BUDGET AND ECONOMIC FORECAST

MINNESOTA

FEBRUARY 2021

Produced by Minnesota Management and Budget

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Statutory Provisions

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

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

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

Notes

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

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

Wage and price inflation is included in revenue estimates.

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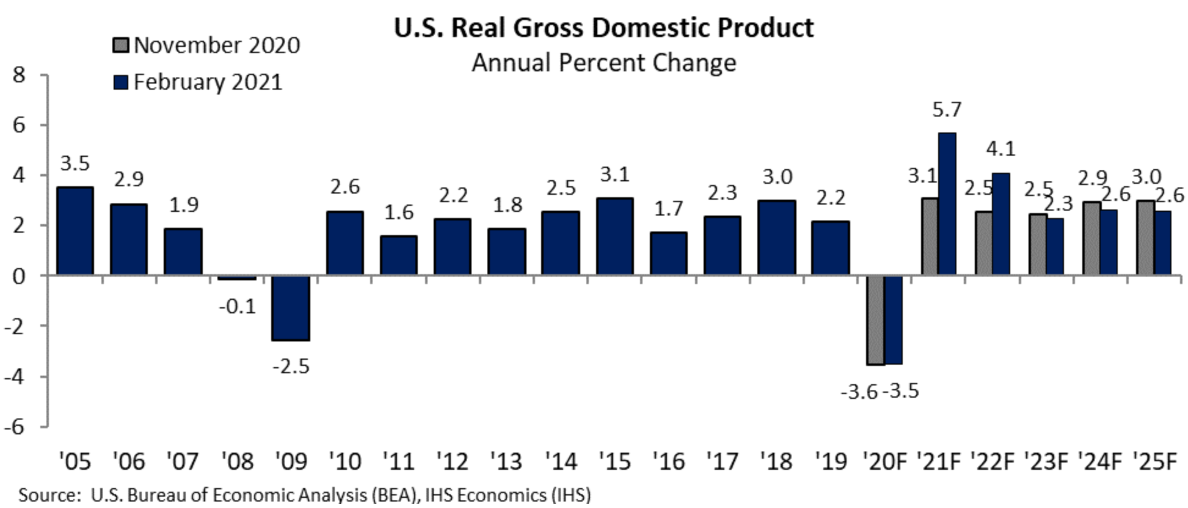
EXECUTIVE SUMMARY

An improved U.S. economic outlook, supported by federal pandemic relief legislation not in the November forecast assumptions, bolsters the state budget outlook, resulting in a projected positive budgetary balance of $1.571 billion for the FY 2022-23 biennium. The improved economic outlook raises the revenue forecast, and state spending estimates are adjusted downward due to continued federal support in Medical Assistance and lower estimates for E-12 education. An increase to the projected surplus in the current biennium adds to the significantly improved bottom line for the next biennium. As in November, changes to the economy have not been spread equally, as unemployment continues to disproportionately impact lower-wage workers.

U.S. Economic Outlook. The outlook for U.S. real GDP growth in 2021 has improved since Minnesota's *Budget and Economic Forecast* was prepared in November 2020. IHS now expects U.S. real GDP, boosted by federal pandemic relief payments, to grow 5.7 percent in 2021, a 2.6 percentage point increase from IHS' November baseline forecast. IHS expects GDP growth to decelerate to 4.1 percent in 2022, up from 2.5 percent in the November forecast. IHS expects real GDP to regain its pre-pandemic peak in 2021 and the U.S. unemployment rate to reach a low point of 3.5 percent in late 2024.



IHS now expects U.S. real GDP, boosted by federal pandemic relief payments, to grow 5.7 percent in 2021, a 2.6 percentage point increase from IHS' November baseline forecast. IHS expects GDP to grow 4.1 percent in 2022, followed by 2.3 percent in 2023, and 2.6 percent in both 2024 and 2025.

The improvement in IHS' 2021 outlook from November to February is the net effect of federal pandemic relief, higher than expected consumer spending in January coinciding with the second round of stimulus checks, higher than expected real GDP growth in the last quarter of CY 2020, improving COVID-19 rates allowing the relaxation of some restrictions on activity, and progress in the national vaccination campaign. The February forecast reflects the impact of two rounds of federal pandemic relief that were not included in the November forecast: (1) the $900 billion package Congress passed on December 27, 2020, and (2) $1.5 trillion of additional pandemic relief from a proposal that Congress is considering now, and that IHS expects to be enacted by mid-March.

The U.S. outlook remains volatile and uncertain and depends critically on the path of the pandemic. In this forecast, IHS assumes that the rate of COVID-19 infections continues to recede following a peak in mid-January 2021. IHS now expects widespread, effective vaccination of the population will be achieved by the fall. In November they assumed the U.S. would reach this milestone in the summer.

Additional federal stimulus and an improving COVID-19 situation have prompted IHS to raise the forecast for real consumer spending. After a decline of 3.9 percent in 2020, IHS expects spending to grow 6.0 percent in 2021, an increase of 2.4 percentage points from their November forecast. IHS also expects strong growth in 2022 at 4.3 percent, which is nearly twice the rate they forecast in November. They forecast 3.0 percent average annual growth from 2023 to 2025.

In February 2020, there were 152.5 million payroll jobs in the U.S. In January 2021, there were 142.6 million payroll jobs. A 9.9 million gap in payroll employment remains, or a 6.5 percent drop in total employment. At the depth of the last recession, payroll employment declined by about 6.3 percent. IHS forecasts payroll employment to increase by three million in 2021, 5.4 million in 2022, and decelerate to an average of 1.8 million jobs added from 2023 through 2025. IHS expects payroll jobs to surpass pre-pandemic levels in mid-2022, the unemployment rate to fall to 4.0 percent by late 2022, and the unemployment rate to reach a low point of 3.5 percent in late 2024.

According to the U. S. Bureau of Labor Statistics (BLS), almost 4.3 million individuals have left the U.S. labor force since February of last year, or 2.6 percent of the pre-pandemic labor force. In January alone, 406,000 individuals left the labor force, including people who stopped looking for work altogether. January's labor force participation rate, the proportion of potential workers who were employed or unemployed and actively seeking employment, was 61.4 percent, the lowest since 1976, other than April and May of 2020. This low January rate is not a recent outlier—the labor force participation rate has averaged 61.5 percent over the eight months since May.

The sector of the U.S. economy most affected by the pandemic has been the services that require a high level of face-to-face, personal interaction. Employment in the leisure and hospitality industry fell from 16.9 million to 8.7 million in March and April, bottoming out at just over half of its pre-pandemic workforce. At the end of January, leisure and hospitality employment was still 23 percent lower than it was in February, while employment in all other sectors was only 4.4 percent lower.

Minnesota Economic Outlook. Driven by a stronger U.S. forecast, the economic outlook for Minnesota has improved since MMB's *Budget and Economic Forecast* was prepared in November 2020. The pandemic-induced economic downturn that began in February of 2020 brought severe disruptions to Minnesota's economy. During 2020, the state experienced job and wage income losses, a reduced labor force, changes in consumer spending patterns, and business closures. In this forecast, an improved outlook for U.S. economic growth in 2021 and 2022 that is supported by federal pandemic relief spending drives our expectation that Minnesota's job and wage losses of 2020 will be followed by positive employment and wage growth through our forecast period.

In March and April 2020, as the pandemic was taking hold and economic activity was being restricted to slow spread of COVID-19, Minnesota lost 388,000 jobs, approximately 13 percent of February 2020 employment. The state began adding jobs in May, and through December 140,000 of the jobs lost in the early spring had been recovered. As of December, Minnesota had 248,000 (8.0 percent) fewer jobs than in February.

Of Minnesota's overall employment decline, the largest gaps are in the industries most affected by social distancing and containment measures, particularly services that require a high level of face-to-face, personal interaction. Between February and December 2020, Minnesota's leisure and hospitality sector—made up of accommodation and food services and arts, entertainment, and recreation—lost 123,400 jobs, 44 percent of the sector's February employment. Job losses in leisure and hospitality have disproportionately impacted low-income workers. Workers in the sector earn $17.33 per hour on average compared to a $32.24 per hour average for the private sector as a whole.

Minnesota's unemployment rate has fallen since the peak of unemployment in May, when the unemployment rate reached an unprecedented 9.9 percent. In December, the state unemployment rate fell to 4.4 percent, down from 4.5 in November on a seasonally adjusted basis, and 2.3 percentage points below the U.S. unemployment rate of 6.7 percent. In December, the decline in the unemployment rate was the result of a reduction in the labor force, rather than from unemployed job-seekers moving into employment. Since the onset of the pandemic, Minnesota's labor force has fallen by 102,000.

Budget Outlook: Current Biennium. The November 2020 Budget and Economic Forecast, adjusted for appropriations made for pandemic response and business relief in the December 2020 special legislative session, projected the current biennium would end with a surplus of $394 million. With this forecast, increased revenue projections and slightly lower spending estimates result in an estimated surplus of $940 million, an improvement of $546 million.

Next Biennium: FY 2020-21 General Fund Budget

Forecast Comparison

($ in millions)	**December 2020 End of Session**	**February 2021 Forecast**	**$ Change**
Beginning Balance	**$3,971**	**$3,971**	**$ -**
Revenues	47,100	47,563	463
Expenditures	47,870	47,786	(83)
Budget Reserve Account	2,377	2,377	-
Cash Flow Account	350	350	-
Stadium Reserve	81	81	-
Budgetary Balance	**$394**	**$940**	**$546**

Revenues. Total general fund revenues for FY 2020-21 are now forecast to be $47.563 billion, $463 million (1.0 percent) more than the November 2020 forecast. Total tax revenues for the biennium are forecast to be $45.122 billion, $287 million (0.6 percent) above the prior estimate. The income tax forecast is lower than in November, and forecasts for all the other major tax types are higher.

Current Biennium: FY 2020-21 General Fund Revenues
Change from November 2020 Forecast

($ in millions)	November 2020 Forecast	February 2021 Forecast	$ Change	% Change
Individual Income Tax	$24,764	$24,664	$(100)	(0.4)%
General Sales Tax	11,501	11,578	77	0.7
Corporate Franchise Tax	3,074	3,312	238	7.7
State General Property Tax	1,554	1,558	4	0.3
Other Tax Revenue	3,942	4,010	68	1.7
Total Tax Revenues	**$44,835**	**45,122**	**287**	**0.6%**
Non-Tax Revenues	1,543	1,589	46	3.0
Other Resources	722	852	130	18.0
Total Revenues	**$47,100**	**$47,563**	**$463**	**1.0%**

Net individual income tax receipts for the current biennium are now forecast to be $100 million (0.4 percent) less than the prior forecast. So far in FY 2021, net income tax receipts are $198 million above our prior forecast. A lower estimate for tax liability in 2019, the base year of this forecast, and other forecast adjustments offset the fiscal-year-to-date positive variance to lower the income tax forecast for the remainder of FY 2021.

So far in FY 2021, estimated income tax payments are about $161 million higher than our prior forecast. We think some of this positive variance is due to business owners' uncertainty about their tax liability for TY 2020. By lowering our income tax forecast for FY 2021, despite the higher estimated payments, we are assuming that these taxpayers will make lower final payments or request higher refunds once they have more clarity about their TY 2020 liability.

General sales tax revenue in FY 2020-21 is now forecast to be $77 million (0.7 percent) higher than the November forecast. Higher forecast gross receipts and lower expected refunds both contribute to this change. Gross sales tax receipts are now forecast to be $50 million (0.4 percent) more than the prior estimate.

Two main factors contribute to the higher forecast for gross sales tax receipts. First, so far in FY 2021, gross sales tax receipts are $29 million (0.8 percent) higher than we forecast in November, raising the base for this forecast. Second, we construct Minnesota's synthetic (or proxy) sales tax base from forecasts for U.S. spending on a wide range of taxable goods and services. The U.S. components of the base grow faster in CY 2021 in this forecast than in our November forecast. The synthetic sales tax base is now forecast to grow 3.4 percent in FY 2021 compared to 2.6 percent growth in the November forecast.

The corporate franchise tax is forecast to generate $238 million (7.7 percent) more in FY 2020-21 than the prior forecast. The forecast change is due to a higher base of corporate receipts and higher expected growth in corporate profits in CY 2021.

Expenditures. Spending estimates overall for FY 2020-21 are reduced from prior estimates for the biennium. Expenditures in the current biennium are now expected to be $47.786 billion, a reduction of $83 million (0.2 percent) from December end of session estimates.

Current Biennium: FY 2020-21 General Fund Expenditures
Forecast Comparison

($ in millions)	**December 2020 End of Session**	**February 2021 Forecast**	**$ Change**	**% Change**
E-12 Education	$19,881	$19,842	$(39)	(0.2)%
Property Tax Aids & Credits	3,993	3,991	(2)	(0.1)
Health & Human Services	13,772	13,718	(54)	(0.4)
Debt Service	1,056	1,056	0	0.0
All Other	9,168	9,179	11	0.1
Total Expenditures	**$47,870**	**$47,786**	**$(83)**	**(0.2)%**

Lower expenditure estimates in health and human services are the largest driver of change in the current biennium. This is due primarily to decreases in utilization within the Child Care Assistance Program (CCAP). A $39 million decline in estimated spending for E-12 education accounts for nearly all the remaining reduction in FY 2020-21. This decrease is largely attributable to lower actual student counts than prior projections. All other areas of the state budget were relatively unchanged from previous estimates.

General Fund Savings: COVID Federal Funding Source Reallocation. Included in this forecast is the recognition of general fund savings related to reallocating state spending to federal funding sources. In total $106 million in general fund savings, $90 million more than previously recognized, is reflected for the FY 2020-21 biennium. Federal sources included in the reallocation include the Coronavirus Relief Fund and Federal Emergency Management Agency (FEMA) reimbursement for eligible state pandemic response spending.

General Fund Impact of COVID Federal Funding Source Reallocations
$ in millions

	FY 2020-21
COVID-19 MN Fund Balance Transfer	$17
HealthCare Response Fund Balance Transfer	66
Reallocated General Fund Spending to CRF	11
National Guard COVID FEMA Reimbursement	10
DHS General Fund FEMA Reimbursement	1
Total General Fund Impact[1]	$106

[1] Of the $11.339 million total reallocated general fund spending to the CRF, $10 million was recognized previously in the November forecast. Of the $10.326 million FEMA reimbursement for National Guard COVID response, $5.941 million was previously recognized in the November forecast.

Budget Outlook: Next Biennium. A balance of $1.571 billion is now projected for the FY 2022-23 biennium, an improvement of $2.454 billion compared to prior estimates. Forecast revenue in the next biennium is expected to be $50.917 billion, $1.423 billion (2.9 percent) higher than prior estimates. Base level spending, before the adoption of a budget for the next biennium, is estimated to be $50.657 billion, $455 million (0.9 percent) lower than prior estimates. The balance of the budget reserve and cash flow accounts is unchanged from prior estimates and the stadium reserve account is projected to grow at a slower rate.

Next Biennium: FY 2022-23 General Fund Budget
Forecast Comparison

($ in millions)	**December 2020 End of Session**	**February 2021 Forecast**	**$ Change**
Beginning Balance	**$3,202**	**$3,748**	**$546**
Revenues	49,494	50,917	1,423
Expenditures	51,113	50,657	(455)
Budget Reserve Account	1,866	1,886	-
Cash Flow Account	350	350	-
Stadium Reserve	230	201	(29)
Budgetary Balance	**$(883)**	**$1,571**	**$2,454**

Of the $1.571 billion balance for the next biennium, $260 million is due to the amount forecast revenues exceed base level spending for the biennium. The projected $940 million ending balance in the current biennium, which carries into FY 2022-23, and the current law $491 million reduction in the balance of the budget reserve account, which falls to the bottom line of the general fund account for the remainder of the balance. Partially offsetting the size of the balance is $120 million biennial growth in the stadium reserve.

Revenues. The current forecast for FY 2022-23 total revenues is $1.423 billion (2.9 percent) more than the prior forecast. Total tax revenues for the next biennium are forecast to be $1.409 billion (3.0 percent) above the prior estimate. The forecasts for all major tax types have been raised since November.

Next Biennium: FY 2022-23 General Fund Revenues
Change from November 2020 Forecast

($ in millions)	**November 2020 Forecast**	**February 2021 Forecast**	**$ Change**	**% Change**
Individual Income Tax	$26,571	$27,233	$661	2.5%
General Sales Tax	12,477	12,813	335	2.7
Corporate Franchise Tax	2,945	3,303	358	12.2
State General Property Tax	1,540	1,541	1	0.1
Other Tax Revenue	4,169	4,221	52	1.3
Total Tax Revenues	**$47,702**	**49,110**	**$1,409**	**3.0%**
Non-Tax Revenues	1,419	1,433	15	1.0
Other Resources	373	373	(0)	0.0
Total Revenues	**$49,494**	**$50,917**	**$1,423**	**2.9%**

Higher forecast gross income tax receipts and lower expected refunds combine to bring the net income tax forecast $661 million (2.5 percent) higher than the prior estimate. The forecast change is driven by faster income growth. We now assume that income included in adjusted gross income (AGI) will grow 6.5 percent in TY 2021 and 4.4 percent in TY 2022, compared to 3.2 and 4.7 percent, respectively, in the prior forecast. The primary reason for the change in assumed income growth is a higher forecast for non-wage income. On average, this forecast assumes a level of non-wage income that is 2.0 percent higher for CY 2022 and CY 2023 than we forecast in November. Growth rates in capital gains realizations and business income are both higher in this forecast than in November.

Higher expected refunds partially offset higher expected gross sales tax receipts to bring the net sales tax forecast $335 million (2.7 percent) higher than prior forecast. Gross sales tax receipts for FY 2022-23 are now forecast to be $369 million (2.9 percent) higher than the prior estimate. The forecast change is due to both a higher base of gross sales tax receipts from the higher forecast for FY 2020-21 and higher growth in taxable sales.

Income taxes paid by fiduciaries—estates and trusts—for FY 2022-23 are now forecast to be $43 million higher than in November. Tax revenue from non-resident S corporations and partnerships is now forecast to be $74 million more than the prior estimate.

Higher expected gross sales tax receipts more than offset higher expected refunds to bring the net sales tax forecast $335 million (2.7 percent) above prior forecast. Gross sales tax receipts for FY 2022-23 are now forecast to be $369 million (2.9 percent) higher than the prior estimate. The forecast change is due to both a higher base of gross sales tax receipts from the higher forecast for FY 2020-21 and higher growth in taxable sales. The synthetic sales tax base is expected to grow a cumulative 2.8 percentage points faster between FY 2021 and FY 2023 than we assumed in the prior forecast.

A higher forecast for FY 2022-23 gross corporate tax receipts more than offsets a higher refund forecast to generate a $358 million (12.2 percent) increase in net expected corporate receipts. The forecast change is due to a higher base of gross corporate tax receipts from the higher forecast for FY 2020-21 offsetting lower growth in corporate profits.

Expenditures. Forecast expenditures in the next biennium are now expected to be $50.657 billion, a decrease of $456 million (0.9 percent) from December end of session estimates. Expenditures estimates are lower in both E-12 education and health and human services.

Next Biennium: FY 2022-23 General Fund Expenditures
Forecast Comparison

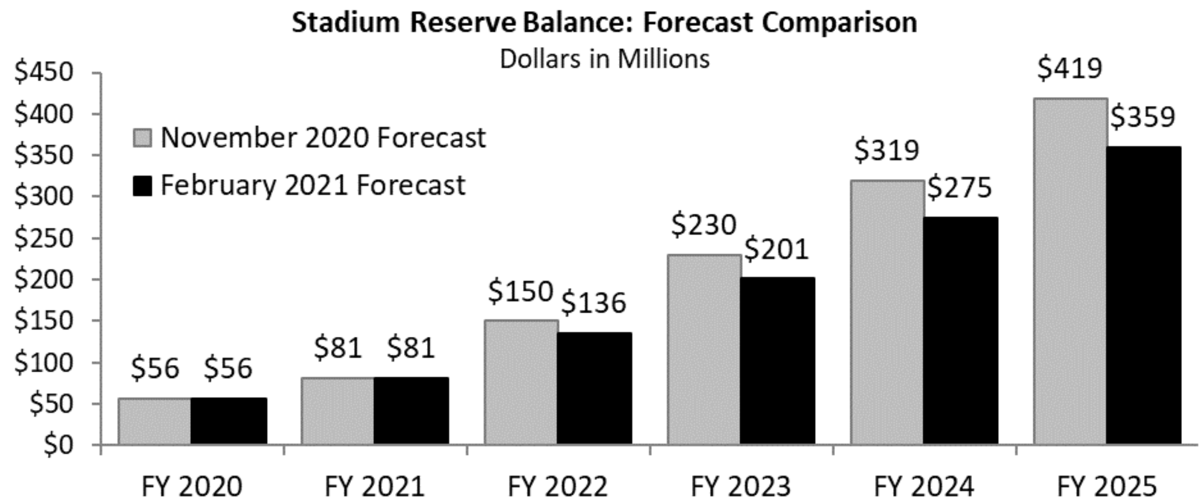
($ in millions)	December 2020 End of Session	February 2021 Forecast	$ Change	% Change
E-12 Education	$20,594	$20,429	$(165)	(0.8)%
Property Tax Aids & Credits	4,200	4,164	(35)	(0.9)
Health & Human Services	16,507	16,250	(257)	(1.6)
Debt Service	1,257	1,264	7	0.6
All Other	8,555	8,550	(5)	(0.1)
Total Expenditures	**$51,113**	**$50,657**	**$(455)**	**(0.9)%**

E-12 expenditures are expected to reach $20.429 billion in FY 2022-23, a $165 million (0.8 percent) decrease from previous estimates. Lower basic education spending and lower compensatory aid spending is largely responsible for the change. This forecast assumes families will return to public schools more quickly than previously anticipated. However, due to a lower base in the current biennium, overall pupil counts remain lower than prior estimates. The reduction in the compensatory aid forecast is due to lower counts of free and reduced priced lunch eligible students. Due to the pandemic and the use of distance learning in the both the 2019-20 and 2020-21 school years, as well as federal policy changes which provided free meals to all students, free and reduced price lunch enrollment counts are lower than previously expected.

Health and Human Services expenditures are projected to total $16.250 billion in the FY 2022-2023 biennium, a decrease of $257 million (1.8 percent) from December end of session estimates. This change is largely due to an extension in the enhanced federal match for medical assistance (MA) through the remainder of calendar year 2021.

Budget Reserve. The budget reserve account balance in the next biennium is projected to be $1.886 billion, $491 million lower than the current biennium. 1st Special Session of 2019, Chapter 5, Article 11, Section 17 stipulates that the balance of the budget reserve account be reduced by $491 million on the first day of FY 2022. This law was passed in an effort to bring a projected budgetary balance to the FY 2022-23 biennium.

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



The stadium general reserve account is expected to grow year over year in the February 2021 forecast, although at a slower rate than November 2020 forecast. With revenues for stadium uses continuing to grow each year while spending for stadium uses remains relatively flat year over year, the reserve is now be projected to grow to $359 million by the end of FY 2025.

By the end of FY 2023, the balance of the stadium reserve account is now expected to reach $201 million, $29 million lower than prior estimates. This lower growth projection is due to a reduced lawful gambling tax receipt forecast due to a slow-down in the expansion of lawful electronic gambling locations. With this revised forecast, the stadium reserve account balance is expected to reach $359 million by the end of FY 2025.

Budget Outlook: Planning Estimates. Out year planning estimates are based on current law revenues and expenditures. These estimates inherently carry a higher degree of uncertainty than estimates for FY 2022-23 because they rely on economic and budget projections three or more years into the future.

Revenue projections for FY 2024-25 are based on IHS' February Baseline forecast for the planning years. Expenditure projections assume that current law funding levels and policies continue unchanged, adjusted only for caseload and enrollment changes authorized in law, as well as formula driven growth. The expenditure forecast does not assume cost growth outside of specific budget areas where assumptions for cost increases or market conditions are specified by statute.

To highlight structural balance, the table below shows forecast revenues and projected spending and excludes the impact of balances from prior years and reserves. In the FY 2024-25 biennium forecast revenue is expected to exceed base level spending by $845 million.

Planning Horizon: General Fund Budget
By Biennium, FY2022-25, February 2021 Forecast

($ in millions)	**FY 2022-23**	**FY 2024-25**	**$ Change**	**Annual % Change**
Forecast Revenues	$50,917	$54,287	$3,370	3.3%
Projected Spending	50,657	53,442	2,785	2.7%
Difference	**$260**	**$845**		
Estimated Inflation (CPI)[2]	*$1,042*	*$2,554*		

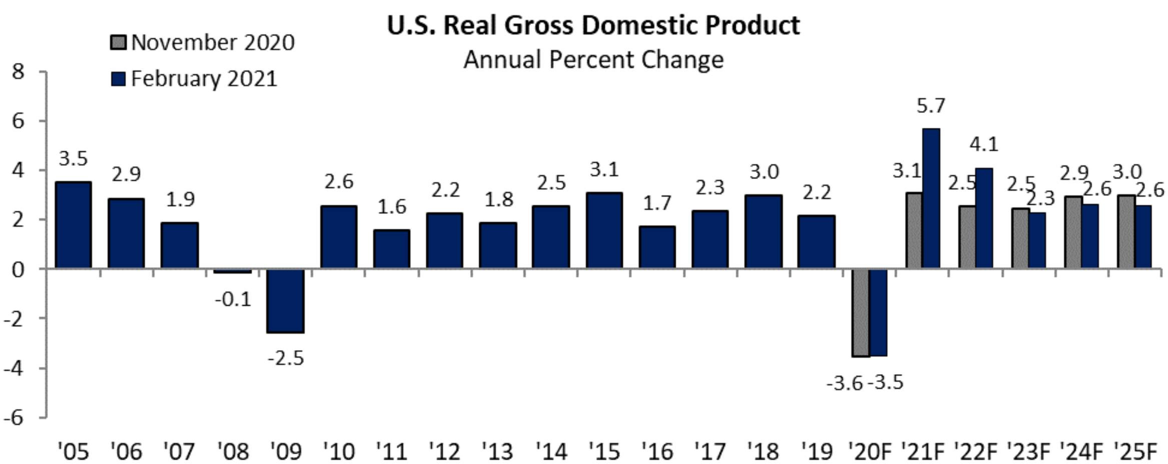
Projected inflationary growth based on the Consumer Price Index is forecast to be 2.1 percent in FY 2022, 2.0 percent in each FY 2023 and FY 2024, and 2.2 percent in FY 2025. After adjusting for programs with cost increases included in the current law formula, applying the annual inflation rate, compounded over 2 and 4 years respectively, would add approximately $1.042 billion in cost pressure to the FY 2022-23 biennium and $2.554 billion in cost pressure to the FY 2024-25 biennium.

[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.

ECONOMIC OUTLOOK

U.S. Economic Outlook

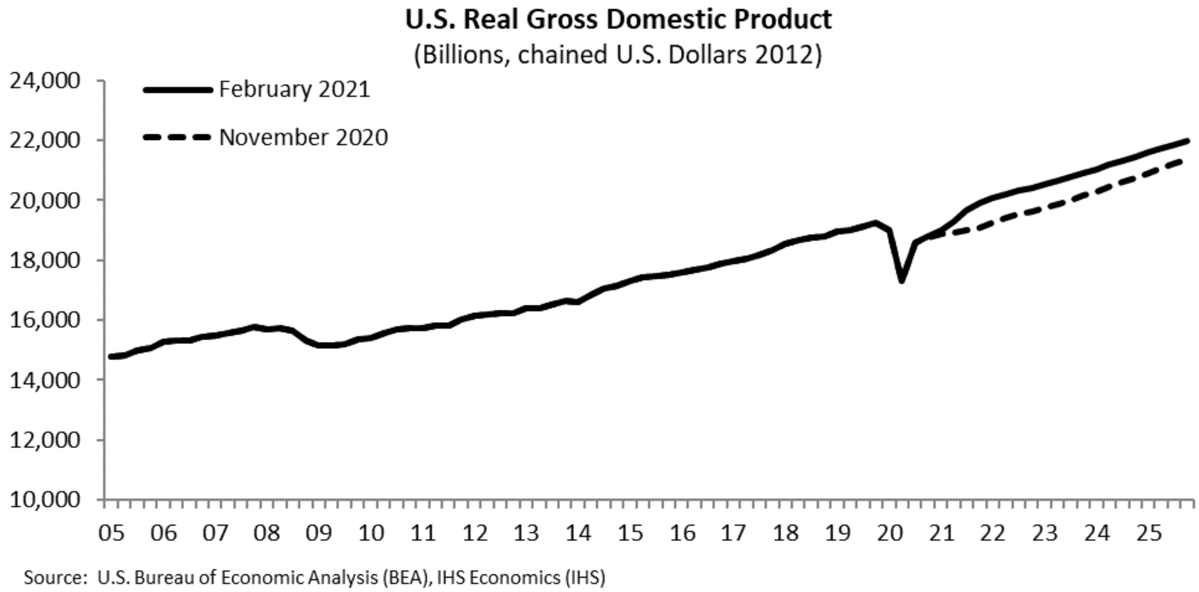
The outlook for U.S. real GDP growth in 2021 has improved since Minnesota's *Budget and Economic Forecast* was prepared in November 2020. IHS now expects U.S. real GDP, bolstered by federal pandemic relief payments, to grow 5.7 percent in 2021, a 2.6 percentage point increase from IHS' November baseline forecast. IHS expects GDP growth to decelerate to 4.1 percent in 2022, up from 2.5 percent in the November forecast. This is followed by growth of 2.3 percent in 2023 and 2.6 percent in both 2024 and 2025. Real GDP is forecast to grow at a compound average growth rate of 2.3 percent annually from 2021 through 2025. IHS expects real GDP to regain its pre-pandemic peak in 2021 and the U.S. unemployment rate to reach a low point of 3.5 percent in late 2024.



