forecast grows at a higher rate into the FY 2022-23 planning estimates when compared to growth from the current biennium into FY 2020-21. However revenue growth, when compared to FY 2018-21, is lower into the planning horizon. The diverging growth rates between revenue and spending results in projected current law spending exceeding current law revenue by $11 million in FY 2022-23.

The lower revenue and spending forecast for FY 2019-21 continues into the planning estimates. Combining FY 2019-23 spending and revenue changes in this forecast compared to November results in $959 million less projected available balance by FY 2023.

As with projections for FY 2020-21, spending estimates are not adjusted for inflation in most areas of the budget in the planning estimates. Projected inflation based on the Consumer Price Index (CPI) is expected to be 2.2 percent and 2.0 percent in FY 2020 and FY 2021 followed by 2.4 percent each year in FY 2022 and FY 2023. After adjusting the spending base for programs with price increases included in the current law formula, applying the annual inflation rate, compounded over two and four year periods, would add approximately $1.1 billion to the FY 2020-21 base and $2.7 billion to the FY 2022-23 planning estimates.

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

REVENUE OUTLOOK

Current Biennium

Total general fund revenues for FY 2018-19 are now forecast to be $45.212 billion, $198 million (0.4 percent) less than the November 2018 forecast. Total tax revenues for the biennium are forecast to be $43.136 billion, $254 million (0.6 percent) below the prior forecast. Lower expected individual income and sales tax revenue more than offsets higher forecasts for corporate income and other tax revenues.

The $198 million forecast change for FY 2018-19 revenues is the result of a lower forecast for FY 2019 revenue, as there was no change to the closing value for FY 2018.

Current Biennium: FY 2018-19 General Fund Revenues
Forecast Comparison

($ in millions)	November 2018 Forecast	February 2019 Forecast	$ Change	% Change
Individual Income Tax	$24,133	$23,731	$(403)	(1.7)%
General Sales Tax	11,143	11,124	(19)	(0.2)
Corporate Franchise Tax	2,703	2,833	130	4.8
State General Property Tax	1,619	1,620	1	0.1
Other Tax Revenue	3,792	3,828	36	1.0
Total Tax Revenues	**43,390**	**43,136**	**(254)**	**(0.6)%**
Non-Tax Revenues	1,603	1,660	57	3.5
Other Resources	417	417	0	0.0
Total Revenues	**$45,410**	**$45,212**	**$(198)**	**(0.4)%**

This is the fourth forecast of FY 2018-19 revenues since FY 2018 began in July 1, 2017. After 19 months of observed collections, fiscal year-to-date receipts for FY 2018-19 are $34.858 billion, 78 percent of the total expected over the biennium. With 5 months of collections left to observe, 22 percent of forecast receipts are outstanding.

Individual Income Tax. Net individual income tax receipts for the current biennium are now forecast to be $403 million (1.7 percent) less than the prior forecast. This change is due to a negative net income tax variance so far in FY 2019, lower forecast income growth in CY 2018 and CY 2019, lower expected net income tax payments by fiduciaries (estates and trusts), a lower assumed tax liability for 2017—the base year of this forecast—and a lower estimate of the dividend impact of the federal Tax Cuts and Jobs Act (TCJA) (explained below).

This forecast builds from estimated final 2017 income tax liability. Using information from processed tax returns and revenue in the state accounting system, we estimate that final 2017 tax liability was $10.734 billion, $12 million less than we estimated in November, before all tax year 2017 returns had been processed.

Calibrating the individual income tax model to produce our estimated base year liability generally requires making assumptions about base year growth rates for particular income types. According to the Bureau of Economic Analysis (BEA), Minnesota total wage and salary income grew 4.7 percent in CY 2017, the same growth rate we assumed in the November forecast. We also maintained our assumed growth rate in capital gains income reported on TY 2017 Minnesota resident returns at 31.0 percent. Note that the TY 2017 capital gains growth reflects some very large one-time merger and acquisition activity that is not assumed to carry forward to subsequent years. Our lower estimate of TY 2017 income tax liability, together with no change to assumed wage and capital gains income growth, implies that other non-wage income grew more slowly in TY 2017 than we had previously assumed. Based on information from a sample of TY 2017 Minnesota tax returns, we now assume net farm income is lower than in the November forecast. We also lowered our estimate of growth in dividends 4.0 percentage points and interest income 3.3 percentage points. Overall, TY 2017 non-wage income included in AGI grows about 1.2 percentage points more slowly in this forecast than in November.

Changes to assumed growth rates of income types in TY 2018 and TY 2019 also affected the FY 2018-19 income tax forecast. According to the Quarterly Census on Employment and Wages (QCEW), Minnesota wage and salary income grew 5.2 percent in the 3rd quarter of 2018, compared to 5.6 percent growth in the November forecast. Actual income tax withholding receipts attributed to the 4th quarter of 2018 also came in lower than we had forecast. Consequently, we have lowered assumed TY 2018 growth of wage income included in adjusted gross income (AGI) by about 0.4 percentage points to 4.1 percent.

The assumption of lower wages in TY 2018 lowers the base for wage growth in subsequent years. In addition, income tax withholding receipts so far in CY 2019 have come in below our prior forecast and have shown extraordinarily weak growth over a year ago. Consequently, we have significantly lowered our TY 2019 forecast of wage income included in AGI to 3.7 percent from 5.1 percent in the November forecast. Note that these wage growth rates differ from the rates show in our Minnesota Economic Forecast Summary table in this report, because the table reports growth rates in the components of personal income, which can differ from wages included in AGI.

The February IHS outlook has a lower forecast for interest rates compared to November, leading us to lower our expectations for TY 2019 growth of interest income included in AGI by 9.4 percentage points. Because interest earned within money market and bond funds is classified as dividends, the lower interest rate forecast also lowers our forecast for dividend growth in TY 2019. A reduced IHS forecast for proprietorship income lowers our forecast for business income included in AGI. Overall, we have lowered our forecasts for TY 2018 and TY 2019 non-wage income included in AGI by 0.5 and 1.5 percentage points, respectively.

Unusually large income tax refunds paid to fiduciaries—estates and trusts—in November account for about $17 million of the negative income tax variance so far in FY 2019. In addition, income tax payments made by fiduciaries during November through January were 64 percent lower than the same period one year ago. Consequently, we reduced our forecast for net tax paid by fiduciaries, and those entities account for $66 million of the income tax forecast change for the current biennium. Recent collection experiences and trends caused us to reduce our forecast for tax paid by non-resident partnerships and S-corporations by $10 million.

This forecast reflects an off-model adjustment of negative $16 million for the impact of TCJA provisions on taxpayers' choice to itemize or use the standard deduction on their Minnesota returns, as well as their eligibility for Minnesota's charitable subtraction. The TCJA also relaxed the requirements for business taxpayers to use cash accounting or other simplified accounting methods for federal tax purposes. Following guidance from the Department of Revenue, this forecast reflects an off-model revenue reduction of about $67 million in FY 2019 due to the expectation that taxpayers who changed accounting methods based on the federal law will do the same for their Minnesota taxes. Together, taxpayer decisions influenced by these TCJA provisions are estimated to reduce forecast income tax revenues by $83 million in FY 2019. This is the same adjustment we made in the November forecast, and so does not account for any of the $403 million income tax forecast change. Nevertheless, it does represent a risk to this forecast.

In the November forecast we assumed that income taxes on additional dividend payouts and share repurchases that corporations are expected to make (or already have made) in response to the corporate provisions of the TCJA would add about $132 million to FY 2019 individual income tax revenues. We now estimate that $81 million of that change will arise (or has arisen from) capital gains generated by share repurchases. Communication with the BEA, IHS' chief economist, and other economists who have studied the issue lead us to conclude there is little evidence of corporations paying out additional dividends due to the TCJA. Consequently, we have reduced the forecast by $51 million and retain only $81 million of the November adjustment. Therefore, adjustments related to individual and corporate TCJA provisions reduce the FY 2019 income tax forecast by $51 million relative to November.

Finally, the negative variance in net income tax receipts so far in FY 2019 influences our forecast for the remainder of the fiscal year. Fiscal year-to-date income tax revenues are $449 million below our November forecast. This shortfall is primarily due to estimated tax payments (prepayments on current year tax liability) for the fourth quarter of calendar year 2018 coming in short of forecast. So far in FY 2019, estimated payments are $318 million below our November forecast and about 50 percent lower than the prior year. Two things may have happened, which have different implications for total collections for FY 2019. First, the weak fourth quarter payments may have been due to taxpayers choosing to use Minnesota's safe harbor rule, which allows them to avoid penalties if their estimated payments amount to 90 percent of their current year liability. If they did this, then we may see the revenue made up when those taxpayers make their final TY 2018 payments on April 15, 2019. Another possibility is that taxpayers realized financial losses at the end of 2018, when the stock market made a precipitous decline. With lower-than-expected financial income—and thus lower tax liability—in 2018, they reduced their fourth quarter estimated payments. To the extent this is the explanation, we will *not* see the revenue made up on April 15.

How taxpayers responded to the TCJA also complicates our interpretation of low fourth quarter payments. Prior to the passage of the TCJA, taxpayers had a strong incentive to ensure that they paid their entire Minnesota income tax liability by the end of a calendar year, so that they could deduct the full amount from their federal income taxes. Therefore, many taxpayers made those fourth quarter payments in December, even though they are not due until January. In December

2017, high income taxpayers knew their state and local tax deductions for 2018 and beyond would be limited or eliminated by the TCJA. So, they had an even stronger incentive than usual to make sure they got those fourth quarter payments in by December 31. That made fourth quarter of 2017 tax receipts unusually high, making fourth quarter 2018 payments look weak in comparison. In November, we forecast a decline in fourth quarter estimated payments, but the actual decline turned out larger than we expected.

Considering all of this information, we assume that not all of the shortfall in estimated payments will be made up through higher final TY 2018 payments in April. To assume otherwise would have resulted in what would seem to be an implausibly large forecast for final TY 2018 payments. Consequently, we used an off-model adjustment to lower our forecast of TY 2018 income tax revenue, and thus FY 2019 collections.

General Sales Tax. General sales tax revenue in FY 2018-19 is now forecast to be $19 million (0.2 percent) less than in the November forecast. A gross tax receipts forecast that is $24 million lower than in November more than offsets a $5 million reduction in the refund forecast.

So far in FY 2019, gross sales tax receipts are $3 million above our prior forecast. The slightly higher base for gross receipts is offset by lower forecast growth in taxable sales. The synthetic sales tax base, which we construct from U.S. forecasts for spending on a wide range of taxable goods and services, grows more slowly in this forecast than in November. This is due to (1) slower expected growth in U.S. sales of goods included in Minnesota's sales tax base (such as non-auto durable goods, certain capital equipment, food service and accommodations, and other non-durable goods) and a lower forecast for Minnesota personal income relative to the U.S. The synthetic sales tax base is now expected to grow 4.1 percent in FY 2019, down from an assumed rate of 4.4 percent in the November forecast. Sales tax refunds in FY 2019 are now forecast to be $5 million less than in November, largely due to a decrease in refunds to qualified data centers (QDCs). Other adjustments for one-time events in the base reduce the net sales tax forecast by $4 million.

This forecast includes an off-model adjustment for the impact of the U.S. Supreme Court decision in *South Dakota v. Wayfair,* which allows states to require remote sellers with no physical presence in the state, such as online and mail-order companies, to collect and remit sales or use tax on sales to customers within the state. The change is expected to increase Minnesota's FY 2019 net general fund sales tax revenue by $81 million. This adjustment is $11 million larger than in the prior forecast, because growth in actual sales tax receipts attributed to remote sellers has been higher than assumed in November. In the absence of the *Wayfair* adjustment, the FY 2018-19 net sales forecast change would be negative $30 million.

Corporate Franchise Tax. The corporate franchise tax is forecast to generate $2.833 billion in FY 2018-19, $130 million (4.8 percent) more than in November. A higher forecast for gross tax payments more than offsets higher forecast refunds.

So far in FY 2019, corporate gross tax payments are $62 million (7.0 percent) higher than we forecast in November. January year-to-date gross receipts are 22 percent ahead of the same period last year, with estimated and extension payments growing 34 percent over the same period last year. In the November forecast, we did not assume that all of the higher-than-expected corporate receipts in FY 2019 would carry forward as a higher base for our forecasts for the remainder of FY 2019 and FY 2020-21. We now have four consecutive quarters of strong growth, indicating that the higher receipts may represent a higher base and not a one-time deviation. However, under the TCJA the corporate tax rate was lowered from 35 percent to 21 percent from in 2018. As a result, corporations had an incentive to realize more of their losses at the higher rate in 2017 and more of their gains at the lower rate in 2018, thus shifting profit from CY 2017 to CY 2018. Any shifting that occurred may have contributed to the strong payment growth we saw in CY 2018. Our forecast takes into account both the higher receipts in the base and the possibility that corporations likely shifted profits from 2017 to 2018. Therefore, we built the current corporate forecast on a base that was higher than what we used in November, but did not include the full level of above-forecast year-to-date receipts.

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 HSRCs in FY 2018-19 are now forecast to be about $13 million less than in the prior forecast.

Other Tax Revenue, Non-Tax Revenue, Other Resources. Other tax revenue is now expected to be $36 million (1.0 percent) more than the November forecast. Among other taxes, the estate tax shows the largest dollar amount change, $25 million (6.6 percent) more than in November. The cigarette and tobacco products tax forecast is $7 million lower than in November. A lower interest rate forecast from IHS (relative to November) influences several taxes in the other tax category. Lower expected mortgage interest rates help raise the forecasts for the deed transfer and mortgage registry taxes through higher expected home purchase activity. And lower expected interest rates lower the share of insurance company earnings arising from interest and raises the share arising from premiums, thus increasing our forecast for insurance gross premiums tax receipts.

Among non-tax revenues, the largest change is in investment income (interest earned on the state's daily cash balance). The investment income forecast has been raised $19 million based on experience so far in FY 2019.

Next Biennium

Total general fund revenues for 2020-21 are now forecast to be $47.941 billion, $2.729 billion (6.0 percent) more than the current FY 2018-19 forecast. Total tax revenues for the next biennium are forecast to be $46.062 billion, a $2.926 billion increase (6.8 percent) over FY 2018-19 forecast tax revenues. Growth in the individual income and sales taxes account for 93 percent of the biennial tax revenue change. All major tax types show positive biennial change.

Next Biennium: FY 2020-21 General Fund Revenues
Biennial Comparison; February 2019 Forecast

($ in millions)	FY 2018-19	FY 2020-21	$ Change	% Change
Individual Income Tax	$23,731	$25,705	$1,974	8.3%
General Sales Tax	11,124	11,857	733	6.6
Corporate Franchise Tax	2,833	2,912	79	2.8
State General Property Tax	1,620	1,638	18	1.1
Other Tax Revenue	3,828	3,949	122	3.2
Total Tax Revenues	**43,136**	**$46,062**	**$2,926**	**6.8%**
Non-Tax Revenues	1,660	1,511	(149)	(9.0)
Other Resources	417	369	(48)	(11.5)
Total Revenues	**$45,212**	**$47,941**	**$2,729**	**6.0%**

Regarding forecast change, the current forecast for FY 2020-21 total revenues is $386 million (0.8 percent) less than in November. Total tax revenues for the next biennium are forecast to be $426 million (0.9 percent) below the prior forecast. Lower forecasts for individual income and sales tax revenues more than offset higher expected receipts from corporate and other taxes.

Next Biennium: FY 2020-21 General Fund Revenues
Forecast Comparison

($ in millions)	November 2018 Forecast	February 2019 Forecast	$ Change	% Change
Individual Income Tax	$26,276	$25,705	$(571)	(2.2)%
General Sales Tax	12,022	11,857	(165)	(1.4)
Corporate Franchise Tax	2,650	2,912	262	9.9
State General Property Tax	1,638	1,638	0	0.0
Other Tax Revenue	3,901	3,949	48	1.2
Total Tax Revenues	**46,487**	**$46,062**	**(426)**	**(0.9)%**
Non-Tax Revenues	1,471	1,511	40	2.7
Other Resources	369	369	0	0.0
Total Revenues	**$48,327**	**$47,941**	**$(386)**	**(0.8)%**

Individual Income Tax. The individual income tax shows the largest biennial growth, accounting for 67 percent of the total tax revenue biennial change. Income tax revenues for FY 2020-21 are forecast to be $25.705 billion, $1.974 billion (8.3 percent) more than the current forecast for FY 2018-19.

Growth in income tax revenues for FY 2020-21 over FY 2018-19 is primarily the result of income growth in tax years 2019 and 2020. Minnesota wage and salary income in AGI is now forecast to grow 3.7 percent in CY 2019 and 4.3 percent in CY 2020. Non-wage income is forecast to grow 3.7 percent in CY 2019 and 3.9 percent in CY 2020.

Regarding forecast change, lower forecast gross income tax receipts offsets lower expected refunds. A reduced forecast for FY 2019 receipts lowers the starting point for the FY 2020-21 forecast. Slower income growth in TY 2019 and TY 2020 further bring down the next biennium forecast. We now assume that wage income included in AGI will grow 3.7 percent in TY 2019 and 4.3 percent in TY 2020, compared to 5.1 and 4.7 percent, respectively, in the November forecast. We now assume that non-wage income will grow 3.7 percent in TY 2019 and 3.9 percent in FY 2020, compared to 5.2 and 2.7 percent, respectively, in the November forecast.

As explained in the current biennium section, unusually large fiduciary refunds and a drop-off in fiduciary payments since November have lead us to reduce our forecast for net income tax paid by fiduciaries. This change lowers the income tax forecast for FY 2020-21 by $94 million. A lower forecast base for FY 2019 and lower U.S. forecast for proprietors' income results in a reduced forecast for tax paid by non-resident partnerships and S-corps.