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

IHS now expects U.S. real GDP, bolstered by federal pandemic relief payments, to grow 5.7 percent in 2021, a 2.6 percentage point increase from IHS' November baseline forecast. IHS expects GDP to grow 4.1 percent in 2022, followed by 2.3 percent in 2023, and 2.6 percent in both 2024 and 2025.

The improvement in IHS' 2021 outlook from November to February is the net effect of federal pandemic relief, higher than expected consumer spending in January coinciding with the second round of stimulus checks, higher than expected real GDP growth in the last quarter of CY 2020, improving COVID-19 rates allowing the relaxation of some restrictions on activity, and progress in the national vaccination campaign. The February forecast reflects the impact of two rounds of federal pandemic relief that were not included in the November forecast: (1) the $900 billion package Congress passed on December 27, 2020, and (2) $1.5 trillion of additional pandemic relief from a proposal that Congress is considering now, and that IHS expects to be enacted by mid-March.



The recession induced by the COVID-19 pandemic in 2020 was more sudden than the 2008-09 recession. Real GDP in 2020 is forecast to be $669 billion lower than in 2019, a decrease of 3.5 percent. The economy is expected to expand quickly in 2021 and 2022. IHS forecasts real GDP to increase by $1.0 trillion in 2021 and by $795 billion in 2022. Real GDP is forecast to surpass its previous 2019 peak in the second quarter of 2021.

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

The U.S. outlook remains volatile and uncertain and depends critically on the path of the pandemic. In this forecast, IHS assumes that the rate of COVID-19 infections continues to recede following a peak in mid-January 2021. IHS now expects widespread, effective vaccination of the population will be achieved by the fall. In November they assumed the U.S. would reach this milestone in the summer.

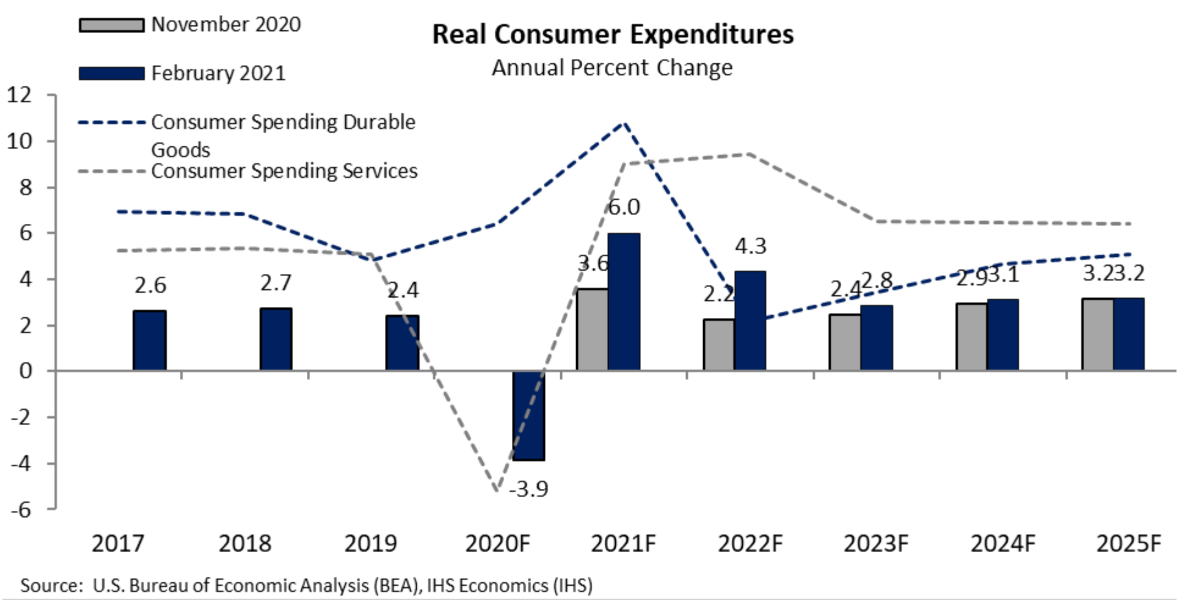
Federal Pandemic Relief. The February IHS outlook reflects the impact of two federal relief measures not included in the November outlook. The package passed on December 27, 2020, will fund emergency unemployment benefits of an additional $300 per week for up to eleven weeks, provided $600 stimulus checks for qualified Americans, replenished funds for the Payroll Protection Program (PPP), and allocated money to states for COVID-19 mitigation and educational institutions. Approximately 1.3 percentage points of the increase in the GDP growth forecast from November to February is attributed to this legislation.

The $1.9 trillion pandemic relief legislation now before Congress includes five major components (1) a third round of stimulus checks for qualifying persons in the amount of $1,400 with disbursements beginning in April, (2) an extension of emergency unemployment (UI) programs and benefits through September, including an enhanced unemployment benefit of $400 per week

(3) additional funding for COVID-19 mitigation efforts (4) significant aid to state and local governments and (5) an extension of student loan forbearance through September. IHS assumes that legislation authorizing $1.5 trillion of this spending will be enacted in March, before the end of the current UI benefit extension. Approximately 1.5 percentage points of the increase in the GDP growth forecast from November to February is attributed to this legislation.

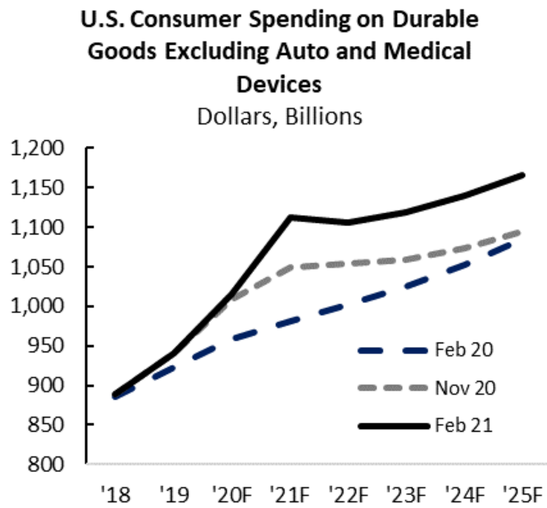
Real Consumer Spending. Additional federal stimulus and an improving COVID-19 situation have prompted IHS to raise the forecast for real consumer spending. After a decline of 3.9 percent in 2020, IHS expects spending to grow 6.0 percent in 2021, an increase of 2.4 percentage points from their November forecast. IHS also expects strong growth in 2022 at 4.3 percent, which is nearly twice the rate they forecast in November. They forecast 3.0 percent average annual growth from 2023 to 2025.

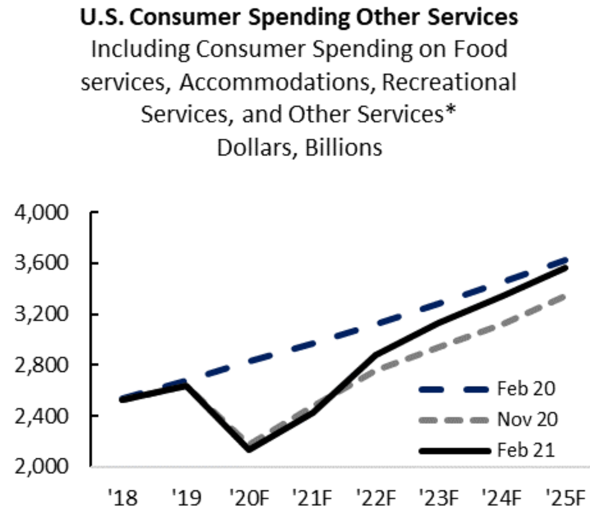
During the pandemic, consumers shifted their spending from services and activities like entertainment, dining, and travel to goods, both durable and non-durable. This shift caused spending on durable and non-durable goods to exceed their pre-pandemic peak, and both remain at elevated levels. As the pandemic dissipates and restrictions are lifted, IHS expects the composition of consumer spending on services and goods to return to pre-pandemic trends by 2023. During the transition, IHS expects spending on goods to grow more slowly while spending on services grows more quickly.



Additional federal stimulus and an improving COVID-19 situation have prompted IHS to raise the forecast for real consumer spending. After a decline of 3.9 percent in 2020, IHS spending to grow 6.0 percent in 2021, an increase of 3.4 percentage points from their November forecast.

In this forecast, IHS expects consumer spending on durable goods other than autos and medical devices to grow 9.7 percent in 2021 after growing 8.0 percent in 2020. They expect consumer spending on other services, which includes face-to-face services, such as such as food services, accommodations, and recreational services, to grow 13.5 percent this year after a 19.1 percent decline in 2020. As spending on other services continues to grow beyond 2022, IHS forecasts it to reach its pre-pandemic peak in early 2022.



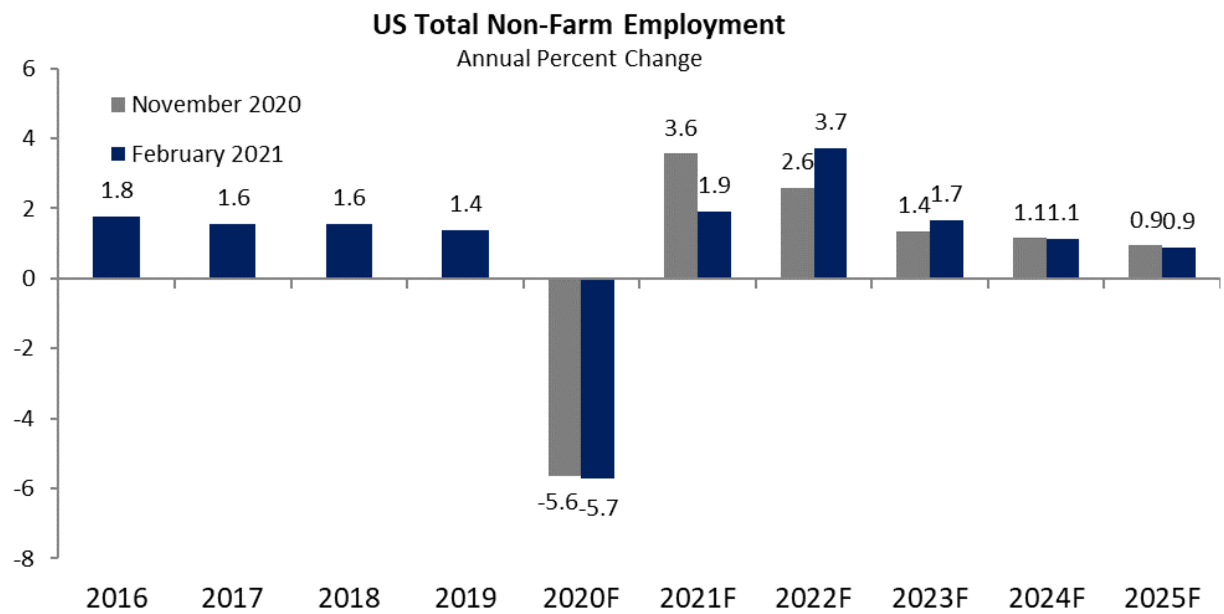


**Other services include communication services, education services, professional and other services, personal care and clothing services, social services, and household maintenance services.*

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

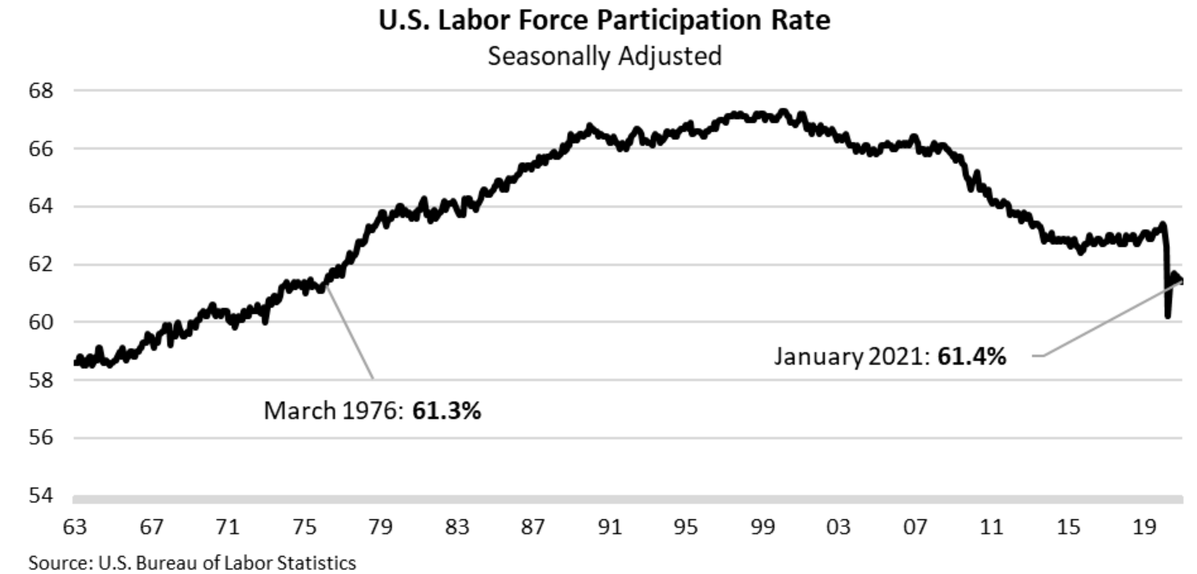
In this forecast, IHS expects consumer spending on durable goods other than autos and medical devices to grow 9.7 percent in 2021 after growing 8.0 percent in 2020. They expect consumer spending on other services, which includes face-to-face services, such as food services, accommodations, and recreational services, to grow 13.5 percent this year after a 19.1 percent decline in 2020.

Labor Market. In February 2020, there were 152.5 million payroll jobs in the U.S. In January 2021, there were 142.6 million payroll jobs. A 9.9 million gap in payroll employment remains, or a 6.5 percent drop in total employment. At the depth of the last recession, payroll employment declined by about 6.3 percent. IHS forecasts payroll employment to increase by three million in 2021, 5.4 million in 2022, and decelerate to an average of 1.8 million jobs added from 2023 through 2025. IHS expects payroll jobs to surpass pre-pandemic levels in mid-2022, the unemployment rate to fall to 4.0 percent by late 2022, and the unemployment rate to reach a low point at 3.5 percent in late 2024.



In March and April, the U.S. lost 22.4 million jobs, nearly 15 percent of the February workforce. Although the economy has added back 12.5 million jobs, total employment in January was still 6.5 percent lower than it was last February. IHS forecasts total employment in the U.S. to have fallen by 5.7 percent in 2020. They expect employment to grow 1.9 percent in 2021 and 3.7 percent in 2022, then decelerate through the remainder of the forecast period.

According to the U. S. Bureau of Labor Statistics (BLS), almost 4.3 million individuals have left the U.S. labor force since February of last year, or 2.6 percent of the pre-pandemic labor force. In January alone, 406,000 individuals left the labor force, including people who stopped looking for work altogether. January's labor force participation rate, the proportion of potential workers who were employed or unemployed and actively seeking employment, was 61.4 percent, the lowest since 1976, other than April and May of 2020. This low January rate is not a recent outlier—the labor force participation rate has averaged 61.5 percent over the eight months since May.



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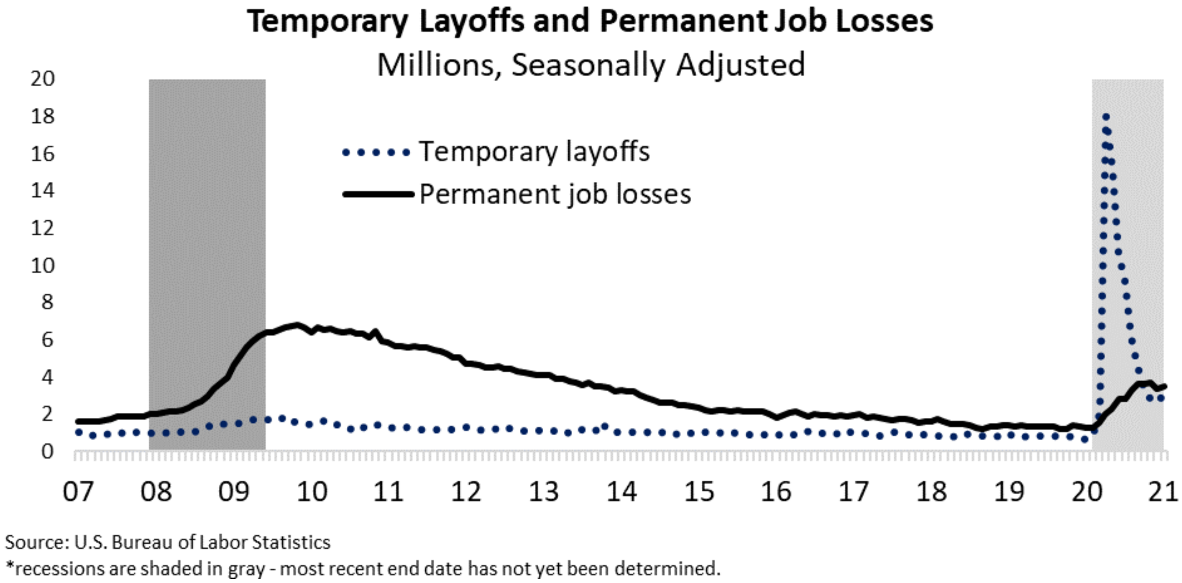
The number of unemployed persons classified as "permanent job losers"—people who self-report that they do not expect to return to work within six months—has nearly tripled since February, from 1.3 million to 3.5 million. The number of workers on temporary layoff—those who do expect to return to work within six months—has decreased substantially from 18.1 million in April to 2.7 million in January, suggesting that payroll gains over the last few months have largely been a result of recalled workers. Even with these considerable gains, there are still over three times more workers on temporary layoff now than there were in February 2020.



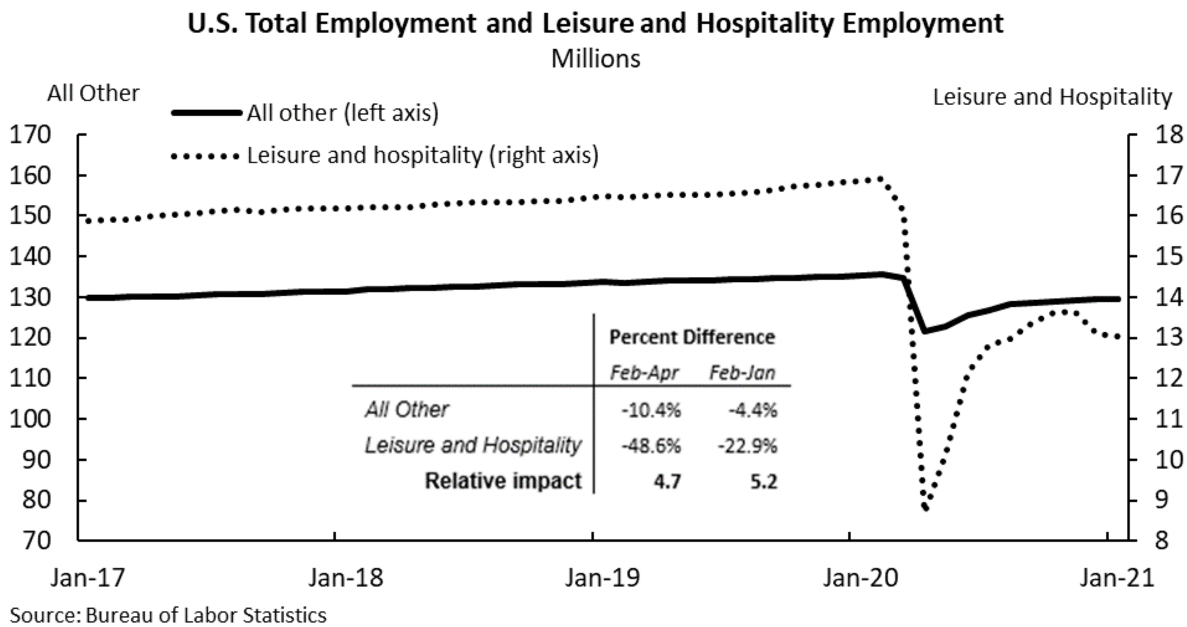
The number of unemployed persons classified as "permanent job losers" has nearly tripled since February, from 1.3 million to 3.5 million. A permanent job loser is defined as someone who self-reports that they do not expect to return to work within six months.

The differential impact of the recession has given rise to what some term a "K-shaped recovery," in which some sectors and workers recover more quickly than others. Opportunity Insights, a team of researchers and policy analysts based at Harvard University, find that the impact of unemployment in 2020 was uneven across wage levels[3]. Using data from payroll processing companies, they separately analyzed changes in employment since January for low-income, middle-income, and high-income workers[4]. They found that high-income workers experienced the smallest drop in employment in April and May, largely recovered job losses by June, and experienced comparable or even higher employment levels in the fall compared to last January. Low-income workers experienced a much more drastic drop in employment, gained back some jobs through early August, but lost some of these job gains once again in the fall and still are experiencing substantially lower levels of employment compared to before the pandemic. The disproportionate impact of the pandemic on employment of low-income workers means that the reduction in total wage and salary income has been smaller than if the incidence and duration of unemployment had been more evenly distributed across income levels.

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

[4] Low-income workers are defined as workers in the bottom quartile of the income distribution, who earn approximately less than $27,000 per year. Middle-income workers are defined as workers in the middle two quartiles of the distribution, who earn approximately between $27,000 and $60,000 per year. High-income workers are defined as workers in the top quartile of the distribution, who earn approximately at least $60,000 per year.

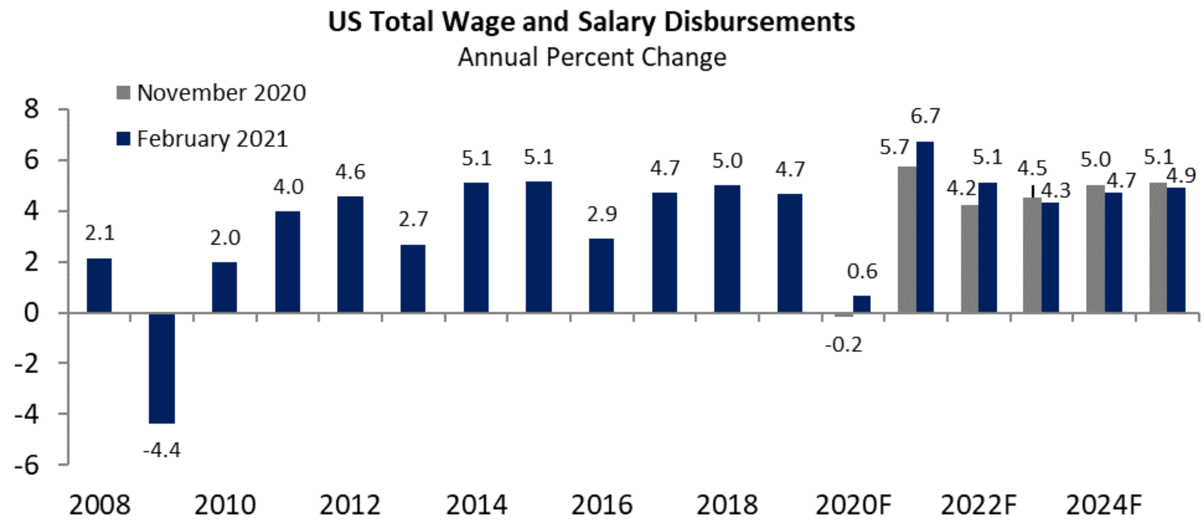
The sector of the U.S. economy most affected by the pandemic has been the services that require a high level of face-to-face, personal interaction. Employment in the leisure and hospitality industry fell from 16.9 million to 8.7 million in March and April, bottoming out at just over half of its pre-pandemic workforce. At the end of January, leisure and hospitality employment was still 23 percent lower than it was in February, while employment in all other sectors was only 4.4 percent lower. Of the 9.9 million jobs lost, 24 percent of jobs lost are in the Food Services and Preparation sector, which includes restaurants and bars. If we expand to include all industries included in leisure and hospitality, 39 percent of the total jobs gap is accounted for.



	Percent Difference	
	Feb-Apr	*Feb-Jan*
All Other	-10.4%	-4.4%
Leisure and Hospitality	-48.6%	-22.9%
Relative impact	**4.7**	**5.2**

Employment in the leisure and hospitality industry fell from 16.9 million to 8.7 million in March and April, bottoming out at just over half of its pre-pandemic workforce. At the end of January, leisure and hospitality employment was still 23 percent lower than it was in February, while employment in all other sectors was only 4.4 percent lower. Of the 9.9 million jobs lost, 24 percent of jobs lost are in the Food Services and Preparation sector, which includes restaurants and bars.

Wage and Salary Income. IHS has increased their forecast for growth in total U.S. wage and salary disbursements since November. Although wage and salary disbursements declined 4.0 percent year-over-year in the second quarter of 2020 as the pandemic caused mass layoffs and furloughs, wage and salary income rebounded so strongly in the latter half of the year as hiring resumed, that IHS expects wage and salary income to increase 0.6 percent in 2020, a 0.8-percentage point improvement from their November forecast. Positive wage growth in 2020 contrasts with the 4.4 percent decline in wages experienced in 2009 during the last recession. Wage growth amidst tremendous job loss reflects the unevenness of employment and wage losses, where low-wage workers have been more likely to lose jobs than high-wage workers. IHS expects wage income growth to return in 2021 at 6.7 percent, as the economy reopens and rebounds, followed by growth of four percent each year through 2025.

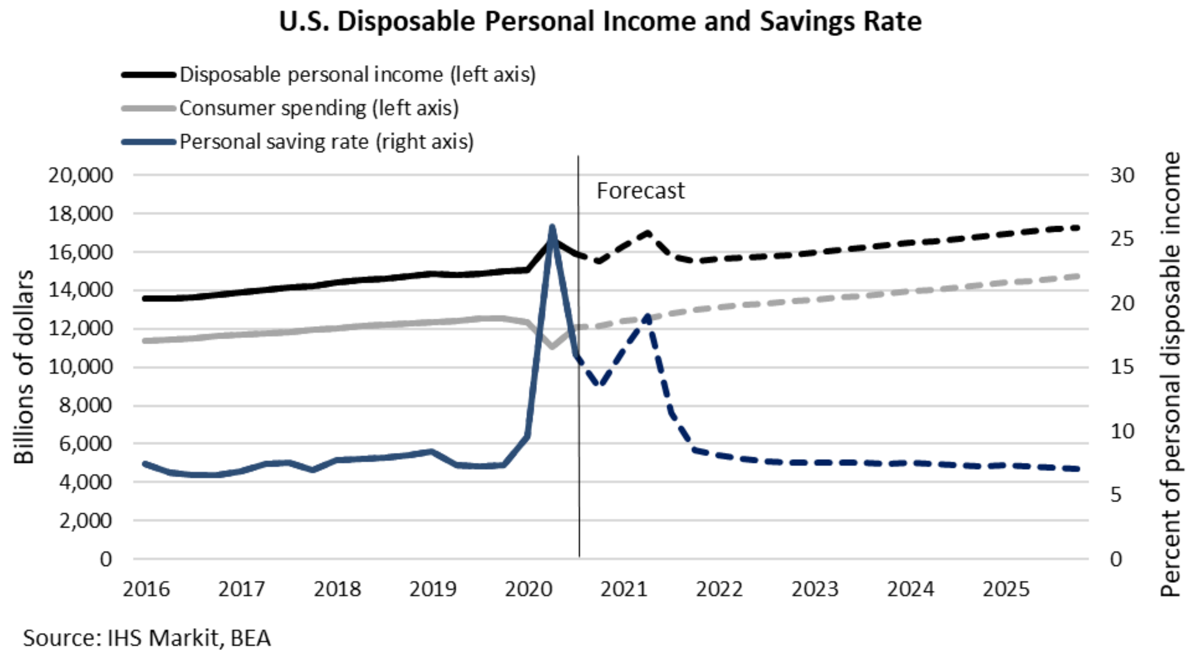


Source: IHS Markit

IHS expects wage and salary income to increase 0.6 percent in 2020, a 0.8-percentage point improvement from their November forecast. The expected increase in wages in 2020 contrasts with the 4.4 percent decline in wages experienced in 2009 during the last recession. Wage growth in 2020 amidst tremendous job loss reflects the unevenness of employment and wage losses, where low-wage workers have been more likely to lose jobs than high-wage workers. IHS expects wage income growth to return in 2021 at 6.7 percent, as the economy reopens and rebounds.

Despite small wage and salary income growth in 2020, disposable personal income increased during the pandemic. Disposable personal income increased 6.0 percent in 2020, strongly influenced by pandemic-related government payments. Individuals benefited from federal transfer payments in the form of stimulus checks and emergency unemployment insurance benefits.

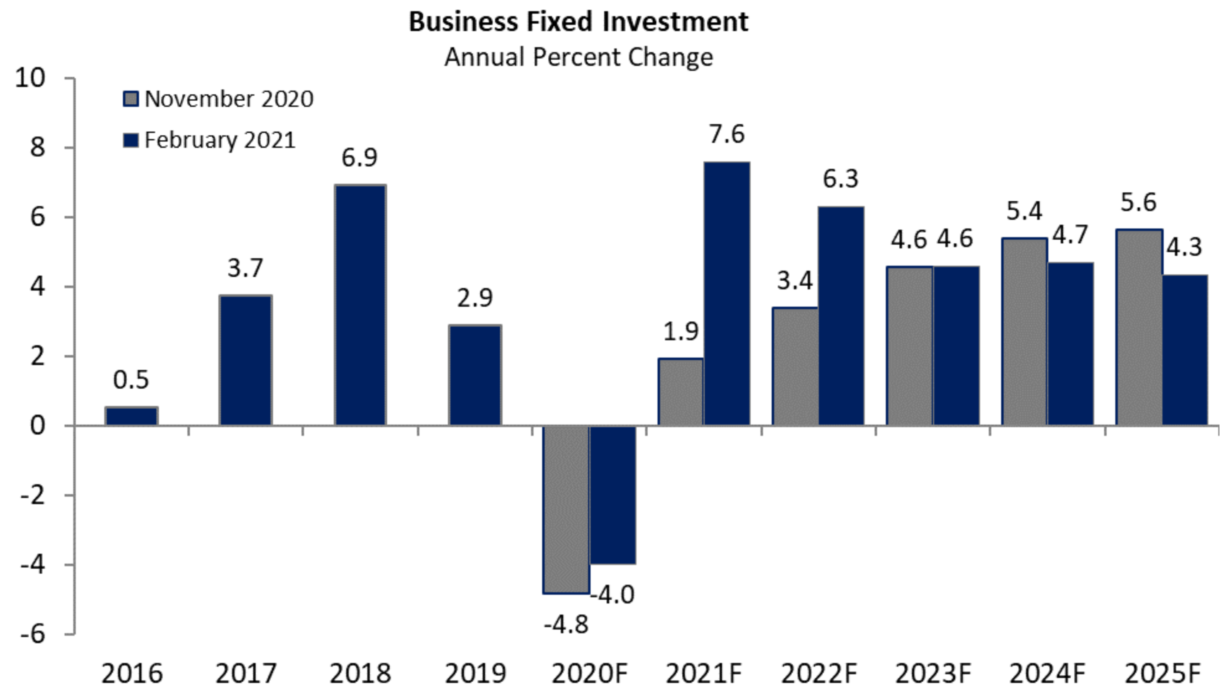
The growth in disposable personal income in 2020 was accompanied by a significant increase in personal saving. Between 2009 and 2019, the U.S. household saving rate averaged 7.2 percent annually. In the second quarter of 2020, the household saving rate reached an historic high of 26.0 percent. The personal saving rate was 16.3 percent in 2020, and IHS expects the personal savings rate to be 13.8 percent in 2021, as Americans continue to receive federal transfer payments and limit some types of spending while the pandemic dissipates. IHS expects the personal saving rate to average a more typical 7.5 percent from 2022 to 2025. As restrictions ease, households will have available income to resume spending on the kinds of services that have been less accessible, including entertainment, dining, and travel.



Despite small wage and salary income growth in 2020, disposable personal income increased during the pandemic. Disposable personal income increased 6.0 percent in 2020, strongly influenced by pandemic-related government payments. The personal saving rate was 16.3 percent in 2020 and IHS expects the personal savings rate to be 13.8 percent in 2021, as Americans continue to receive federal transfer payments and limit their spending as the pandemic dissipates. As restrictions ease, households will have available income to resume spending.

Real Business Fixed Investment. Real business fixed investment declined 4.0 percent in 2020, a 0.8 percentage point improvement from the November forecast. In 2021 and 2022, IHS expects growth of 7.6 and 6.3 percent, respectively. IHS expects business fixed investment to be a bright spot moving forward for two main reasons. First, in the next few years, they expect interest rates to remain close to zero, which encourages capital formation. Second, they note that investment has shifted from nonresidential structures toward equipment and intellectual property, which are several more times productive than structures and hence contribute more to potential GDP. IHS forecasts business fixed investment to exceed its former peak in the first quarter of 2021, reach the level of the pre-pandemic forecast in the fourth quarter, and consistently remain above the pre-pandemic forecast from 2022 onward. In years 2023 to 2025, IHS expects average annual growth of 4.5 percent.

In their February outlook, IHS expects business fixed investment to be a bright spot moving forward, forecasting growth of 7.6 percent in 2021, 6.3 percent in 2022, and average 4.5 percent annual growth from 2023 to 2025. IHS forecasts investment to exceed its former peak in the first quarter of 2021, reach the level of the pre-pandemic forecast in the fourth quarter, and consistently remain above the pre-pandemic forecast from 2022 onward.



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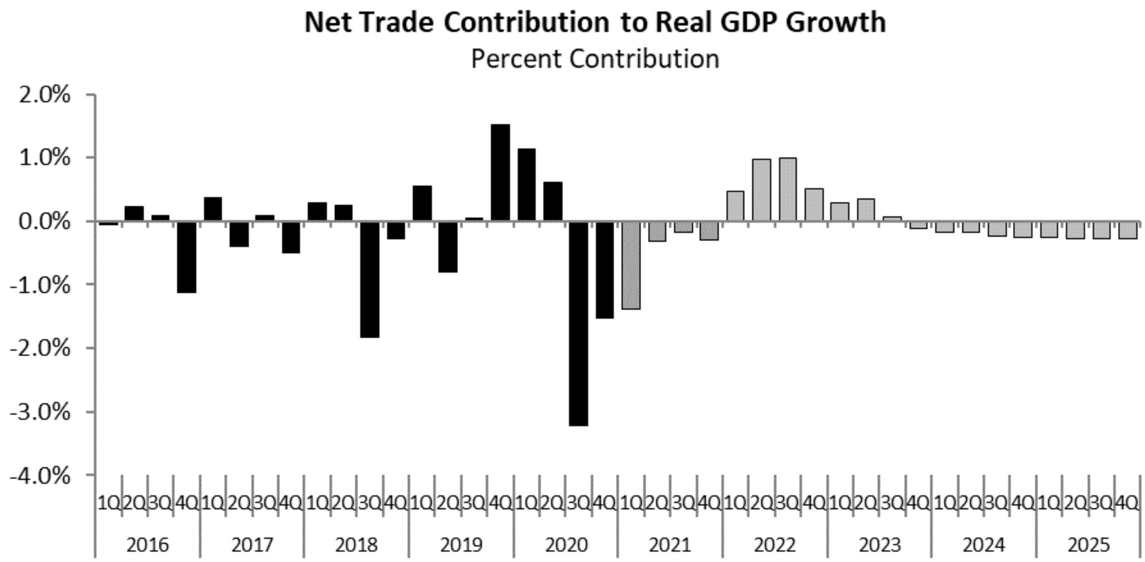
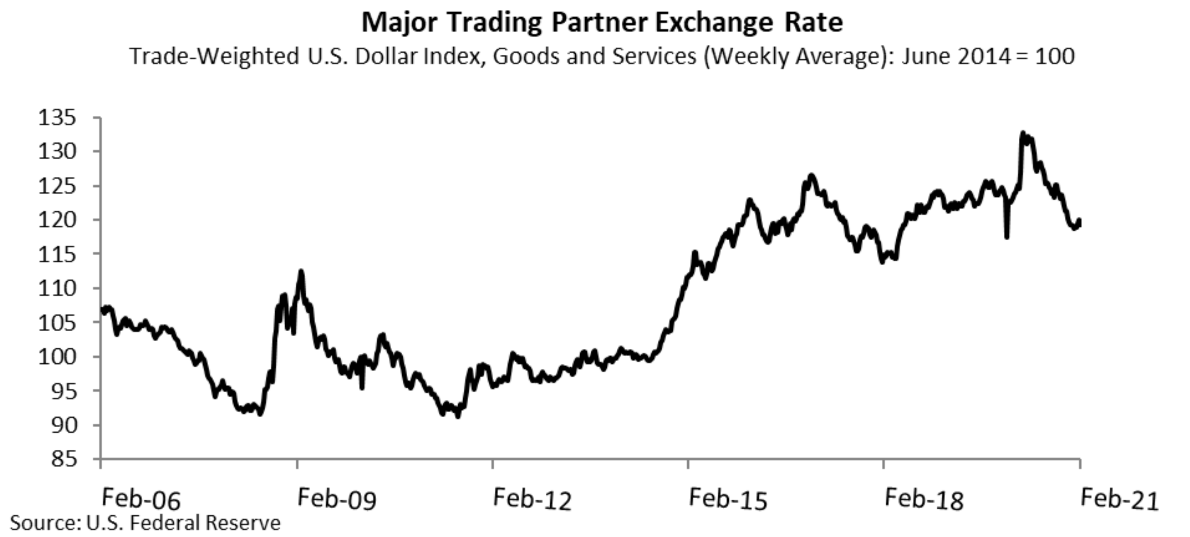
International Trade. Net exports represented a 3.2 and 1.5 percent drag on U.S. real GDP growth in the third and fourth quarters of 2020, respectively. Although both imports and exports showed strong growth at the end of the year, import growth exceeded export growth, as U.S. demand for foreign goods surged while foreign demand for U.S. goods lagged. Real imports in the fourth quarter were 0.6 percent below their year-ago level, while real exports were 11.0 percent below their year-ago level. IHS expects import growth to continue to outpace export growth in 2021, at 17.5 percent compared to 10.3 percent. This is followed by a reversal in 2022 and 2023, as foreign markets recover, and foreign producers and consumers resume their demand for U.S. products. In 2024 and 2025 net exports again represent a drag on GDP.



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

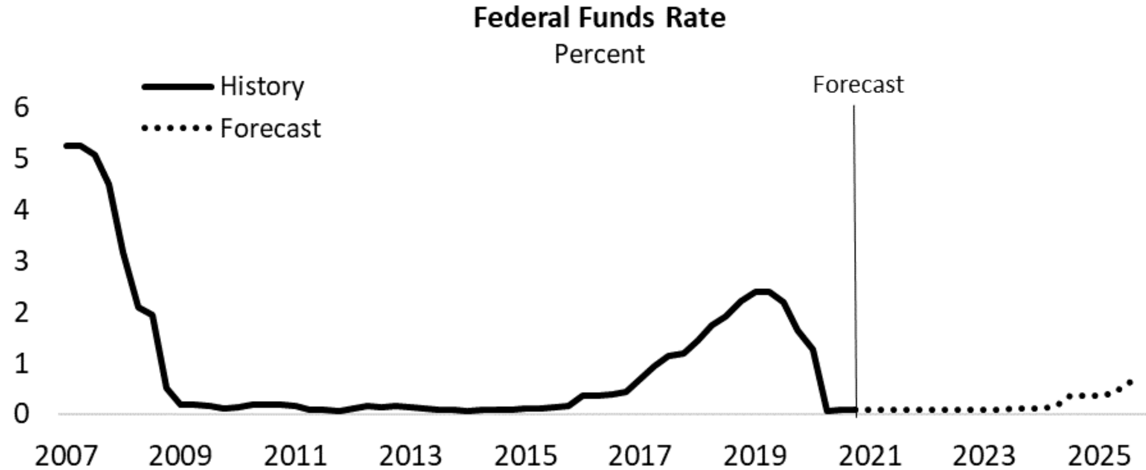
Net exports represented a 1.5 percent drag on U.S. real GDP growth in the fourth quarter of 2020. IHS expects import growth to continue to outpace export growth in 2021. They then expect exports to outpace imports in 2022 and 2023, as foreign markets recover, and foreign producers and consumers resume their demand for U.S. products. IHS expects net exports to again slightly be a drag on the economy in 2024 and 2025.

Escalating trade tensions in late 2019 and early 2020 coincided with a steep appreciation of the U.S. dollar, which created difficulties for U.S. exporters by making U.S. goods relatively more expensive for foreign buyers. The onset of the pandemic last spring caused the dollar to appreciate further. Since the peak of the nominal broad trade-weighted dollar index in March 2020, the dollar has eased back to slightly below pre-pandemic levels. IHS expects the dollar to continue to depreciate through mid-2022, supporting U.S. exports in the near-term, and to gradually rise afterwards. IHS expects the dollar's value to decrease 6.9 percent in 2021 and 2.3 percent in 2022 to a value of 107.2 in mid-2022, 12.2 percent lower than its peak in the second quarter of 2020 and the lowest value the index has registered since 2015.



A significant rise in the dollar against U.S trading partners from 2014 to 2019 strengthened imports and weakened exports. After the nominal broad trade-weighted dollar index appreciated sharply to a peak in March 2020, a 10 percent increase from the end of 2019, the index has eased back to slightly below pre-pandemic levels. IHS expects the dollar to continue to depreciate through mid-2022, supporting U.S. exports in the near-term, and to gradually rise afterwards.

Monetary Policy. To keep financial markets stable in 2020, the Federal Open Market Committee (FOMC) cut rates by 50 basis points on March 3 and further by 100 basis points on March 16, bringing the effective target federal funds rate to zero. In their current outlook, IHS expects the FOMC to raise the federal funds rate from its zero lower bound in 2024, two years sooner than previously forecast, as federal pandemic relief this year accelerates economic growth, and inflation increases earlier than previously assumed.



Source: IHS Markit

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The IHS February baseline forecasts for 2021 and 2022 are higher than the Blue Chip Consensus, the median of 50 business and academic forecasts. The Blue Chip consensus expects real GDP growth of 4.9 percent in 2021 compared to the IHS forecast of 5.7 percent. IHS expects 4.1 percent growth in 2022, above the Blue Chip Consensus forecast of 3.8 percent for that year.

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

IHS assumes rates of COVID-19 infections and deaths peaked in mid-January and will continue to recede. They assume widespread, effective vaccination of the population to be achieved by fall of 2021. They expect an uneven economic recovery, with consumer spending in customer-facing service sectors slower to attain pre-recession levels than other sectors.

IHS' February baseline outlook assumes the implementation of the major elements of a federal relief package now before Congress, amounting to a $1.5 trillion government expenditure. This includes another round of $1,400 checks to qualifying individuals beginning in April, an extension of emergency unemployment payments through September that includes an enhanced unemployment benefit of $400 per week, funding for COVID-19 mitigation efforts, aid to state and local governments, and an extension for student loan forbearance through September. IHS expects this funding to begin boosting the economy in the second quarter of 2021.

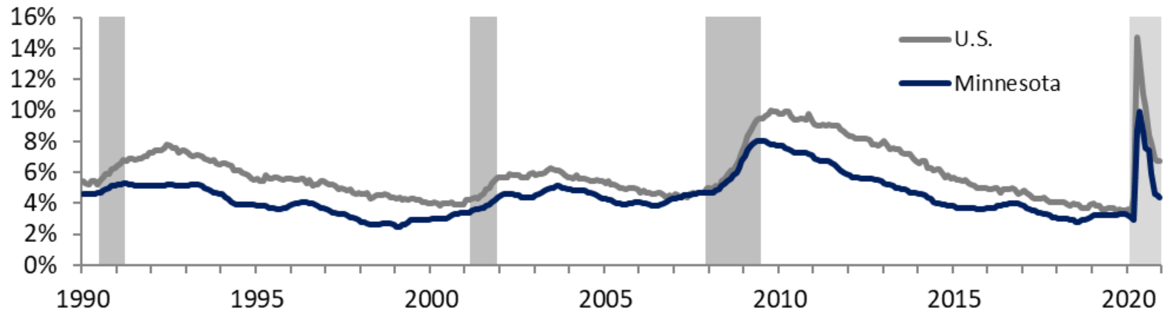
Other key assumptions of IHS' February outlook are: (1) the Federal Reserve keeps the federal funds rate near zero percent until mid-2024, (2) the tariffs enacted by the U.S. and China since 2017 remain in effect, (3) global GDP growth contracts 5.5 percent in 2020 and increases 4.1 percent in 2021 as COVID-19 spread is mitigated, and (4) the Brent crude oil price makes a strong recovery to $55/barrel in the first quarter of 2021 and $60/barrel by the fourth quarter, up from around $45/barrel in the second half of 2020.

IHS assigns a probability of 50 percent to the February baseline outlook. They consider the forecast risks to be roughly balanced between the upside and downside. IHS assigns a 25 percent probability to a pessimistic scenario, in which high levels of COVID-19 cases, hospitalizations, and deaths and the emergence of new contagious variants of the disease slow the pace of economic re-opening and inhibit consumer spending. In this scenario, real GDP grows 3.5 percent in 2021 and surpasses the previous peak two quarters later than in the baseline forecast. IHS assigns a 25 percent probability to a more optimistic scenario, in which the economy grows faster than in the baseline. The key assumptions underlying this scenario are (1) a more accelerated vaccination timeline, (2) a wider commitment to social distancing and mask guidelines that brings a faster decline in COVID-19 cases, hospitalizations, and deaths and leads to an earlier increase in economic activity and consumer spending, and (3) the enactment of a $1.9 billion federal relief package that is $400 billion larger than IHS assumes in the baseline forecast. In this optimistic scenario, 2021 annual real GDP growth is 6.9 percent, 1.2 percentage points greater than in the baseline.

Minnesota Economic Outlook

Driven by a stronger U.S. forecast, the economic outlook for Minnesota has improved since MMB's *Budget and Economic Forecast* was prepared in November 2020. The pandemic-induced economic downturn that began in February of 2020 brought severe disruptions to Minnesota's economy. During 2020, the state experienced job and wage income losses, a reduced labor force, changes in consumer spending patterns, and business closures. In this forecast, an improved outlook for U.S. economic growth in 2021 and 2022 that is supported by federal pandemic relief spending drives our expectation that Minnesota's job and wage losses of 2020 will be followed by positive employment and wage growth through our forecast period.

Unemployment Rate
Monthly, Seasonally Adjusted



*U.S. recessions are shaded, the most recent end date is not yet determined.
Source: MN Department of Employment and Economic Development (DEED)

In March 2020, Minnesota's seasonally adjusted unemployment rate was 2.9 percent. Minnesota's unemployment rate rose to 8.7 percent in April and peaked at 9.9 percent in May. The rate fell to 4.4 percent in December, 2.3 percentage points below the U.S. unemployment rate of 6.7 percent.

Labor Market. In March and April 2020, as the pandemic was taking hold and economic activity was being restricted to slow spread of COVID-19, Minnesota lost 388,000 jobs, approximately 13 percent of February 2020 employment. The state began adding jobs in May, and through December 140,000 of the jobs lost in the early spring had been recovered. As of December, Minnesota had 248,000 (8.0 percent) fewer jobs than in February. For comparison, from the peak of employment in February 2008, to the trough of the last recession in September 2009, Minnesota payrolls shrank by 158,900, or a 5.7 percent drop.

Minnesota's unemployment rate has fallen since the peak of unemployment in May, when the unemployment rate reached an unprecedented 9.9 percent. In December, the state unemployment rate fell to 4.4 percent, down from 4.5 percent in November on a seasonally adjusted basis, and 2.3 percentage points below the U.S. unemployment rate of 6.7 percent. In December, the decline in the unemployment rate was the result of a reduction in the labor force, rather than from unemployed job-seekers moving into employment. Since the onset of the pandemic, Minnesota's labor force has fallen by 102,000.

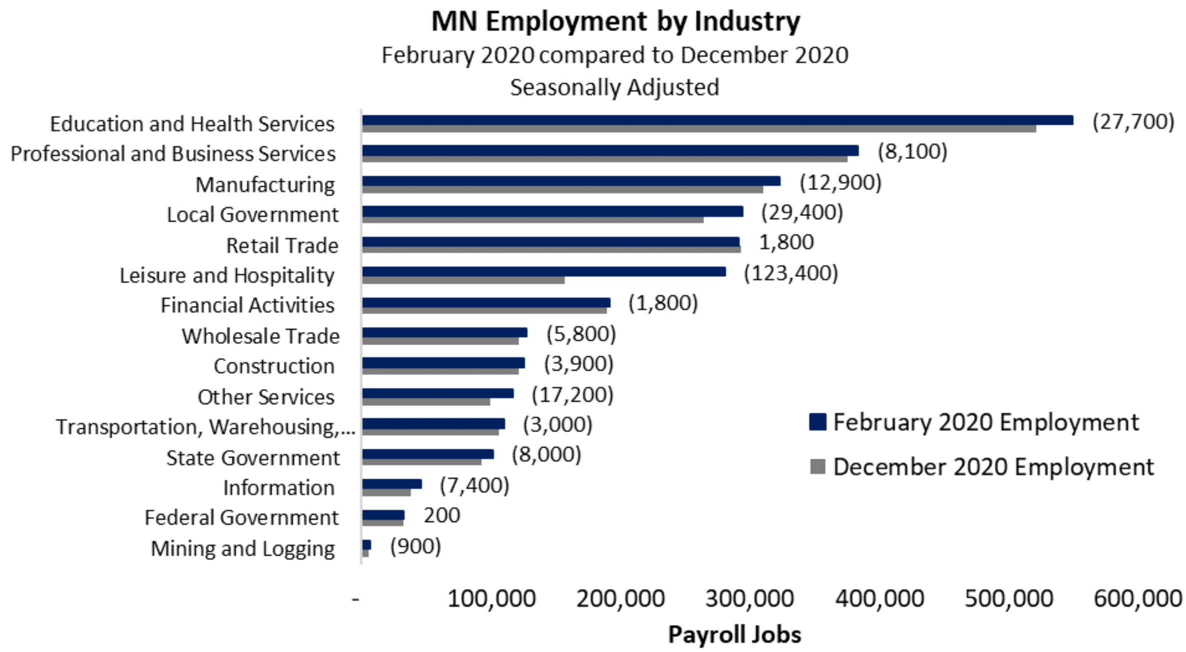
Broader measures of unemployment can provide additional insights into characteristics of Minnesota's labor market. The most comprehensive measure of unemployment, which the U.S. Bureau of Labor Statistics (BLS) calls U-6, is defined as the number of unemployed people (U-3), plus workers who are marginally attached to the labor force (those not currently in the labor force who looked for work in the last year), plus part-time workers who would prefer full-time jobs. In December, Minnesota's U-6 rate was 9.7 percent, down from 10.8 percent in September, but well above the 5.3 percent rate of one year ago. All estimates of alternative measures of unemployment are provided in 6-month moving averages based on data from May through December in order to increase the sample size for each measure, and as a result, improve the reliability of each statistic.

About three quarters of the difference between the state's U-3 and U-6 rates is due to workers who have part-time jobs but would prefer to work full time. In December, 104,000 workers fell into this category, 40,000 more in than December 2019, when 64,00 Minnesotans were considered involuntary part-time workers. In December, 38,000 Minnesotans were counted as discouraged workers--those marginally attached workers who believe no jobs are available to them--up from 22,600 a year ago.

The state's labor force participation rate, the share of the over-16 population that is either working or looking for work, is consistently well above the U.S. rate and usually among the highest in the nation. As of December, Minnesota's labor force participation rate was 67.5 percent, 2.8 percentage points lower than a year ago. Excluding March and April of 2020, this rate is the lowest labor force participation rate in Minnesota since 1983. Minnesota's labor force participation rate remains 3 percentage points above the U.S. rate and the fifth highest among U.S. states.

Between 2011 and 2017, Minnesota employers added an average of 43,000 new jobs each year. Prior to the pandemic, employment growth was slowing. Employers added 25,500 jobs (0.9 percent) in 2018 and 22,700 jobs in 2019 (0.8 percent). Our forecast expects that Minnesota employment growth will have declined by 6.8 percent in 2020, followed by growth of 0.5 percent in 2021, and 3.6 percent in 2022. From 2023 to 2025 we expect employment growth to decelerate from 1.5 percent in 2023 to less than one percent in 2025.

The chart below shows the size of employment sectors in February 2020 (represented in blue bars) compared to December 2020 (represented by grey bars). The numbers at the end of each set of bars indicate the change in employment for each sector between February and December. Minnesota's three largest sectors by share of employment are Education and Health Services, Professional and Business Services, and Manufacturing. As the chart illustrates, the Leisure and Hospitality industry is the sixth largest sector in Minnesota and has borne the brunt of job loss related to the pandemic, losing 123,400 jobs between February and December 2020.



Source: MN Department of Employment and Economic Development (DEED), Bureau of Labor Statistics (BLS)

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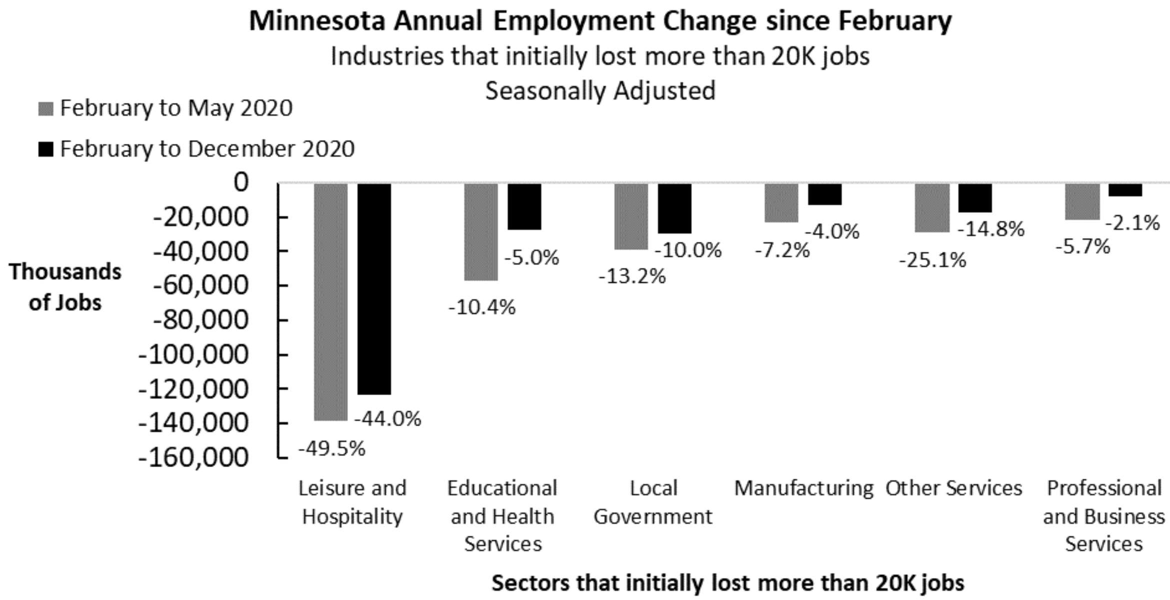
From February 2020 to December 2020, Minnesota lost 248,00 jobs on net, over 8 percent of pre-pandemic employment. Of that employment decline, the largest gaps are in the industries most affected by social distancing and containment measures, particularly services that require a high level of face-to-face, personal interaction. The chart below shows the change in number of jobs in the six sectors that initially lost more than 20,000 jobs. The bars on the left indicate the number of jobs lost between February and May 2020. The bars on the right indicate the number of jobs lost through December 2020. The percentage change label has been included to indicate the decline as a percentage of February 2020 employment by sector. Between February and May 2020, Minnesota's leisure and hospitality sector—made up of accommodation and food services and arts, entertainment, and recreation—lost 139,000 jobs, about half the February employment in that sector. Through December 2020, the loss since February 2020 had been reduced to 123,400 jobs, 44 percent of the sector's February employment. Job losses in leisure and hospitality have disproportionately impacted low-income workers. Workers in the sector earn $17.33 per hour on average compared to a $32.24 per hour average for the private sector as a whole.