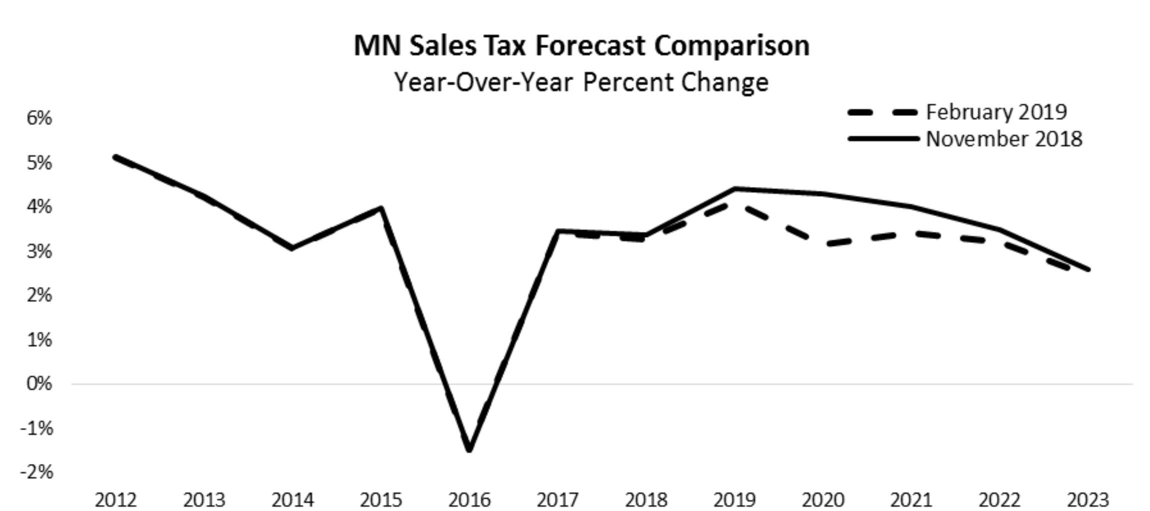
Also similar to the current biennium forecast, the FY 2020-21 forecast reflects an off-model adjustment for the impact of TCJA provisions on taxpayers' choice to itemize or use the standard deduction on their Minnesota returns, as well as their eligibility for Minnesota's charitable subtraction. This adjustment reduces revenue in FY 2020-21 by about $33 million. The expectation that taxpayers who responded to the TCJA by changing federal tax accounting methods will do the same for their Minnesota taxes reduces FY 2020-21 revenues by $34 million, for a net effect from TCJA provisions of negative $67 million. These adjustments are the same as in the November forecast and do not account for any of the negative $571 million FY 2020-21 income tax forecast change.

In the November forecast we assumed that income taxes on additional dividend payouts and share repurchases that corporations are expected to make in response to the corporate provisions of the TCJA would add about $173 million to FY 2020-21 individual income tax revenues. Similar to the current biennium forecast, we now estimate that $106 million of that change will arise capital gains generated by share repurchases, and corporations will not make additional dividend payouts. Consequently, we have reduced the forecast by $67 million and retain only $106 million of the November adjustment. Therefore, adjustments related to individual and corporate TCJA provisions reduce the FY 2020-21 income tax forecast by $67 million relative to November.

General Sales Tax. General sales tax receipts for FY 2020-21 are expected to exceed FY 2018-19 levels by $773 million (6.6 percent), accounting for 25 percent of the biennial growth in tax revenues. Growth in forecast gross sales tax receipts and a decline in refunds between FY 2020-21 and FY 2018-19 both contribute to the biennial change.

Gross sales tax receipts in FY 2020-21 are forecast to exceed FY 2018-19 levels by $662 million (5.7 percent). Annual growth in the Minnesota synthetic sales tax base, a proxy for the actual tax base, is expected to slow from 4.1 percent in FY 2019 to 3.2 percent in FY 2020 and pick up slightly to 3.4 percent in FY 2021. 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, a $208 million reduction in the gross tax receipts forecast more than offsets a $43 million reduction in expected refunds to bring the net sales tax forecast $165 million lower than in November. Slower expected growth in taxable sales brings down the gross sales tax receipts forecast. The synthetic sales tax base is expected to grow 3.2 percent in FY 2020 and 3.4 percent in FY 2021, down from 4.3 and 4.0 percent in the November forecast. As explained in the current biennium section, the lower refund forecast is largely due to a decrease in expected refunds to QDCs. Similar to in the current biennium forecast, other adjustments to the base for one-time events reduce the net sales tax forecast for FY 2020-21 by about $9 million.



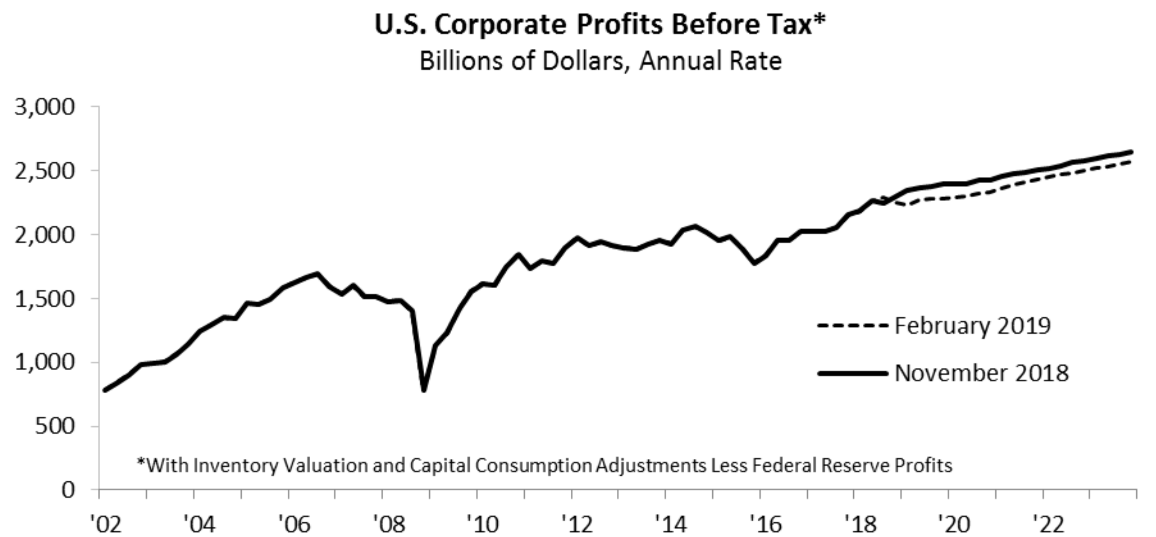
In this forecast, the synthetic sales tax base – a proxy for Minnesota's sales tax base – is expected to grow more slowly throughout the forecast horizon than we assumed in November. Overall, growth is cumulatively 2.1 percentage points lower by the end of 2021 than in the November forecast.

This forecast includes an off-model adjustment for the impact of the U.S. Supreme Court decision in *South Dakota v. Wayfair,* which allows states to require remote sellers with no physical presence in the state, such as online and mail-order companies, to collect and remit sales or use tax on sales to customers within the state. This change is expected to increase Minnesota's FY 2020-21 net general fund sales tax revenue by $255 million. As explained in the current biennium section, this adjustment is $30 million larger than in the prior forecast, because growth in actual sales tax receipts attributed to remote sellers has been higher than assumed in November. In the absence of the Wayfair adjustment, the FY 2020-21 net sales forecast change would be negative $195 million.

Corporate Franchise Tax. The corporate franchise tax is forecast to generate $2.912 billion in FY 2020-21, $79 million (2.8 percent) more than the current FY 2018-19 forecast.

Gross corporate receipts are forecast to grow by $251 million from FY 2018-19 to FY 2020-21. This is primarily due to growth in corporate profits, which are forecast to increase 2.1 percent, 2.9 percent, and 4.4 percent, in CY 2019, CY 2020, and CY 2021, respectively. Corporate refunds are forecast to grow $172 million from the current biennium to the next. HSRC refunds—which are forecast to be $41 million higher in FY 2020-21 than in FY 2018-19—contribute to the biennial refund growth.

Regarding forecast change, a higher forecast for FY 2020-21 gross corporate tax receipts more than offsets a higher refund forecast to generate a $262 million (1.4 percent) increase in forecast net receipts. A higher base from the increased FY 2018-19 corporate receipts forecast offsets a lower forecast for corporate profits between CY 2019 and CY 2021. As explained in the current biennium section, we did not assume that all of the higher-than-expected corporate receipts so far in FY 2019 carry forward as a higher base for our forecasts of FY 2020 and FY 2021.



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

Gross corporate receipts are forecast to grow by $251 million from FY 2018-19 to FY 2020-21. This is primarily due to growth in corporate profits, which are forecast to increase 2.1 percent, 2.9 percent, and 4.4 percent, in CY 2019, CY 2020, and CY 2021, respectively.

Other Tax Revenue, Non-Tax Revenue, Other Resources. Other tax revenue is now forecast to grow by $122 million (3.2 percent) in FY 2020-21 over FY 2018-19. The largest dollar amount biennial change is in estate tax receipts, which are forecast to decline $124 million between the current biennium and the next. The largest dollar amount growth is in the cigarette and tobacco tax, which is forecast to increase $61 million over the biennia.

Regarding forecast change, other tax revenue in FY 2020-21 is now expected to be $48 million (1.2 percent) higher than in November, and the forecast for non-tax revenues has increased by $40 million (2.7 percent). Among other taxes, the largest dollar amount change is in the insurance gross premiums tax, which is now expected to generate $18 million more revenue than in the November forecast. As explained in the current biennium section, this is primarily due to a lower forecast for interest rates. Among non-tax revenues, the forecast for investment income (interest earned on the state's daily cash balance) has been raised $38 million, primarily due to a larger base from FY 2018-19.

Planning Estimates

Total revenues for FY 2022-23 are now estimated to be $50.192 billion, an increase of $2.251 billion (4.7 percent) over the current forecast for FY 2020-21 revenues. Total tax revenues for 2022-23 are estimated to be $48.579 billion, a 5.5 percent increase over FY 2020-21 forecast tax revenues.

Together, the individual income and sales taxes account for about 94 percent of the projected biennial tax revenue growth. The individual income tax shows the largest increase, growing by $1.490 billion (5.8 percent), and contributing 59 percent of the total tax revenue biennial change. The general sales tax is expected to exceed FY 2020-21 forecast levels by $877 million (7.4 percent, accounting for 35 percent of the growth in tax revenues. The corporate franchise tax, statewide property tax, and other taxes together contribute $150 million to the biennial tax revenue change.

Similar to the current and next biennium forecasts, the planning estimate forecast reflects an off-model adjustment for the impact of TCJA provisions on taxpayers' choice to itemize or use the standard deduction on their Minnesota returns, as well as their eligibility for Minnesota's charitable subtraction. This adjustment reduces revenue in FY 2022-23 by about $35 million. The expectation that taxpayers who responded to the TCJA by changing federal tax accounting methods will do the same for their Minnesota taxes reduces FY 2022-23 revenues by $17 million, for a net effect from TCJA provisions of negative $52 million, the same as in the November forecast.

This forecast includes an off-model adjustment for the impact of the U.S. Supreme Court decision in *South Dakota v. Wayfair,* which allows states to require remote sellers with no physical presence in the state, such as online and mail-order companies, to collect and remit sales or use tax on sales to customers within the state. This change is expected to increase Minnesota's FY 2022-23 net general fund sales tax revenue by $294 million. As explained in the current and next biennium sections, this adjustment is $35 million larger than in the prior forecast, because growth in actual sales tax receipts attributed to remote sellers has been higher than assumed in November.

Planning Estimates: FY 2022-23 General Fund Revenues
Biennial Comparison; February 2019 Forecast

($ in millions)	FY 2020-21	FY 2022-23	$ Change	% Change
Individual Income Tax	$25,705	$27,195	$1,490	5.8%
General Sales Tax	11,857	12,734	877	7.4
Corporate Franchise Tax	2,912	2,875	(38)	(1.3)
State General Property Tax	1,638	1,634	(4)	(0.2)
Other Tax Revenue	3,949	4,141	192	4.9
Total Tax Revenues	**$46,062**	**$48,579**	**2,517**	**5.5%**
Non-Tax Revenues	1,511	1,477	(34)	(2.2)
Other Resources	369	136	(233)	(63.1)
Total Revenues	**$47,941**	**$50,192**	**$2,251**	**4.7%**

The biennial change into FY 2022-23 for other resources is $233 million lower than FY 2020-21. This is due to the sunset of Minnesota's provider tax at the end of this year, which will result in the discontinuation of an annual transfer from the health care access fund into the state's general fund after FY 2021.

The revenue planning estimates are informed by the IHS baseline forecast, which assumes that U.S. real GDP will grow 1.7 percent in CY 2021, followed by somewhat slower growth of 1.6 percent in 2022 and 1.4 percent in 2023.

The planning estimates for FY 2022-23 should be used with caution. First, the projections will be affected by any revenue changes in the enacted budget for the FY 2020-21 biennium. Second, in subsequent forecasts changes to our estimates of individual and corporate income tax liability for 2021 and 2022, as well as changes to the base levels of other revenue types for FY 2019 through 2020, will change the FY 2022-23 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 than forecast, or should some volatile income source such as capital gains or corporate profits fall well below forecast, the revenue outlook for FY 2022-23 will deteriorate. Finally, Minnesota's Council of Economic Advisers warn that the difficulty of projecting long range economic conditions warrants caution when using economic forecasts of 2022 and 2023.

Note that growth in total revenues is declining over the three biennia included in this forecast. Between FY 2016-17 to FY 2018-19, total revenues grow 6.5 percent. The rate falls to 6.0 percent between FY 2018-19 and FY 2020-2021, and falls again to 4.7 percent between FY 2020-21 and the planning estimates. The annualized (per year) growth rates across those three periods are 3.2 percent, 3.0 percent, and 2.3 percent, respectively.

EXPENDITURE OUTLOOK

Current Biennium

Spending estimates overall for FY 2018-19 are relatively unchanged from prior estimates for the biennium. Expenditures in the current biennium are now expected to be $45.508 billion, a reduction of $41 million (0.1 percent) from November forecast estimates.

Current Biennium: FY 2018-19 General Fund Expenditures
Forecast Comparison

($ in millions)	November 2018 Forecast	February 2019 Forecast	$ Change	% Change
E-12 Education	$18,845	$18,841	$(3)	0.0%
Property Tax Aids & Credits	3,664	3,658	(6)	(0.2)
Health & Human Services	13,403	13,372	(31)	(0.2)
Debt Service	1,113	1,113	0	0.0
All Other	8,524	8,524	0	0.0
Total Expenditures	**$45,549**	**$45,508**	**$(41)**	**(0.1)%**

Lower expenditure estimates in health and human services are the main driver of change in the current biennium. This is due primarily to lower enrollment in basic health care services within Medical Assistance. Anticipated expenditures are further reduced by slightly lower expenditures in property tax aids and credits and E-12 education. All other areas of the state budget were unchanged from November forecast.

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

E-12 spending is forecast to be $18.841 billion in FY 2018-19, a $3 million (0.0 percent) decrease from previous estimates. This decrease is attributable largely to actual FY 2018 student counts coming in lower than projected causing pupil growth projections to be adjusted down over the entire forecast period. This decline in student counts decreases general education spending in the February forecast by $8 million (0.1 percent) compared to November estimates. Increased special education spending offsets these reductions.

Lack of Forecast Article and Impact on February 2019 Forecast

Background. In every legislative session, a forecast bill is prepared to adjust biennial budget appropriations to match changes in forecast programs in the February forecast. The forecast bill adjusts spending authority for forecast programs in E-12 Education and Health and Human Services to the level of anticipated expenditures as determined by the most recent forecast.

Impacts of 2018 Session. At the conclusion of the 2018 legislative session a forecast bill adjusting appropriations in FY 2018 and FY 2019 to conform to the February 2018 forecast was not signed into law. The lack of a forecast bill means legal spending authority for forecast programs is based on the 2017 legislative session omnibus bills. Any subsequent forecast and change in anticipated spending has not been updated for FY 2018 and FY 2019 appropriations.

Impact on E-12 Education. Payments owed to schools based on the February forecast are higher than appropriation levels for several E-12 education forecast programs in FY 2018. Appropriations for these forecast programs are made on a 90/10 shift: 90 percent of the current year's entitlement is appropriated in that year, and typically 10 percent is appropriated in the following year as a final payment. However, the final payment is based on the remaining amount of the entitlement owed.

Since anticipated aid payments for FY 2018 in certain programs, primarily special education, are above the spending authority set during the 2017 session, the Department of Education (MDE) paid approximately 88 percent of the entitlement for 2018 academic year in FY 2018, and the remaining entitlement (12 percent) for FY 2018 is now reflected in the FY 2019 final payment in this forecast. This shifted $39 million in school district entitlements for FY 2018 into the FY 2019 final payment. The table below illustrates how MMB and MDE will manage school aid payments to fully fund schools, while remaining within FY 2018 budget authority. Because the payments were moved between fiscal years within the same biennium, there is no impact to the FY 2018-19 ending balance. The forecast bill that will be proposed for the 2019 session will include the necessary funding for the FY 2019 payments to fully fund 2018 entitlements to schools.

FY 2018 Underfunded Forecasted Programs at MDE*

$ in millions

	FY 2018
February 2019 Forecast	1,382
Current Spending Authority	1,343
Payments Moved to FY 2019	39

*Programs impacted are Abatement Aid, Interdistrict Desegregation Transportation, Charter School Lease Aid, Long Term Facilities Maintenance Aid, and Special Education.

Impact on HHS. Unlike education programs, the 2018 forecast bill would have reduced appropriations for state human services programs by $210 million in FY 2018. Actual spending in FY 2018 was even lower than the appropriations in the 2018 forecast bill. Therefore the Department of Human Services had sufficient spending authority to cover payments in those programs.

Health & Human Services. Health and Human Services (HHS) is approximately one quarter of total state general fund spending. The majority of these expenditures (85 percent) are in forecast programs, which provide payments to individuals for health care, housing, cash assistance, food support, adoption assistance, and support for individuals to help them stay in their own homes. These programs include Medical Assistance (MA), Chemical Dependency (CD), Minnesota Family Investment Program (MFIP), MFIP Child Care, Alternative Care (AC), General Assistance, Housing Support, Minnesota Supplemental Aid, and Northstar Care for Children.

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

HHS general fund expenditures are forecast to be $13.372 billion in FY 2018-19, down $31 million (0.2 percent) relative to November estimates. Changes in Medical Assistance (MA) account for $20 million of the reduction (0.2 percent change from November). Lower forecast MA spending is the result of lower enrollment in groups receiving basic health care services ($30 million). Enrollment of families with children, the largest eligibility group within MA, is forecast to be 1.5 percent lower than November estimates, which drives $26 million in lower forecast spending.

Property Tax, Aids, and Credits. Property tax aids and credits are 8 percent of general fund spending. They are paid to local governments, including cities, counties, towns, public schools, and special taxing districts. These aids and credits help offset costs of service delivery and defray costs of state mandates. They are designed to reduce the reliance on local property taxes by substituting state funds for revenues that would otherwise be raised locally. Direct payments to individuals, like property tax refunds for homeowners and renters, are also included in this category because they reduce property tax burdens.

FY 2018-19 spending for property tax aids and credits is forecast to be $3.658 billion, $6 million (0.2 percent) lower than November estimates. This change is driven by a $4 million (26.2 percent) reduction in special property tax refunds, which saw fewer refunds processed than previously projected. Political contribution refund estimates are also $3 million (27.2 percent) lower than previous forecast because participation in the program is expected to decrease. Homestead credit refunds increased by $2 million (0.2 percent) compared to prior projections due to an increase in refund amounts processed since the November forecast. Conversely, forecast renters property tax refunds are $2 million (0.4 percent) lower than previous estimates, a result of fewer refunds being processed.

Debt Service and All Other Spending. Debt service expenditures and all other expenditures for the current biennium are unchanged from previous estimates.

Next Biennium

Forecast expenditures in the next biennium are now expected to be $47.403 billion, a decrease of $51 million (0.1 percent) from November estimates. Expenditure estimates are lower in both E-12 education and health and human services. This reduction is primarily the result of lower pupil counts, lower free and reduced lunch rates, and lower enrollment in Medical Assistance. Lower expenditure estimates in these areas are partially offset by higher than expected spending in property tax aids and credits. This is due to larger homestead credit refunds processed since the previous forecast.

Next Biennium: FY 2020-21 General Fund Expenditures

Forecast Comparison

($ in millions)	November 2018 Forecast	February 2019 Forecast	$ Change	% Change
E-12 Education	$19,601	$19,553	$(48)	(0.2)%
Property Tax Aids & Credits	3,710	3,739	29	0.8
Health & Human Services	14,905	14,875	(30)	(0.2)
Debt Service	1,199	1,199	0	0.0
All Other	8,040	8,038	(2)	0.0
Total Expenditures	**$47,454**	**$47,403**	**$(51)**	**(0.1)%**

E-12 Education. E-12 education expenditures are expected to reach $19.553 billion in FY 2020-21. This is a decrease of $48 million (0.2 percent) from the November forecast. General education spending is $60 million (0.4 percent) lower than previous estimates. As reflected in the forecast for the current biennium, pupil counts are growing slower than earlier projections, causing a $15 million (0.1 percent) reduction in forecast expenditures in FY 2020-21. In addition, fewer students are qualifying for free or reduced lunch, which decreases compensatory aid payments to districts by $33 million (3.0 percent). Finally, fewer students are participating in extended time programs than in previous estimates, lowering aids by $11 million (8.8 percent) in FY 2020-21.

General Fund Education Expenditures

Change From November 2018 Estimates

	FY 2020-21		FY 2022-23	
($ in millions)	**$ Change**	**% Change**	**$ Change**	**% Change**
Slower growth in pupil counts	(15)	(0.1)%	(13)	(0.1)%
Decreasing poverty concentration	(33)	(3.0)	(31)	(2.9)
Less participation in extended time	(11)	(8.8)	(12)	(9.4)
Other general education spending	1	0.0	2	0.0
Total General Education Change	**(60)**	**(0.4)**	**(54)**	**(0.4)**
Special education aid	18	0.6	32	0.9
Other categoricals	(6)	(0.3)	(10)	(0.6)
Total E-12 General Fund Forecast Change	**(48)**	**(0.2)%**	**(32)**	**(0.2)%**

Special education spending is forecast to be $18 million (0.6 percent) higher in FY 2020-21 than previous estimates. This forecast change is the extension of trends discussed in the November 2018 forecast. Spending on special education services at school districts was down slightly in the February forecast because more students are shifting from district schools to charter and cooperative schools than previously expected. This results in higher special education aid payments from the state overall because higher enrollment at charter and cooperative schools generates more special education aid to those schools but does not create an equal savings in the district schools that are losing those special education students. This happens for one of two reasons: (1) the districts aid calculation is reduced but still remains above the formula's growth cap, or (2) the districts aid dips below the "hold harmless" calculation in the formula but is held steady relative to their adjusted FY 2016 aid level. This creates an overall increase in aid paid statewide. Additionally, this forecast uses a revised methodology that reflects higher cost growth among charters and cooperative schools, which further increases estimates compared to the previous forecast.

Health & Human Services. Health and human services expenditures are forecast to be $14.875 billion in FY 2020-21. This is $30 million (0.2 percent) below November estimates. Unlike the current biennium, Medical Assistance (MA) spending is above previous estimates by $13 million (0.1 percent).

The increase in MA is driven by higher spending in long term care waiver programs. In January 2019, the federal Centers for Medicare and Medicaid Services (CMS) notified the state it would deny a request for an additional year of banding before implementation of a new rate setting system for services provided to individuals with disabilities. Banding slows implementation by limiting how much rates change in a year as the state transitions from the old system to the new system. The CMS denial increases forecast spending by $50 million (1.2 percent) in FY 2020-21 due to the earlier phase-in of higher rates under the new system. In addition, higher enrollment in certain long term care waiver programs and lower pharmacy rebate collections result in increases over November forecast of $18 million (0.5 percent) and $14 million (3.6 percent), respectively.

These increases are offset by the continued effect of lower 2019 enrollment in basic health care program. Lower basic care enrollment results in a $76 million (1.1 percent) reduction in MA spending over the November forecast.

General Fund Health and Human Services Expenditures
Change From November 2018 Estimates

($ in millions)	**FY 2020-21**		**FY 2022-23**	
	$ Change	**% Change**	**$ Change**	**% Change**
Lower enrollment in basic care	$(76)	(1.1)%	$(97)	(1.2)%
CMS denial of additional year of banding	50	1.2	8	0.2
Higher enrollment in disability waivers	18	0.5	21	0.5
Lower pharmacy rebate collections	14	(3.6)	15	(3.7)
All other MA	7	0.1	(5)	0.0
Total MA Change	**13**	**0.1**	**(58)**	**(0.4)**
CD Entitlements	(32)	(9.7)	(7)	(2.3)
MFIP Cash Grant	(2)	(1.4)	(20)	(10.7)
All other non-MA	(9)	(0.2)	(12)	(0.3)
Total HHS General Fund Forecast Change	**$(30)**	**(0.2)%**	**$(96)**	**(0.6)%**

Higher spending in MA is offset by lower than expected spending in other programs. The largest change is in Chemical Dependency Entitlements, which is $32 million (9.7 percent) below

November estimates. This reduction is due in part to a higher than expected proportion of services being delivered through Indian Health Services (IHS) facilities. Chemical dependency treatment delivered through IHS is fully covered by the federal government, which reduces state costs. A technical correction to the forecast model also contributes to lower spending in this program.

Property Tax, Aids, and Credits. Property tax aids and credits spending is expected to be $3.739 billion in the FY 2020-21 biennium, an increase of $29 million (0.8 percent) compared to the November forecast. Most of this change is attributable to homestead credit refunds, which grow by $29 million (2.8 percent) compared to previous estimates. This change is largely a result of increased refund amounts processed since the previous forecast as well as a projected slower rate of income growth versus November estimates. Slower income growth results in households being eligible for higher average refunds.

Debt Service and All Other Spending. Projected debt service costs for FY 2020-21 are expected to be $1.199 billion, which is unchanged from previous estimates. Expenditures in all other bill areas are expected to be $8.038 billion, a decrease of $2 million (0.0 percent) from November forecast. This slight reduction is mainly due to state aid for the Destination Medical Center, which is forecasted to be $1 million (2.4 percent) lower than previous estimates.

Planning Estimates

Spending estimates for FY 2022-23 are lower than prior estimates for the planning biennium. Expenditures in FY 2022-23 are now expected to be $50.203 billion, a decrease of $76 million (0.2 percent) from November forecast estimates. The majority of the downward adjustment in spending estimates occurs in health and human services and E-12 education, which partially is offset by increases in property tax aid and credits. Many of the same trends that drove changes in these bill areas in the FY 2020-21 biennium continue into the planning estimates.

Planning Estimates: FY 2022-23 General Fund Expenditures

Forecast Comparison

($ in millions)	November 2018 Forecast	February 2019 Forecast	$ Change	% Change
E-12 Education	$20,281	$20,249	$(32)	(0.2)%
Property Tax Aids & Credits	3,882	3,944	62	1.6
Health & Human Services	16,776	16,680	(96)	(0.6)
Debt Service	1,258	1,260	2	0.2
All Other	8,082	8,070	(11)	(0.1)
Total Expenditures	**$50,279**	**$50,203**	**$(76)**	**(0.2)%**

E-12 Education. E-12 education spending is forecast to be $20.249 billion in FY 2022-23, a decrease of $32 million (0.2 percent) from the November forecast. The decline in general education and rise in special education spending in the FY 2020-21 biennium continue into the planning years. Total general education spending is $54 million (0.4 percent) lower in FY 2022-23 than November estimates. Lower than expected pupil growth results in a drop of $13 million (0.1 percent) in basic aid. Compensatory aid fell by $31 million (2.9 percent) compared to previous estimates, caused by fewer students qualifying for free and reduced lunch. Special education is up by $32 million (0.9 percent) in FY 2022-23 compared to the previous forecast. As in FY 2020-

21, the lower spending by districts losing students does not offset the increased aid to charters and cooperatives who have more students and higher costs.

Health & Human Services. Health and human services (HHS) general fund expenditures is forecast to be $16.680 billion in FY 2022-23, a decrease of $96 million (0.6 percent) compared to November estimates. Many of the trends impacting FY 2020-21 spending in HHS continue into FY 2022-23. Lower basic care enrollment results in a $97 million (1.2 percent) decline from previous forecast, and higher enrollment in disability waiver programs increases forecast spending by $21 million (0.5 percent). Minnesota Family Investment Program (MFIP) spending is $20 million (10.7 percent) lower than November forecast due to lower program participation in the current biennium that results in the use of fewer federal dollars. This federal funding becomes available to offset state spending in the planning years.

Property Tax, Aids, and Credits. Property tax aids and credits spending is expected to be $3.944 billion, $62 million (1.6 percent) more than November estimates. This is largely due to increased spending for property tax refunds. Compared to the previous forecast, homestead credit refund spending is projected to grow by $56 million (5.1 percent). Renter’s property tax refunds are also estimated to increase by $8 million (1.7 percent). Both changes are a result of increased refund amounts processed since the previous forecast as well as a projected decline in income growth compared to November forecast.

Debt Service and All Other Spending. Debt service expenditures are forecast to be $1.260 billion in FY 2022-23, an increase of $2 million (0.2 percent) from previous estimates. Expenditures for all other bill areas are forecast to be $8.070 billion, $11 million (0.1) lower than previous estimates. This is primarily due to a reduction in projected qualified expenditures for the Destination Medical Center district, which lowers anticipated spending $10 million (14.8 percent) in the planning estimates.

MinnesotaCare Basic Health Program Funding Reconciliation

This forecast includes several adjustments to federal Basic Health Program (BHP) funding for MinnesotaCare in 2016 and 2017. These adjustments result in $150 million in a one-time reduction of federal funds.

Background

MinnesotaCare is a state program that provides sliding scale health coverage for individuals between 138 and 200 percent of the federal poverty level. The state share of MinnesotaCare is paid by the health care access fund, not the general fund. MinnesotaCare is Minnesota's BHP, a federal model established by the Affordable Care Act. Minnesota receives federal funding equivalent to 95 percent of the premium tax credits (and cost sharing subsidies prior to 2018) that each BHP enrollee would have received if they purchased private insurance through MNsure.

The BHP was implemented in Minnesota starting in 2015. Federal BHP funding is provided prospectively by the Centers for Medicaid and Medicare Services (CMS) on a quarterly basis based on projected enrollment. These prospective payments are then reconciled using actual enrollment data once the quarter ends.

The Department of Human Services has tentatively reconciled all quarters in calendar year 2015 and has been in discussions with CMS for the last two years regarding calendar years 2016 and 2017. The reconciliation process will result in the state receiving lower federal BHP payments compared the amount paid prospectively. The difference between prospective and actual payments was driven by several factors, including but not limited to lack of Minnesota Eligibility Technology System (METS) functionality and processing errors.

Fiscal Impact

This forecast reflects a near final agreement for 2016 and 2017 reconciliation. Future federal BHP funding will be reduced by $150 million to reflect the reconciliation. The reduction will occur across state fiscal years 2020 through 2022.

This loss of federal funds is offset by higher anticipated federal revenues driven by a change in the expected payment methodology for BHP funding. As a result the state share of MinnesotaCare remains lower across the forecast compared to November forecast estimates.

APPENDIX

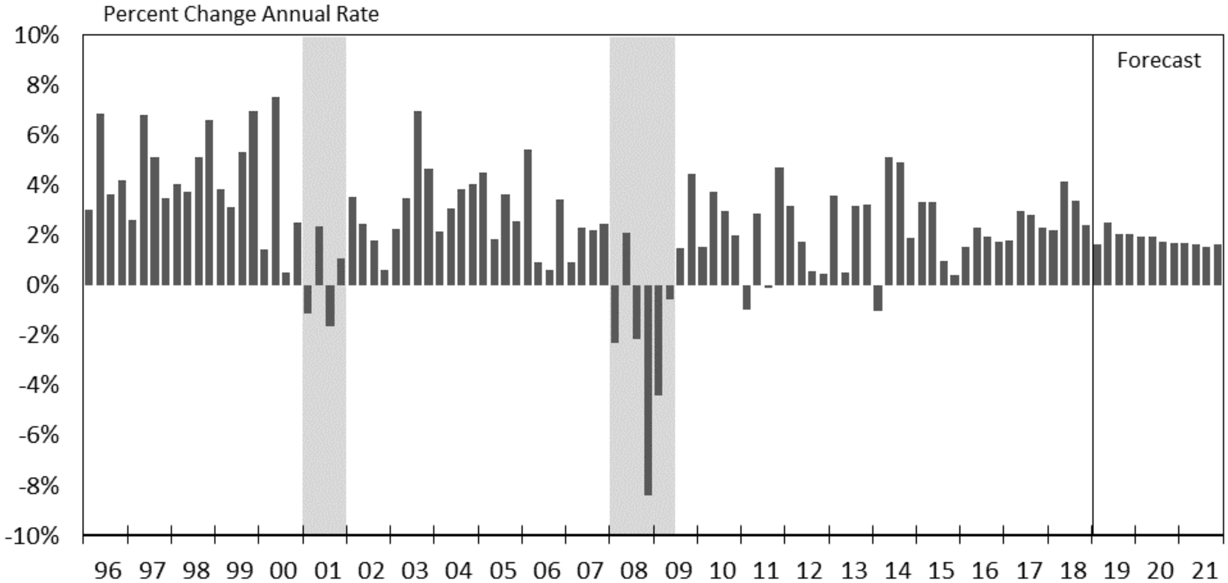
ECONOMIC DATA

REVENUE EXPERIENCE

GENERAL FUND BALANCE SHEETS

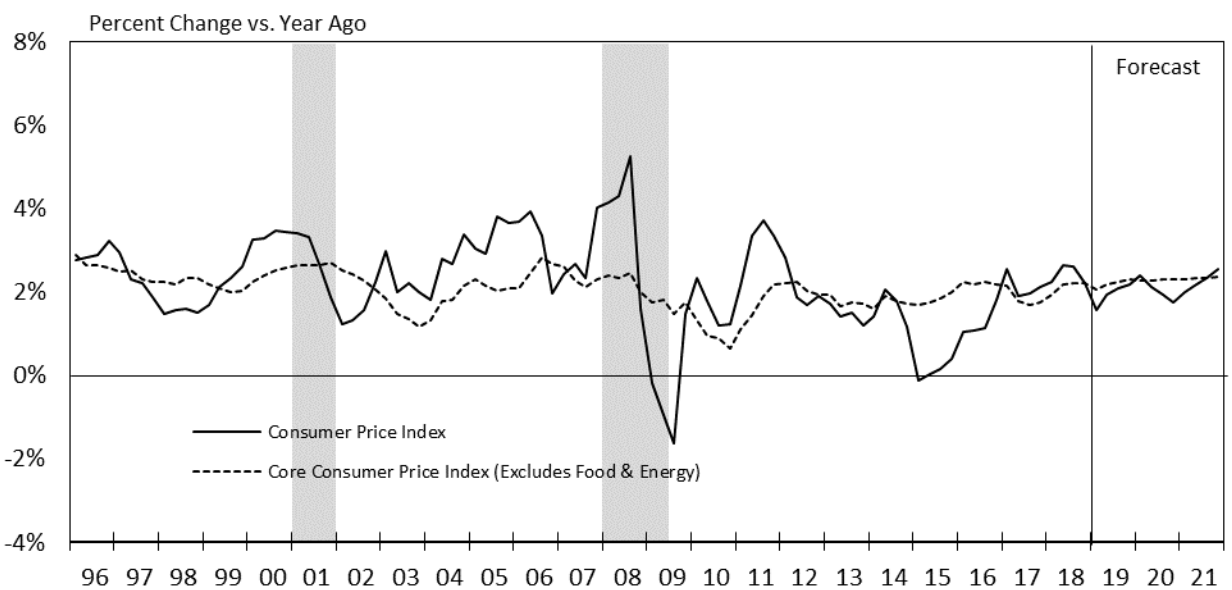
OTHER DATA

Real Gross Domestic Product



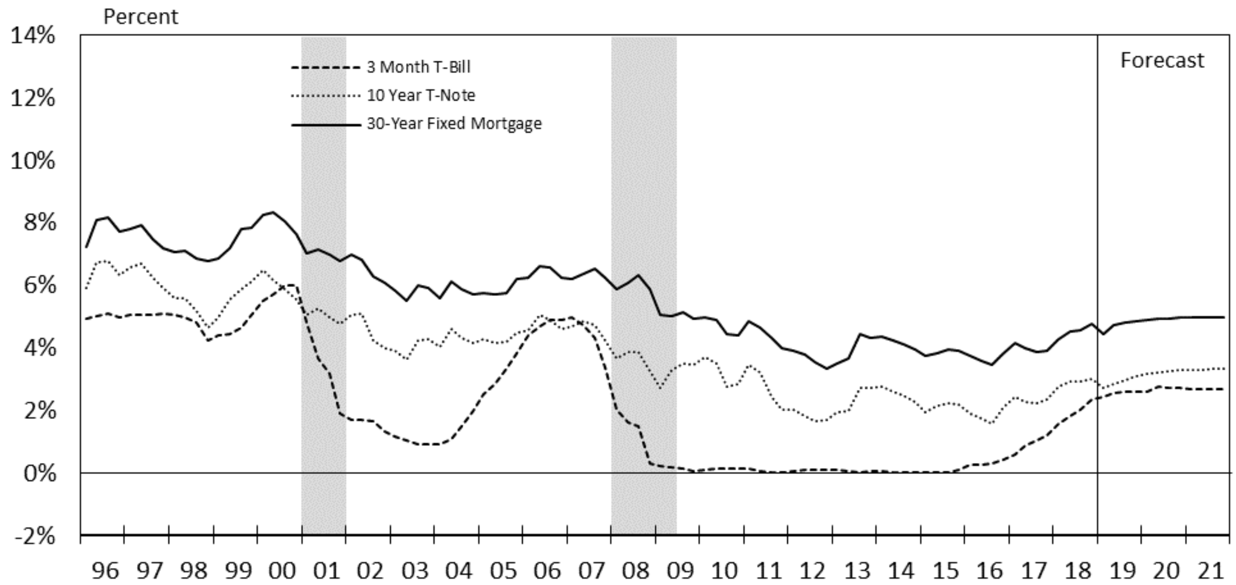
Annual real GDP growth rates decline each year from 2018 to 2021. This trend is consistent with expected growth in employment and the labor force. The annual growth rate declines from 2.9 percent in 2018 to 1.7 percent in 2021. The relatively high 2.9 percent growth rate in 2018 may reflect stimulus from the lower tax rates in the Tax Cut and Jobs Act.