Aside from leisure and hospitality, all other sectors combined experienced a 4.2 percent cumulative drop in employment between February and December, indicating that since February, the leisure and hospitality sector in Minnesota has been affected almost 11 times as much as the rest of the economy put together. Five other industries in Minnesota lost more than 20,000 jobs during the initial shutdown period. In addition to leisure and hospitality, these five industries remain the most impacted by the impacts of COVID-19. These significant job losses have occurred in educational and health services (down 27,700 jobs), local government (down 29,400 jobs), manufacturing (down 12,900 jobs), other services (down 17,200 jobs) and Professional and

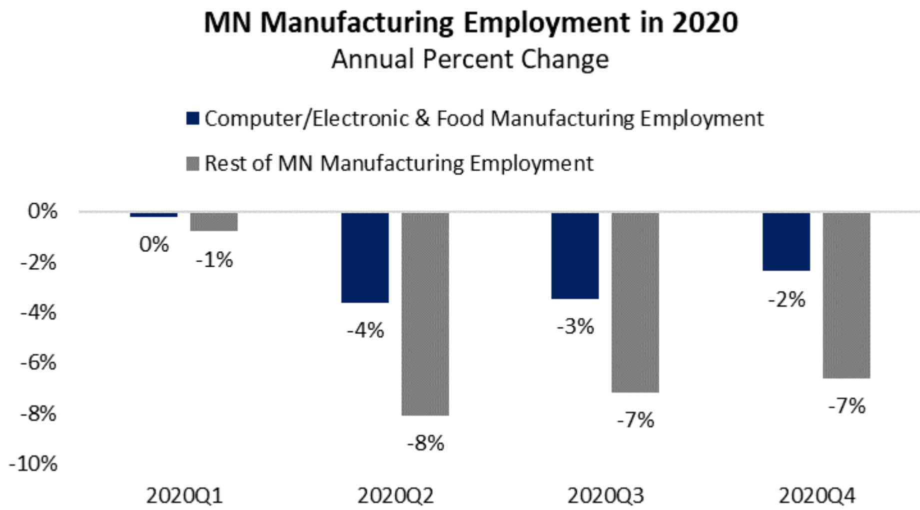
Business Services (down 8,100 jobs). Within the educational and healthcare services sector, educational services lost 9,700 jobs and healthcare and social assistance services lost 18,000 jobs. Likely reasons for the observed reduction in health care jobs are that major hospitals reduced more profitable elective surgeries in order to free up space for COVID patients, and also that individuals have generally been less willing to make and keep routine appointments for fear of virus exposure.



Source: MN Department of Employment and Economic Development (DEED), Bureau of Labor Statistics (BLS)

Between February and May 2020, Minnesota's leisure and hospitality sector—made up of accommodation and food services and arts, entertainment, and recreation—lost 139,000 jobs, about half the February employment in that sector. Through December 2020, the loss since February 2020 had been reduced to 123,400 jobs, 44 percent of the sector's February employment.

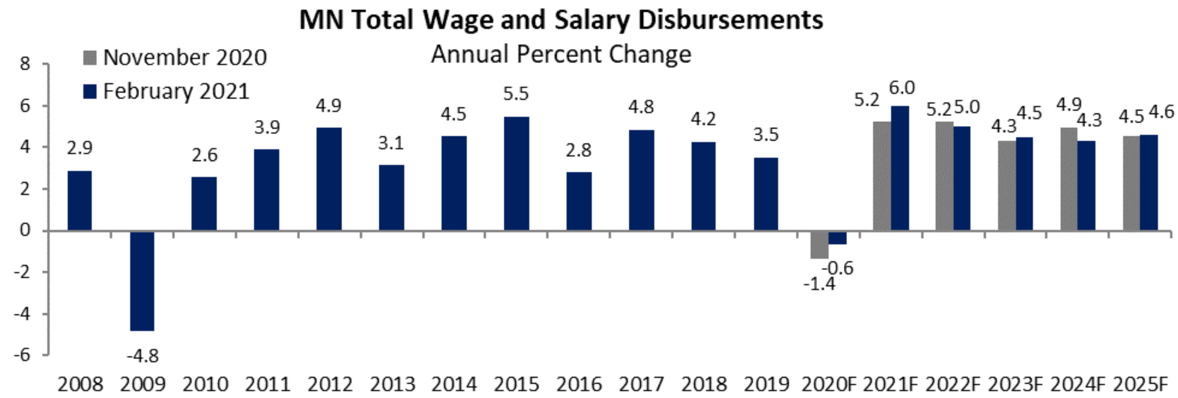
The composition of Minnesota's diverse manufacturing sector may have dampened the state's manufacturing job loss in 2020. In the second quarter of 2020, employment in Minnesota's manufacturing sector declined 6.8 percent, compared to an 8.8 percent decline in that sector nationwide. The shallower decline can be attributed to the above-average share of the state's employment in food and computer/electronic manufacturing, which felt less severe impacts from the economic contraction than other types of manufacturing. Minnesota food and computer/electronics manufacturing employment fell 4 percent in the second quarter of 2020, while jobs in all other types of manufacturing fell 8 percent. Approximately 28 percent of all manufacturing employment in Minnesota is comprised of these two subsectors compared to 20 percent for the U.S. Both Minnesota and U.S. manufacturing employment are expected to remain in decline until the second quarter of 2021.



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

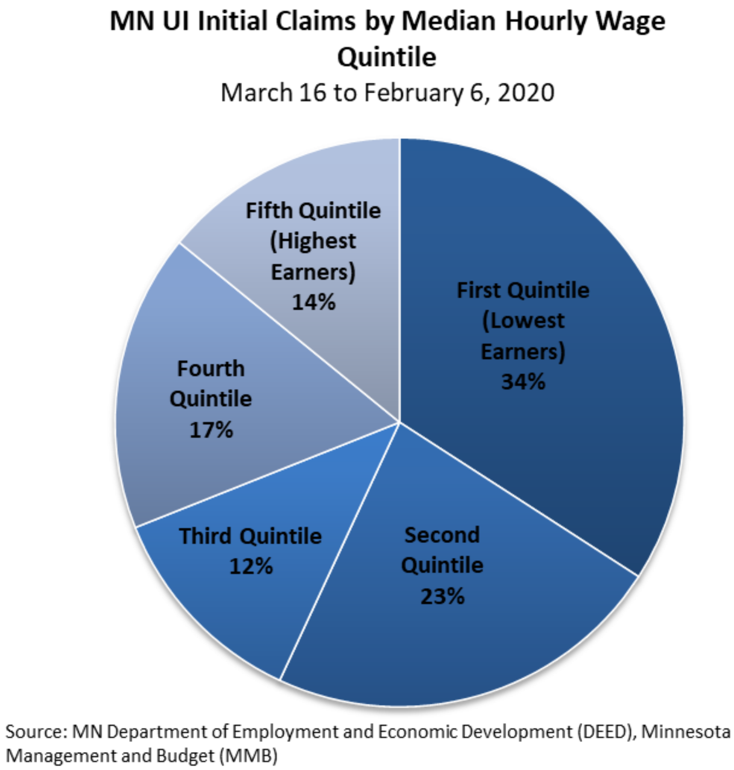
In the second quarter of 2020, employment in Minnesota's manufacturing sector declined 6.8 percent, compared to an 8.8 percent decline in that sector nationwide. The shallower decline can be attributed to the above-average share of the state's employment in food and computer/electronic manufacturing, which felt less severe impacts from the economic contraction than other types of manufacturing.

Wage and Salary Income. An important variable influencing Minnesota's individual income tax liability is total wage and salary income, estimated to account for more than 70 percent of federal adjusted gross income for Minnesota residents in 2020. We expect total wage income, the sum of all wages distributed, to decline 0.6 percent in 2020 and grow 6.0 percent in 2021. The decline in wages in 2020 is not as severe as the decline experienced during the last recession, when Minnesota wage income fell 4.8 percent. The relatively small wage decline, despite high unemployment, reflects the uneven impacts of the pandemic-induced downturn. Since the spring of 2020, low-wage workers have been more likely to lose jobs than high-wage workers.



We expect Minnesota wage growth of -0.6 and 6.0 percent for Minnesota in 2020 and 2021. The relatively small wage decline, despite high unemployment, reflects the uneven impacts of the pandemic-induced downturn. Since the spring of 2020, low-wage workers have been more likely to lose jobs than high-wage workers.

The pie chart below pairs initial Unemployment Insurance (UI) initial claims with median wage data. Since March 16th, 2020, 57 percent of Minnesota initial UI claimants were in occupations with median wages in the bottom two wage quintiles. In addition, as explained in the U.S. Economy section, U.S. data show that the duration of unemployment has been longer for lower-wage workers than for those at higher wages. Consequently, unemployment since March has led to a smaller reduction in total wage and salary income than if the incidence and duration of unemployment had been more evenly distributed across wage levels.



Since March 16th, 57 percent of Minnesota initial UI claimants were in occupations with median (average) wages in the bottom two wage quintiles. Consequently, unemployment since March has led to a smaller reduction in total wage and salary income than if the incidence and duration of unemployment had been more evenly distributed across wage levels.

There are four components to business survival and job losses during the COVID-19 pandemic. Jobs were lost because of (1) reduced job creation at expanding establishments, (2) a smaller number of new business openings, (3) businesses contracting in response to containment measures, and (4) businesses closing, either temporarily or permanently. The data that will help identify how many jobs were lost as a result of these four categories lags by several months. Based on data from the Quarterly Census of Employment and Wages (QCEW) from the second quarter of 2020, DEED has done preliminary estimation to identify where job losses occurred. DEED estimates that 10,492 business closed in March-April of 2020, but as of June 2020, only 3,792 remained closed. Those remaining closed were primarily concentrated in Other Services (including hair and nail salons, dry cleaners, repair shops); Accommodations and Food Services; Health Care and Social Assistance; Arts Entertainment and Recreation; and Professional, Scientific, Tech Services.

Forecast Comparison: Minnesota & U.S.

Forecast 2018 to 2025, Calendar Years

	2018	2019	2020	2021	2022	2023	2024	2025
Total Non-Farm Payroll Employment (Thousands)								
Minnesota								
February 2021	3,031	3,053	2,845	2,860	2,962	3,007	3,038	3,063
%Chg	0.8	0.7	-6.8	0.5	3.6	1.5	1.0	0.8
November 2020	2,963	2,978	2,774	2,828	2,890	2,902	2,927	2,943
%Chg	0.8	0.5	-6.8	2.0	2.2	0.4	0.9	0.6
U.S.								
February 2021	148,893	150,900	142,259	144,985	150,399	152,907	154,639	156,019
%Chg	1.6	1.3	-5.7	1.9	3.7	1.7	1.1	0.9
November 2020	148,891	150,935	142,412	147,489	151,299	153,351	155,112	156,569
%Chg	1.6	1.4	-5.6	3.6	2.6	1.4	1.1	0.9
Wage and Salary Disbursements (Billions of Current Dollars)								
Minnesota								
February 2021	172.8	178.9	177.7	188.4	197.8	206.7	215.6	225.5
%Chg	4.2	3.5	-0.6	6.0	5.0	4.5	4.3	4.6
November 2020	172.8	178.9	176.4	185.6	195.3	203.7	213.8	223.4
%Chg	4.2	3.5	-1.4	5.2	5.2	4.3	4.9	4.5
U.S.								
February 2021	8,894	9,309	9,369	10,000	10,513	10,967	11,486	12,051
%Chg	5.0	4.7	0.6	6.7	5.1	4.3	4.7	4.9
November 2020	8,894	9,309	9,291	9,824	10,238	10,699	11,238	11,813
%Chg	5.0	4.7	-0.2	5.7	4.2	4.5	5.0	5.1
Non-Wage Personal Income (Billions of Current Dollars)								
Minnesota								
February 2021	148.8	152.9	171.6	175.1	165.3	173.1	181.6	190.2
%Chg	6.2	2.8	12.2	2.0	-5.6	4.7	4.9	4.7
November 2020	148.8	152.9	172.9	158.4	163.9	171.2	179.7	188.0
%Chg	6.2	2.8	13.1	-8.4	3.4	4.4	5.0	4.7
U.S.								
February 2021	8,958	9,242	10,356	10,590	10,054	10,506	11,047	11,608
%Chg	5.7	3.2	12.1	2.3	-5.1	4.5	5.2	5.1
November 2020	8,958	9,242	10,339	9,540	9,814	10,242	10,763	11,331
%Chg	5.7	3.2	11.9	-7.7	2.9	4.4	5.1	5.3
Total Personal Income (Billions of Current Dollars)								
Minnesota								
February 2021	321.6	331.8	349.3	363.5	363.1	379.8	397.2	415.7
%Chg	5.1	3.2	5.3	4.1	-0.1	4.6	4.6	4.7
November 2020	321.6	331.8	349.4	344.0	359.2	374.9	393.4	411.4
%Chg	5.1	3.2	5.3	-1.5	4.4	4.4	5.0	4.6
U.S.								
February 2021	17,852	18,552	19,725	20,590	20,567	21,473	22,534	23,659
%Chg	5.3	3.9	6.3	4.4	-0.1	4.4	4.9	5.0
November 2020	17,852	18,552	19,631	19,364	20,052	20,941	22,000	23,144
%Chg	5.3	3.9	5.8	-1.4	3.6	4.4	5.1	5.2

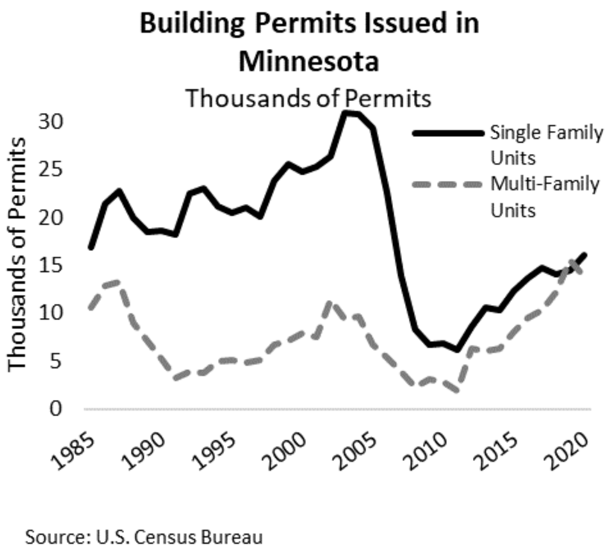
Source: IHS Economics and Minnesota Management and Budget (MMB)

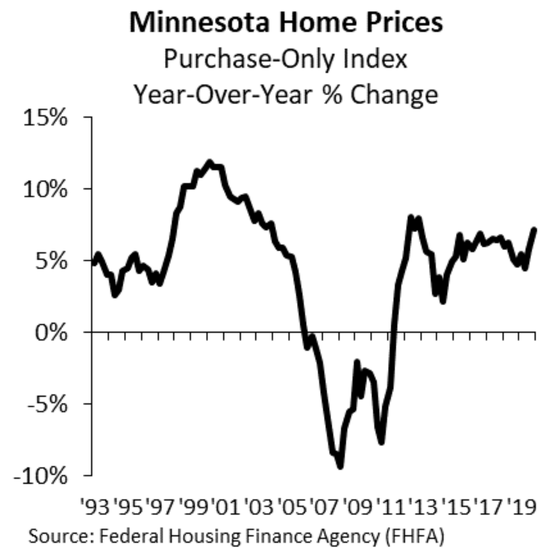
Homebuilding Activity. Despite several years of rising prices, the demand for homes continues to drive prices upward in Minnesota. Across the state, homebuying activity in 2020 has been an economic bright spot since the onset of the COVID-19 pandemic. According to the Minnesota Association of Realtors (MAR), there was a 1.1-month supply of homes in December for sale based on the current statewide sales pace, compared to a 2.2-month supply one year earlier. The 1.1 months' supply of new homes is the lowest number recorded by MAR, which has tracked the statewide metric since 2012. On average, sellers are receiving 98.5 percent of the original list price at sale.

The statewide median sales price increased 10.4 percent in 2020 to $277,000. The median sales price for metro-area homes also increased 10.4 percent to $309,000. Statewide, there was a 14.9 percent increase in new listings in December 2020 compared to 2019, but the time on the market until a property is sold was about 43 days, a 21.8 percent decrease from the same period in 2019. Homes in the metro area were being sold more than two weeks quicker than in 2019, after about 38 days on the market with only 0.9 months of supply inventory available. Closed sales across the state were up 21.9 percent compared to 2019, and closed sales in the metro area were up 20.7 percent.

Minnesota home prices are now higher than at any time since 2005, when the 30-year fixed mortgage rate was about 5.9 percent. In contrast, rates are now averaging around 2.8 percent, a new all-time low. While higher median prices increase monthly payments, lower rates constrain them. Combining these effects, affordability has remained at a constant, relatively low level over the past two years based on the housing affordability index—the ratio of median household income to the income needed to purchase a house. The statewide affordability index was 168 in December, down from 176 in January 2020. In this forecast, IHS expects the 30-Year fixed mortgage rate to decrease to 2.98 percent in 2021 from 3.12 percent in 2020 and remain below 3.5 percent until mid-2022.

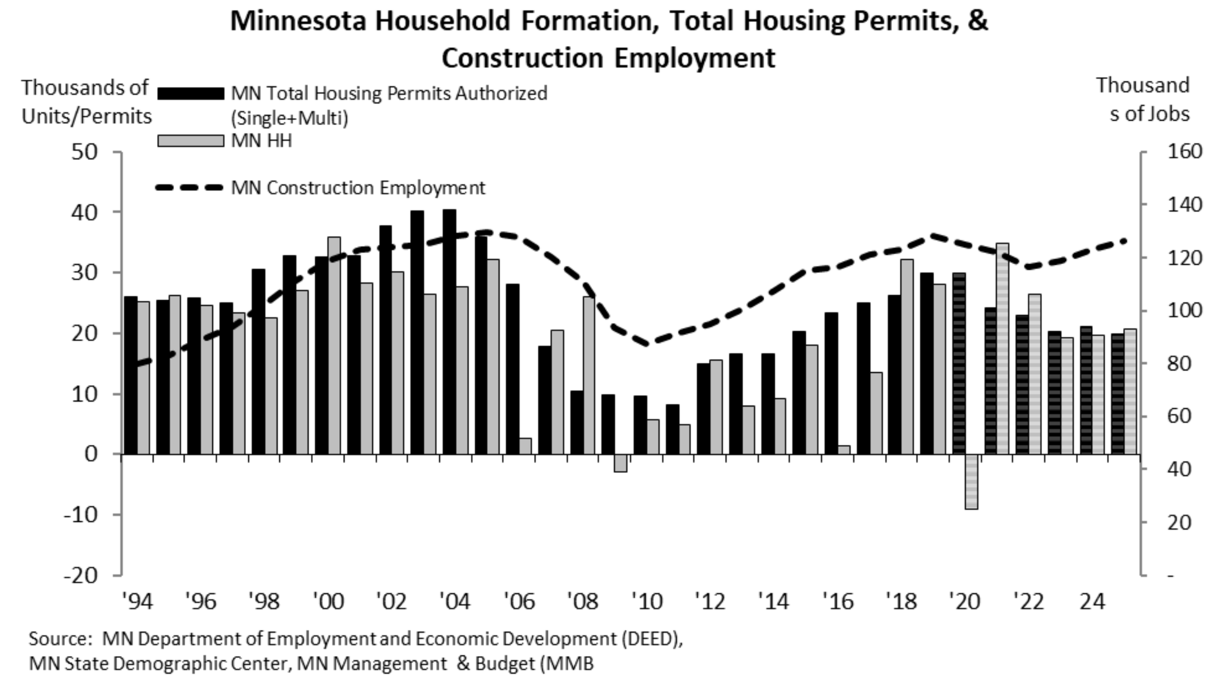
Between 2010 and 2017, Minnesota annual household formations averaged about 10,000 new households per year, much lower than the pre-recession ten-year average of 24,500. The lower household formation during this period may have reflected changes in living preferences among younger adults, as well as the increasing share of older Minnesota residents. However, 2018 marked faster growth in household formations, with 32,000 new households. This trend continued in 2019, with an additional 28,000 households. In this forecast, we expect the total number of Minnesota households to decrease by 9,000 in 2020 as a result of the economic downturn and IHS' forecast of lower immigration to the U.S. We expect formations to rebound to nearly 35,000 new households in 2021 and then decelerate throughout the forecast period to roughly 20,000 new households per year.





In December, the statewide median sales price had increased 10.4 percent from a year prior, reflecting a median sales price of $277,000. IHS expects that home sales may have peaked. The surge in home prices we saw in 2020 is likely to lose momentum as prospective buyers are priced out of the market. According to the U.S. Census Bureau, the total number of Minnesota authorized residential building permits (not seasonally adjusted) was 29,804 in 2020, consistent with 29,849 permits in 2019. Permits for multi-family units decreased in 2020, reversing the trend from the past several years.

According to the U.S. Census Bureau, the total number of Minnesota authorized residential building permits (not seasonally adjusted) was 29,804 in 2020, consistent with 29,849 permits in 2019. Permits for multi-family units decreased in 2020, reversing the trend from the past several years. A limited supply of available homes, low interest rates, shifting regional demand, and rising home prices continue to push near-term construction higher. We have revised up our forecast for total housing permits in 2021 by 4,700, to 24,158 permits. For years 2023-2025, we've revised our forecast for permits down, reflecting our downward projection for household formations informed by IHS' lower forecast for U.S. immigration. We now expect total housing permits to average 21,000 per year through the forecast period. IHS expects that home sales may have peaked. The surge in home prices we saw in 2020 is likely to lose momentum as prospective buyers are priced out of the market. Although the forecast for housing permits has been revised down, we expect construction employment to increase from 2023 to 2025 as investment in non-residential structures begins to increase.



In this forecast, we expect annual net new formations to decrease by 9,000 in 2020 as a result of the pandemic before rebounding to nearly 35,000 new households in 2021. In addition to impacts of the pandemic, household formations have been revised down to reflect more pessimistic assumptions from IHS about immigration.

Exports. Minnesota's exports of goods and services to countries throughout the world is a significant source of income and jobs in the state. According to DEED, Minnesota's worldwide exports totaled $22.2 billion in 2019, down 2 percent from 2018. Ranked by export value, Minnesota ranked 21st among states, down from 20th in 2018. The state's largest markets are Canada ($4.7 billion), China ($2.5 billion), and Mexico ($2.4 billion).

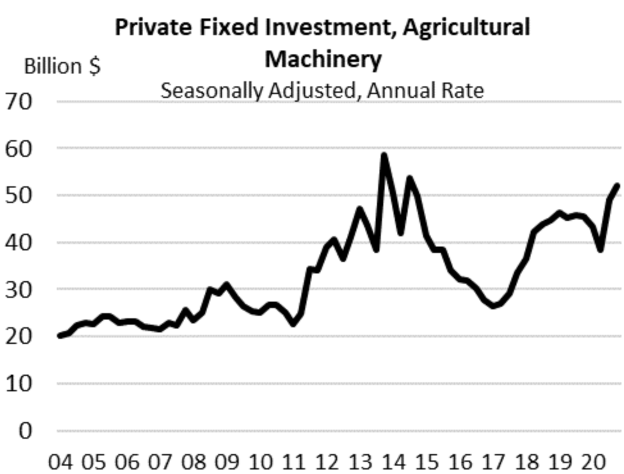
The global pandemic and resulting decline in economic activity affected U.S. exports in 2020, including those from Minnesota. U.S. exports of goods declined 20 percent in the second quarter and 13 percent during the third quarter. While Minnesota's exports increased 5 percent in the first quarter of 2020, they fell 18 percent in the second quarter and another 14 percent in the third quarter, compared to one year ago. According to DEED, Minnesota total exports fell 9 percent in the first nine months of 2020 while U.S. exports declined 15 percent over the same period.

In 2019, Minnesota's exports of ores, slag, or ash totaled $574 million, roughly flat from 2018. In April 2020, iron ore prices dropped to $83 per metric ton. The price began increasing in May and in January 2021 reached $170 per metric ton. According to IHS's January analysis of the Minnesota economy, all four mines in the Iron Range that idled due to a steep drop in demand for steel as a result of the pandemic are now open, bringing 1,750 workers back into employment.

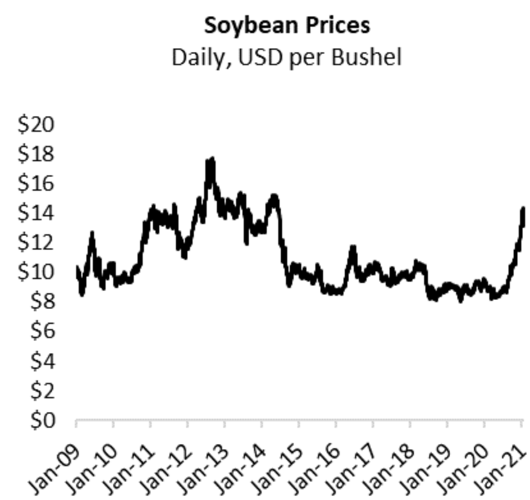
Agriculture. Trade policy uncertainty, pandemic-induced supply chain disruptions, and difficult weather were among the challenges U.S. farmers faced in 2020, but aggregate net farm income was supported by assistance payments from the federal government. According to the U.S.

Department of Agriculture's farm income forecast, overall U.S. net farm income, a broad measure of profits, is estimated to have increased 45.7 percent in 2020 to the highest level since the record-high U.S. farm income in 2013. The USDA forecasts net farm income to decline 8.1 percent from that level in 2021. The expected decline in 2021 is partly due to lower expected government payments to farmers. The USDA expects direct government farm payments to be $25.3 billion in 2021, a decrease of 45.3 percent from 2020.

Agricultural commodities and investment continue to be impacted by the U.S.'s relationships with its major trading partners. As China increases its imports of U.S. soybeans, that commodity traded at a four-year high price in November, reaching nearly 12 dollars per bushel. Prices for soybeans, corn, and pork surged toward the end of 2020, which had the effect of bringing up cash receipts for crops and livestock. Between 2015 and 2019, the price of soybeans hovered around $9 to $10 dollars per bushel. In late December 2020, soybean prices rose to $13 per bushel as a drought in South America pushed global supplies to low levels. Minnesota's farmers had some of the highest yields in the country, escaping many of the natural disasters that had impacts on many other Midwestern states. For the first time in many years, there is evidence that Minnesota's farmers are using their profits to invest in equipment and improvements to land and facilities. According to the BEA, U.S. investment in agricultural machinery in the second half of 2020 approached all-time highs set in 2013 and 2014. Investment in the fourth quarter was at the highest level since 2014.



Source: U.S. Bureau of Economic Analysis

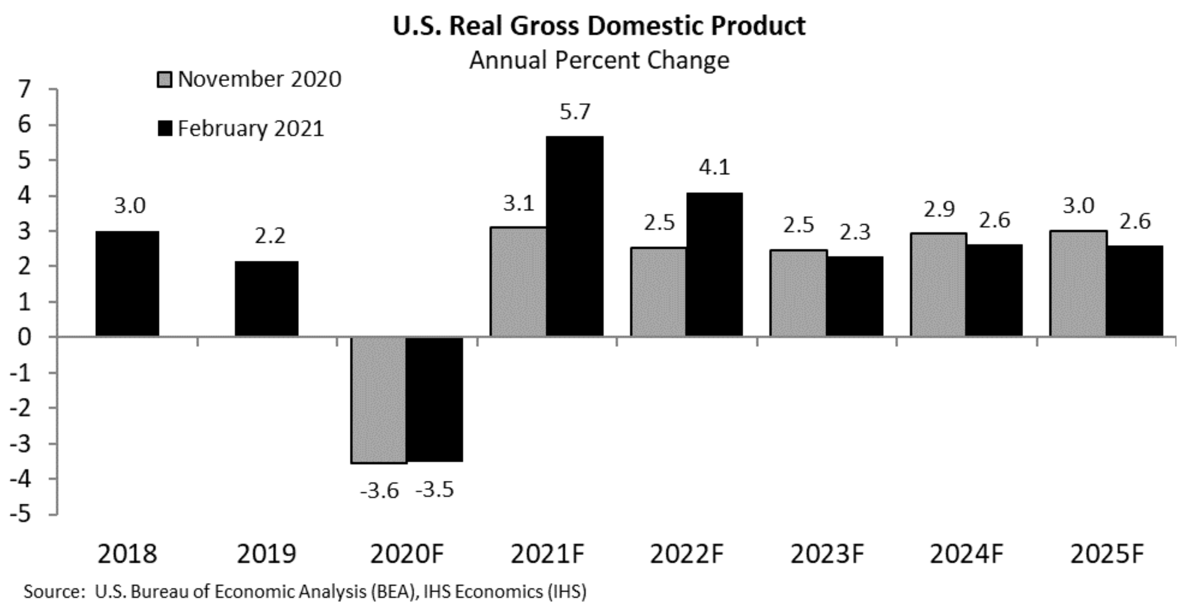


Agricultural commodities and investment continue to be impacted by the U.S.'s relationships with its major trading partners. As China increases its imports of U.S. soybeans, that commodity traded at a four-year high price in November, reaching nearly 12 dollars per bushel. Prices for corn and pork also surged at the end of the year. Investments in agricultural machinery in the second half of 2020 approached all-time highs as operations responded to high commodity prices and increased farm income.