Consumer Price Indexes



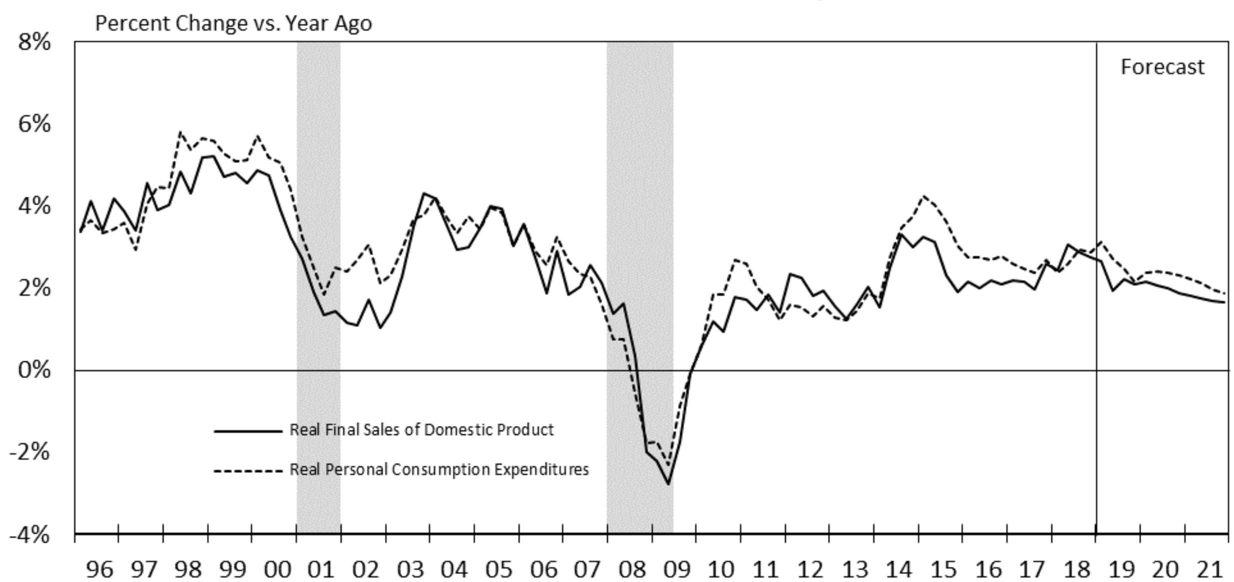
Year-over-year growth in the Core Consumer Price Index (Core CPI) rises from about 2.1 percent in 2018 to 2.3 percent in 2021, consistent with a tight labor market and steady demand for goods and services.

Interest Rates

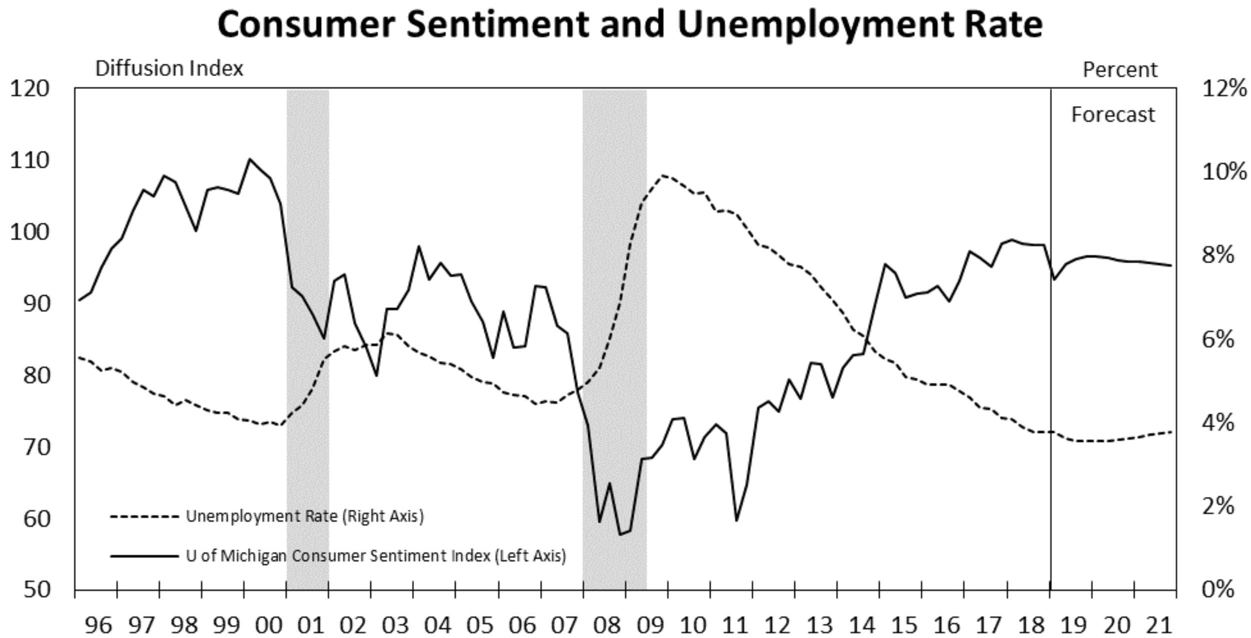


Since the November forecast, IHS has revised their assumption from three 25-basis-point increases in 2019 to one, and further from two increases in 2020 to one. The federal funds rate is expected to reach a long-term equilibrium level of 2.90 in 2021, lowered from previous peak rate of 3.43.

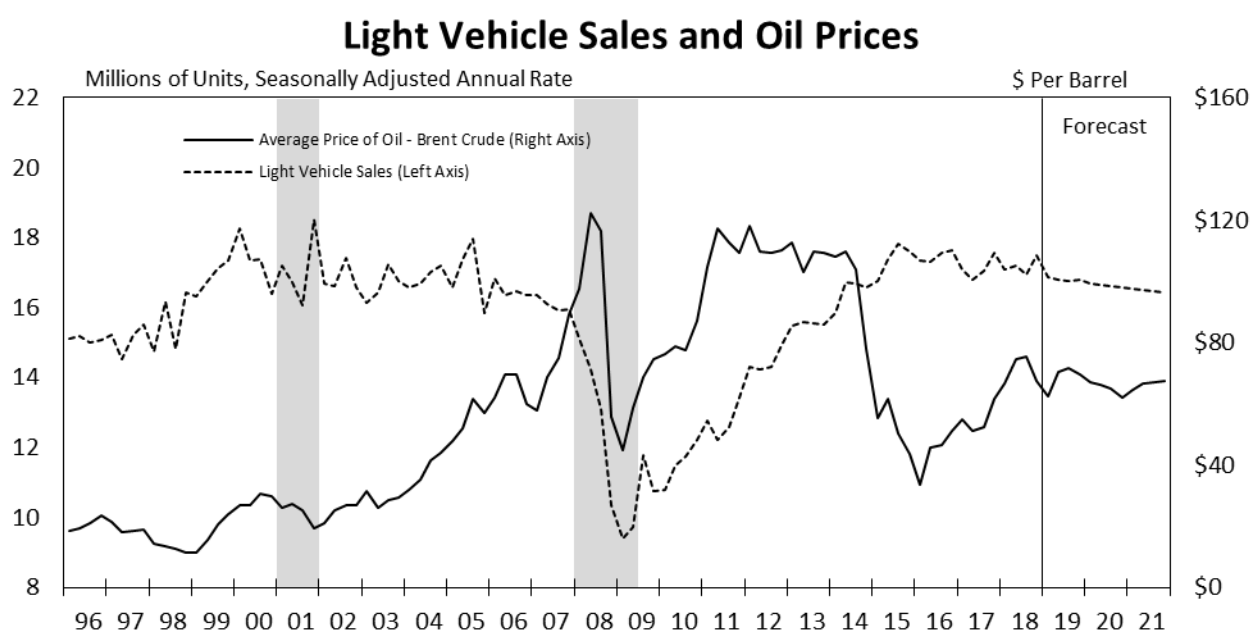
Real Final Sales & Consumption



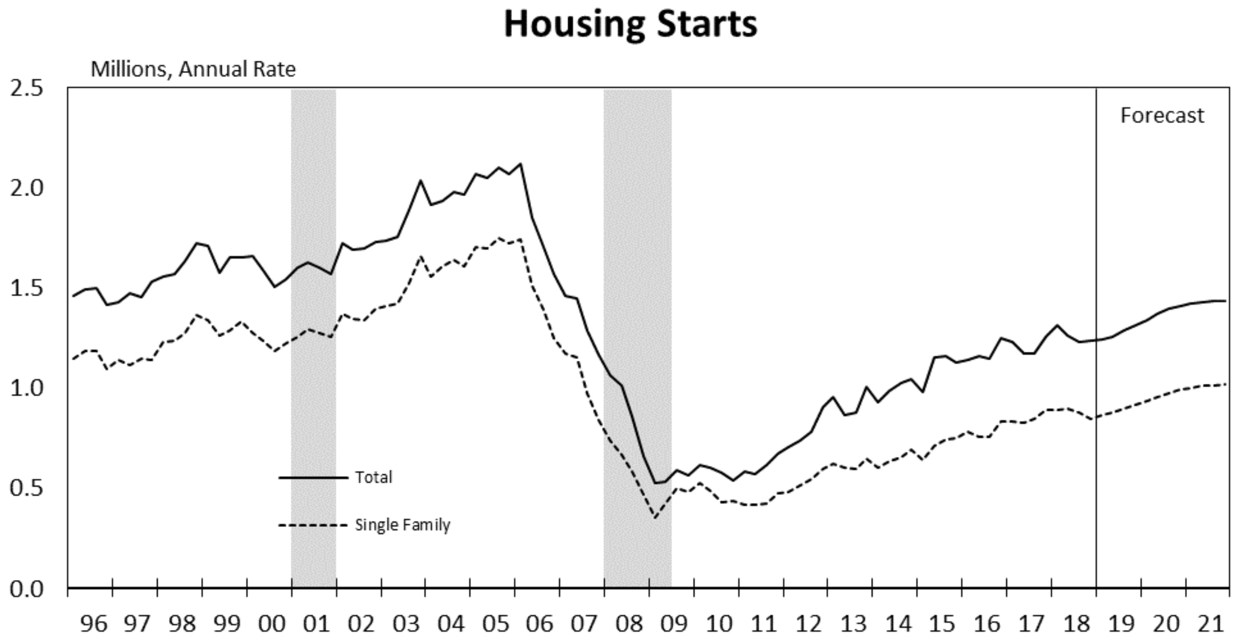
Real personal consumption expenditure growth rates during the 2018 to 2021 period peak at 2.7 percent in 2018 and then decline to 2.0 percent in 2021, consistent with the pattern of real GDP growth rates. The falling cost of gasoline since October is a boost to consumer spending. A lower interest rate forecast also supports credit-financed, big-ticket items such as homes and automobiles.



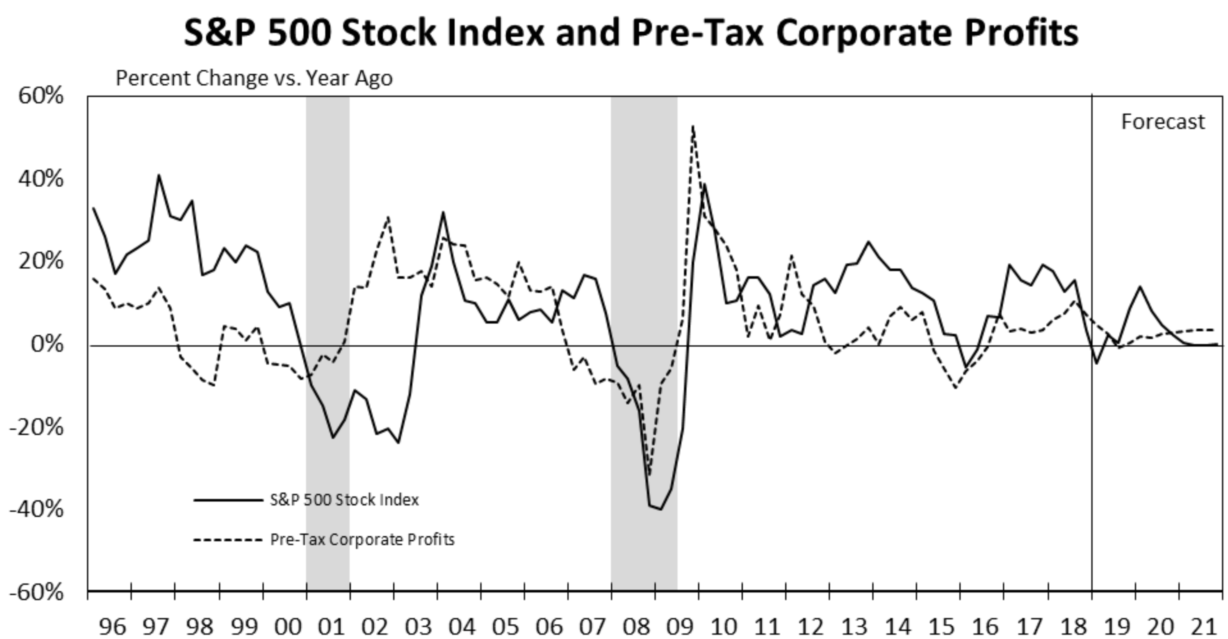
In January, the consumer sentiment index dipped to 90.7, the lowest level in more than two years. The decline reflected worries about the government shutdown, trade tensions, and volatile markets. However, the IHS forecast expects the consumer sentiment index to recover and remain above 95 throughout 2021. Consumer sentiment stabilizes less than 5 points short of 100, a healthy reading for this indicator. IHS expects the unemployment rate to reach a cycle low of 3.6 percent in mid-2019.



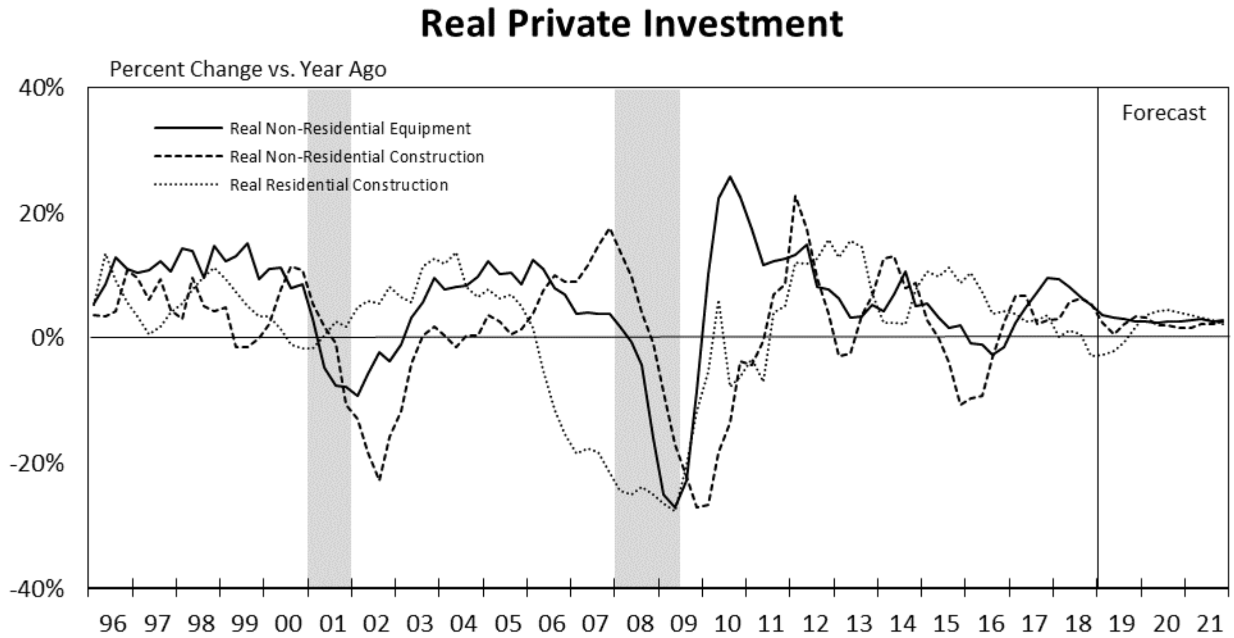
Light vehicle sales trend down from an annual average of 17 million units in 2018 to 16.5 million units in 2021. Brent crude is expected to average $86.53 in 2019 and decline further to $65 per barrel in 2020.



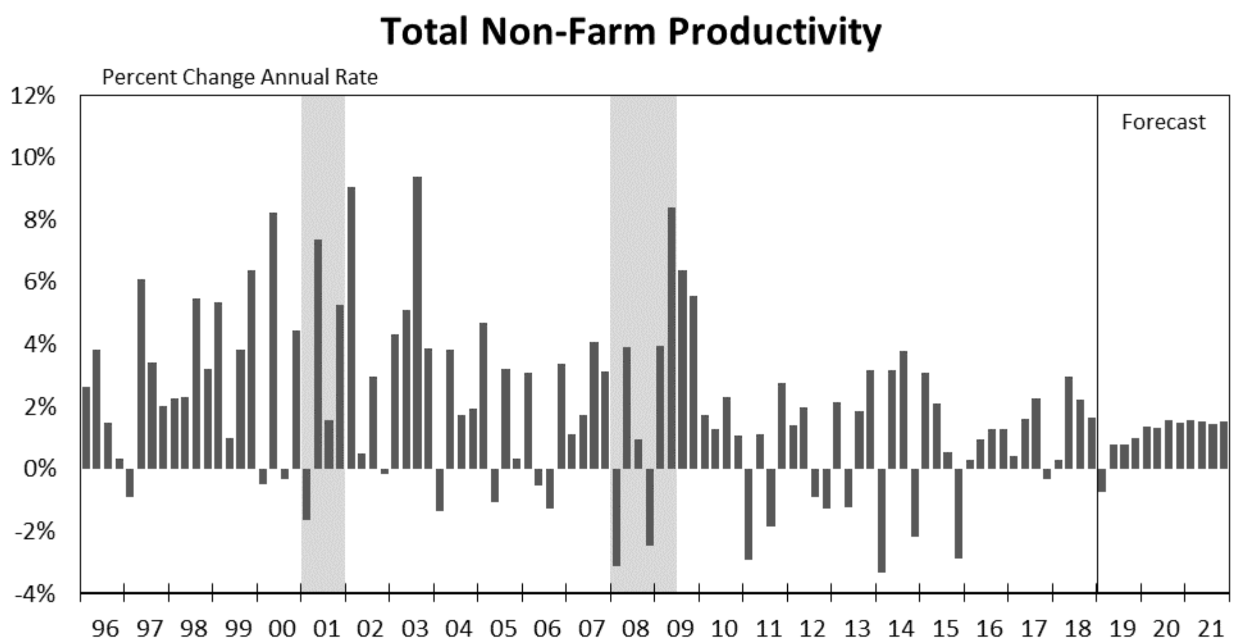
Housing starts gradually rise and plateau at about 1.4 million units per year in 2021. That level was last seen prior to the '08-'09 recession.



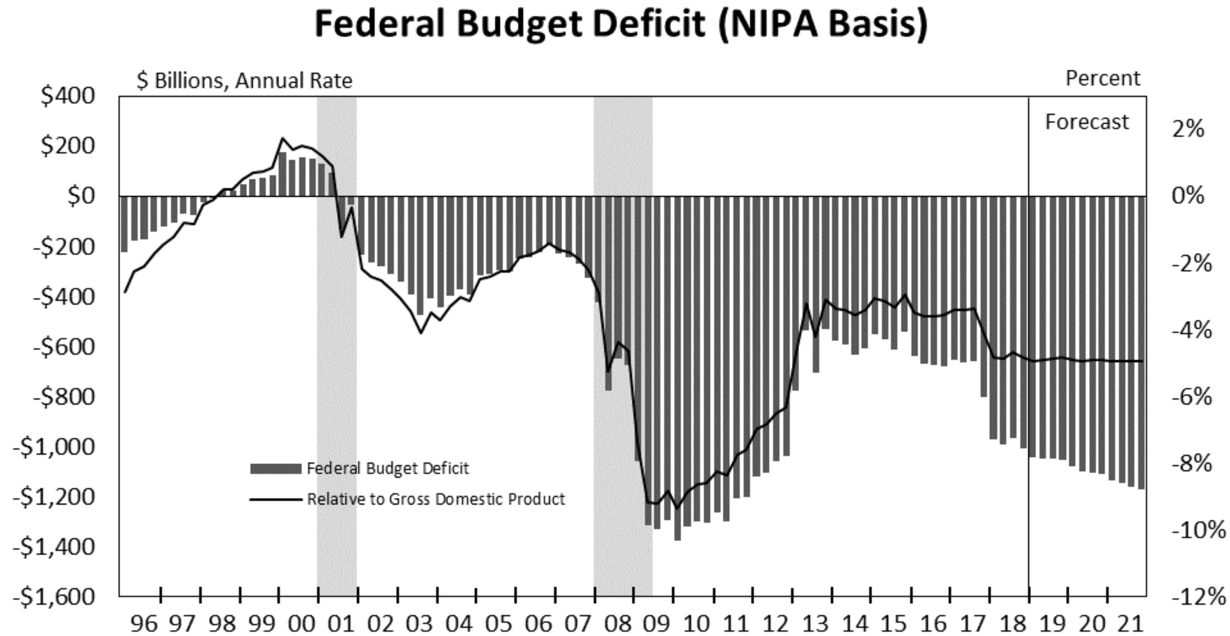
In this forecast, the equities market fully recovers from the end of 2018 decline, as economic fundamentals remain strong. IHS expects a gain of 17.7 percent in the S&P 500 over 2019. Corporate profits growth gradually accelerates through 2019 and 2020, before levelling off at about 3.2 percent in 2021.



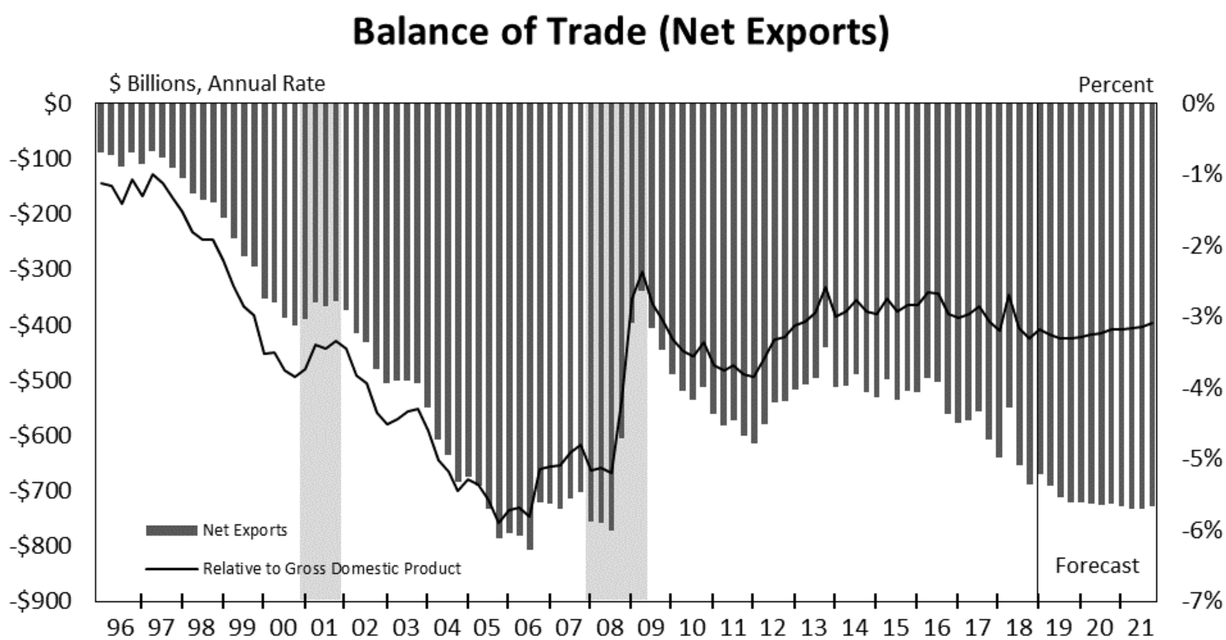
Growth rates for non-residential equipment, non-residential structures, and residential structures all converge in 2020 and 2021 to growth rates that average about 3 percent. Slower growth in housing has caused a decline in real residential construction.



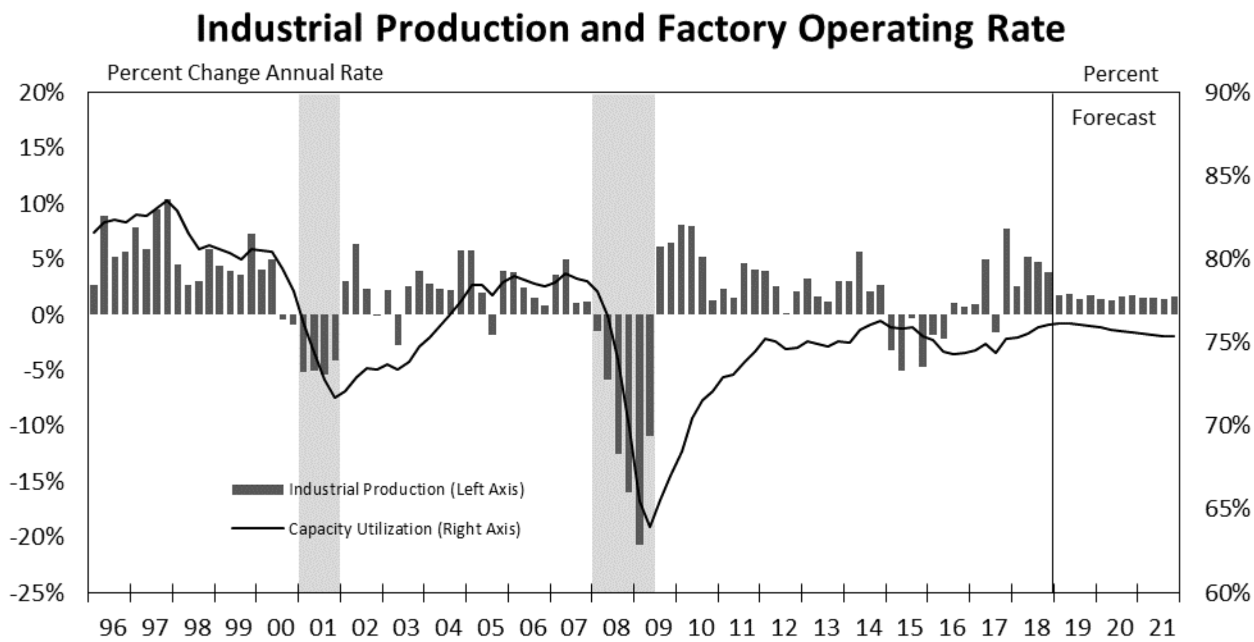
Non-Farm private sector productivity steadily grows at rates between 1.2 percent and 1.5 percent over the forecast horizon. This is consistent with a GDP growth rate of less than 3.0 percent.



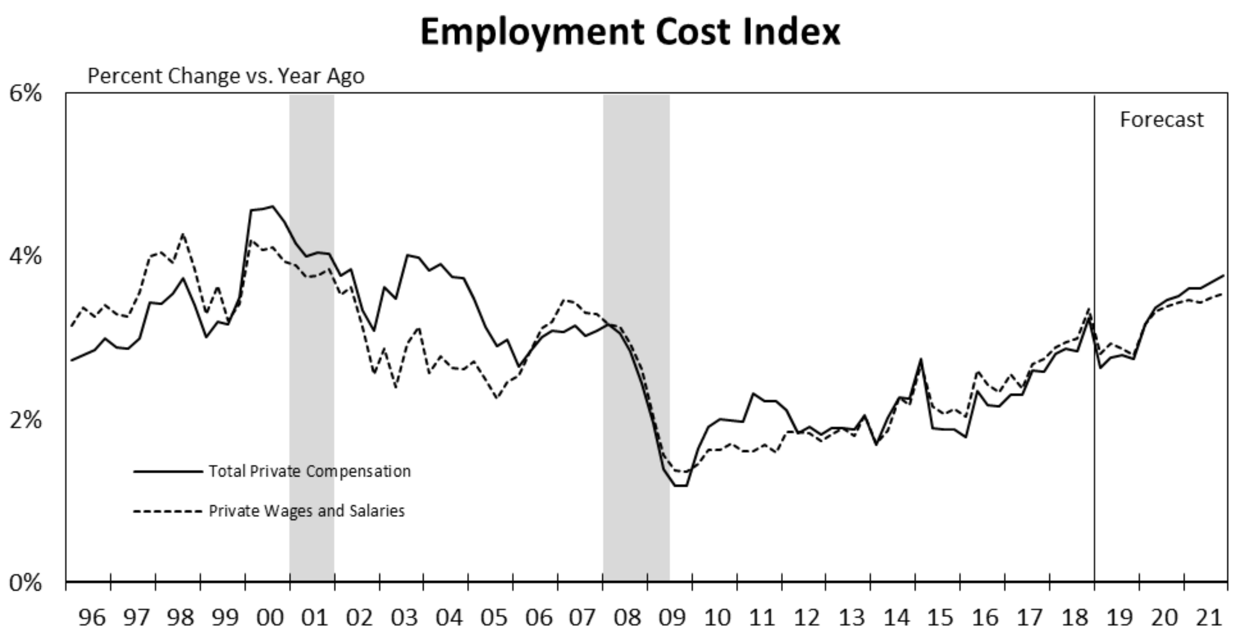
The federal budget deficit as a percent of GDP moves from the 3.4 percent to 3.6 percent range during 2016 and 2017 to around 5.0 percent by 2021. This change is largely due to the revenue loss from the Tax Cut and jobs Act passed at the end of 2017.



Net exports have been on a declining trend since early 2014. As a share of GDP on an annual basis, net exports range between 3.1 and 3.4 percent. Notably, in this forecast the U.S. is on track to become a net exporter of petroleum products in 2020Q2.

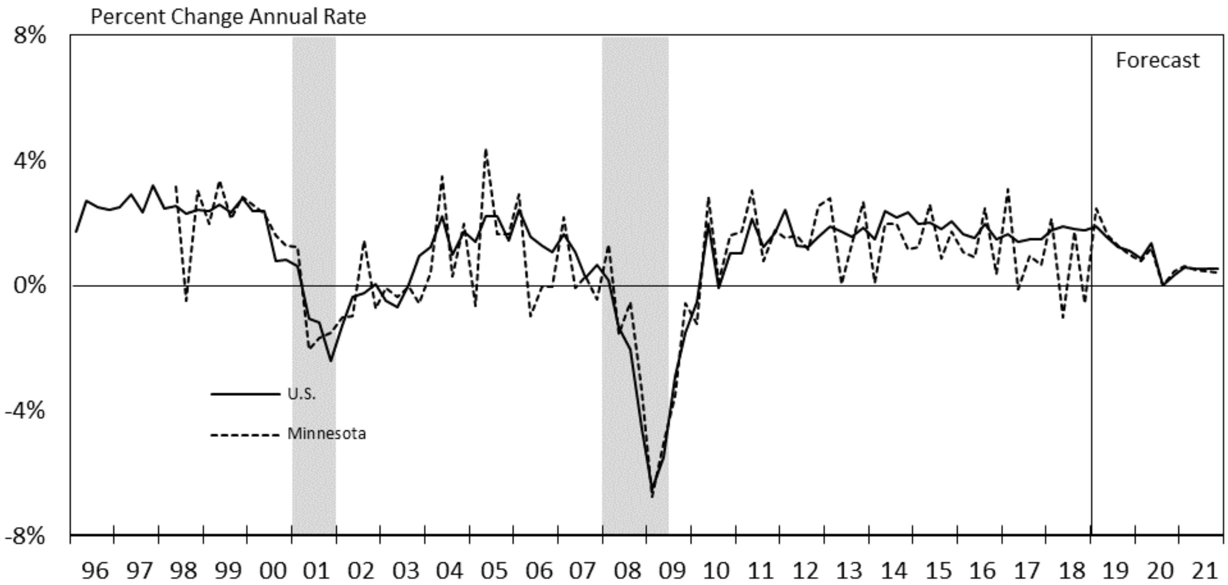


In this forecast, industrial production grows at an annual rate of 2.7 percent in 2019. After 2019, growth rates trend down, reaching 1.6 percent in 2021. Capacity utilization ranges between 75 percent and 76 percent over the forecast horizon.



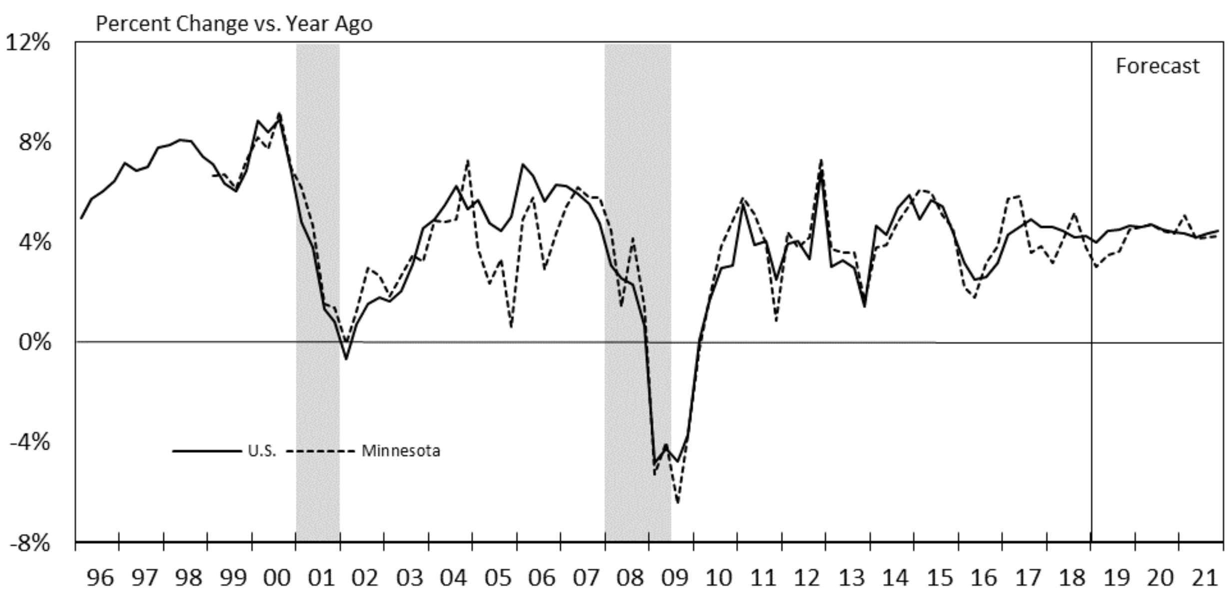
Annual growth in the Employment Cost Index (ECI) for wages falls from a robust 2.9 percent in 2018 to 2.7 in 2019, followed by 3.4 in 2020 and 3.7 in 2021. In each year of the forecast, growth in wage ECI exceeds the CPI growth rate.

Total Non-Farm Employment



Minnesota employment growth lagged national employment growth by 0.6 percentage points in 2018, and is expected to lag 0.4 percentage points in 2019. Beyond 2019, U.S. and Minnesota employment grow at comparable rates; both trend down as labor force growth declines. The noticeable spike up and down in 2020 reflects forecast hiring and layoffs for the 2020 U.S. Census.

Wage and Salary Disbursements



Minnesota wage growth lags national growth in 2018 and 2019, and grows at a comparable rate to US wages in 2020 and 2021.