Council of Economic Advisors' Statement

Minnesota's Council of Economic Advisors met on February 11, 2021, to review the IHS Markit (IHS) outlook for U.S. economic growth, which includes the assumptions underlying Minnesota's February 2021 *Budget and Economic Forecast.* Since the state's last forecast in November 2020, IHS's outlook for U.S. economic growth has improved. They now expect real GDP to grow 5.7 percent in 2021, up from 3.1 percent in their November outlook. They expect growth to decelerate to 4.1 percent in 2022, an improvement from the 2.5 percent growth they forecast in November.

The higher forecast is primarily the net effect of two rounds of federal fiscal support: the $900 billion pandemic relief package Congress passed on December 27, 2020, and additional pandemic relief spending from a proposal that Congress is considering now and that IHS expects to be enacted by mid-March. In addition to these changes, the BEA now estimates that real GDP grew at a 4.0 percent annual rate in the fourth quarter of 2020, above IHS' prior assumption and contributing to their higher growth forecast in 2021. Finally, IHS has increased their forecast for consumer spending in the first quarter of 2021, based on evidence of a jump in spending from credit and debit card transactions in January.



Since the state's last forecast in November, IHS's outlook for U.S. economic growth has improved. They now expect real GDP to grow 5.7 percent in 2021, up from 3.1 percent in their November outlook. Council members agree that the IHS baseline forecast is a reasonable starting point for Minnesota's economic and budget forecast, but they note risks to the forecast. They warn that the difficulty of projecting long range economic conditions, particularly when the structural effects of the pandemic are unforeseen, warrants caution when using forecasts for 2024 and 2025.

IHS assumes rates of COVID-19 infections and deaths peaked in mid-January and will continue to recede. They assume widespread, effective vaccination of the population to be achieved by fall of 2021. They expect an uneven economic recovery, with consumer spending in customer-facing service sectors slower to attain pre-recession levels than other sectors.

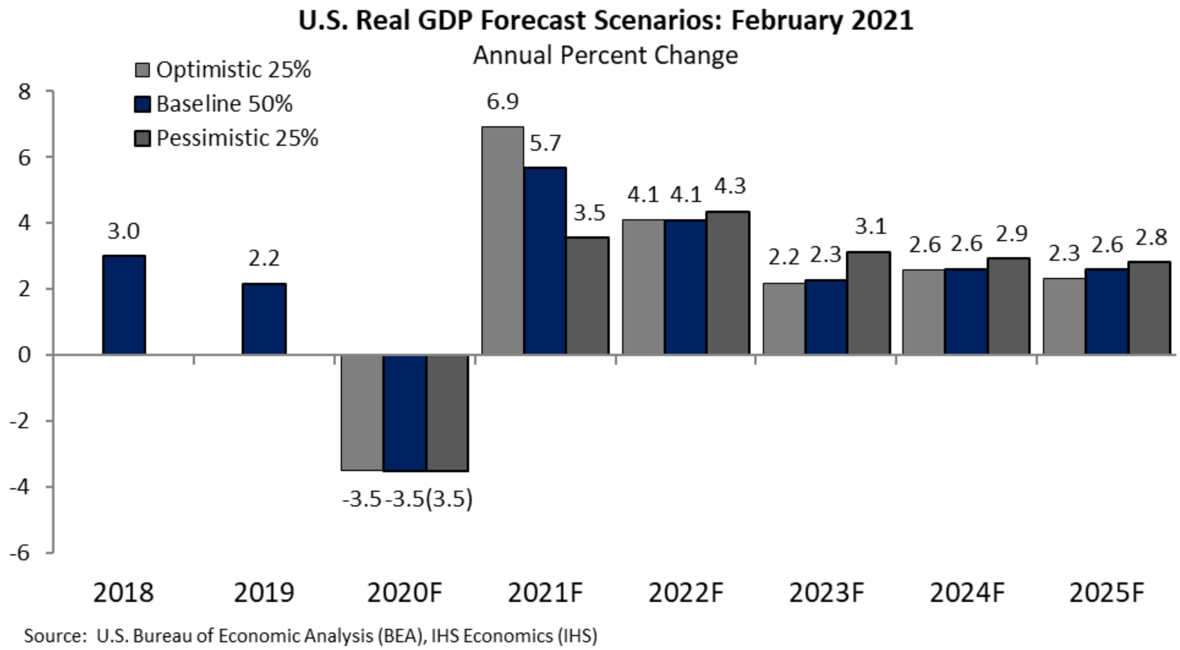
IHS' February baseline outlook assumes the implementation of the major elements of a federal pandemic relief package now before Congress, amounting to a $1.5 trillion government expenditure. This includes another round of checks to households, an extension of emergency unemployment payments, funding for COVID-19 mitigation efforts, and aid to state and local governments. IHS expects this funding to begin boosting the economy in the second quarter of 2021 and to add 1.0 percentage points to 2021 real GDP growth.

The IHS February baseline forecasts for 2021 and 2022 are higher than the Blue Chip Consensus, the median of 50 business and academic forecasts. The Blue Chip consensus expects real GDP growth of 4.9 percent in 2021 compared to the IHS forecast of 5.7 percent. IHS expects 4.1 percent growth in 2022, above the Blue Chip Consensus forecast of 3.8 percent for that year.

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

Council members agree that IHS' baseline outlook is a reasonable starting point for Minnesota's economic and budget forecast, but they caution about risks to the forecast. Because IHS assumes the implementation of additional federal fiscal support this year, and a subsequent positive impact on growth, Council members believe that the potential for the economy to grow faster than the baseline is less than the risk of the economy underperforming IHS' expectations.

Regarding downside risks, Council members warn that if IHS' assumption of additional federal fiscal support does not materialize, consumer spending will likely fall short of expectations, and the economy will grow more slowly than in the baseline forecast. Even if federal support is implemented, the size and timing of the boost to consumer spending is uncertain. Consumers may save more of their relief payments and/or may not return to pre-pandemic spending patterns as quickly as IHS expects. Council members also caution that impediments to vaccine deployment and/or increases in COVID-19 cases, hospitalizations, and deaths may delay the lifting of social distancing restrictions, which would slow or interrupt the recovery. Finally, they warn that the difficulty of projecting long range economic conditions, particularly when the structural effects of the pandemic are unforeseen, warrants caution when using forecasts for 2024 and 2025.



IHS assigns a 50 percent probability to the February baseline outlook. They assign a 25 percent probability to a more pessimistic scenario in which in which high levels of COVID-19 cases, hospitalizations, and deaths slow the pace of economic re-opening and inhibit consumer spending. They assign a 25 percent probability to a more optimistic scenario, in which more rapid vaccine deployment and additional federal fiscal support faster near-term growth.

IHS assigns a probability of 50 percent to the February baseline outlook. They consider the forecast risks to be roughly balanced between the upside and downside. IHS assigns a 25 percent probability to a pessimistic scenario, in which high levels of COVID-19 cases, hospitalizations, and deaths slow the pace of economic re-opening and inhibit consumer spending. In this scenario, real GDP grows 3.5 percent in 2021, and surpasses the previous peak two quarters later than in the baseline. IHS assigns a 25 percent probability to a more optimistic scenario, in which the economy grows faster than in the baseline. The key assumptions underlying this scenario are (1) a more accelerated timeline for a vaccine and (2) the enactment of an additional $400 billion in federal stimulus. In this scenario, 2021 annual real GDP growth is 1.2 percentage points greater than in the baseline.

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 2021 *Budget and Economic Forecast* understates the cost of maintaining current service levels as provided by law in FY 2022-23 by roughly $1.042 billion. This distortion will increase if inflation accelerates from current levels.

Council members believe that Minnesota's budget reserve—which is $2.377 billion, the level recommended by the state's budget reserve policy—will afford policymakers crucial financial flexibility during this economic downturn. The statutory policy assigns an adequate target reserve level based on MMB's annual evaluation of volatility in Minnesota's general fund tax system. The target is a percentage of forecast revenues, allowing reserves to adjust with revenue changes over time. In addition, the policy automatically transfers 33 percent of a positive forecast balance each November into the reserves until the target is reached. Based on MMB's most recent analysis, the target level is 4.8 percent of biennial (two-year) general fund revenues.

BUDGET OUTLOOK

Current Biennium

The November 2020 Budget and Economic Forecast, adjusted for appropriations made for pandemic response and business relief in the December 2020 special legislative session, projected the current biennium would end with a surplus of $394 million. With 4 months remaining in the FY 2020-21 biennium, increased revenue projections and slightly lower spending estimates result in an estimated surplus of $940 million, an improvement of $546 million.

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

($ in millions)	December 2020 End of Session	February 2021 Forecast	$ Change
Beginning Balance	**$3,971**	**$3,971**	**$ -**
Revenues	47,100	47,563	463
Expenditures	47,870	47,786	(83)
Budget Reserve Account	2,377	2,377	-
Cash Flow Account	350	350	-
Stadium Reserve	81	81	-
Budgetary Balance	**$394**	**$940**	**$546**

Revenue. With the official close of FY 2020 reported in November, changes in the current biennium are attributable only to updated estimates for FY 2021. Total revenue in FY 2020-21 is now expected to be $47.563 billion, $463 million (1.0 percent) higher than estimates in November. Tax revenue is expected to be higher due to increased corporate and sales tax revenue estimates, partially offset by a slight reduction in the forecast for income tax. Non-tax revenue, transfers and other resources are also expected to be higher. Included in this forecast is an $89 million increase in resources returned to the general fund due to anticipated Federal Emergency Management Agency (FEMA) reimbursement of state COVID-19 response expenditures. In addition, this forecast includes an adjustment to the actual FY 2020 E-12 education spending of $41 million. Fiscal year 2020 statements are closed, so the $41 million reduction in reported spending is included as a "prior year adjustment," which increases total resources available.

General Fund Savings: COVID Federal Funding Source Reallocation

Background. Since the onset of the COVID-19 pandemic in March 2020, $766 million has been appropriated from the general fund for pandemic response efforts. General fund resources were directly appropriated for agency response efforts or were transferred to separate state funds established specifically for pandemic response. The availability of these separate funds was set in law and unallocated funds cancel back to the general fund upon expiration of the individual funds.

Federal FEMA Reimbursement of Prior State Expenditures. Since March, Federal Emergency Management Agency (FEMA) funds have been made available to states for reimbursement of state expenditures related to pandemic response. When received, FEMA reimbursements offset the original state expenditure with savings accruing to the original funding source. In this forecast, it is estimated FEMA reimbursement will offset $17 million in COVID MN fund expenditures and $66 million in Health Care Response fund expenditures. Since the availability of these two funds has expired in law, these amounts are forecast to be transferred back to the general fund. In addition, included in this forecast is $1.148 million in FEMA reimbursement for Department of Human Services Emergency Services Grants and $10.326 million in FEMA reimbursement for National Guard COVID response expenditures; each of these appropriations were made directly from the general fund.

Funding Reallocation to Federal Coronavirus Relief Fund. Last spring Minnesota was allocated $2.187 billion from the federal Coronavirus Relief Fund (CRF). Of this amount, $1.158 billion was allocated to local governments. Chapter 3 (Article 9, section 12) from the October 2020 special session directed the commissioner of Minnesota Management and Budget to reallocate $10 million from state sources to the CRF and repurpose state spending against any returned CRF local government funds. To date $1.339 million has been returned from local governments, that same amount has been reallocated from the Veteran's Affairs COVID-19 Special Emergency Grants. Combined, this forecast reflects $11.339 million general fund savings due to the reallocation of spending to the CRF.

General Fund Impact of COVID Federal Funding Source Reallocations
$ in millions

	FY 2020-21
COVID-19 MN Fund Balance Transfer	$17
HealthCare Response Fund Balance Transfer	66
Reallocated General Fund Spending to CRF*	11
National Guard COVID FEMA Reimbursement*	10
DHS General Fund FEMA Reimbursement	1
Total General Fund Impact	$106

In addition to the general savings noted above, the general fund forecast for medical assistance includes a net increase of $1.185 billion in temporary, enhanced federal match for FY 2020-22, this match has the effect of reducing general fund spending.

**Of the $11.339 million total reallocated general fund spending to the CRF, $10 million was recognized previously in the November forecast. Of the $10.326 million FEMA reimbursement for National Guard COVID response, $5.941 million was previously recognized in the November forecast.*

Spending. Estimated expenditures for the FY 2020-21 biennium are projected to be $47.746 billion, $83 million (0.2 percent) lower than November estimates, adjusted for December law changes. Health and human services (HHS) is $54 million (0.4 percent) lower and E-12 education is $39 million (0.2 percent) lower than prior estimates. The small overall decrease is partially offset by an $11 million (0.1 percent) increase in estimated spending in all other areas of the budget.

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

Reserves. The current biennium is expected to end with reserve balances unchanged from November estimates. The budget reserve balance is $2.377 billion with an additional $350 million in the cash flow account. The $81 million stadium reserve balance, while still projected to grow over time, is also unchanged from November estimates for the current biennium.

Next Biennium

A balance of $1.571 billion is now projected for the FY 2022-23 biennium, an improvement of $2.454 billion compared to prior estimates. An improved revenue forecast and lower spending estimates result in forecast revenue exceeding estimated base spending in the next biennium by $260 million. The projected $940 ending balance in the current biennium carries into the next biennium and is part of the available balance. The remainder of the available balance is the result of $491 million falling to the bottom line of the general fund due to a current law reduction in the balance of the budget reserve account, partially offset by $120 million biennial growth in the stadium reserve account.

Forecast revenue in the next biennium is expected to be $50.917 billion, $1.423 billion (2.9 percent) higher than prior estimates. A significantly higher forecast, due to an improved economic outlook, for income tax, corporate tax and sales tax drive the forecast change.

Next Biennium: FY 2022-23 General Fund Budget
Forecast Comparison

($ in millions)	December 2020 End of Session	February 2021 Forecast	$ Change
Beginning Balance	**$3,202**	**$3,748**	**$546**
Revenues	49,494	50,917	1,423
Expenditures	51,113	50,657	(455)
Budget Reserve Account	1,866	1,886	-
Cash Flow Account	350	350	-
Stadium Reserve	230	201	(29)
Budgetary Balance	**$(883)**	**$1,571**	**$2,254**

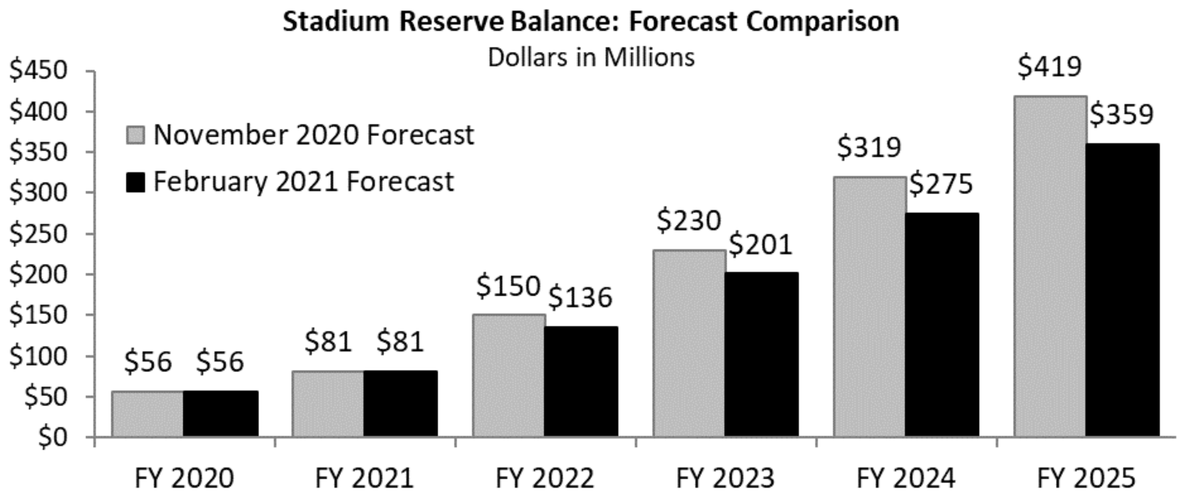
Base level spending, before the adoption of a budget for the next biennium, is estimated to be $50.657 billion, $455 million (0.9 percent) lower than prior estimates. Accounting for the majority of the change is a $257 million (1.6 percent) reduced forecast for HHS, which is largely due to an extension in the enhanced federal match for medical assistance (MA) through the remainder of calendar year 2021, and a $165 million (0.8 percent) reduction in the E-12 forecast, which is mostly due to a lower forecast for compensatory aid.

Next Biennium: FY 2022-23 General Fund Budget
Biennial Comparison; February 2021 Forecast

($ in millions)	FY 2020-21	FY 2022-23	$ Change	Annual % Change
Beginning Balance	**$3,971**	**$3,748**	**$(223)**	**(2.9)%**
Revenues				
Taxes	45,122	49,110	3,989	4.3
Non-Tax Revenues	1,589	1,433	(155)	(5.0)
Transfers, Other Resources	852	373	(479)	(33.8)
Total Revenues	**$47,563**	**$50,917**	**$3,354**	**3.5%**
Expenditures				
E-12 Education	19,842	20,429	587	1.5
Property Tax Aids	3,991	4,164	173	2.1
Health & Human Services	13,718	16,250	2,531	8.8
Debt Service	1,056	1,264	208	9.4
All Other	9,179	8,550	(629)	(3.5)
Total Expenditures	**$47,786**	**$50,657**	**$2,871**	**3.0%**
Budget Reserve	2,377	1,886	(491)	
Cash Flow Account	350	350	-	
Stadium Reserve	81	201	120	
Budgetary Balance	**$940**	**$1,571**		

Budget Reserve. The budget reserve account balance in the next biennium is projected to be $1.886 billion, $491 million lower than the current biennium. 1st Special Session of 2019, Chapter 5, Article 11, Section 17 stipulates that the balance of the budget reserve account be reduced by $491 million on the first day of FY 2022. This law was passed in an effort to bring a projected budgetary balance to the FY 2022-23 biennium.

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



The stadium general reserve account is expected to grow year over year in the February 2021 forecast, although at a slower rate than November 2020 forecast. With revenues for stadium uses continuing to grow each year while spending for stadium uses remains relatively flat year over year, the reserve is now be projected to grow to $359 million by the end of FY 2025.

By the end of FY 2023, the balance of the stadium reserve account is now expected to reach $201 million, $29 million lower than prior estimates. This lower growth projection is due to a reduced lawful gambling tax receipt forecast due to a slow-down in the expansion of lawful electronic gambling locations. With this revised forecast, the stadium reserve account balance is expected to reach $359 million by the end of FY 2025.

Planning Estimates

Out year planning estimates are based on current law revenues and expenditures. These estimates inherently carry a higher degree of uncertainty than estimates for FY 2022-23 because they rely on economic and budget projections three or more years into the future.

Revenue projections for FY 2024-25 are based on IHS' February Baseline forecast for the planning years. Expenditure projections assume that current law funding levels and policies continue unchanged, adjusted only for caseload and enrollment changes authorized in law, as well as formula driven growth. The expenditure forecast does not assume cost growth outside of specific budget areas where assumptions for cost increases or market conditions are specified by statute.

To highlight structural balance, the table below shows forecast revenues and projected spending and excludes the impact of balances from prior years and reserves. In the FY 2024-25 biennium forecast revenue is expected to exceed base level spending by $845 million.

Planning Horizon: General Fund Budget
By Biennium, FY2022-25, February 2021 Forecast

($ in millions)	**FY 2022-23**	**FY 2024-25**	**$ Change**	**Annual % Change**
Forecast Revenues	$50,917	$54,287	$3,370	3.3%
Projected Spending	50,657	53,442	2,785	2.7%
Difference	**$260**	**$845**		
Estimated Inflation (CPI)[5]	*$1,042*	*$2,554*		

Projected inflationary growth based on the Consumer Price Index is forecast to be 2.1 percent in FY 2022, 2.0 percent in each FY 2023 and FY 2024, and 2.2 percent in FY 2025. After adjusting for programs with cost increases included in the current law formula, applying the annual inflation rate, compounded over 2 and 4 years respectively, would add approximately $1.042 billion in cost pressure to the FY 2022-23 biennium and $2.554 billion in cost pressure to the FY 2024-25 biennium.

[5] 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 2020-21 are now forecast to be $47.563 billion, $463 billion (1.0 percent) more than the November 2020 forecast. Total tax revenues for the biennium are forecast to be $45.122 billion, $287 million (0.6 percent) above the prior estimate. The income tax forecast is lower than in November, and forecasts for all the other major tax types are higher.

Current Biennium: FY 2020-21 General Fund Revenues
Change from November 2020 Forecast

($ in millions)	**November 2020 Forecast**	**February 2021 Forecast**	**$ Change**	**% Change**
Individual Income Tax	$24,764	$24,664	$(100)	-0.4%
General Sales Tax	11,501	11,578	77	0.7
Corporate Franchise Tax	3,074	3,312	238	7.7
State General Property Tax	1,554	1,558	4	0.3
Other Tax Revenue	3,942	4,010	68	1.7
Total Tax Revenues	**$44,835**	**45,122**	**287**	**0.6%**
Non-Tax Revenues	1,543	1,589	46	3.0
Other Resources	722	852	130	18.0
Total Revenues	**$47,100**	**$47,563**	**$463**	**1.0%**

So far in FY 2021 net general fund receipts are $459 million (3.5 percent) higher than forecast in November. These higher revenues raise the base—or starting point—for our forecasts of several tax types.

This is the fifth forecast of FY 2020-21 revenues (including the extraordinary May projection) since FY 2020 began on July 1, 2019. After 19 months of observed collections, fiscal year-to-date receipts for FY 2020-21 are $36.621 billion, 78 percent of the total expected over the biennium. With 8 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 $100 million (0.4 percent) less than the prior forecast. So far in FY 2021, net income tax receipts are $198 million above our prior forecast. A lower estimate for tax liability in 2019, the base year of this forecast, and other forecast adjustments offset the fiscal-year-to-date positive variance to lower the income tax forecast for the remainder of FY 2021.

We built the income tax forecast from estimated final TY 2019 liability. Using information from processed tax returns through January 2021 and revenue in the state accounting system, we estimate that final 2019 tax liability is $11.505 billion, $85 million less than we estimated in November.

Calibrating the individual income tax to produce our estimated base year liability generally requires making assumptions about base year growth rates for particular income types. According to the Bureau of Economic Analysis (BEA), Minnesota total wage and salary income grew 3.5 percent in CY 2019, the same growth rate we assumed in November. Growth rates in the components of personal income—such as wage income reported by BEA—can grow at different rates than wage income included in adjusted gross income (AGI) on tax returns. In this forecast, we assume wage income in AGI grew at the same rate in 2019 as personal income wages, 3.5 percent. Our lower estimate of TY 2019 income tax liability, together with unchanged wage income growth, implies that non-wage income grew more slowly in TY 2019 than we had previously assumed. Based on information from a sample of TY 2019 income tax returns, we now assume that capital gains income reported by Minnesota residents declined 3.8 percent in TY 2019, compared to the 2.2 percent growth we assumed in the November forecast. We also lowered our estimate of growth in dividend and taxable Social Security income. Overall, TY 2019 non-wage income included in AGI grows about 1.8 percentage points more slowly in this forecast than in the November forecast.

Changes to assumed growth rates for TY 2020 also affected the FY 2020-21 income tax forecast. We now assume Minnesota wage and salary income in personal income fell 0.6 percent in TY 2020, less than the 1.4 percent decline we assumed in November.

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

Unemployment insurance (UI) benefits included in AGI in TY 2020 are forecast to be roughly the same as in November. Based on new analysis of withholding on UI benefits, in this forecast, we assume that the effective tax rate on those benefits is lower than we assumed in November.

Income taxes from fiduciaries—estates and trusts—add $19 million to the forecast due to higher-than-expected collections since October and a higher forecast of capital gains realizations. Income taxes from non-resident partnerships and S corporations add $20 million, largely due to fiscal year-to-date collections that are ahead of our prior forecast.

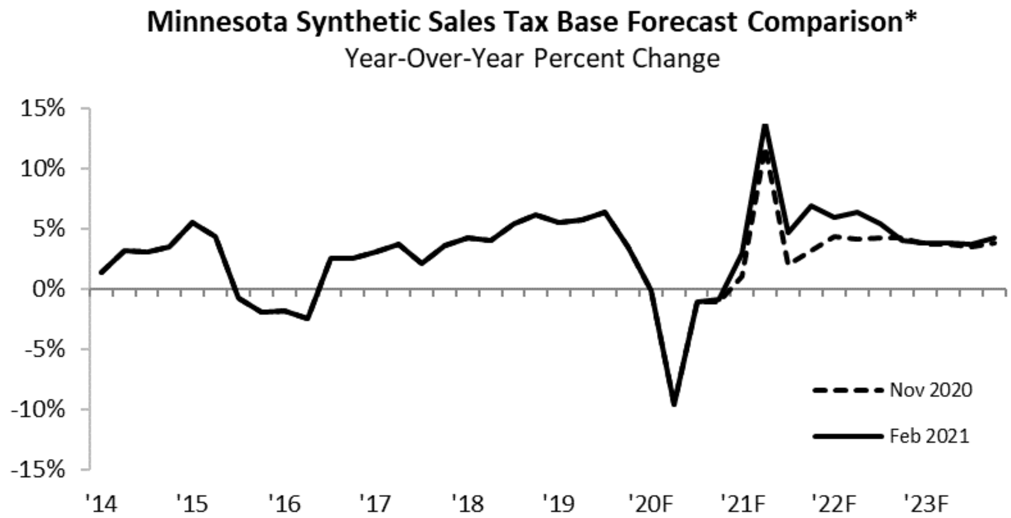
Changes in our treatment of how forgiven Paycheck Protection Program (PPP) loans affect net pass-through business income lower our income tax forecast for FY 2021. First, in November we assumed that the loans would be forgiven and raise business net income in the year they were received. Based on information on the fraction of loans that have been forgiven nationally, we now assume that most loans will not be forgiven until TY 2021. This shifts tax liability from TY 2020 to TY 2021 and shifts forecast revenue from FY 2021 to FY 2022. Second, in this forecast we assume that not all the forgiven loans will have the effect of raising business net income or reducing losses. Some of the forgiven amounts will roughly or exactly offset the expenses incurred and hence not contribute to an increase in net income. In general, the impact of PPP loans on the forecast of business income reported on individual tax returns adds uncertainty to the revenue forecast.

So far in FY 2021, estimated income tax payments are about $161 million higher than our prior forecast. We think some of this positive variance is due to business owners' uncertainty about their tax liability for TY 2020, including the impact of forgiven PPP loans on their net business income. By lowering our income tax forecast for FY 2021, despite the higher estimated payments, we are assuming that these taxpayers will make lower final payments or request higher refunds once they have more clarity about their TY 2020 liability.

General Sales Tax. General sales tax revenue in FY 2020-21 is now forecast to be $77 million (0.7 percent) higher than the November forecast. Higher forecast gross receipts and lower expected refunds both contribute to this change. Gross sales tax receipts are now forecast to be $50 million (0.4 percent) more than the prior estimate.

Two main factors contribute to the higher forecast for gross sales tax receipts. First, so far in FY 2021, gross sales tax receipts are $29 million (0.8 percent) higher than we forecast in November, raising the base for this forecast. Second, we construct Minnesota's synthetic (or proxy) sales tax base from forecasts for U.S. spending on a wide range of taxable goods and services. The U.S. components of the base grow faster in CY 2021 in this forecast than in our November forecast. The synthetic sales tax base is now forecast to grow 3.4 percent in FY 2021 compared to 2.6 percent growth in the November forecast.

Changes in consumer spending patterns during the pandemic have influenced our sales tax forecast. As explained in the U.S. Economy section, during the pandemic consumers have shifted their spending away from services (other than housing and utilities)—many of which have been restricted—to taxable goods. Durable goods other than medical devices and automobiles are largely taxable in Minnesota, and IHS expects this category to grow 8.0 percent in 2020, compared to 5.7 percent in 2019. This shift in spending has contributed to higher fiscal-year-to date sales tax collections and to faster forecast growth in Minnesota's proxy sales tax base.



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

Corporate Franchise Tax. The corporate franchise tax is forecast to generate $238 million (7.7 percent) more in FY 2020-21 than the prior forecast. A higher forecast for gross corporate tax receipts and a lower forecast for refunds both contribute to this change.

The forecast change is due to a higher base of corporate receipts and higher expected growth in corporate profits in CY 2021. So far in FY 2021, net corporate receipts are $166 million (17.5 percent) more than we forecast in November. Our previous corporate forecast estimate was based on IHS' November 2020 baseline forecast, which assumed a 6.8 percent decline in corporate profits in CY 2020 followed by a 10.7 percent decline in CY 2021. In this forecast we used IHS' February 2021 baseline outlook, which assumes a decline of 9.3 percent in CY 2020 followed by 6.6 percent growth in CY 2021.