Minnesota Economic Forecast Summary

Forecast 2016 to 2023 - Calendar Years

	2016	2017	2018	2019	2020	2021	2022	2023
Current Dollar Income (Billions of Dollars)								
Personal Income	291.362	303.141	316.779	329.143	343.815	358.915	373.475	387.708
%Chg	2.3	4.0	4.5	3.9	4.5	4.4	4.1	3.8
Wage & Salary Disbursements	158.043	165.543	172.268	178.590	186.688	194.950	203.150	211.135
%Chg	2.8	4.7	4.1	3.7	4.5	4.4	4.2	3.9
Non-Wage Personal Income	133.319	137.598	144.028	150.553	157.125	163.968	170.323	176.570
%Chg	1.8	3.2	4.7	4.5	4.4	4.4	3.9	3.7
Supplements to Wages & Salaries	35.637	37.184	38.207	39.549	41.381	43.235	45.066	46.850
%Chg	7.0	4.3	2.8	3.5	4.6	4.5	4.2	4.0
Dividends, Interest, & Rent Income	56.012	58.508	61.018	63.426	66.346	69.397	72.464	75.269
%Chg	3.1	4.5	4.3	3.9	4.6	4.6	4.4	3.9
Farm Proprietors Income	0.600	-0.196	0.093	0.906	1.382	1.783	1.892	1.898
%Chg	-76.1	N/A	N/A	N/A	52.5	29.0	6.1	0.3
Non-Farm Proprietors Income	20.944	21.707	22.701	23.206	23.016	22.912	22.691	22.454
%Chg	-2.2	3.6	4.6	2.2	-0.8	-0.5	-1.0	-1.0
Personal Current Transfer Receipts	45.918	47.380	49.976	52.338	54.992	57.807	60.557	63.601
%Chg	3.5	3.2	5.5	4.7	5.1	5.1	4.8	5.0
Less: Contrib. for Gov. Social Ins.	24.577	25.628	26.586	27.477	28.594	29.771	30.950	32.105
%Chg	2.6	4.3	3.7	3.4	4.1	4.1	4.0	3.7
Real Income (Billions of 2009 Dollars)								
Real Personal Income	279.514	285.781	292.705	298.938	306.190	313.108	318.823	323.758
%Chg	1.2	2.2	2.4	2.1	2.4	2.3	1.8	1.5
Real Wage & Salary Disbursements	151.614	156.063	159.625	162.200	166.258	170.068	173.423	176.310
%Chg	1.7	2.9	2.3	1.6	2.5	2.3	2.0	1.7
Employment (Thousands)								
Employment - Total Non-Farm Payrolls	2,894.1	2,932.7	2,954.5	2,989.2	3,015.9	3,030.8	3,042.0	3,045.3
%Chg	1.4	1.3	0.7	1.2	0.9	0.5	0.4	0.1
Construction	116.2	119.8	122.4	126.2	127.3	129.9	132.0	135.4
%Chg	0.9	3.1	2.1	3.1	0.9	2.0	1.6	2.6
Manufacturing	317.8	318.4	321.4	321.5	320.1	317.5	316.6	317.4
%Chg	0.1	0.2	1.0	0.0	-0.4	-0.8	-0.3	0.2
Private Service-Providing	2,034.5	2,064.3	2,078.6	2,109.7	2,132.0	2,145.2	2,151.8	2,147.5
%Chg	1.9	1.5	0.7	1.5	1.1	0.6	0.3	-0.2
Government	419.3	423.6	425.5	425.2	429.8	431.6	435.0	438.3
%Chg	0.1	1.0	0.5	-0.1	1.1	0.4	0.8	0.8
Minnesota Civilian Labor Force	3,012.9	3,054.5	3,101.6	3,119.8	3,134.1	3,145.6	3,151.7	3,156.9
Unemployment Rate (%)	3.1	3.2	3.1	2.7	2.5	2.6	2.7	2.9
Demographic Indicators (Millions)								
Total Population	5.524	5.569	5.611	5.647	5.681	5.716	5.748	5.778
%Chg	0.7	0.8	0.8	0.6	0.6	0.6	0.6	0.5
Total Population Age 16 & Over	4.377	4.417	4.455	4.489	4.522	4.558	4.589	4.620
%Chg	0.8	0.9	0.9	0.8	0.7	0.8	0.7	0.7
Total Population Age 65 & Over	0.829	0.859	0.888	0.920	0.952	0.986	1.018	1.050
%Chg	3.4	3.6	3.3	3.6	3.5	3.5	3.3	3.1
Total Households	2.149	2.162	2.184	2.205	2.225	2.246	2.265	2.283
%Chg	0.1	0.6	1.0	1.0	0.9	0.9	0.8	0.8
Housing Indicators (Thousands)								
Total Housing Permits (Authorized)	23.617	24.305	27.190	25.897	25.174	24.064	22.797	21.603
%Chg	16.2	2.9	11.9	-4.8	-2.8	-4.4	-5.3	-5.2
Single-Family	13.692	14.756	14.423	15.341	14.913	14.255	13.504	12.797
%Chg	11.1	7.8	-2.3	6.4	-2.8	-4.4	-5.3	-5.2

Source: Minnesota Management & Budget (MMB) February 2019 Forecast

U.S. Economic Forecast Summary

Forecast 2016 to 2023, Calendar Years

	2016	2017	2018	2019	2020	2021	2022	2023
Real National Income Accounts (Billions of 2009 Dollars)								
Real Gross Domestic Product (GDP)	17,659.2	18,050.7	18,569.2	19,014.0	19,389.4	19,714.9	20,025.9	20,303.9
%Chg	1.6	2.2	2.9	2.4	2.0	1.7	1.6	1.4
Real Consumption	12,248.2	12,558.7	12,897.0	13,233.6	13,547.1	13,823.5	14,057.2	14,256.4
%Chg	2.7	2.5	2.7	2.6	2.4	2.0	1.7	1.4
Real Nonresidential Fixed Investment	2,411.2	2,538.1	2,711.6	2,810.3	2,888.6	2,970.0	3,059.7	3,140.8
%Chg	0.5	5.3	6.8	3.6	2.8	2.8	3.0	2.6
Real Residential Investment	591.3	611.1	609.8	605.0	630.1	648.9	657.7	660.2
%Chg	6.5	3.3	-0.2	-0.8	4.1	3.0	1.4	0.4
Real Personal Income	15,469.7	15,866.8	16,228.8	16,634.0	17,008.0	17,356.8	17,700.5	18,020.4
%Chg	1.5	2.6	2.3	2.5	2.2	2.1	2.0	1.8
Current Dollar National Income Accounts (Billions of Dollars)								
Gross Domestic Product (GDP)	18,707.2	19,485.4	20,496.7	21,419.6	22,347.4	23,275.2	24,228.6	25,167.5
%Chg	2.7	4.2	5.2	4.5	4.3	4.2	4.1	3.9
Personal Income	16,125.1	16,830.9	17,563.8	18,314.4	19,097.7	19,896.1	20,734.7	21,579.9
%Chg	2.6	4.4	4.4	4.3	4.3	4.2	4.2	4.1
Wage & Salary Disbursements	8,080.7	8,453.8	8,824.7	9,214.3	9,635.0	10,053.7	10,506.9	10,962.2
%Chg	2.9	4.6	4.4	4.4	4.6	4.3	4.5	4.3
Non-Wage Personal Income	8,044.5	8,377.1	8,739.0	9,100.1	9,462.7	9,842.4	10,227.9	10,617.7
%Chg	2.3	4.1	4.3	4.1	4.0	4.0	3.9	3.8
Price and Wage Indexes								
U.S. GDP Deflator (2005=1.0)	105.899	107.932	110.343	112.648	115.253	118.055	120.983	123.951
%Chg	1.1	1.9	2.2	2.1	2.3	2.4	2.5	2.5
U.S. Consumer Price Index (1982-84=1.0)	2.400	2.451	2.511	2.560	2.613	2.672	2.736	2.803
%Chg	1.3	2.1	2.4	2.0	2.1	2.3	2.4	2.4
Employment Cost Index (Dec 2005=1.0)	1.264	1.295	1.333	1.369	1.416	1.468	1.524	1.582
%Chg	2.1	2.5	2.9	2.7	3.4	3.7	3.8	3.8
Employment (Thousands)								
Employment - Total Non-Farm Payrolls	144.3	146.6	149.1	151.5	153.0	153.7	154.5	154.9
%Chg	1.8	1.6	1.7	1.7	0.9	0.5	0.5	0.3
Construction	6.7	7.0	7.3	7.5	7.7	8.0	8.3	8.5
%Chg	4.1	3.6	4.7	3.4	2.5	3.8	3.2	2.7
Manufacturing	12.4	12.4	12.7	12.9	12.9	12.6	12.6	12.6
%Chg	0.1	0.7	2.0	1.7	-0.4	-1.6	-0.6	-0.1
Private Service-Providing	102.4	104.2	105.9	107.8	108.8	109.4	109.8	109.8
%Chg	2.2	1.8	1.7	1.8	0.9	0.6	0.4	0.0
Government	22.2	22.4	22.4	22.5	22.8	22.9	23.0	23.2
%Chg	0.9	0.5	0.4	0.4	1.2	0.2	0.7	0.7
U.S. Civilian Labor Force	159.2	160.3	162.1	163.7	165.0	166.0	167.0	167.9
Employment - Household Survey	151.4	153.3	155.8	157.7	159.1	159.8	160.5	160.9
Unemployment Rate (%)	4.9	4.4	3.9	3.6	3.6	3.7	3.9	4.1
Other Key Measures								
Non-Farm Productivity (index, 2005=1.0)	1.028	1.039	1.053	1.062	1.075	1.092	1.108	1.125
%Chg	0.1	1.1	1.3	0.9	1.2	1.5	1.5	1.5
Total Ind. Production (index, 2007=100)	102.085	103.703	107.831	110.737	112.446	114.212	116.138	118.103
%Chg	-1.9	1.6	4.0	2.7	1.5	1.6	1.7	1.7
Manhours in Private Non-Farm Estab.								
Billions of Hours	204.6	208.2	212.5	216.3	218.3	219.2	219.7	219.8
%Chg	1.7	1.8	2.1	1.8	0.9	0.4	0.3	0.0
Average Weekly Hours	32.4	32.4	32.5	32.5	32.5	32.5	32.4	32.4
Manufacturing Workweek	41.9	41.9	42.1	41.7	41.6	41.5	41.3	41.2

Source: IHS Economics; February 2019 Baseline

Alternative Forecast Comparison

Calendar Years

	18Q3	18Q4	19Q1	19Q2	19Q3	19Q4	2017	2018	2019	2020
Real Gross Domestic Product (GDP), Percent Change, Seasonally Adjusted at Annual Rate										
Blue Chip Consensus (02-19)	3.4	2.6	2.0	2.6	2.2	2.0	2.2	2.9	2.5	1.8
IHS Economics Baseline (02-19)	3.4	2.4	1.6	2.5	2.1	2.1	2.2	2.9	2.4	2.0
Moody's Analytics (02-19)	3.4	2.7	2.4	3.1	2.0	2.2	2.2	2.9	2.7	1.1
S&P Economic Forecast (02-19)	3.5	2.5	1.5	2.0	1.9	2.0	2.2	2.9	2.3	1.8
Wells Fargo (02-19)	3.4	2.3	1.9	2.8	2.4	2.4	2.2	2.9	2.5	2.2
CBO Outlook (01-19)	3.5	2.5	2.5	2.4	2.4	1.8	2.2	2.9	2.7	1.9
Consumer Price Index (CPI), Percent Change, Seasonally Adjusted at Annual Rate (except where noted)										
Blue Chip Consensus (02-19)	2.0	1.8	1.5	2.3	2.3	2.2	2.1	2.4	1.9	2.2
IHS Economics Baseline (02-19)	2.0	1.8	0.9	3.1	2.6	2.1	2.1	2.4	2.0	2.1
Moody's Analytics (02-19)	2.0	1.8	1.6	2.7	2.8	2.4	2.1	2.4	2.1	2.2
S&P Economic Forecast (02-19)	2.6	2.6	2.3	2.2	2.2	2.2	2.1	2.5	2.2	2.3
Wells Fargo (02-19)*	2.6	2.2	1.7	2.0	2.2	2.4	2.1	2.4	2.1	2.6
CBO Outlook (01-19)	2.0	2.4	2.1	1.7	2.4	2.7	2.1	2.5	2.1	2.6

* Year-over-Year Percent Change

IHS Economics Baseline Forecast Comparison

Calendar Years

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Real Gross Domestic Product (GDP), Annual Percent Change										
February 2012	3.3	3.2	-	-	-	-	-	-	-	-
November 2012	2.8	3.3	2.9	2.1	-	-	-	-	-	-
February 2013	2.8	3.3	2.9	2.8	-	-	-	-	-	-
November 2013	2.5	3.1	3.3	3.1	-	-	-	-	-	-
February 2014	2.7	3.3	3.4	3.1	-	-	-	-	-	-
November 2014	2.2	2.6	2.8	3.0	2.6	2.6	-	-	-	-
February 2015	2.4	3.0	2.7	2.8	2.6	2.8	-	-	-	-
November 2015	2.4	2.4	2.9	2.8	2.7	2.6	-	-	-	-
February 2016	2.4	2.4	2.4	2.8	2.6	2.4	-	-	-	-
November 2016	2.4	2.6	1.5	2.2	2.2	2.2	2.0	-	-	-
February 2017	2.4	2.6	1.6	2.3	2.7	2.3	2.1	-	-	-
November 2017	2.6	2.9	1.5	2.2	2.5	2.2	2.1	-	-	-
February 2018	2.6	2.9	1.5	2.3	2.7	2.7	2.1	2.1	1.9	1.9
November 2018	2.5	2.9	1.6	2.2	2.9	2.7	2.1	1.6	1.5	1.4
February 2019	2.5	2.9	1.6	2.2	2.9	2.4	2.0	1.7	1.6	1.4
Consumer Price Index (CPI), Annual Percent Change										
February 2012	1.9	1.9	-	-	-	-	-	-	-	-
November 2012	1.8	1.7	1.9	1.9	-	-	-	-	-	-
February 2013	1.7	1.6	1.7	1.8	-	-	-	-	-	-
November 2013	1.4	1.7	1.9	1.9	-	-	-	-	-	-
February 2014	1.3	1.7	1.8	1.8	-	-	-	-	-	-
November 2014	1.7	1.0	1.6	2.2	2.2	2.3	-	-	-	-
February 2015	1.6	-0.7	2.3	2.7	2.7	2.5	-	-	-	-
November 2015	1.6	0.0	1.4	2.7	2.4	2.4	-	-	-	-
February 2016	1.6	0.1	0.6	2.3	2.7	2.7	-	-	-	-
November 2016	1.6	0.1	1.3	2.5	2.5	2.4	2.5	-	-	-
February 2017	1.6	0.1	1.3	2.4	1.9	2.4	2.7	-	-	-
November 2017	1.6	0.1	1.3	2.1	1.9	2.1	2.6	-	-	-
February 2018	1.6	0.1	1.3	2.1	2.3	1.7	2.7	1.7	2.6	2.6
November 2018	1.6	0.1	1.3	2.1	2.5	2.5	1.9	2.2	2.3	2.3
February 2019	1.6	0.1	1.3	2.1	2.4	2.0	2.1	2.3	2.4	2.4

Source: IHS Economics

Forecast Comparison: Minnesota & U.S.

Forecast 2016 to 2021, Calendar Years

	2016	2017	2018	2019	2020	2021	2022	2023
Personal Income (Billions of Current Dollars)								
Minnesota								
February 2019	291.4	303.1	316.8	329.1	343.8	358.9	373.5	387.7
%Chg	2.3	4.0	4.5	3.9	4.5	4.4	4.1	3.8
November 2018	291.4	303.1	315.6	333.1	351.6	367.6	382.0	396.6
%Chg	2.3	4.0	4.1	5.6	5.5	4.5	3.9	3.8
U.S.								
February 2019	16,125	16,831	17,564	18,314	19,098	19,896	20,735	21,580
%Chg	2.6	4.4	4.4	4.3	4.3	4.2	4.2	4.1
November 2018	16,125	16,831	17,585	18,378	19,284	20,131	20,974	21,834
%Chg	2.6	4.4	4.5	4.5	4.9	4.4	4.2	4.1
Wage and Salary Disbursements (Billions of Current Dollars)								
Minnesota								
February 2019	158.0	165.5	172.3	178.6	186.7	195.0	203.2	211.1
%Chg	2.8	4.7	4.1	3.7	4.5	4.4	4.2	3.9
November 2018	158.0	165.5	173.1	182.5	191.6	199.6	207.9	216.1
%Chg	2.8	4.7	4.5	5.5	4.9	4.2	4.1	3.9
U.S.								
February 2019	8,081	8,454	8,825	9,214	9,635	10,054	10,507	10,962
%Chg	2.9	4.6	4.4	4.4	4.6	4.3	4.5	4.3
November 2018	8,081	8,454	8,855	9,259	9,690	10,107	10,553	11,008
%Chg	2.9	4.6	4.7	4.6	4.7	4.3	4.4	4.3
Total Non-Farm Payroll Employment (Thousands)								
Minnesota								
February 2019	2,894	2,933	2,955	2,989	3,016	3,031	3,042	3,045
%Chg	1.4	1.3	0.7	1.2	0.9	0.5	0.4	0.1
November 2018	2,892	2,933	2,970	3,021	3,053	3,070	3,080	3,083
%Chg	1.3	1.4	1.3	1.7	1.1	0.5	0.3	0.1
U.S.								
February 2019	144,348	146,611	149,064	151,526	152,965	153,705	154,457	154,857
%Chg	1.8	1.6	1.7	1.7	0.9	0.5	0.5	0.3
November 2018	144,349	146,624	149,011	151,292	152,990	153,849	154,516	154,914
%Chg	1.8	1.6	1.6	1.5	1.1	0.6	0.4	0.3
Average Annual Non-Farm Wage (Current Dollars)								
Minnesota								
February 2019	54,608	56,447	58,307	59,745	61,902	64,324	66,782	69,333
%Chg	1.4	3.4	3.3	2.5	3.6	3.9	3.8	3.8
November 2018	54,641	56,441	58,263	60,430	62,746	65,040	67,505	70,086
%Chg	1.4	3.3	3.2	3.7	3.8	3.7	3.8	3.8
U.S.								
February 2019	55,981	57,662	59,201	60,810	62,988	65,409	68,025	70,789
%Chg	1.1	3.0	2.7	2.7	3.6	3.8	4.0	4.1
November 2018	55,980	57,657	59,423	61,199	63,336	65,695	68,300	71,059
%Chg	1.1	3.0	3.1	3.0	3.5	3.7	4.0	4.0