Per the IHS February outlook, in the third quarter of CY 2020 corporate profits were 30 percent higher than the prior quarter and 7 percent higher than the third quarter of CY 2019. IHS suggests that spike was supported by PPP loans to corporations. Additionally, IHS assumes corporate profits increase 12 percent in the first quarter of 2021 and 31 percent in the second quarter of 2021, reflecting the second round of PPP payments. We assume that the resulting increase in corporate tax receipts in FY 2021 is temporary and does not carry forward into the next biennium.

Other Tax Revenue, Non-Tax Revenue, Other Resources. Other tax revenue is now expected to be $68 million (1.7 percent) more than the prior forecast. Among other taxes, the mortgage registry tax shows the largest dollar amount forecast increase, $37 million (10.4 percent) higher than the prior estimate. Higher expected mortgage refinance originations—due largely to low mortgage interest rates—drive this forecast change.

The forecast for other resources is $130 million (18.0 percent) higher than the prior estimate. This is due $88 million in transfers from other funds to the general fund and $42 million in prior year adjustments.

Next Biennium

Total general fund revenues for FY 2022-23 are now forecast to be $50.917 billion, $3.354 billion (7.1 percent) more than the current FY 2020-21 forecast. Total tax revenues for the next biennium are forecast to be $49.110 billion, a $3.989 billion (8.8 percent) increase over FY 2020-21 forecast tax revenues. Growth in individual income and sales tax revenues account for nearly all the biennial tax revenue change. Of the major tax types, the corporate franchise tax and the state general property tax show declines in expected revenues from FY 2020-21 to FY 2022-23.

Next Biennium: FY 2022-23 General Fund Revenues
Biennial Comparison; February 2021 Forecast

($ in millions)	FY 2020-21	FY 2022-23	$ Change	% Change
Individual Income Tax	$24,664	$27,233	$2,569	10.4%
General Sales Tax	11,578	12,813	1,234	10.7
Corporate Franchise Tax	3,312	3,303	(9)	(0.3)
State General Property Tax	1,558	1,541	(17)	(1.1)
Other Tax Revenue	4,010	4,221	211	5.3
Total Tax Revenues	**45,122**	**49,110**	**$3,989**	**8.8%**
Non-Tax Revenues	1,589	1,433	(155)	(9.8)
Other Resources	852	373	(479)	(56.2)
Total Revenues	**$47,563**	**$50,917**	**$3,354**	**7.1%**

The current forecast for FY 2022-23 total revenues is $1.423 billion (2.9 percent) more than the prior forecast. Total tax revenues for the next biennium are forecast to be $1.409 billion (3.0 percent) above the prior estimate. The forecasts for all major tax types have been raised since November.

Next Biennium: FY 2022-23 General Fund Revenues
Change from November 2020 Forecast

($ in millions)	November 2020 Forecast	February 2021 Forecast	$ Change	% Change
Individual Income Tax	$26,571	$27,233	$661	2.5%
General Sales Tax	12,477	12,813	335	2.7
Corporate Franchise Tax	2,945	3,303	358	12.2
State General Property Tax	1,540	1,541	1	0.1
Other Tax Revenue	4,169	4,221	52	1.3
Total Tax Revenues	**$47,702**	**49,110**	**$1,409**	**3.0%**
Non-Tax Revenues	1,419	1,433	15	1.0
Other Resources	373	373	(0)	0.0
Total Revenues	**$49,494**	**$50,917**	**$1,423**	**2.9%**

Individual Income Tax. Individual income tax shows the largest biennial growth, accounting for 64 percent of the total tax revenue biennial change. Income tax revenues for FY 2022-23 are forecast to be $27.233 billion, $2.569 billion (10.4 percent) more than the current forecast for FY 2020-21.

Growth in income tax revenues for FY 2022-23 over FY 2020-21 is primarily due to income growth in tax years 2021 and 2022. Minnesota wage and salary income included in AGI in the income tax model is now forecast to grow 4.9 percent in CY 2021 and 5.0 percent in CY 2022. Non-wage income is forecast to grow 10.5 percent in CY 2021 and 3.0 percent in CY 2022.

Regarding forecast change, higher forecast gross income tax receipts and lower expected refunds combine to bring the net income tax forecast $661 million (2.5 percent) higher than the prior estimate. The forecast change is driven by faster income growth. We now assume that income included in AGI will grow 6.5 percent in TY 2021 and 4.4 percent in TY 2022, compared to 3.2 and 4.7 percent, respectively, in the prior forecast. The primary reason for the change in assumed income growth is a higher forecast for non-wage income. On average, this forecast assumes a level of non-wage income that is 2.0 percent higher for CY 2022 and CY 2023 than we forecast in November. Growth rates in capital gains realizations and business income are both higher in this forecast than in November.

Unemployment insurance (UI) benefits included in AGI in TY 2021 are forecast to be higher than in November, due to IHS' assumption in their February 2021 outlook that a federal pandemic relief bill will be enacted in March that extends emergency UI programs through September and includes a supplemental benefit of $400 per week. In addition, our assumption that most PPP loans to pass-through businesses will be forgiven in TY 2021, rather than TY 2020 as we had assumed in November, shifts forecast income tax receipts from FY 2021 to FY 2022.

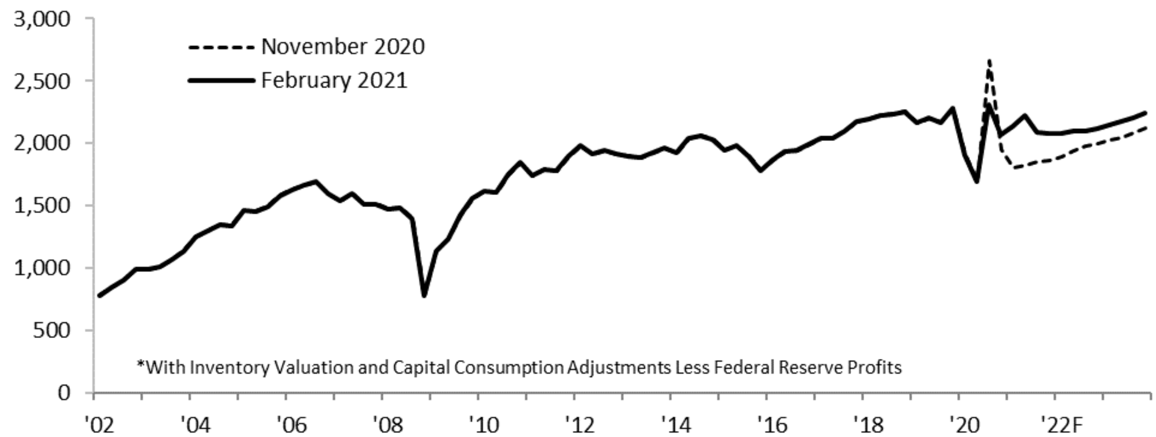
Income taxes paid by fiduciaries—estates and trusts—for FY 2022-23 are now forecast to be $43 million higher than in November. Tax revenue from non-resident S corporations and partnerships is now forecast to be $74 million more than the prior estimate.

General Sales Tax. General sales tax receipts for FY 2022-23 are expected to exceed FY 2020-21 levels by $1.234 billion (10.7 percent), accounting for 31 percent of the biennial growth in tax revenues. Growth in forecast gross sales tax receipts and a decline in refunds between FY 2020-21 and FY 2022-23 both contribute to the biennial change.

Gross sales tax receipts in FY 2022-23 are forecast to exceed FY 2020-21 levels by $1.153 million (9.6 percent). The Minnesota synthetic sales tax base, a proxy for the actual tax base, is expected to grow 3.4 percent in FY 2021 before accelerating to 6.0 percent growth FY 2022 and 4.3 percent in FY 2023. As in the past, the percentage changes in the synthetic base have been reduced by 5 percent to correct for a tendency of the base to grow faster than observed revenue growth. For example, a one percent change in the synthetic tax base implies a 0.95 percent change in sales tax revenue.

Regarding forecast change, higher expected gross sales tax receipts more than offset higher expected refunds to bring the net sales tax forecast $335 million (2.7 percent) above the prior forecast. Gross sales tax receipts for FY 2022-23 are now forecast to be $369 million (2.9 percent) higher than the prior estimate. The forecast change is due to both a higher base of gross sales tax receipts from the higher forecast for FY 2020-21 and higher growth in taxable sales. The synthetic sales tax base is expected to grow a cumulative 2.8 percentage points faster between FY 2021 and FY 2023 than we assumed in the prior forecast.

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



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

Corporate Franchise Tax. The corporate franchise tax is forecast to generate $3.303 billion in FY 2022-23, $9 million (0.3 percent) less than the current FY 2020-21 forecast.

Gross corporate receipts are forecast to decrease by $2.3 million from FY 2020-21 to FY 2022-23. This decrease is due to a decline in forecast corporate profits in CY 2022 following high levels in CY 2020 and CY 2021 supported by the first and second rounds of PPP. We assume that the resulting boost to corporate tax receipts in FY 2021 is temporary and does not carry forward into the next biennium. Corporate refunds increase by $6.4 million in the next biennium.

Regarding forecast change, a higher forecast for FY 2022-23 gross corporate tax receipts more than offsets a higher refund forecast to generate a $358 million (12.2 percent) increase in net expected corporate receipts. The forecast change is due to a higher base of gross corporate tax receipts from the higher forecast for FY 2020-21 offsetting lower growth in corporate profits. The previous corporate forecast estimate was based on IHS' November 2020 forecast, which assumed a 6.4 percent increase in corporate profits in CY 2022 followed by a 6.1 percent increase in CY 2023. In this forecast we used IHS' February 2021 baseline outlook, which assumes a decrease of 1.5 percent in CY 2022 followed by an increase of 4.3 percent in CY 2023.

Other Tax Revenue, Non-Tax Revenue, Other Resources. Other tax revenue is now forecast to grow by $211 million (5.3 percent) in FY 2022-23 over FY 2020-21. Regarding forecast change, other tax revenue is now expected to be $52 million (1.3 percent) more than the prior forecast. Among other taxes, the mortgage registry tax shows the largest dollar amount forecast increase, $58 million (18.9 percent) higher than the prior estimate. Higher expected mortgage originations due largely to refinancing in response to low mortgage interest rates drive this forecast change.

Planning Estimates

This is the second reporting of revenue planning estimates for FY 2024-25. Total revenues for the biennium are now estimated to be $54.287 billion, an increase of $3.370 billion (6.6 percent) over the current forecast for FY 2022-23 revenues. Total tax revenues for 2024-25 are estimated to be $52.555 billion, an increase of $3.445 billion (7.0 percent) over FY 2022-23.

Planning Estimates: FY 2024-25 General Fund Revenues
Biennial Comparison; February 2021 Forecast

($ in millions)	FY 2022-23	FY 2024-25	$ Change	% Change
Individual Income Tax	$27,233	$29,267	$2,035	7.5%
General Sales Tax	12,813	13,954	1,141	8.9
Corporate Franchise Tax	3,303	3,346	43	1.3
State General Property Tax	1,541	1,537	(5)	(0.3)
Other Tax Revenue	4,221	4,452	231	(5.5)
Total Tax Revenues	**49,110**	**$52,555**	**$3,445**	**7.0%**
Non-Tax Revenues	1,433	1,423	(11)	(0.7)
Other Resources	373	309	(64)	(17.2)
Total Revenues	**$50,917**	**$54,287**	**$3,370**	**6.6%**

Together, the individual income and sales taxes account for about 92 percent of the projected biennial tax revenue growth. The individual income tax shows the largest increase, growing by $2.035 billion (7.5 percent), and contributing 59 percent of the total tax revenue biennial change. The general sales tax is expected to exceed FY 2022-23 forecast levels by $1.141 billion (8.9 percent), accounting for 33 percent of the growth in tax revenues. The corporate franchise tax is expected to exceed FY 2022-23 forecast levels by $43 million (1.3 percent), accounting for 1 percent of the growth in tax revenues. Other taxes are expected to exceed FY 2022-23 levels by $231 million (5.5 percent).

The revenue planning estimates are based on the IHS baseline forecast, which assumes U.S. real GDP will grow 2.3 percent in CY 2023 followed by faster growth of 2.6 percent in both CY 2024 and CY 2025.

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

EXPENDITURE OUTLOOK

Current Biennium

Spending estimates overall for FY 2020-21 are reduced from prior estimates for the biennium. Expenditures in the current biennium are now expected to be $47.786 billion, a reduction of $83 million (0.2 percent) from December end of session estimates.

Current Biennium: FY 2020-21 General Fund Expenditures
Forecast Comparison

($ in millions)	**December 2020 End of Session**	**February 2021 Forecast**	**$ Change**	**% Change**
E-12 Education	$19,881	$19,842	$(39)	(0.2)%
Property Tax Aids & Credits	3,993	3,991	(2)	(0.1)
Health & Human Services	13,772	13,718	(54)	(0.4)
Debt Service	1,056	1,056	0	0.0
All Other	9,168	9,179	11	0.1
Total Expenditures	**$47,870**	**$47,786**	**$(83)**	**(0.2)%**

Lower expenditure estimates in health and human services are the largest driver of change in the current biennium. This is due primarily to decreases in utilization within the Child Care Assistance Program (CCAP). A $39 million decline in estimated spending for E-12 education accounts for nearly all the remaining reduction in FY 2020-21. This decrease is largely attributable to lower actual student counts than prior projections. All other areas of the state budget were relatively unchanged from previous estimates.

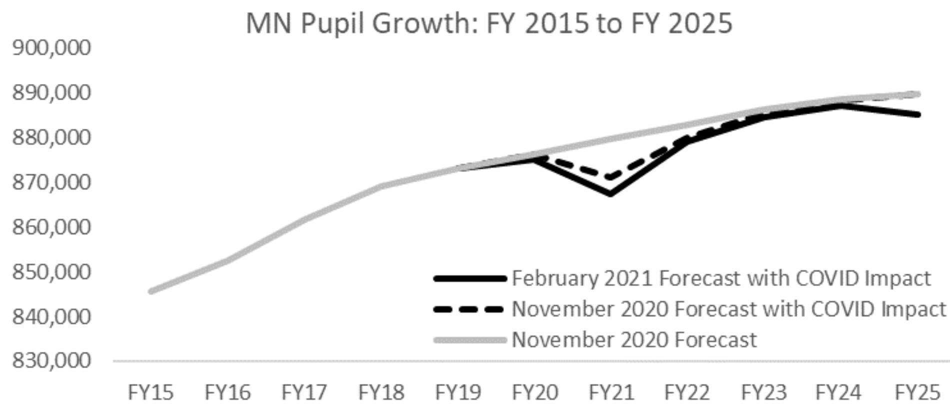
E-12 Education. Education finance is the largest category of state general fund spending. It consists of aid programs for general education, special education, early childhood and family education, charter schools, nonpublic pupil programs, and integration programs. E-12 aids can be divided into two major funding streams: 1) general education, the primary source of basic operating funds for schools, and 2) categorical aid, tied to specific activities or categories of funding. In the current biennium, the state is projected to spend $19.842 billion on education.

E-12 spending is $39 million (0.2 percent) lower in FY 2020-21 than previous projections. This reduction is largely attributable to updated student data that indicates public school enrollments have decreased compared to prior estimates. This decline in student counts decreases general education spending by $27 million (0.2 percent). Special education spending is also down by $15 million (0.5 percent), which is driven by a decrease in actual expenditures. These spending reductions are offset by a $3 million increase in all other E-12 education aids.

Pupil Projections in the February 2021 Forecast

Background. Pupils are the primary factor determining E-12 education spending in Minnesota. Pupils are projected by the Minnesota Department of Education (MDE) using growth trends based on prior year actual counts and other factors. MDE has incorporated new data and updated the methodology used in the November forecast to reflect changes in pupil enrollment due to the COVID-19 pandemic and changing learning models.

Changes in Pupil Counts in the Current Biennium. Pupil counts are expected to decrease by 1,145 (0.1 percent) in FY 2020 and 3,988 (0.5 percent) in FY 2021 compared to November estimates. Compared to February 2020 projections, pupil counts have decreased 2,521 in FY 2020 and 16,654 in FY 2021. To forecast pupil count changes due to the pandemic, MDE used traditional growth modeling with an overlay of student data that accounts for increased homeschool and non-public school enrollment.



As the pandemic has caused some families to delay enrollment in kindergarten or pursue non-public and homeschool options, public school enrollments have decreased. This lowers projected spending in FY 2021. Updated data from districts and nonpublic schools indicates that approximately 11,344 students shifted to non-public options or delayed entering kindergarten in FY 2021. In comparison, the November forecast estimated 8,324 students in FY 2021 fell in this category. Additionally, updated data reduced MDE's underlying pupil growth projections.

Changes in Pupil Counts in the Next Biennium. Compared to prior estimates, pupil counts are expected to be lower by 891 (0.1 percent) in FY 2022 and by 790 (0.1 percent) in FY 2023. Despite this decline, MDE assumes families will return to public schools more quickly than previous estimates because of the prioritization of teachers and staff to receive the COVID-19 vaccine and increased resources for schools to provide in-person learning. MDE estimates 80 percent of kindergarten pupils and 75 percent of the remaining grades will return to public schools in FY 2022. In FY 2023, an estimated 95 percent of all pupils will return.

Changes in Pupil Counts in the Planning Years. In FY 2024-25, pupil growth is expected to return to nearly pre-pandemic levels, with the assumption that 98 percent of students will return in FY 2024 and 100 percent will return in FY 2025. Despite phasing out the COVID-19 overlay, FY 2025 pupil counts are still down relative to the November 2020 projections due to a decrease in live births in CY 2020. The decrease in births leads to an estimated decrease of 4,618 pupils (0.5 percent) entering kindergarten in FY 2025.

Health & Human Services. Health and Human Services (HHS) is approximately 29 percent of total state general fund spending. The majority of these expenditures (84 percent) are forecast programs including Medical Assistance (MA), Chemical Dependency (CD), the Minnesota Family Investment Program (MFIP), MFIP Child Care, Alternative Care (AC), General Assistance, Housing Support, Minnesota Supplemental Aid, and Northstar Care for Children.

General fund forecast changes are generally driven by changes to the MA forecast, since it accounts for the largest portion of forecast program expenditures. MA is a state-federal, means tested entitlement program for low-income individuals and families, persons with physical or developmental disabilities, and the low-income elderly. MA costs are split between the state and federal government, though only the state share of expenditures is reflected as part of the general fund forecast. In the FY 2020-21 biennium, anticipated HHS general fund spending is $13.718 billion, down $54 million (0.4 percent) from the December 2020 estimates.

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

($ in millions)	FY 2020-2021 $ Change	FY 2020-2021 % Change	FY 2022-2023 $ Change	FY 2022-2023 % Change	FY 2024-2025 $ Change	FY 2024-2025 % Change
Public Health Emergency six-month extension MA Enhanced Match	-	-	$(467)	(3.6)%	-	-
Public Health Emergency Continuous Coverage Costs	-	-	162	1.2	-	-
Basic Care Enrollment	17	0.6	83	1.1	95	1.1
All other MA	(46)	(0.2)	(18)	(0.2)	(14)	(0.1)
Total MA Change	**$(29)**	**0.3%**	**$(240)**	**(1.9)%**	**$81**	**0.6%**
Child Care Assistance Program	(35)	(47.2)	-	-	-	-
All Other HHS Changes	8	(1.4)	(17)	(1.1)	1	0.1
Total HHS General Fund Forecast Change	**$(54)**	**(0.4)%**	**$(257)**	**(1.8)%**	**$82**	**0.5%**

The largest driver of HHS change in the current biennium is primarily due to decreases in utilization within the Child Care Assistance Program (CCAP), which lowers anticipated general fund payments by $26 million (35.1 percent). The 18% decrease in caseload is attributable to the continued ongoing impacts of the pandemic. The February forecast also corrects the November forecast to assign a higher federal contribution to CCAP payments. In total, CCAP general fund expenditures are lowered by $35 million (47.2 percent) from previous forecast.

Changes to the MA program are concentrated in program utilization and caseload changes. Among these, decreased nursing facility caseload and average payments are the primary drivers of a $22 million (1.0 percent) reduction in payments for long term care services, and enhanced FMAP reduces the state's Medicare Part D Clawback payments to the federal government by $8 million in FY 2021. Clawback payments partially finance Medicare Part D's coverage of prescription drugs for dual MA-Medicare eligible enrollees. These decreases are partially offset by increased basic care enrollment. In FY 2021, MA basic care enrollment is anticipated to be 1.2

percent higher than previous estimates, which increases state MA expenditures by $17 million (0.6 percent).

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 2020-21 spending for property tax aids and credits is forecast to be $3.991 billion, $2 million (0.0 percent) lower than December estimates. This change is due in large part to a reduction in homestead credit refunds and renter's property tax refund, $1 million (0.2 percent) and $1 million (0.6 percent) respectively. For both programs, the number of refunds processed is lower compared to previous projections.

Debt Service and All Other Spending. With each forecast MMB makes assumptions about the size of future capital budgets. The assumptions are based on the average size of the capital budget bill over the past ten years, differentiating between the larger even year capital budgets and smaller odd year capital budgets. This forecast makes the same capital budget assumptions as the November forecast: $880 million in even year legislative sessions and $240 million in odd year sessions. Projected debt service costs for FY 2020-21 are expected to be $1.056 billion, which is unchanged from previous estimates.

Changes in all other spending are estimated to be $9.179 for the current biennium, which is slightly higher than prior estimates ($11 million, 0.1 percent). This increase is driven primarily by greater than expected spending on National Guard State Active Duty missions in response to flooding, civil disturbance, and the COVID-19 pandemic, which includes activities such as long-term care facility staffing, community testing, logistics, and enterprise-wide support. Expenditures for these services are now estimated to be $29 million, an increase of $8 million over prior estimates (36.3 percent).

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

Next Biennium

Forecast expenditures in the next biennium are now expected to be $50.657 billion, a decrease of $456 million (0.9 percent) from December end of session estimates. Expenditures estimates are lower in both E-12 education and health and human services. This reduction is primarily the result of lower pupil counts and compensatory aid payments in E-12 education and the extension of the federal public health emergency.

Next Biennium: FY 2022-23 General Fund Expenditures
Forecast Comparison

($ in millions)	December 2020 End of Session	February 2021 Forecast	$ Change	% Change
E-12 Education	$20,594	$20,429	$(165)	(0.8)%
Property Tax Aids & Credits	4,200	4,164	(35)	(0.9)
Health & Human Services	16,507	16,250	(257)	(1.6)
Debt Service	1,257	1,264	7	0.6
All Other	8,555	8,550	(5)	(0.1)
Total Expenditures	**$51,113**	**$50,657**	**$(455)**	**(0.9)%**

E-12 Education. E-12 expenditures are expected to reach $20.429 billion in FY 2022-23, a $165 million (0.8 percent) decrease from previous estimates. Overall, general education spending is responsible for $117 million (0.8 percent) of the change. As previously discussed, this forecast assumes families will return to public schools more quickly than previously anticipated. However, overall pupil counts remain lower than prior estimates. This results in a decrease in basic aid expenditures of $24 million (0.2 percent) in FY 2022-23.

The largest driver of change in general education spending is compensatory aid, which provides additional funds to schools with a high concentration of students living in poverty and is down $113 million (10.3 percent) in FY 2022-23. Compensatory aid is paid to school sites based on the prior school year's October counts of free and reduced priced lunch eligible students. Student counts are primarily driven by family income forms submitted to school districts. Due to the pandemic and the use of distance learning in the 2020-21 school year, as well as federal policy changes which provided free meals to all students, free and reduced price lunch enrollment counts are lower than previously expected.

Partially offsetting these reductions, is a $13 million (12.4 percent) increase in extended time spending. Extended time aid is based on the number of students participating in before and after school, extended week, or summer programs. More students are expected to participate in these services during the next biennium. Additionally, schools that lose per pupil funding due to lower enrollment are eligible to receive declining enrollment aid. This aid is $6.8 million (25.3 percent) higher than previous forecast, as more districts are expected to experience declining enrollment.

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

	FY 2020-21		**FY 2022-23**	
($ in millions)	**$ Change**	**% Change**	**$ Change**	**% Change**
General Education	(27)	(0.2)%	(117)	(0.8)%
Special Education Aid	(15)	(0.5)	(52)	(1.4)
All Other E-12 Changes	3	0.2	5	0.3
Total E-12 General Fund Forecast Change	**(39)**	**(0.2)%**	**(165)**	**(0.8)%**

Special education also contributes to the decrease in E-12 education spending by $52 million (1.4 percent) in FY 2022-23 compared to previous estimates. Actual 2019 expenditures and preliminary 2020 expenditures reveal lower spending than previously forecast, slowing projected spending growth for the next biennium.

Health & Human Services. Health and Human Services expenditures are projected to total $16.250 billion in the FY 2022-2023 biennium, a decrease of $257 million (1.8 percent) from December end of session estimates. Changes to Medical Assistance (MA) are the largest driver of the change, which is down $240 million (1.9 percent).

Within MA, the largest driver of change is an extension of the federal public health emergency. In a letter signed January 25, 2021, Acting Health and Human Services Secretary Cochran indicated the public health emergency would likely remain through calendar year 2021. Consequently, the February forecast assumes a six-month extension of the federal public health emergency until December 31, 2021. The Families First Coronavirus Response Act provides an enhanced 6.2 percent federal share for some forecast programs, primarily MA, for each quarter where a federal public health emergency declaration exists. As a condition of acceptance, the state must provide continuous enrollment to individuals enrolled in MA at the start of the pandemic.

This six-month extension of the emergency provides a 6.2 percent enhanced federal share valued at $467 million for the MA program. This additional match is partially offset by the requirements of continuous coverage and resulting additional caseload. In total, this reduces state general fund expenditures by $305 million (2.4 percent) in FY 2022-23.

Public Health Emergency Extension Impact on Medical Assistance

February 2021 Forecast

MA Expenditure Change	**$ in millions**
July 2021 through December 2021 Enhanced Match	$(467)
Continuous Coverage Costs	162
State Costs (Savings)	**$(305)**

Savings from an extended federal public health emergency and enhanced federal share are partially offset by higher enrollment in MA basic care, which increases expected state expenditures by $83 million (1.1 percent) compared to previous forecast. Impacts from higher enrollment are primarily experienced in two eligibility categories: families with children and adults without children, with $52 million and $26 million of the total change, respectively.

Property Tax, Aids, and Credits. Property tax aids and credits spending is expected to be $4.164 billion in the FY 2022-23 biennium, a decrease of $35 million (0.9 percent) compared to December estimates. Nearly all this change is attributable to homestead credit refunds and renter's property tax refunds, which are reduced by $26 million (2.8 percent) and $9 million (1.8 percent), respectively, compared to previous estimates. These reductions are largely the result of lower property tax growth and a higher rate of income growth than previously projected. Faster income growth and lower property tax growth result in lower average refunds.

Debt Service and All Other Spending. Projected debt service costs for FY 2022-23 are expected to be $1.264 billion, which is $7 million (0.5 percent) more than previous estimates. The estimates reflect slightly higher interest rate assumptions on future bond sales. Higher bond interest rates result in lower bond premiums, which together increase the estimated size of future bond sales and forecasted debt service payments. Expenditures in all other bill areas are expected to be $8.550 billion, a decrease of $5 million (0.1 percent) from December estimates.

Planning Estimates

Spending estimates for FY 2024-25 are lower than prior estimates for the planning biennium. Expenditures in FY 2024-25 are now expected to be $53.442 billion, a decrease of $195 million (0.4 percent) from December estimates. Much of the downward adjustment in these spending estimates occurs in E-12 education and property tax aids and credits, which is partially offset by increases in health and human services spending. Many of the same trends that drove changes in these bill areas in the FY 2022-23 biennium continue into the planning estimates.

Planning Estimates: FY 2024-25 General Fund Expenditures
Forecast Comparison

($ in millions)	December 2020 End of Session	February 2021 Forecast	$ Change	% Change
E-12 Education	$21,312	$21,088	($225)	(1.1%)
Property Tax Aids & Credits	4,355	4,307	(48)	(1.1)
Health & Human Services	18,088	18,169	82	0.5
Debt Service	1,283	1,296	13	1.0
All Other	8,600	8,582	(18)	(0.2)
Total Expenditures	**$53,637**	**$53,442**	**$(195)**	**(0.4)%**

E-12 Education. E-12 education spending is forecast to be $21.088 billion in FY 2024-25, a decrease of $225 million (1.1 percent) from December estimates, with reductions in general education spending accounting for $140 million (0.9 percent) of the total change. Lower than expected pupil growth is driven by two factors: 1) enrollment changes from the COVID-19 pandemic in FY 2024; and 2) reduced birth rates leading to fewer kindergarteners in FY 2025. This results in a $50 million (0.4 percent) decrease in basic aid. Compensatory aid is projected to fall by $102 million (8.9 percent) compared to previous estimates due to fewer students reporting as qualifying for free and reduced price lunch. Special education is also down by $87 million (2.0 percent) in FY 2024-25 in this forecast. As in FY 2022-23, slower cost growth and declining pupil units drive the reduction in special education spending relative to previous estimates.

Health & Human Services. Health and Human Services expenditures are projected to total $18.169 billion in the FY 2024-25 biennium, an increase of $82 million (0.5 percent) compared to December estimates. Changes within MA account for most of the increase, $81 million (0.6 percent) from previous projections. The higher than expected enrollment trends for families with children and adults without children in FY 2022-23 continue into FY 2024-25. Although total enrollment is projected to decrease in FY 2024-25 relative to the FY 2022-23, higher baseline enrollment results in increased spending relative to December estimates.

Property Tax, Aids, and Credits. Property tax aids and credits spending is expected to be $4.307 billion, $48 million (1.1 percent) less than December estimates. This is largely due to decreased spending for property tax refunds. Compared to previous projections, homestead credit refund and renter's property tax refunds spending is projected to decline by $30 million (2.3 percent) and

$13 million (2.6 percent), respectively. Both changes are the result of fewer projected refunds as well as slower Consumer Price Index growth compared to previous estimates. Spending in school building bond agricultural credits also decreases in this forecast ($6 million, 3.4 percent) due to lower school debt service levies. These reductions are offset by slightly higher than projected spending in all other property tax aids and credits ($2 million).

Debt Service and All Other Spending. Debt service expenditures are forecast to be $1.296 billion in FY 2024-25, an increase of $13 million (1.0 percent) from previous estimates. The estimates reflect higher interest rate assumptions, which lowers the amount of premium otherwise used to reduce the overall size of the bonds. Expenditures for all other bill areas are forecast to be $8.582 billion, $18 million (0.2 percent) lower than previous estimates. This is primarily due to correcting a base error in November.

APPENDIX

ECONOMIC DATA

REVENUE EXPERIENCE

GENERAL FUND BALANCE SHEETS

OTHER DATA

Minnesota Economic Forecast Summary

Forecast 2018 to 2025 - Calendar Years

	2018	2019	2020	2021	2022	2023	2024	2025
Current Dollar Income (Billions of Dollars)								
Personal Income	321.639	331.802	349.283	363.450	363.108	379.763	397.173	415.703
%Chg	5.1	3.2	5.3	4.1	-0.1	4.6	4.6	4.7
Wage & Salary Disbursements	172.806	178.863	177.731	188.395	197.785	206.693	215.598	225.518
%Chg	4.2	3.5	-0.6	6.0	5.0	4.5	4.3	4.6
Non-Wage Personal Income	148.833	152.938	171.552	175.050	165.320	173.073	181.570	190.185
%Chg	6.2	2.8	12.2	2.0	-5.6	4.7	4.9	4.7
Supplements to Wages & Salaries	37.941	38.827	39.154	43.432	46.028	48.195	50.330	52.704
%Chg	4.8	2.3	0.8	10.9	6.0	4.7	4.4	4.7
Dividends, Interest, & Rent Income	65.053	65.074	64.304	64.946	66.764	69.156	72.153	75.574
%Chg	6.8	0.0	-1.2	1.0	2.8	3.6	4.3	4.7
Farm Proprietors Income	1.244	2.006	2.634	3.336	1.924	2.270	2.763	2.803
%Chg	0.3	61.2	31.3	26.6	-42.3	18.0	21.7	1.4
Non-Farm Proprietors Income	22.304	23.447	23.534	23.774	24.402	25.632	27.003	28.273
%Chg	5.9	5.1	0.4	1.0	2.6	5.0	5.3	4.7
Personal Current Transfer Receipts	50.616	52.837	71.727	71.487	59.488	62.427	65.296	68.342
%Chg	6.0	4.4	35.8	-0.3	-16.8	4.9	4.6	4.7
Less: Contrib. for Gov. Social Ins.	26.993	27.871	28.399	30.487	31.847	33.171	34.535	36.074
%Chg	5.1	3.3	1.9	7.4	4.5	4.2	4.1	4.5
Real Income (Billions of 2009 Dollars)								
Real Personal Income	297.144	302.043	314.274	321.230	315.013	323.600	331.973	340.555
%Chg	2.9	1.6	4.0	2.2	-1.9	2.7	2.6	2.6
Real Wage & Salary Disbursements	159.648	162.821	159.891	166.488	171.588	176.123	180.205	184.750
%Chg	2.1	2.0	-1.8	4.1	3.1	2.6	2.3	2.5
Employment (Thousands)								
Employment - Total Non-Farm Payrolls	3,030.6	3,053.2	2,845.3	2,860.2	2,961.8	3,006.9	3,038.3	3,063.3
%Chg	0.8	0.7	-6.8	0.5	3.6	1.5	1.0	0.8
Construction	123.1	128.4	124.9	121.9	116.7	118.9	122.9	126.5
%Chg	1.6	4.3	-2.7	-2.4	-4.3	1.9	3.4	2.9
Manufacturing	323.8	326.0	310.6	312.1	314.2	312.9	312.1	311.9
%Chg	1.1	0.7	-4.7	0.5	0.7	-0.4	-0.3	-0.1
Private Service-Providing	2,151.2	2,166.2	1,997.4	2,008.7	2,099.1	2,139.6	2,165.7	2,185.1
%Chg	0.8	0.7	-7.8	0.6	4.5	1.9	1.2	0.9
Government	425.7	426.0	406.3	411.4	425.7	429.4	431.5	433.8
%Chg	0.5	0.1	-4.6	1.3	3.5	0.9	0.5	0.5
Minnesota Civilian Labor Force	3,071.5	3,108.9	3,079.0	3,064.8	3,122.9	3,152.1	3,173.1	3,189.8
Unemployment Rate (%)	3.0	3.2	5.8	3.7	2.4	2.1	2.0	2.0
Demographic Indicators (Millions)								
Total Population	5.612	5.642	5.659	5.671	5.691	5.716	5.744	5.774
%Chg	0.7	0.5	0.3	0.2	0.4	0.4	0.5	0.5
Total Population Age 16 & Over	4.526	4.559	4.582	4.604	4.633	4.665	4.698	4.733
%Chg	0.8	0.7	0.5	0.5	0.6	0.7	0.7	0.7
Total Population Age 65 & Over	0.893	0.924	0.951	0.977	1.006	1.036	1.066	1.095
%Chg	3.5	3.5	2.9	2.7	3.0	3.0	2.9	2.7
Total Households	2.194	2.223	2.214	2.248	2.275	2.294	2.314	2.334
%Chg	1.5	1.3	-0.4	1.6	1.2	0.8	0.9	0.9
Housing Indicators (Thousands)								
Total Housing Permits (Authorized)	26.294	29.936	29.862	24.156	22.866	20.370	21.197	19.862
%Chg	4.9	13.9	-0.2	-19.1	-5.3	-10.9	4.1	-6.3
Single-Family	14.118	14.461	16.072	12.992	12.310	10.974	11.424	10.686
%Chg	-4.4	2.4	11.1	-19.2	-5.3	-10.9	4.1	-6.5

Source: Minnesota Management & Budget (MMB) February 2021 Forecast

U.S. Economic Forecast Summary

Forecast 2018 to 2025, Calendar Years

	2018	2019	2020	2021	2022	2023	2024	2025
Real National Income Accounts (Billions of 2009 Dollars)								
Real Gross Domestic Product (GDP)	18,687.8	19,091.7	18,422.6	19,466.0	20,260.4	20,720.5	21,258.6	21,807.3
%Chg	3.0	2.2	-3.5	5.7	4.1	2.3	2.6	2.6
Real Consumption	12,928.1	13,240.2	12,727.0	13,490.4	14,076.8	14,475.2	14,925.8	15,400.4
%Chg	2.7	2.4	-3.9	6.0	4.3	2.8	3.1	3.2
Real Nonresidential Fixed Investment	2,698.9	2,776.8	2,666.1	2,868.7	3,049.8	3,189.6	3,339.0	3,484.0
%Chg	6.9	2.9	-4.0	7.6	6.3	4.6	4.7	4.3
Real Residential Investment	612.0	601.5	637.1	706.8	668.2	639.0	637.1	640.0
%Chg	-0.6	-1.7	5.9	11.0	-5.5	-4.4	-0.3	0.5
Real Personal Income	16,492.4	16,887.6	17,747.5	18,198.2	17,843.1	18,297.7	18,834.7	19,381.9
%Chg	3.1	2.4	5.1	2.5	-2.0	2.5	2.9	2.9
Current Dollar National Income Accounts (Billions of Dollars)								
Gross Domestic Product (GDP)	20,611.9	21,433.2	20,932.8	22,517.1	23,865.0	24,908.7	26,117.1	27,389.2
%Chg	5.5	4.0	-2.3	7.6	6.0	4.4	4.9	4.9
Personal Income	17,851.8	18,551.5	19,725.1	20,590.4	20,566.8	21,473.2	22,533.8	23,658.8
%Chg	5.3	3.9	6.3	4.4	-0.1	4.4	4.9	5.0
Wage & Salary Disbursements	8,894.2	9,309.3	9,368.8	10,000.3	10,513.0	10,967.0	11,486.5	12,050.8
%Chg	5.0	4.7	0.6	6.7	5.1	4.3	4.7	4.9
Non-Wage Personal Income	8,957.6	9,242.2	10,356.2	10,590.2	10,053.7	10,506.3	11,047.4	11,608.1
%Chg	5.7	3.2	12.1	2.3	-5.1	4.5	5.2	5.1
Price and Wage Indexes								
U.S. GDP Deflator (2005=1.0)	110.322	112.317	113.623	115.665	117.787	120.208	122.849	125.591
%Chg	2.4	1.8	1.2	1.8	1.8	2.1	2.2	2.2
U.S. Consumer Price Index (1982-84=1.0)	2.511	2.557	2.589	2.643	2.699	2.752	2.810	2.873
%Chg	2.4	1.8	1.3	2.1	2.1	2.0	2.1	2.2
Employment Cost Index (Dec 2005=1.0)	1.333	1.368	1.404	1.438	1.480	1.534	1.586	1.640
%Chg	2.9	2.7	2.6	2.4	2.9	3.6	3.4	3.4
Employment (Thousands)								
Employment - Total Non-Farm Payrolls	148.9	150.9	142.3	145.0	150.4	152.9	154.6	156.0
%Chg	1.6	1.3	-5.7	1.9	3.7	1.7	1.1	0.9
Construction	7.3	7.5	7.3	7.4	7.5	7.5	7.5	7.5
%Chg	4.6	2.8	-2.9	2.0	0.8	-0.2	0.0	0.9
Manufacturing	12.7	12.8	12.2	12.3	12.4	12.4	12.3	12.2
%Chg	2.0	1.0	-4.9	1.0	1.1	0.0	-0.8	-0.9
Private Service-Providing	105.7	107.3	100.3	102.8	107.3	109.6	111.3	112.6
%Chg	1.5	1.4	-6.5	2.5	4.4	2.2	1.6	1.2
Government	22.5	22.6	21.9	21.9	22.6	22.8	22.9	23.0
%Chg	0.4	0.7	-3.1	-0.2	3.3	0.8	0.5	0.5
U.S. Civilian Labor Force	162.1	163.5	160.7	161.7	164.6	166.5	168.0	169.2
Employment - Household Survey	155.8	157.5	147.8	152.5	157.8	160.2	161.9	163.3
Unemployment Rate (%)	3.9	3.7	8.1	5.6	4.1	3.8	3.6	3.5
Other Key Measures								
Non-Farm Productivity (index, 2005=1.0)	1.061	1.079	1.107	1.129	1.140	1.155	1.179	1.204
%Chg	1.4	1.7	2.6	1.9	1.0	1.3	2.1	2.2
Total Ind. Production (index, 2007=100)	108.562	109.499	102.060	108.262	112.511	115.124	117.793	120.347
%Chg	3.9	0.9	-6.8	6.1	3.9	2.3	2.3	2.2
Manhours in Private Non-Farm Estab.Billions of Hours	211.7	213.9	201.5	210.5	218.3	221.1	223.3	225.3
%Chg	1.9	1.1	-5.8	4.5	3.7	1.3	1.0	0.9
Average Weekly Hours	32.4	32.3	32.2	32.8	32.8	32.6	32.5	32.5
Manufacturing Workweek	42.1	41.6	40.8	41.4	41.0	40.8	40.7	40.7

Source: IHS Economics; February 2020 Baseline

Alternative Forecast Comparison

Calendar Years

	20Q4	21Q1	21Q2	21Q3	21Q4	22Q1	2019	2020	2021	2022
Real Gross Domestic Product (GDP), Percent Change, Seasonally Adjusted at Annual Rate										
Blue Chip Consensus (02-21)	4.0	2.9	6.3	6.2	4.7	3.6	2.2	-3.5	4.9	3.8
IHS Economics Baseline (02-21)	4.0	4.7	6.4	7.8	5.4	3.6	2.2	-3.5	5.7	4.1
Moody's Analytics (02-21)	4.0	3.3	5.2	5.8	5.8		2.2	-3.5	4.9	5.2
Wells Fargo (02-21)	4.0	2.8	5.6	8.6	7.5	5.0	2.2	-3.5	5.3	5.1
CBO Outlook (02-21)	5.2	4.9	2.5	3.8	3.6	2.9	2.2	-3.4	4.6	2.9
Consumer Price Index (CPI), Percent Change, Seasonally Adjusted at Annual Rate (except where noted)										
Blue Chip Consensus (02-21)	1.2	1.7	3.0	2.3	2.3	2.1	1.8	2.1	2.1	2.3
IHS Economics Baseline (02-21)	2.2	2.7	1.1	1.9	2.9	2.0	1.3	2.1	2.1	2.0
Moody's Analytics (02-21)	2.2	2.0	1.8	2.4	2.8		1.8	2.1	2.6	2.7
Wells Fargo (11-20) *	1.2	1.8	3.2	2.6	2.7	2.4	1.8	1.2	2.6	2.4
CBO Outlook (02-21)	1.6	1.8	2.0	2.3	1.6	2.1	1.8	1.2	1.9	2.1

* Year-over-Year Percent Change

**Not Available

IHS Economics Baseline Forecast Comparison

Calendar Years

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Real Gross Domestic Product (GDP), Annual Percent Change										
February 2014	3.4	3.1	-	-	-	-	-	-	-	-
November 2014	2.8	3.0	2.6	2.6	-	-	-	-	-	-
February 2015	2.7	2.8	2.6	2.8	-	-	-	-	-	-
November 2015	2.9	2.8	2.7	2.6	-	-	-	-	-	-
February 2016	2.4	2.8	2.6	2.4	-	-	-	-	-	-
November 2016	1.5	2.2	2.2	2.2	2.0	-	-	-	-	-
February 2017	1.6	2.3	2.7	2.3	2.1	-	-	-	-	-
November 2017	1.5	2.2	2.5	2.2	2.1	-	-	-	-	-
February 2018	1.5	2.3	2.7	2.7	2.1	2.1	1.9	1.9	-	-
November 2018	1.6	2.2	2.9	2.7	2.1	1.6	1.5	1.4	-	-
February 2019	1.6	2.2	2.9	2.4	2.0	1.7	1.6	1.4	-	-
November 2019	1.6	2.4	2.9	2.3	2.1	2.0	1.6	1.5	-	-
February 2020	1.6	2.4	2.9	2.3	2.1	2.0	1.7	1.5	-	-
April 2020	1.6	2.4	2.9	2.3	-5.4	6.3	4.0	1.6	-	-
November 2020	1.7	2.3	3.0	2.2	-3.6	3.1	2.5	2.5	2.9	3.0
February 2021	1.7	2.3	3.0	2.2	-3.5	5.7	4.1	2.3	2.6	2.6
Consumer Price Index (CPI), Annual Percent Change										
February 2014	-	-	-	-	-	-	-	-	-	-
November 2014	1.6	2.2	2.2	2.3	-	-	-	-	-	-
February 2015	2.4	2.7	2.7	2.5	-	-	-	-	-	-
November 2015	1.4	2.7	2.4	2.4	-	-	-	-	-	-
February 2016	0.7	2.3	2.7	2.7	-	-	-	-	-	-
November 2016	1.3	2.5	2.5	2.4	2.5	-	-	-	-	-
February 2017	1.3	2.4	1.9	2.4	2.7	-	-	-	-	-
November 2017	1.3	2.1	1.9	2.1	2.6	-	-	-	-	-
February 2018	1.3	2.1	2.3	1.7	2.7	2.6	2.4	2.3	-	-
November 2018	1.3	2.1	2.5	2.5	1.9	2.2	2.3	2.3	-	-
February 2019	1.3	2.1	2.4	2.0	2.1	2.3	2.4	2.4	-	-
November 2019	1.3	2.1	2.4	1.8	1.9	1.8	2.5	2.5	-	-
February 2020	1.3	2.1	2.4	1.8	1.8	1.7	2.2	2.5	-	-
April 2020	1.3	2.1	2.4	1.8	0.7	2.1	2.7	2.7	-	-
November 2020	1.3	2.1	2.4	1.8	1.3	2.3	2.6	2.2	2.1	2.2
February 2021	1.3	2.1	2.4	1.8	1.3	2.1	2.1	2.0	2.1	2.2

Source: IHS Economics

Forecast Comparison: Minnesota & U.S.

Forecast 2018 to 2021, Calendar Years

	2018	2019	2020	2021	2022	2023	2024	2025
Personal Income (Billions of Current Dollars)								
Minnesota								
February 2021	321.6	331.8	349.3	363.5	363.1	379.8	397.2	415.7
%Chg	5.1	3.2	5.3	4.1	-0.1	4.6	4.6	4.7
November 2020	321.6	331.8	349.4	344.0	359.2	374.9	393.4	411.4
%Chg	5.1	3.2	5.3	-1.5	4.4	4.4	5.0	4.6
U.S.								
February 2021	17,852	18,552	19,725	20,590	20,567	21,473	22,534	23,659
%Chg	5.3	3.9	6.3	4.4	-0.1	4.4	4.9	5.0
November 2020	17,852	18,552	19,631	19,364	20,052	20,941	22,000	23,144
%Chg	5.3	3.9	5.8	-1.4	3.6	4.4	5.1	5.2
Wage and Salary Disbursements (Billions of Current Dollars)								
Minnesota								
February 2021	172.8	178.9	177.7	188.4	197.8	206.7	215.6	225.5
%Chg	4.2	3.5	-0.6	6.0	5.0	4.5	4.3	4.6
November 2020	172.8	178.9	176.4	185.6	195.3	203.7	213.8	223.4
%Chg	4.2	3.5	-1.4	5.2	5.2	4.3	4.9	4.5
U.S.								
February 2021	8,894	9,309	9,369	10,000	10,513	10,967	11,486	12,051
%Chg	5.0	4.7	0.6	6.7	5.1	4.3	4.7	4.9
November 2020	8,894	9,309	9,291	9,824	10,238	10,699	11,238	11,813
%Chg	5.0	4.7	-0.2	5.7	4.2	4.5	5.0	5.1
Total Non-Farm Payroll Employment (Thousands)								
Minnesota								
February 2021	3,031	3,053	2,845	2,860	2,962	3,007	3,038	3,063
%Chg	0.8	0.7	-6.8	0.5	3.6	1.5	1.0	0.8
November 2020	2,963	2,978	2,774	2,828	2,890	2,902	2,927	2,943
%Chg	0.8	0.5	-6.8	2.0	2.2	0.4	0.9	0.6
U.S.								
February 2021	148,893	150,900	142,259	144,985	150,399	152,907	154,639	156,019
%Chg	1.6	1.3	-5.7	1.9	3.7	1.7	1.1	0.9
November 2020	148,891	150,935	142,412	147,489	151,299	153,351	155,112	156,569
%Chg	1.6	1.4	-5.6	3.6	2.6	1.4	1.1	0.9
Average Annual Non-Farm Wage (Current Dollars)								
Minnesota								
February 2021	57,021	58,582	62,465	65,868	66,778	68,740	70,960	73,620
%Chg	3.4	2.7	6.6	5.4	1.4	2.9	3.2	3.7
November 2020	58,315	60,071	63,603	65,636	67,586	70,201	73,041	75,906
%Chg	3.4	3.0	5.9	3.2	3.0	3.9	4.0	3.9
U.S.								
February 2021	59,736	61,692	65,858	68,974	69,901	71,723	74,279	77,239
%Chg	3.4	3.3	6.8	4.7	1.3	2.6	3.6	4.0
November 2020	59,737	61,678	65,243	66,610	67,670	69,770	72,448	75,451
%Chg	3.4	3.2	5.8	2.1	1.6	3.1	3.8	4.1

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

Factors Affecting Tax Revenue

Billions of Current Dollars

	2018	2019	2020	2021	2022	2023	2024	2025
Individual Income Tax (Calendar Year)								
Minnesota Non-Farm Tax Base								
February 2019	256.473	265.223	276.050	287.260	298.308	308.860		
%Chg	4.4	3.4	4.1	4.1	3.8	3.5		
November 2019	261.746	271.561	281.573	292.143	303.54	315.605		
%Chg	5.4	3.7	3.7	3.8	3.9	4.0		
February 2020	261.746	270.458	280.678	290.903	301.6675	312.565		
%Chg	5.4	3.3	3.8	3.6	3.7	3.6		
April 2020	261.7	270.3	259.3	264.0	279.6	289.6		
%Chg	5.4	3.3	-4.1	1.8	5.9	3.6		
November 2020	260.163	267.384	264.815	272.17	284.06	295.875	310.85	325.625
%Chg	5.0	2.8	-1.0	2.8	4.4	4.2	5.1	4.8
February 2021	260.2	267.4	265.6	277.1	289.0	301.4775	314.755	329.365
%Chg	5.0	2.8	-0.7	4.3	4.3	4.3	4.4	4.6
Minnesota Wage and Salary Disbursements								
February 2019	172.268	178.590	186.688	194.950	203.150	211.135		
%Chg	4.1	3.7	4.5	4.4	4.2	3.9		
November 2019	172.887	179.999	187.543	195.240	203.418	211.718		
%Chg	4.4	4.1	4.2	4.1	4.2	4.1		
February 2020	172.887	178.944	185.943	193.598	201.565	209.025		
%Chg	4.4	3.5	3.9	4.1	4.1	3.7		
April 2020	172.887	178.801	168.32	168.88	183.69	192.7125		
%Chg	4.4	3.4	-5.9	0.3	8.8	4.9		
November 2020	172.806	178.863	176.416	185.613	195.29	203.705	213.76	223.398
%Chg	4.2	3.5	-1.4	5.2	5.2	4.3	4.9	4.5
February 2021	172.806	178.863	177.731	188.395	197.785	206.6925	215.5975	225.518
%Chg	4.2	3.5	-0.6	6.0	5.0	4.5	4.3	4.6
Minnesota Dividends, Interest, & Rental Income								
February 2019	61.018	63.426	66.346	69.397	72.464	75.269		
%Chg	4.3	3.9	4.6	4.6	4.4	3.9		
November 2019	66.926	68.815	70.994	73.865	77.458	81.473		
%Chg	8.6	2.8	3.2	4.0	4.9	5.2		
February 2020	66.926	68.630	71.293	73.784	76.757	80.449		
%Chg	8.6	2.5	3.9	3.5	4.0	4.8		
April 2020	66.926	68.566	69.815	71.879	74.023	75.260		
%Chg	8.6	2.5	1.8	3.0	3.0	1.7		
November 2020	65.053	65.074	64.082	63.734	64.796	66.811	69.615	72.903
%Chg	6.8	0.0	-1.5	-0.5	1.7	3.1	4.2	4.7
February 2021	65.053	65.074	64.304	64.946	66.764	69.156	72.153	75.574
%Chg	6.8	0.0	-1.2	1.0	2.8	3.6	4.3	4.7
Minnesota Non-Farm Proprietors' Income								
February 2019	22.701	23.206	23.016	22.912	22.691	22.454		
%Chg	4.6	2.2	-0.8	-0.5	-1.0	-1.0		
November 2019	21.933	22.747	23.035	23.039	22.661	22.415		
%Chg	4.0	3.7	1.3	0.0	-1.6	-1.1		
February 2020	21.933	22.883	23.444	23.519	23.344	23.091		
%Chg	4.0	4.3	2.5	0.3	-0.7	-1.1		
April 2020	21.933	22.950	21.122	23.221	21.850	21.670		
%Chg	4.0	4.6	-8.0	9.9	-5.9	-0.8		
November 2020	22.304	23.447	24.316	22.825	23.973	25.360	27.473	29.325
%Chg	5.9	5.1	3.7	-6.1	5.0	5.8	8.3	6.7
February 2021	22.304	23.447	23.534	23.774	24.402	25.632	27.003	28.273
%Chg	5.9	5.1	0.4	1.0	2.6	5.0	5.3	4.7

Factors Affecting Tax Revenue (Continued)

Billions of Current Dollars

	2018	2019	2020	2021	2022	2023	2024	2025
General Sales Tax (Fiscal Year)								
Minnesota Synthetic Sales Tax Base								
February 2019	87.338	90.935	93.813	97.008	100.131	102.589		
%Chg	3.3	4.1	3.2	3.4	3.2	2.5		
November 2019	88.853	94.014	98.781	102.337	105.558	108.805		
%Chg	3.3	5.8	5.1	3.6	3.1	3.1		
February 2020	88.944	94.015	97.387	100.652	104.004	107.143		
%Chg	3.3	5.7	3.6	3.4	3.3	3.0		
April 2020	88.850	93.789	91.611	82.340	92.196	94.886		
%Chg	3.3	5.6	-2.3	-10.1	12.0	2.9		
November 2020	88.034	93.069	92.709	95.130	98.570	102.488	106.441	110.718
%Chg	3.4	5.7	-0.4	2.6	3.6	4.0	3.9	4.0
February 2021	88.131	93.152	93.075	96.247	101.985	106.344	110.864	115.735
%Chg	3.5	5.7	-0.1	3.4	6.0	4.3	4.3	4.4
**Historical data revised as a result of comprehensive GDP account revisions*								
Minnesota's Proxy Share of U.S. Consumer Durable Spending (Excluding Autos)								
February 2019	16.604	17.407	17.914	18.343	18.756	19.090		
%Chg	5.8	4.8	2.9	2.4	2.2	1.8		
November 2019	16.788	17.315	18.516	19.080	19.455	19.839		
%Chg	5.3	3.1	6.9	3.0	2.0	2.0		
February 2020	16.788	17.311	18.115	18.548	18.919	19.298		
%Chg	5.3	3.1	4.6	2.4	2.0	2.0		
April 2020	16.788	17.311	17.229	15.936	16.964	17.335		
%Chg	5.3	3.1	-0.5	-7.5	6.5	2.2		
November 2020	16.597	17.331	17.917	19.997	19.753	19.914	20.130	20.404
%Chg	5.8	4.4	3.4	11.6	-1.2	0.8		
February 2021	16.597	17.331	17.915	20.824	20.439	20.652	21.027	21.446
%Chg	5.8	4.4	3.4	16.2	-1.8	1.0	1.8	2.0
Minnesota's Proxy Share of U.S. Capital Equipment Spending								
February 2019	13.097	13.504	13.811	14.530	15.060	15.323		
%Chg	9.2	3.1	2.3	5.2	3.6	1.8		
November 2019	12.959	13.419	13.437	13.815	14.075	14.276		
%Chg	8.6	3.5	0.1	2.8	1.9	1.4		
February 2020	12.959	13.417	13.197	13.609	14.012	14.339		
%Chg	8.6	3.5	-1.6	3.1	3.0	2.3		
April 2020	12.959	13.417	12.997	11.079	12.278	11.941		
%Chg	8.6	3.5	-3.1	-14.8	10.8	-2.7		
November 2020	12.439	12.992	12.669	13.650	13.659	14.021	14.316	15.221
%Chg	6.5	4.4	-2.5	7.7	0.1	2.7		
February 2021	12.439	12.992	12.672	13.952	15.783	16.353	16.676	17.589
%Chg	6.5	4.4	-2.5	10.1	13.1	3.6	2.0	5.5
Minnesota's Proxy Share of U.S. Construction Spending								
February 2019	8.422	8.887	9.268	9.641	9.981	10.443		
%Chg	3.6	5.5	4.3	4.0	3.5	4.6		
November 2019	8.453	8.814	8.908	9.154	9.448	9.804		
%Chg	3.3	5.8	5.1	3.6	3.1	3.1		
February 2020	8.554	8.837	9.014	9.160	9.357	9.665		
%Chg	3.3	3.3	2.0	1.6	2.2	3.3		
April 2020	8.459	8.746	8.664	7.642	8.597	9.080		
%Chg	3.3	3.4	-0.9	-11.8	12.5	5.6		
November 2020	8.592	8.823	9.118	8.945	9.139	9.674	10.230	10.786
%Chg	3.5	2.7	3.3	-1.9	2.2	5.9		
February 2021	8.687	8.912	9.334	9.490	9.416	9.284	9.887	10.584
%Chg	4.0	2.6	4.7	1.7	-0.8	-1.4	6.5	7.0