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

Factors Affecting Tax Revenue

Billions of Current Dollars

	2016	2017	2018	2019	2020	2021	2022	2023
Individual Income Tax (Calendar Year)								
Minnesota Non-Farm Tax Base								
November 2016	232.035	242.225	253.658	265.518	277.610	290.023	-	-
%Chg	3.2	4.4	4.7	4.7	4.6	4.5		
February 2016	232.309	243.150	255.823	269.200	282.015	294.700	-	-
%Chg	3.4	4.7	5.2	5.2	4.8	4.5		
November 2017	231.091	240.262	250.730	262.238	273.810	286.483	-	-
%Chg	2.4	4.0	4.4	4.6	4.4	4.6		
February 2018	231.091	239.871	251.308	264.895	278.045	290.703	-	-
%Chg	2.4	3.8	4.8	5.4	5.0	4.6		
November 2018	234.998	245.757	255.879	270.128	283.230	294.853	306.328	317.443
%Chg	2.4	4.6	4.1	5.6	4.9	4.1	3.9	3.6
February 2019	234.998	245.757	256.473	265.223	276.050	287.260	298.308	308.860
%Chg	2.4	4.6	4.4	3.4	4.1	4.1	3.8	3.5
Minnesota Wage and Salary Disbursements								
November 2016	159.410	166.923	174.843	182.918	191.040	199.655	-	-
%Chg	3.6	4.7	4.7	4.6	4.4	4.5		
February 2017	159.708	167.220	175.853	184.783	193.485	202.568	-	-
%Chg	3.8	4.7	5.2	5.1	4.7	4.7		
November 2017	158.271	165.098	172.785	180.883	188.835	197.095	-	-
%Chg	2.8	4.3	4.7	4.7	4.4	4.4		
February 2018	158.271	164.612	172.513	181.948	191.083	199.903	-	-
%Chg	2.8	4.0	4.8	5.5	5.0	4.6		
November 2018	158.043	165.543	173.057	182.545	191.553	199.645	207.913	216.103
%Chg	2.8	4.7	4.5	5.5	4.9	4.2	4.1	3.9
February 2019	158.043	165.543	172.268	178.590	186.688	194.950	203.150	211.135
%Chg	2.8	4.7	4.1	3.7	4.5	4.4	4.2	3.9
Minnesota Dividends, Interest, & Rental Income								
November 2016	51.865	53.597	56.173	59.217	62.458	65.313	-	-
%Chg	1.8	3.3	4.8	5.4	5.5	4.6		
February 2017	51.865	54.240	57.355	61.071	64.541	67.383	-	-
%Chg	1.9	4.6	5.7	6.5	5.7	4.4		
November 2017	53.309	54.730	56.670	59.403	62.395	66.027	-	-
%Chg	0.9	2.7	3.5	4.8	5.0	5.8		
February 2018	53.309	54.829	57.437	60.563	64.080	67.663	-	-
%Chg	0.9	2.9	4.8	5.4	5.8	5.6		
November 2018	56.012	58.508	61.006	64.055	68.144	71.850	75.269	78.446
%Chg	3.1	4.5	4.3	5.0	6.4	5.4	4.8	4.2
February 2019	56.012	58.508	61.018	63.426	66.346	69.397	72.464	75.269
%Chg	3.1	4.5	4.3	3.9	4.6	4.6	4.4	3.9
Minnesota Non-Farm Proprietors' Income								
November 2016	20.761	21.705	22.645	23.381	24.112	25.056	-	-
%Chg	4.0	4.5	4.3	3.2	3.1	3.9		
February 2017	20.735	21.688	22.616	23.345	23.991	24.748	-	-
%Chg	3.8	4.6	4.3	3.2	2.8	3.2		
November 2017	19.511	20.437	21.275	21.955	22.582	23.362	-	-
%Chg	2.9	4.7	4.1	3.2	2.9	3.5		
February 2018	19.511	20.427	21.362	22.386	22.880	23.136	-	-
%Chg	2.9	4.7	4.6	4.8	2.2	1.1		
November 2018	20.944	21.707	22.666	23.528	23.537	23.358	23.148	22.894
%Chg	-2.2	3.6	4.4	3.8	0.0	-0.8	-0.9	-1.1
February 2019	20.944	21.707	22.701	23.206	23.016	22.912	22.691	22.454
%Chg	-2.2	3.6	4.6	2.2	-0.8	-0.5	-1.0	-1.0

Factors Affecting Tax Revenue (Continued)

Billions of Current Dollars

	2016	2017	2018	2019	2020	2021	2022	2023
			General Sales Tax (Fiscal Year)					
Minnesota Synthetic Sales Tax Base								
November 2016	80.945	82.860	85.645	88.705	91.581	94.852	-	-
%Chg	-1.5	2.4	3.4	3.6	3.2	3.6		
February 2017	80.694	82.573	85.752	89.610	93.010	96.503	-	-
%Chg	-1.6	2.3	3.8	4.5	3.8	3.8		
November 2017	80.998	83.454	86.420	89.633	92.701	95.663	-	-
%Chg	-1.7	3.0	3.6	3.7	3.4	3.2		
February 2018	80.997	83.393	87.307	91.913	95.419	98.733	-	-
%Chg	-1.7	3.0	4.7	5.3	3.8	3.5		
November 2018	81.778	84.611	87.475	91.342	95.257	99.085	102.551	105.200
%Chg	-1.5	3.5	3.4	4.4	4.3	4.0	3.5	2.6
February 2019	81.771	84.564	87.338	90.935	93.813	97.008	100.131	102.589
%Chg	-1.5	3.4	3.3	4.1	3.2	3.4	3.2	2.5
**Historical data revised as a result of comprehensive GDP account revisions*								
Minnesota's Proxy Share of U.S. Consumer Durable Spending (Excluding Autos)								
November 2016	16.030	16.429	16.632	16.998	17.528	18.163	-	-
%Chg	4.3	2.5	1.2	2.2	3.1	3.6		
February 2017	16.029	16.592	16.978	17.700	18.373	19.076	-	-
%Chg	4.3	3.5	2.3	4.3	3.8	3.8		
November 2017	16.122	16.747	17.534	17.822	18.238	18.877	-	-
%Chg	4.5	3.9	4.7	1.6	2.3	3.5		
February 2018	16.122	16.748	17.887	18.580	18.767	19.199	-	-
%Chg	4.5	3.9	6.8	3.9	1.0	2.3		
November 2018	15.117	15.687	16.588	17.591	18.284	18.835	19.293	19.660
%Chg	4.1	3.8	5.7	6.0	3.9	3.0	2.4	1.9
February 2019	15.117	15.687	16.604	17.407	17.914	18.343	18.756	19.090
%Chg	4.1	3.8	5.8	4.8	2.9	2.4	2.2	1.8
Minnesota's Proxy Share of U.S. Capital Equipment Spending								
November 2016	10.931	10.942	11.436	12.041	12.648	13.308	-	-
%Chg	-24.4	0.1	4.5	5.3	5.0	5.2		
February 2017	10.929	10.817	11.320	11.919	12.537	13.157	-	-
%Chg	-24.4	-1.0	4.7	5.3	5.2	4.9		
November 2017	10.620	10.672	11.526	12.021	12.525	12.918	-	-
%Chg	-26.3	0.5	8.0	4.3	4.2	3.1		
February 2018	10.620	10.672	11.646	12.853	13.946	14.919	-	-
%Chg	-26.3	0.5	9.1	10.4	8.5	7.0		
November 2018	11.627	11.994	13.095	13.644	14.260	15.022	15.672	16.008
%Chg	-24.3	3.2	9.2	4.2	4.5	5.3	4.3	2.1
February 2019	11.627	11.994	13.097	13.504	13.811	14.530	15.060	15.323
%Chg	-24.3	3.2	9.2	3.1	2.3	5.2	3.6	1.8
Minnesota's Proxy Share of U.S. Construction Spending								
November 2016	7.814	8.189	8.947	9.361	9.759	10.201	-	-
%Chg	5.2	4.8	9.3	4.6	4.2	4.5		
February 2017	7.766	8.163	8.836	9.241	9.611	10.083	-	-
%Chg	4.6	5.1	8.2	4.6	4.0	4.9		
November 2017	7.679	7.951	8.298	8.884	9.263	9.631	-	-
%Chg	2.1	3.5	4.4	7.1	4.3	4.0		
February 2018	7.679	7.902	8.314	8.888	9.278	9.625	-	-
%Chg	2.1	2.9	5.2	6.9	4.4	3.7		
November 2018	7.875	8.176	8.697	9.097	9.591	9.932	10.234	10.659
%Chg	1.9	3.8	6.4	4.6	5.4	3.6	3.0	4.2
February 2019	7.870	8.127	8.422	8.887	9.268	9.641	9.981	10.443
%Chg	1.9	3.3	3.6	5.5	4.3	4.0	3.5	4.6

Factors Affecting Tax Revenue (Continued)

Billions of Current Dollars

	2016	2017	2018	2019	2020	2021	2022	2023
Corporate Franchise Tax (Calendar Year)								
U.S. Corporate Profits (w/ IVA and capital consumption adjustment, less profits from Federal Reserve)								
February 2016	1,857.1	1,970.2	2,020.1	2,036.4	-	-	-	-
%Chg	-0.3	6.1	2.5	0.8				
November 2016	1,791.7	1,903.6	2,024.9	2,048.5	2,063.0	2,124.3	-	-
%Chg	-7.3	6.2	6.4	1.2	0.7	3.0		
February 2017	1,978.9	2,098.0	2,256.0	2,281.3	2,292.1	2,362.7	-	-
%Chg	2.4	6.0	7.5	1.1	0.5	3.1		
November 2017*	1,978.7	2,114.5	2,218.1	2,316.0	2,402.7	2,496.6	-	-
%Chg	0.7	6.9	4.9	4.4	3.7	3.9		
February 2018	1,978.8	2,159.9	2,314.4	2,352.5	2,425.1	2,525.0	-	-
%Chg	0.7	9.2	7.2	1.6	3.1	4.1		
November 2018	1,944.0	2,066.5	2,247.8	2,371.7	2,413.4	2,483.2	2,551.063	2,622.417
%Chg	2.1	6.3	8.8	5.5	1.8	2.9	2.7	2.8
February 2018	1,944.0	2,066.5	2,246.6	2,267.0	2,312.5	2,401.0	2,477.084	2,543.131
%Chg	2.1	6.3	8.7	0.9	2.0	3.8	3.2	2.7
Deed & Mortgage Tax (Fiscal Year)								
U.S. New and Existing Home Sales (Current $ Value)								
February 2016	1,458.2	1,611.1	1,712.1	1,747.0	-	-	-	-
%Chg	8.7	10.5	6.3	2.0				
November 2016	1,467.9	1,594.5	1,676.9	1,735.6	1,791.9	1,858.7	-	-
%Chg	9.4	8.6	5.2	3.5	3.2	3.7		
February 2017	1,467.9	1,578.4	1,667.0	1,727.5	1,772.3	1,848.5	-	-
%Chg	9.4	7.5	5.6	3.6	2.6	4.3		
November 2017	1,464.4	1,601.7	1,672.2	1,829.1	1,919.1	1,986.1	-	-
%Chg	9.3	9.4	4.4	9.4	4.9	3.5		
February 2018	1,464.4	1,601.7	1,695.3	1,852.9	2,005.1	2,163.4	-	-
%Chg	9.3	9.4	5.8	9.3	8.2	7.9		
November 2018	1,463.5	1,601.2	1,668.4	1,613.9	1,817.3	1,941.5	2,014.8	2,089.7
%Chg	9.3	9.4	4.2	-3.3	12.6	6.8	3.8	3.7
February 2019	1,463.5	1,599.6	1,668.4	1,644.5	1,837.6	1,971.3	2,069.3	2,120.4
%Chg	9.3	9.3	4.3	-1.4	11.7	7.3	5.0	2.5

Current Fiscal Year-to-Date

November 2018 Forecast vs. Actual Revenue Comparison
Fiscal Year-to-Date 2019; July 2018 - January 2019
($ IN THOUSANDS)

	FORECAST REVENUES	ACTUAL REVENUES	VARIANCE ACT-FCST
Individual Income Tax			
Withholding	5,494,203	5,443,758	(50,445)
Declarations	1,427,100	1,109,510	(317,590)
Miscellaneous	421,290	375,987	(45,303)
Gross	7,342,593	6,929,255	(413,338)
Refund	184,789	220,417	35,628
Net	7,157,804	6,708,838	(448,966)
Corporate Franchise Tax			
Declarations	719,532	805,681	86,150
Miscellaneous	171,923	148,183	(23,739)
Gross	891,454	953,864	62,410
Refund	90,064	109,426	19,362
Net	801,390	844,438	43,048
General Sales and Use Tax			
Gross	3,377,723	3,380,976	3,253
Mpls. sales tax transferred to MSFA	1,334	1,321	(12)
Sales Tax Gross	3,379,057	3,382,297	3,241
Refunds (including Indian refunds)	107,172	86,278	(20,893)
Net	3,271,885	3,296,019	24,134
Other Revenues:			
Net Estate	118,581	146,643	28,062
Net Liquor/Wine/Beer	49,095	48,892	(203)
Net Cigarette/Tobacco	375,909	334,875	(41,034)
Deed and Mortgage	132,737	140,289	7,552
Net Insurance Premiums Taxes	191,109	185,726	(5,382)
Net Lawful Gambling	39,199	43,603	4,404
Health Care Surcharge	120,698	120,620	(78)
Other Taxes	2,238	2,267	29
Statewide Property Tax	370,136	371,870	1,734
DHS SOS Collections	43,384	49,602	6,219
Investment Income	33,062	42,324	9,263
Tobacco Settlement	150,604	150,713	109
Dept. Earnings & MSOP Recov.	117,344	116,265	(1,079)
Fines and Surcharges	35,965	34,363	(1,602)
Lottery Revenues	25,272	31,985	6,713
Revenues yet to be allocated	(0)	(2,305)	(2,304)
Residual Revenues	145,456	131,111	(14,346)
County Nursing Home, Pub Hosp IGT		-	
Other Subtotal	1,950,787	1,948,844	(1,943)
Other Refunds	2,593	2,360	(233)
Other Net	1,948,194	1,946,484	(1,710)
Total Gross	**13,563,891**	**13,214,261**	**(349,630)**
Total Refunds	**384,619**	**418,482**	**33,863**
Total Net	**13,179,272**	**12,795,779**	**(383,493)**

The fiscal year to date receipts shown on this table are $9 million less than were reported in the January Revenue Review released Feb 11, 2019. This table reflects information on sales tax receipts that normally would have been included in the January Revenue Review, but became available after the February 11 report was finalized.

FY 2018-19 General Fund Budget

February 2019 Forecast
($ in thousands)

	February FY 2018	February FY 2019	Biennial Total FY 2018-19
Actual & Estimated Resources			
Balance Forward From Prior Year	3,333,262	3,282,980	3,333,262
Current Resources:			
Tax Revenues	21,247,679	21,888,196	43,135,875
Non-Tax Revenues	814,026	845,810	1,659,836
Subtotal - Non-Dedicated Revenue	22,061,705	22,734,006	44,795,711
Dedicated Revenue	1,099	0	1,099
Transfers In	161,151	154,884	316,035
Prior Year Adjustments	72,968	26,547	99,515
Subtotal - Other Revenue	235,218	181,431	416,649
Subtotal-Current Resources	22,296,923	22,915,437	45,212,360
Total Resources Available	**25,630,185**	**26,198,417**	**48,545,622**
Actual & Estimated Spending			
E-12 Education	9,233,048	9,608,244	18,841,292
Higher Education	1,651,198	1,638,894	3,290,092
Property Tax Aids & Credits	1,723,701	1,934,121	3,657,822
Health & Human Services	6,621,621	6,750,429	13,372,050
Public Safety & Judiciary	1,126,081	1,211,911	2,337,992
Transportation	158,052	183,414	341,466
Environment	185,851	170,987	356,838
Agriculture	60,246	66,293	126,539
Jobs, Economic Development, Housing & Commerce	275,394	286,395	561,789
State Government & Veterans	622,626	607,270	1,229,896
Debt Service	563,123	549,785	1,112,908
Capital Projects & Grants	126,217	168,432	294,649
Other	47	0	47
Estimated Cancellations	0	-15,000	-15,000
Total Expenditures & Transfers	**22,347,205**	**23,161,175**	**45,508,380**
Balance Before Reserves	**3,282,980**	**3,037,242**	**3,037,242**
Cash Flow Account	350,000	350,000	350,000
Budget Reserve	1,698,247	2,074,733	2,074,733
Stadium Reserve	44,171	49,595	49,595
Appropriations Carried Forward	211,578	0	0
Budgetary Balance	**978,984**	**562,914**	**562,914**

FY 2018-19 General Fund Budget

February 2019 vs November 2018 Forecast
($ in thousands)

	November FY 2018-19	February FY 2018-19	$ Change
Actual & Estimated Resources			
Balance Forward From Prior Year	3,333,262	3,333,262	0
Current Resources:			
Tax Revenues	43,390,238	43,135,875	-254,363
Non-Tax Revenues	1,603,018	1,659,836	56,818
Subtotal - Non-Dedicated Revenue	44,993,256	44,795,711	-197,545
Dedicated Revenue	1,099	1,099	0
Transfers In	316,035	316,035	0
Prior Year Adjustments	99,580	99,515	-65
Subtotal - Other Revenue	416,714	416,649	-65
Subtotal-Current Resources	45,409,970	45,212,360	-197,610
Total Resources Available	**48,743,232**	**48,545,622**	**-197,610**
Actual & Estimated Spending			
E-12 Education	18,844,711	18,841,292	-3,419
Higher Education	3,290,092	3,290,092	0
Property Tax Aids & Credits	3,664,019	3,657,822	-6,197
Health & Human Services	13,403,320	13,372,050	-31,270
Public Safety & Judiciary	2,337,992	2,337,992	0
Transportation	341,466	341,466	0
Environment	356,838	356,838	0
Agriculture	126,539	126,539	0
Jobs, Economic Development, Housing & Commerce	561,779	561,789	10
State Government & Veterans	1,229,906	1,229,896	-10
Debt Service	1,112,908	1,112,908	0
Capital Projects & Grants	294,515	294,649	134
Other	47	47	0
Estimated Cancellations	-15,000	-15,000	0
Total Expenditures & Transfers	**45,549,132**	**45,508,380**	**-40,752**
Balance Before Reserves	**3,194,100**	**3,037,242**	**-156,858**
Cash Flow Account	350,000	350,000	0
Budget Reserve	2,074,733	2,074,733	0
Stadium Reserve	49,660	49,595	-65
Appropriations Carried Forward	0	0	0
Budgetary Balance	**719,707**	**562,914**	**-156,793**

FY 2020-21 General Fund Budget

February 2019 Forecast
($ in thousands)

	February FY 2020	February FY 2021	Biennial Total FY 2020-21
Actual & Estimated Resources			
Balance Forward From Prior Year	3,037,242	3,040,459	3,037,242
Current Resources:			
Tax Revenues	22,580,716	23,480,979	46,061,695
Non-Tax Revenues	758,826	751,888	1,510,714
Subtotal - Non-Dedicated Revenue	23,339,542	24,232,867	47,572,409
Dedicated Revenue	0	0	0
Transfers In	152,614	152,611	305,225
Prior Year Adjustments	26,497	37,045	63,542
Subtotal - Other Revenue	179,111	189,656	368,767
Subtotal-Current Resources	23,518,653	24,422,523	47,941,176
Total Resources Available	**26,555,895**	**27,462,982**	**50,978,418**
Actual & Estimated Spending			
E-12 Education	9,694,824	9,857,959	19,552,783
Higher Education	1,627,914	1,627,914	3,255,828
Property Tax Aids & Credits	1,816,676	1,922,220	3,738,896
Health & Human Services	7,408,356	7,466,297	14,874,653
Public Safety & Judiciary	1,173,881	1,176,821	2,350,702
Transportation	123,706	123,749	247,455
Environment	162,156	162,073	324,229
Agriculture	61,126	61,126	122,252
Jobs, Economic Development, Housing & Commerce	185,947	199,510	385,457
State Government & Veterans	551,617	547,319	1,098,936
Debt Service	583,865	614,942	1,198,807
Capital Projects & Grants	130,368	142,602	272,970
Estimated Cancellations	-5,000	-15,000	-20,000
Total Expenditures & Transfers	**23,515,436**	**23,887,532**	**47,402,968**
Balance Before Reserves	**3,040,459**	**3,575,450**	**3,575,450**
Cash Flow Account	350,000	350,000	350,000
Budget Reserve	2,074,733	2,074,733	2,074,733
Stadium Reserve	62,297	98,389	98,389
Appropriations Carried Forward	0	0	0
Budgetary Balance	**553,429**	**1,052,328**	**1,052,328**

Biennial Comparison

February 2019 Forecast
($ in thousands)

	February FY 2018-19	February FY 2020-21	$ Change
Actual & Estimated Resources			
Balance Forward From Prior Year	3,333,262	3,037,242	-296,020
Current Resources:			
Tax Revenues	43,135,875	46,061,695	2,925,820
Non-Tax Revenues	1,659,836	1,510,714	-149,122
Subtotal - Non-Dedicated Revenue	44,795,711	47,572,409	2,776,698
Dedicated Revenue	1,099	0	-1,099
Transfers In	316,035	305,225	-10,810
Prior Year Adjustments	99,515	63,542	-35,973
Subtotal - Other Revenue	416,649	368,767	-47,882
Subtotal-Current Resources	45,212,360	47,941,176	2,728,816
Total Resources Available	**48,545,622**	**50,978,418**	**2,432,796**
Actual & Estimated Spending			
E-12 Education	18,841,292	19,552,783	711,491
Higher Education	3,290,092	3,255,828	-34,264
Property Tax Aids & Credits	3,657,822	3,738,896	81,074
Health & Human Services	13,372,050	14,874,653	1,502,603
Public Safety & Judiciary	2,337,992	2,350,702	12,710
Transportation	341,466	247,455	-94,011
Environment	356,838	324,229	-32,609
Agriculture	126,539	122,252	-4,287
Jobs, Economic Development, Housing & Commerce	561,789	385,457	-176,332
State Government & Veterans	1,229,896	1,098,936	-130,960
Debt Service	1,112,908	1,198,807	85,899
Capital Projects & Grants	294,649	272,970	-21,679
Other	47	0	-47
Estimated Cancellations	-15,000	-20,000	-5,000
Total Expenditures & Transfers	**45,508,380**	**47,402,968**	**1,894,588**
Balance Before Reserves	**3,037,242**	**3,575,450**	**538,208**
Cash Flow Account	350,000	350,000	0
Budget Reserve	2,074,733	2,074,733	0
Stadium Reserve	49,595	98,389	48,794
Appropriations Carried Forward	0	0	0
Budgetary Balance	**562,914**	**1,052,328**	**489,414**

FY 2020-21 General Fund Budget

February 2019 vs November 2018 Forecast
($ in thousands)

	November FY 2020-21	February FY 2020-21	$ Change
Actual & Estimated Resources			
Balance Forward From Prior Year	3,194,100	3,037,242	-156,858
Current Resources:			
Tax Revenues	46,487,232	46,061,695	-425,537
Non-Tax Revenues	1,470,804	1,510,714	39,910
Subtotal - Non-Dedicated Revenue	47,958,036	47,572,409	-385,627
Dedicated Revenue	0	0	0
Transfers In	305,225	305,225	0
Prior Year Adjustments	63,450	63,542	92
Subtotal - Other Revenue	368,675	368,767	92
Subtotal-Current Resources	48,326,711	47,941,176	-385,535
Total Resources Available	**51,520,811**	**50,978,418**	**-542,393**
Actual & Estimated Spending			
E-12 Education	19,600,659	19,552,783	-47,876
Higher Education	3,255,828	3,255,828	0
Property Tax Aids & Credits	3,709,687	3,738,896	29,209
Health & Human Services	14,904,596	14,874,653	-29,943
Public Safety & Judiciary	2,350,702	2,350,702	0
Transportation	247,455	247,455	0
Environment	324,222	324,229	7
Agriculture	122,252	122,252	0
Jobs, Economic Development, Housing & Commerce	386,364	385,457	-907
State Government & Veterans	1,099,375	1,098,936	-439
Debt Service	1,199,210	1,198,807	-403
Capital Projects & Grants	273,511	272,970	-541
Estimated Cancellations	-20,000	-20,000	0
Total Expenditures & Transfers	**47,453,861**	**47,402,968**	**-50,893**
Balance Before Reserves	**4,066,950**	**3,575,450**	**-491,500**
Cash Flow Account	350,000	350,000	0
Budget Reserve	2,074,733	2,074,733	0
Stadium Reserve	98,362	98,389	27
Appropriations Carried Forward	0	0	0
Budgetary Balance	**1,543,855**	**1,052,328**	**-491,527**

FY 2022-23 General Fund Budget

February 2019 Forecast
($ in thousands)

	February FY 2022	February FY 2023	Biennial Total FY 2022-23
Actual & Estimated Resources			
Balance Forward From Prior Year	3,575,450	3,525,766	3,575,450
Current Resources:			
Tax Revenues	23,995,178	24,583,846	48,579,024
Non-Tax Revenues	740,789	736,112	1,476,901
Subtotal - Non-Dedicated Revenue	24,735,967	25,319,958	50,055,925
Dedicated Revenue	0	0	0
Transfers In	30,689	30,771	61,460
Prior Year Adjustments	37,243	37,243	74,486
Subtotal - Other Revenue	67,932	68,014	135,946
Subtotal-Current Resources	24,803,899	25,387,972	50,191,871
Total Resources Available	**28,379,349**	**28,913,738**	**53,767,321**
Actual & Estimated Spending			
E-12 Education	10,039,881	10,208,754	20,248,635
Higher Education	1,627,914	1,627,914	3,255,828
Property Tax Aids & Credits	1,955,697	1,988,397	3,944,094
Health & Human Services	8,181,097	8,498,664	16,679,761
Public Safety & Judiciary	1,174,453	1,176,184	2,350,637
Transportation	123,792	123,792	247,584
Environment	162,121	162,118	324,239
Agriculture	61,126	61,126	122,252
Jobs, Economic Development, Housing & Commerce	200,139	203,259	403,398
State Government & Veterans	545,948	547,623	1,093,571
Debt Service	639,960	620,411	1,260,371
Capital Projects & Grants	146,455	146,242	292,697
Estimated Cancellations	-5,000	-15,000	-20,000
Total Expenditures & Transfers	**24,853,583**	**25,349,484**	**50,203,067**
Balance Before Reserves	**3,525,766**	**3,564,254**	**3,564,254**
Cash Flow Account	350,000	350,000	350,000
Budget Reserve	2,074,733	2,074,733	2,074,733
Stadium Reserve	142,117	193,170	193,170
Appropriations Carried Forward	0	0	0
Budgetary Balance	**958,916**	**946,351**	**946,351**

Biennial Comparison

February 2019 Forecast
($ in thousands)

	February FY 2020-21	February FY 2022-23	$ Change
Actual & Estimated Resources			
Balance Forward From Prior Year	3,037,242	3,575,450	538,208
Current Resources:			
Tax Revenues	46,061,695	48,579,024	2,517,329
Non-Tax Revenues	1,510,714	1,476,901	-33,813
Subtotal - Non-Dedicated Revenue	47,572,409	50,055,925	2,483,516
Dedicated Revenue	0	0	0
Transfers In	305,225	61,460	-243,765
Prior Year Adjustments	63,542	74,486	10,944
Subtotal - Other Revenue	368,767	135,946	-232,821
Subtotal-Current Resources	47,941,176	50,191,871	2,250,695
Total Resources Available	**50,978,418**	**53,767,321**	**2,788,903**
Actual & Estimated Spending			
E-12 Education	19,552,783	20,248,635	695,852
Higher Education	3,255,828	3,255,828	0
Property Tax Aids & Credits	3,738,896	3,944,094	205,198
Health & Human Services	14,874,653	16,679,761	1,805,108
Public Safety & Judiciary	2,350,702	2,350,637	-65
Transportation	247,455	247,584	129
Environment	324,229	324,239	10
Agriculture	122,252	122,252	0
Jobs, Economic Development, Housing & Commerce	385,457	403,398	17,941
State Government & Veterans	1,098,936	1,093,571	-5,365
Debt Service	1,198,807	1,260,371	61,564
Capital Projects & Grants	272,970	292,697	19,727
Estimated Cancellations	-20,000	-20,000	0
Total Expenditures & Transfers	**47,402,968**	**50,203,067**	**2,800,099**
Balance Before Reserves	**3,575,450**	**3,564,254**	**-11,196**
Cash Flow Account	350,000	350,000	0
Budget Reserve	2,074,733	2,074,733	0
Stadium Reserve	98,389	193,170	94,781
Appropriations Carried Forward	0	0	0
Budgetary Balance	**1,052,328**	**946,351**	**-105,977**

FY 2022-23 General Fund Budget

February 2019 vs November 2018 Forecast
($ in thousands)

	November FY 2022-23	February FY 2022-23	$ Change
Actual & Estimated Resources			
Balance Forward From Prior Year	4,066,950	3,575,450	-491,500
Current Resources:			
Tax Revenues	49,162,348	48,579,024	-583,324
Non-Tax Revenues	1,436,776	1,476,901	40,125
Subtotal - Non-Dedicated Revenue	50,599,124	50,055,925	-543,199
Dedicated Revenue	0	0	0
Transfers In	61,460	61,460	0
Prior Year Adjustments	74,486	74,486	0
Subtotal - Other Revenue	135,946	135,946	0
Subtotal-Current Resources	50,735,070	50,191,871	-543,199
Total Resources Available	**54,802,020**	**53,767,321**	**-1,034,699**
Actual & Estimated Spending			
E-12 Education	20,280,647	20,248,635	-32,012
Higher Education	3,255,828	3,255,828	0
Property Tax Aids & Credits	3,881,803	3,944,094	62,291
Health & Human Services	16,776,181	16,679,761	-96,420
Public Safety & Judiciary	2,350,637	2,350,637	0
Transportation	247,584	247,584	0
Environment	324,236	324,239	3
Agriculture	122,252	122,252	0
Jobs, Economic Development, Housing & Commerce	412,952	403,398	-9,554
State Government & Veterans	1,094,462	1,093,571	-891
Debt Service	1,258,348	1,260,371	2,023
Capital Projects & Grants	293,694	292,697	-997
Estimated Cancellations	-20,000	-20,000	0
Total Expenditures & Transfers	**50,278,624**	**50,203,067**	**-75,557**
Balance Before Reserves	**4,523,396**	**3,564,254**	**-959,142**
Cash Flow Account	350,000	350,000	0
Budget Reserve	2,074,733	2,074,733	0
Stadium Reserve	193,142	193,170	28
Appropriations Carried Forward	0	0	0
Budgetary Balance	**1,905,521**	**946,351**	**-959,170**

FY 2018-23 Planning Horizon

February 2019 Forecast
($ in thousands)

	February FY 2018-19	February FY 2020-21	February FY 2022-23
Actual & Estimated Resources			
Balance Forward From Prior Year	3,333,262	3,037,242	3,575,450
Current Resources:			
Tax Revenues	43,135,875	46,061,695	48,579,024
Non-Tax Revenues	1,659,836	1,510,714	1,476,901
Subtotal - Non-Dedicated Revenue	44,795,711	47,572,409	50,055,925
Dedicated Revenue	1,099	0	0
Transfers In	316,035	305,225	61,460
Prior Year Adjustments	99,515	63,542	74,486
Subtotal - Other Revenue	416,649	368,767	135,946
Subtotal-Current Resources	45,212,360	47,941,176	50,191,871
Total Resources Available	**48,545,622**	**50,978,418**	**53,767,321**
Actual & Estimated Spending			
E-12 Education	18,841,292	19,552,783	20,248,635
Higher Education	3,290,092	3,255,828	3,255,828
Property Tax Aids & Credits	3,657,822	3,738,896	3,944,094
Health & Human Services	13,372,050	14,874,653	16,679,761
Public Safety & Judiciary	2,337,992	2,350,702	2,350,637
Transportation	341,466	247,455	247,584
Environment	356,838	324,229	324,239
Agriculture	126,539	122,252	122,252
Jobs, Economic Development, Housing & Commerce	561,789	385,457	403,398
State Government & Veterans	1,229,896	1,098,936	1,093,571
Debt Service	1,112,908	1,198,807	1,260,371
Capital Projects & Grants	294,649	272,970	292,697
Other	47	0	0
Estimated Cancellations	-15,000	-20,000	-20,000
Total Expenditures & Transfers	**45,508,380**	**47,402,968**	**50,203,067**
Balance Before Reserves	**3,037,242**	**3,575,450**	**3,564,254**
Cash Flow Account	350,000	350,000	350,000
Budget Reserve	2,074,733	2,074,733	2,074,733
Stadium Reserve	49,595	98,389	193,170
Appropriations Carried Forward	0	0	0
Budgetary Balance	**562,914**	**1,052,328**	**946,351**

Historical and Projected Revenue Growth

February 2019 Forecast - General Fund
($ in millions)

	Actual FY 2016	Actual FY 2017	Actual FY 2018	Forecast FY 2019	Forecast FY 2020	Forecast FY 2021	Forecast FY 2022	Forecast FY 2023	Average Annual
Individual Income Tax	$10,739	$10,931	$11,784	$11,947	$12,523	$13,182	$13,431	$13,764	
$ change	335	192	852	164	576	660	249	333	
% change	**3.2%**	**1.8%**	**7.8%**	**1.4%**	**4.8%**	**5.3%**	**1.9%**	**2.5%**	**3.6%**
Sales Tax	$5,233	$5,405	$5,453	$5,671	$5,806	$6,051	$6,278	$6,456	
$ change	101	172	48	217	136	244	228	177	
% change	**2.0%**	**3.3%**	**0.9%**	**4.0%**	**2.4%**	**4.2%**	**3.8%**	**2.8%**	**3.0%**
Corporate Tax	$1,473	$1,205	$1,315	$1,519	$1,479	$1,433	$1,426	$1,449	
$ change	18	(268)	109	204	(40)	(46)	(7)	23	
% change	**1.2%**	**-18.2%**	**9.1%**	**15.5%**	**-2.6%**	**-3.1%**	**-0.5%**	**1.6%**	**-0.2%**
Statewide Property Tax	$854	$858	$811	$809	$821	$817	$817	$817	
$ change	16	4	(47)	(2)	12	(4)	(0)	0	
% change	**1.9%**	**0.5%**	**-5.5%**	**-0.3%**	**1.5%**	**-0.4%**	**0.0%**	**0.0%**	**-0.6%**
Other Tax Revenue	$1,812	$1,833	$1,885	$1,943	$1,952	$1,998	$2,043	$2,098	
$ change	53	21	53	57	9	46	45	55	
% change	**3.0%**	**1.1%**	**2.9%**	**3.0%**	**0.5%**	**2.4%**	**2.3%**	**2.7%**	**2.1%**
Total Tax Revenue	$20,110	$20,233	$21,248	$21,888	$22,581	$23,481	$23,995	$24,584	
$ change	524	122	1,015	641	693	900	514	589	
% change	**2.7%**	**0.6%**	**5.0%**	**3.0%**	**3.2%**	**4.0%**	**2.2%**	**2.5%**	**2.9%**
Non-Tax Revenues	$779	$819	$814	$846	$759	$752	$741	$736	
$ change	27	40	(5)	32	(87)	(7)	(11)	(5)	
% change	**3.5%**	**5.1%**	**-0.6%**	**3.9%**	**-10.3%**	**-0.9%**	**-1.5%**	**-0.6%**	**-0.8%**
Transfers, All Other	$262	$282	$235	$181	$179	$190	$68	$68	
$ change	91	20	(47)	(54)	(2)	11	(122)	0	
% change	**53.6%**	**7.8%**	**-16.6%**	**-22.9%**	**-1.3%**	**5.9%**	**-64.2%**	**0.1%**	**-17.5%**
Total Revenue	$21,151	$21,334	$22,297	$22,915	$23,519	$24,423	$24,804	$25,388	
$ change	642	182	963	619	603	904	381	584	
% change	**3.1%**	**0.9%**	**4.5%**	**2.8%**	**2.6%**	**3.8%**	**1.6%**	**2.4%**	**2.6%**

Historical and Projected Spending Growth

February 2019 Forecast - General Fund
($ in millions)

	Actual FY 2016	Actual FY 2017	Actual FY 2018	Forecast FY 2019	Forecast FY 2020	Forecast FY 2021	Forecast FY 2022	Forecast FY 2023	Average Annual
E-12 Education	$8,507	$8,901	$9,233	$9,608	$9,695	$9,858	$10,040	$10,209	
$ change	319	394	332	375	87	163	182	169	
% change	**3.9%**	**4.6%**	**3.7%**	**4.1%**	**0.9%**	**1.7%**	**1.8%**	**1.7%**	**2.6%**
Higher Education	$1,529	$1,556	$1,651	$1,639	$1,628	$1,628	$1,628	$1,628	
$ change	77	27	95	(12)	(11)	-	-	-	
% change	**5.3%**	**1.7%**	**6.1%**	**-0.7%**	**-0.7%**	**0.0%**	**0.0%**	**0.0%**	**0.9%**
Prop. Tax Aids & Credits	$1,646	$1,675	$1,724	$1,934	$1,817	$1,922	$1,956	$1,988	
$ change	33	29	49	210	(117)	106	33	33	
% change	**2.1%**	**1.8%**	**2.9%**	**12.2%**	**-6.1%**	**5.8%**	**1.7%**	**1.7%**	**2.7%**
Health & Human Services	$5,601	$5,944	$6,622	$6,750	$7,408	$7,466	$8,181	$8,499	
$ change	(590)	343	678	129	658	58	715	318	
% change	**-9.5%**	**6.1%**	**11.4%**	**1.9%**	**9.7%**	**0.8%**	**9.6%**	**3.9%**	**6.1%**
Public Safety & Judiciary	$1,041	$1,133	$1,126	$1,212	$1,174	$1,177	$1,174	$1,176	
$ change	6	92	(7)	86	(38)	3	(2)	2	
% change	**0.6%**	**8.9%**	**-0.6%**	**7.6%**	**-3.1%**	**0.3%**	**-0.2%**	**0.1%**	**1.8%**
Debt Service	$609	$529	$563	$550	$584	$615	$640	$620	
$ change	(14)	(80)	34	(13)	34	31	25	(20)	
% change	**-2.3%**	**-13.1%**	**6.4%**	**-2.4%**	**6.2%**	**5.3%**	**4.1%**	**-3.1%**	**0.3%**
All Other	$1,218	$1,300	$1,428	$1,468	$1,210	$1,221	$1,235	$1,229	
$ change	28	82	128	39	(258)	11	13	(5)	
% change	**2.4%**	**6.8%**	**9.9%**	**2.8%**	**-17.6%**	**0.9%**	**1.1%**	**-0.4%**	**0.1%**
Total Spending	$20,152	$21,039	$22,347	$23,161	$23,515	$23,888	$24,854	$25,349	
$ change	(141)	887	1,308	814	354	372	966	496	
% change	**-0.7%**	**4.4%**	**6.2%**	**3.6%**	**1.5%**	**1.6%**	**4.0%**	**2.0%**	**3.3%**