Factors Affecting Tax Revenue (Continued)

Billions of Current Dollars

	2018	2019	2020	2021	2022	2023	2024	2025
Corporate Franchise Tax (Calendar Year)								
U.S. Corporate Profits (w/ IVA and capital consumption adjustment, less profits from Federal Reserve)								
February 2019	2,246.6	2,239.9	2,276.0	2,363.2	2,438.172	2,503.259		
%Chg	8.7	-0.3	1.6	3.8	3.2	2.7		
November 2019	2,062.6	1,999.6	2,043.7	2,153.8	2,252.687	2,362.241		
%Chg	4.4	-3.1	2.2	5.4	4.6	4.9		
February 2020	2,062.6	2,000.6	2,025.5	2,124.3	2,222.896	2,335.334		
%Chg	4.4	-3.0	1.2	4.9	4.6	5.1		
April 2020	2,062.6	2,021.8	1,160.0	1,907.4	1,965.382	2,037.580		
%Chg	4.4	-2.0	-42.6	64.4	3.0	3.7		
November 2020	2,229.6	2,203.4	2,054.5	1,835.0	1,951.848	2,069.899	2,222.5	2,379.8
%Chg	6.7	-1.2	-6.8	-10.7	6.4	6.0	7.4	7.1
February 2021	2,229.6	2,203.4	1,998.6	2,131.3	2,100.317	2,190.659	2,319.2	2,439.9
%Chg	6.7	-1.2	-9.3	6.6	-1.5	4.3	5.9	5.2
Deed & Mortgage Tax (Fiscal Year)								
U.S. New and Existing Home Sales (Current $ Value)								
February 2019	1,668.4	1,644.5	1,837.6	1,971.3	2,069.3	2,120.4		
%Chg	4.3	-1.4	11.7	7.3	5.0	2.5		
November 2019	1,667.5	1,644.1	1,803.3	1,815.6	1,827.4	1,850.2		
%Chg	4.3	-1.4	9.7	0.7	0.6	1.2		
February 2020	1,667.5	1,644.1	1,806.3	1,890.5	1,907.6	1,927.7		
%Chg	4.3	-1.4	9.9	4.7	0.9	1.1		
November 2020	1,667.7	1,642.3	1,718.4	2,210.0	2,178.5	2,168.0	2,170.0	2,211.4
%Chg	4.3	-1.5	4.6	28.6	-1.4	-0.5	0.1	1.9
February 2021	1,667.7	1,642.3	1,718.4	2,294.4	2,319.2	2,251.4	2,222.4	2,260.3
%Chg	4.3	-1.5	4.6	33.5	1.1	-2.9	-1.3	1.7

Current Fiscal Year-to-Date

November 2020 forecast vs Actual Revenue Comparison
Fiscal Year-to-Date; July 2020 -January 2021
($ IN THOUSANDS)

	FORECAST REVENUES	ACTUAL REVENUES	VARIANCE ACT-FCST
Individual Income Tax			
Withholding	5,491,657	5,549,310	57,653
Declarations	1,260,400	1,421,853	161,452
Miscellaneous	492,859	471,777	(21,083)
Gross	7,244,916	7,442,940	198,023
Refund	212,717	212,666	(51)
Net	7,032,200	7,230,274	198,074
Corporate Franchise Tax			
Declarations	853,361	930,978	77,618
Miscellaneous	187,389	272,883	85,494
Gross	1,040,750	1,203,861	163,111
Refund	92,251	89,635	(2,616)
Net	948,499	1,114,226	165,727
General Sales and Use Tax			
Gross	3,454,479	3,483,690	29,211
Mpls. sales tax transferred to MSFA	-		
MPLS Sales Tax w/Holding for NFL Stadium	1,777	3,030	1,253
Sales Tax Gross	3,456,256	3,486,720	30,464
Refunds (including Indian refunds)	113,741	86,717	(27,024)
Net	3,342,515	3,400,003	57,488
Other Revenues:			
Net Estate	101,620	107,061	5,441
Net Liquor/Wine/Beer	56,282	53,710	(2,572)
Net Cigarette/Tobacco	343,790	334,205	(9,584)
Deed and Mortgage	200,121	212,576	12,455
Net Insurance Premiums Taxes	213,249	210,083	(3,165)
Net Lawful Gambling	44,575	49,668	5,094
Health Care Surcharge	129,129	123,143	(5,986)
Other Taxes	1,777	2,286	509
Statewide Property Tax	388,393	393,143	4,750
DHS SOS Collections	48,695	55,327	6,631
Investment Income	9,804	11,285	1,480
Tobacco Settlement	144,175	147,850	3,675
Dept. Earnings & MSOP Recov.	119,734	119,461	(272)
Fines and Surcharges	21,201	21,837	636
Lottery Revenues	27,917	33,718	5,801
Revenues yet to be allocated	1,936	2,933	998
Residual Revenues	93,967	105,623	11,656
Other Subtotal	1,946,365	1,983,910	37,545
Other Refunds	1,851	1,547	(304)
Other Net	1,944,515	1,982,363	37,849
Total Gross	**13,688,287**	**14,117,431**	**429,143**
Total Refunds	**420,559**	**390,565**	**(29,994)**
Total Net	**13,267,728**	**13,726,866**	**459,137**

FY 2020-21 General Fund Budget

Current Biennium: By Fiscal Year

($ in thousands)

	Actual FY 2020	Feb FY 2021	Biennial Total FY 2020-21
Actual & Estimated Resources			
Balance Forward From Prior Year	3,971,359	3,343,865	3,971,359
Current Resources:			
Tax Revenues	22,077,216	23,044,707	45,121,923
Non-Tax Revenues	817,106	771,695	1,588,801
Subtotal - Non-Dedicated Revenue	22,894,322	23,816,402	46,710,724
Dedicated Revenue	795	5	800
Transfers In	155,643	517,199	672,842
Prior Year Adjustments	99,722	78,747	178,469
Subtotal - Other Revenue	256,160	595,951	852,111
Subtotal-Current Resources	23,150,482	24,412,353	47,562,835
Total Resources Available	**27,121,841**	**27,756,218**	**51,534,194**
Actual & Estimated Spending			
E-12 Education	9,835,739	10,006,218	19,841,957
Higher Education	1,693,377	1,713,752	3,407,129
Property Tax Aids & Credits	1,866,803	2,124,585	3,991,388
Health & Human Services	7,035,367	6,682,943	13,718,310
Public Safety & Judiciary	1,236,945	1,325,537	2,562,482
Transportation	174,820	177,550	352,370
Environment	166,422	178,397	344,819
Agriculture & Housing	129,729	122,030	251,759
Jobs, Economic Development & Commerce	174,251	236,628	410,879
State Government & Veterans	794,715	760,971	1,555,686
Debt Service	540,081	515,544	1,055,625
Capital Projects & Grants	129,727	179,130	308,857
Estimated Cancellations	0	(15,000)	(15,000)
Total Expenditures & Transfers	**23,777,976**	**24,008,285**	**47,786,261**
Balance Before Reserves	**3,343,865**	**3,747,933**	**3,747,933**
Cash Flow Account	350,000	350,000	350,000
Budget Reserve	2,358,698	2,377,319	2,377,319
Stadium Reserve	55,700	80,738	80,738
Appropriations Carried Forward	246,058	0	0
Budgetary Balance	**333,409**	**939,876**	**939,876**

FY 2020-21 General Fund Budget

Current Biennium: Forecast Comparison
($ in thousands)

	Dec SS FY 2020-21	Feb FY 2020-21	$ Change
Actual & Estimated Resources			
Balance Forward from Prior Year	3,971,359	3,971,359	0
Current Resources:			
Tax Revenues	44,834,937	45,121,923	286,986
Non-Tax Revenues	1,543,204	1,588,801	45,597
Subtotal - Non-Dedicated Revenue	46,378,141	46,710,724	332,583
Dedicated Revenue	800	800	0
Transfers In	585,083	672,842	87,759
Prior Year Adjustments	135,993	178,469	42,476
Subtotal - Other Revenue	721,876	852,111	130,235
Subtotal-Current Resources	47,100,017	47,562,835	462,818
Total Resources Available	**51,071,376**	**51,534,194**	**462,818**
Actual & Estimated Spending			
E-12 Education	19,880,902	19,841,957	(38,945)
Higher Education	3,407,129	3,407,129	0
Property Tax Aids & Credits	3,993,081	3,991,388	(1,693)
Health & Human Services	13,772,147	13,718,310	(53,837)
Public Safety & Judiciary	2,562,482	2,562,482	0
Transportation	349,370	352,370	3,000
Environment	344,736	344,819	83
Agriculture & Housing	251,759	251,759	0
Jobs, Economic Development & Commerce	405,978	410,879	4,901
State Government & Veterans	1,552,629	1,555,686	3,057
Debt Service	1,055,625	1,055,625	0
Capital Projects & Grants	308,857	308,857	0
Estimated Cancellations	(15,000)	(15,000)	0
Total Expenditures & Transfers	**47,869,695**	**47,786,261**	**(83,434)**
Balance Before Reserves	**3,201,681**	**3,747,933**	**546,252**
Cash Flow Account	350,000	350,000	0
Budget Reserve	2,377,319	2,377,319	0
Stadium Reserve	80,861	80,738	(123)
Budgetary Balance	**393,501**	**939,876**	**546,375**

FY 2022-23 General Fund Budget

Next Biennium: By Fiscal Year
($ in thousands)

	Feb FY 2022	Feb FY 2023	Biennial Total FY 2022-23
Actual & Estimated Resources			
Balance Forward from Prior Year	3,747,933	3,786,308	3,747,933
Current Resources:			
Tax Revenues	24,059,308	25,050,838	49,110,146
Non-Tax Revenues	712,341	721,030	1,433,371
Subtotal - Non-Dedicated Revenue	24,771,649	25,771,868	50,543,517
Dedicated Revenue	5	5	10
Transfers In	149,136	149,262	298,398
Prior Year Adjustments	37,406	37,406	74,812
Subtotal - Other Revenue	186,547	186,673	373,220
Subtotal-Current Resources	24,958,196	25,958,541	50,916,737
Total Resources Available	**28,706,129**	**29,744,849**	**54,664,670**
Actual & Estimated Spending			
E-12 Education	10,108,865	10,320,339	20,429,204
Higher Education	1,703,064	1,703,064	3,406,128
Property Tax Aids & Credits	2,070,925	2,093,256	4,164,181
Health & Human Services	7,835,944	8,413,803	16,249,747
Public Safety & Judiciary	1,269,215	1,268,932	2,538,147
Transportation	124,996	124,556	249,552
Environment	166,194	165,794	331,988
Agriculture & Housing	121,421	121,421	242,842
Jobs, Economic Development & Commerce	154,316	161,020	315,336
State Government & Veterans	583,524	586,325	1,169,849
Debt Service	633,939	629,838	1,263,777
Capital Projects & Grants	152,418	164,055	316,473
Estimated Cancellations	(5,000)	(15,000)	(20,000)
Total Expenditures & Transfers	**24,919,821**	**25,737,403**	**50,657,224**
Balance Before Reserves	**3,786,308**	**4,007,446**	**4,007,446**
Cash Flow Account	350,000	350,000	350,000
Budget Reserve	1,885,950	1,885,950	1,885,950
Stadium Reserve	135,841	200,700	200,700
Budgetary Balance	**1,414,517**	**1,570,796**	**1,570,796**

Biennial Comparison

Next Biennium: Forecast Comparison
($ in thousands)

	Feb FY 2020-21	Feb FY 2022-23	$ Change
Actual & Estimated Resources			
Balance Forward from Prior Year	3,971,359	3,747,933	(223,426)
Current Resources:			
Tax Revenues	45,121,923	49,110,146	3,988,223
Non-Tax Revenues	1,588,801	1,433,371	(155,430)
Subtotal - Non-Dedicated Revenue	46,710,724	50,543,517	3,832,793
Dedicated Revenue	800	10	(790)
Transfers In	672,842	298,398	(374,444)
Prior Year Adjustments	178,469	74,812	(103,657)
Subtotal - Other Revenue	852,111	373,220	(478,891)
Subtotal-Current Resources	47,562,835	50,916,737	3,353,902
Total Resources Available	**51,534,194**	**54,664,670**	**3,130,476**
Actual & Estimated Spending			
E-12 Education	19,841,957	20,429,204	587,247
Higher Education	3,407,129	3,406,128	(1,001)
Property Tax Aids & Credits	3,991,388	4,164,181	172,793
Health & Human Services	13,718,310	16,249,747	2,531,437
Public Safety & Judiciary	2,562,482	2,538,147	(24,335)
Transportation	352,370	249,552	(102,818)
Environment	344,819	331,988	(12,831)
Agriculture & Housing	251,759	242,842	(8,917)
Jobs, Economic Development & Commerce	410,879	315,336	(95,543)
State Government & Veterans	1,555,686	1,169,849	(385,837)
Debt Service	1,055,625	1,263,777	208,152
Capital Projects & Grants	308,857	316,473	7,616
Estimated Cancellations	(15,000)	(20,000)	(5,000)
Total Expenditures & Transfers	**47,786,261**	**50,657,224**	**2,870,963**
Balance Before Reserves	**3,747,933**	**4,007,446**	**259,513**
Cash Flow Account	350,000	350,000	0
Budget Reserve	2,377,319	1,885,950	(491,369)
Stadium Reserve	80,738	200,700	119,962
Budgetary Balance	**939,876**	**1,570,796**	**630,920**

FY 2022-23 General Fund Budget

Next Biennium: Forecast Comparison
($ in thousands)

	Dec SS FY 2022-23	Feb FY 2022-23	$ Change
Actual & Estimated Resources			
Balance Forward from Prior Year	3,201,681	3,747,933	546,252
Current Resources:			
Tax Revenues	47,701,845	49,110,146	1,408,301
Non-Tax Revenues	1,418,722	1,433,371	14,649
Subtotal - Non-Dedicated Revenue	49,120,567	50,543,517	1,422,950
Dedicated Revenue	10	10	0
Transfers In	298,424	298,398	(26)
Prior Year Adjustments	74,812	74,812	0
Subtotal - Other Revenue	373,246	373,220	(26)
Subtotal-Current Resources	49,493,813	50,916,737	1,422,924
Total Resources Available	**52,695,494**	**54,664,670**	**1,969,176**
Actual & Estimated Spending			
E-12 Education	20,593,771	20,429,204	(164,567)
Higher Education	3,406,128	3,406,128	0
Property Tax Aids & Credits	4,199,537	4,164,181	(35,356)
Health & Human Services	16,506,937	16,249,747	(257,190)
Public Safety & Judiciary	2,538,147	2,538,147	0
Transportation	249,552	249,552	0
Environment	331,663	331,988	325
Agriculture & Housing	242,842	242,842	0
Jobs, Economic Development & Commerce	315,208	315,336	128
State Government & Veterans	1,174,638	1,169,849	(4,789)
Debt Service	1,256,945	1,263,777	6,832
Capital Projects & Grants	317,223	316,473	(750)
Estimated Cancellations	(20,000)	(20,000)	0
Total Expenditures & Transfers	**51,112,591**	**50,657,224**	**(455,367)**
Balance Before Reserves	**1,582,903**	**4,007,446**	**2,424,543**
Cash Flow Account	350,000	350,000	0
Budget Reserve	1,885,950	1,885,950	0
Stadium Reserve	229,662	200,700	(28,962)
Budgetary Balance	**(882,709)**	**1,570,796**	**2,453,505**

FY 2024-25 General Fund Budget

Planning Estimates: By Fiscal Year
($ in thousands)

	Feb FY 2024	Feb FY 2025	Biennial Total FY 2022-23
Actual & Estimated Resources			
Balance Forward from Prior Year	4,007,446	4,341,159	4,007,446
Current Resources:			
Tax Revenues	25,905,344	26,649,733	52,555,077
Non-Tax Revenues	712,551	710,107	1,422,658
Subtotal - Non-Dedicated Revenue	26,617,895	27,359,840	53,977,735
Dedicated Revenue	5	5	10
Transfers In	149,211	85,170	234,381
Prior Year Adjustments	37,406	37,406	74,812
Subtotal - Other Revenue	186,622	122,581	309,203
Subtotal-Current Resources	26,804,517	27,482,421	54,286,938
Total Resources Available	**30,811,963**	**31,823,580**	**58,294,384**
Actual & Estimated Spending			
E-12 Education	10,484,673	10,603,047	21,087,720
Higher Education	1,702,914	1,702,914	3,405,828
Property Tax Aids & Credits	2,139,376	2,167,334	4,306,710
Health & Human Services	8,902,164	9,267,072	18,169,236
Public Safety & Judiciary	1,262,932	1,262,932	2,525,864
Transportation	124,556	124,556	249,112
Environment	165,610	165,491	331,101
Agriculture & Housing	121,421	121,421	242,842
Jobs, Economic Development & Commerce	164,460	163,464	327,924
State Government & Veterans	594,327	586,593	1,180,920
Debt Service	644,446	651,199	1,295,645
Capital Projects & Grants	168,925	170,063	338,988
Estimated Cancellations	(5,000)	(15,000)	(20,000)
Total Expenditures & Transfers	**26,470,804**	**26,971,086**	**53,441,890**
Balance Before Reserves	**4,341,159**	**4,852,494**	**4,852,494**
Cash Flow Account	350,000	350,000	350,000
Budget Reserve	1,885,950	1,885,950	1,885,950
Stadium Reserve	275,224	359,403	359,403
Budgetary Balance	**1,829,985**	**2,257,141**	**2,257,141**

Biennial Comparison

Planning Estimates: Biennial Comparison
($ in thousands)

	Feb FY 2022-23	Feb FY 2024-25	$ Change
Actual & Estimated Resources			
Balance Forward from Prior Year	3,747,933	4,007,446	259,513
Current Resources:			
Tax Revenues	49,110,146	52,555,077	3,444,931
Non-Tax Revenues	1,433,371	1,422,658	(10,713)
Subtotal - Non-Dedicated Revenue	50,543,517	53,977,735	3,434,218
Dedicated Revenue	10	10	0
Transfers In	298,398	234,381	(64,017)
Prior Year Adjustments	74,812	74,812	0
Subtotal - Other Revenue	373,220	309,203	(64,017)
Subtotal-Current Resources	50,916,737	54,286,938	3,370,201
Total Resources Available	**54,664,670**	**58,294,384**	**3,629,714**
Actual & Estimated Spending			
E-12 Education	20,429,204	21,087,720	658,516
Higher Education	3,406,128	3,405,828	(300)
Property Tax Aids & Credits	4,164,181	4,306,710	142,529
Health & Human Services	16,249,747	18,169,236	1,919,489
Public Safety & Judiciary	2,538,147	2,525,864	(12,283)
Transportation	249,552	249,112	(440)
Environment	331,988	331,101	(887)
Agriculture & Housing	242,842	242,842	0
Jobs, Economic Development & Commerce	315,336	327,924	12,588
State Government & Veterans	1,169,849	1,180,920	11,071
Debt Service	1,263,777	1,295,645	31,868
Capital Projects & Grants	316,473	338,988	22,515
Estimated Cancellations	(20,000)	(20,000)	0
Total Expenditures & Transfers	**50,657,224**	**53,441,890**	**2,784,666**
Balance Before Reserves	**4,007,446**	**4,852,494**	**845,048**
Cash Flow Account	350,000	350,000	0
Budget Reserve	1,885,950	1,885,950	0
Stadium Reserve	200,700	359,403	158,703
Budgetary Balance	**1,570,796**	**2,257,141**	**686,345**

FY 2024-25 General Fund Budget

Planning Estimates: Forecast Comparison
($ in thousands)

	Dec SS FY 2024-25	Feb FY 2024-25	$ Change
Actual & Estimated Resources			
Balance Forward From Prior Year	1,582,903	4,007,446	2,424,543
Current Resources:			
Tax Revenues	51,413,931	52,555,077	1,141,146
Non-Tax Revenues	1,420,484	1,422,658	2,174
Subtotal - Non-Dedicated Revenue	52,834,415	53,977,735	1,143,320
Dedicated Revenue	10	10	0
Transfers In	176,033	234,381	58,348
Prior Year Adjustments	74,812	74,812	0
Subtotal - Other Revenue	250,855	309,203	58,348
Subtotal-Current Resources	53,085,270	54,286,938	1,201,668
Total Resources Available	**54,668,173**	**58,294,384**	**3,626,211**
Actual & Estimated Spending			
E-12 Education	21,312,471	21,087,720	(224,751)
Higher Education	3,405,828	3,405,828	0
Property Tax Aids & Credits	4,354,657	4,306,710	(47,947)
Health & Human Services	18,087,626	18,169,236	81,610
Public Safety & Judiciary	2,537,864	2,525,864	(12,000)
Transportation	249,112	249,112	0
Environment	331,118	331,101	(17)
Agriculture & Housing	242,842	242,842	0
Jobs, Economic Development & Commerce	327,349	327,924	575
State Government & Veterans	1,185,424	1,180,920	(4,504)
Debt Service	1,282,554	1,295,645	13,091
Capital Projects & Grants	340,209	338,988	(1,221)
Estimated Cancellations	(20,000)	(20,000)	0
Total Expenditures & Transfers	**53,637,054**	**53,441,890**	**(195,164)**
Balance Before Reserves	**1,031,119**	**4,852,494**	**3,821,375**
Cash Flow Account	350,000	350,000	0
Budget Reserve	1,885,950	1,885,950	0
Stadium Reserve	418,674	359,403	(59,271)
Budgetary Balance	**(1,623,505)**	**2,257,141**	**3,880,646**

FY 2020-25 Planning Horizon

Planning Horizon: By Biennium

($ in thousands)

	Feb FY 2020-21	Feb FY 2022-23	Feb FY 2024-25
Actual & Estimated Resources			
Balance Forward from Prior Year	3,971,359	3,747,933	4,007,446
Current Resources:			
Tax Revenues	45,121,923	49,110,146	52,555,077
Non-Tax Revenues	1,588,801	1,433,371	1,422,658
Subtotal - Non-Dedicated Revenue	46,710,724	50,543,517	53,977,735
Dedicated Revenue	800	10	10
Transfers In	672,842	298,398	234,381
Prior Year Adjustments	178,469	74,812	74,812
Subtotal - Other Revenue	852,111	373,220	309,203
Subtotal-Current Resources	47,562,835	50,916,737	54,286,938
Total Resources Available	**51,534,194**	**54,664,670**	**58,294,384**
Actual & Estimated Spending			
E-12 Education	19,841,957	20,429,204	21,087,720
Higher Education	3,407,129	3,406,128	3,405,828
Property Tax Aids & Credits	3,991,388	4,164,181	4,306,710
Health & Human Services	13,718,310	16,249,747	18,169,236
Public Safety & Judiciary	2,562,482	2,538,147	2,525,864
Transportation	352,370	249,552	249,112
Environment	344,819	331,988	331,101
Agriculture & Housing	251,759	242,842	242,842
Jobs, Economic Development & Commerce	410,879	315,336	327,924
State Government & Veterans	1,555,686	1,169,849	1,180,920
Debt Service	1,055,625	1,263,777	1,295,645
Capital Projects & Grants	308,857	316,473	338,988
Estimated Cancellations	(15,000)	(20,000)	(20,000)
Total Expenditures & Transfers	**47,786,261**	**50,657,224**	**53,441,890**
Balance Before Reserves	**3,747,933**	**4,007,446**	**4,852,494**
Cash Flow Account	350,000	350,000	350,000
Budget Reserve	2,377,319	1,885,950	1,885,950
Stadium Reserve	80,738	200,700	359,403
Budgetary Balance	**939,876**	**1,570,796**	**2,257,141**

Historical and Projected Revenue Growth

February 2021 Forecast - General Fund
($ in millions)

	Actual FY 2018	Actual FY 2019	Actual FY 2020	Feb FY 2021	Feb FY 2022	Feb FY 2023	Pling FY 2024	Pling FY 2025	Average Annual
Individual Income Tax	$11,784	$12,405	$12,094	$12,570	$13,279	$13,954	$14,467	$14,800	
$ change	852	622	(311)	476	709	675	513	333	
% change	**7.8%**	**5.3%**	**-2.5%**	**3.9%**	**5.6%**	**5.1%**	**3.7%**	**2.3%**	**3.8%**
Sales Tax	$5,453	$5,762	$5,746	$5,833	$6,251	$6,562	$6,831	$7,123	
$ change	48	309	(17)	87	418	311	269	291	
% change	**0.9%**	**5.7%**	**-0.3%**	**1.5%**	**7.2%**	**5.0%**	**4.1%**	**4.3%**	**3.3%**
Corporate Tax	$1,315	$1,660	$1,580	$1,731	$1,677	$1,626	$1,644	$1,702	
$ change	109	345	(80)	151	(54)	(52)	19	57	
% change	**9.1%**	**26.3%**	**-4.8%**	**9.6%**	**-3.1%**	**-3.1%**	**1.2%**	**3.5%**	**1.4%**
Statewide Property Tax	$ 811	$ 811	$ 753	$ 805	$ 773	$ 768	$ 768	$ 768	
$ change	(47)	(1)	(57)	52	(32)	(5)	0	0	
% change	**-5.5%**	**-0.1%**	**-7.1%**	**6.9%**	**-3.9%**	**-0.7%**	**0.0%**	**0.0%**	**-1.5%**
Other Tax Revenue	$1,885	$1,961	$1,904	$2,106	$2,079	$2,142	$2,194	$2,257	
$ change	53	76	(58)	202	(27)	63	53	63	
% change	**2.9%**	**4.0%**	**-2.9%**	**10.6%**	**-1.3%**	**3.0%**	**2.5%**	**2.9%**	**2.4%**
Total Tax Revenue	$21,248	$22,600	$22,077	$23,045	$24,059	$25,051	$25,905	$26,650	
$ change	1,015	1,352	(522)	967	1,015	992	855	744	
% change	**5.0%**	**6.4%**	**-2.3%**	**4.4%**	**4.4%**	**4.1%**	**3.4%**	**2.9%**	**3.2%**
Non-Tax Revenues	$ 814	$ 879	$ 817	$ 772	$ 712	$ 721	$ 713	$ 710	
$ change	(5)	65	(62)	(45)	(59)	9	(8)	(2)	
% change	**-0.6%**	**8.0%**	**-7.0%**	**-5.6%**	**-7.7%**	**1.2%**	**-1.2%**	**-0.3%**	**-1.1%**
Transfers, All Other	$ 235	$ 264	$ 256	$ 596	$ 187	$ 187	$ 187	$ 123	
$ change	(47)	29	(8)	340	(409)	0	(0)	(64)	
% change	**-16.6%**	**12.3%**	**-3.0%**	**132.6%**	**-68.7%**	**0.1%**	**0.0%**	**-34.3%**	**-4.7%**
Total Revenue	$22,297	$23,743	$23,150	$24,412	$24,958	$25,959	$26,805	$27,482	
$ change	963	1,446	(592)	1,262	546	1,000	846	678	
% change	**4.5%**	**6.5%**	**-2.5%**	**5.5%**	**2.2%**	**4.0%**	**3.3%**	**2.5%**	**3.0%**

Historical and Projected Spending Growth

February 2021 Forecast - General Fund
($ in millions)

	Actual FY 2018	Actual FY 2019	Actual FY 2020	Feb FY 2021	Feb FY 2022	Feb FY 2023	Pling FY 2024	Pling FY 2025	Average Annual
E-12 Education	$9,233	$9,588	$9,836	$10,006	$10,109	$10,320	$10,485	$10,603	
$ change	332	355	248	170	103	211	164	118	
% change	**3.7%**	**3.8%**	**2.6%**	**1.7%**	**1.0%**	**2.1%**	**1.6%**	**1.1%**	**2.8%**
Higher Education	$1,651	$1,642	$1,693	$1,714	$1,703	$1,703	$1,703	$1,703	
$ change	95	(9)	51	20	(11)	-	(0)	-	
% change	**6.1%**	**-0.5%**	**3.1%**	**1.2%**	**-0.6%**	**0.0%**	**0.0%**	**0.0%**	**1.6%**
Prop. Tax Aids & Credits	$1,724	$1,927	$1,867	$2,125	$2,071	$2,093	$2,139	$2,167	
$ change	49	203	(60)	258	(54)	22	46	28	
% change	**2.9%**	**11.8%**	**-3.1%**	**13.8%**	**-2.5%**	**1.1%**	**2.2%**	**1.3%**	**3.5%**
Health & Human Services	$6,622	$6,677	$7,035	$6,683	$7,836	$8,414	$8,902	$9,267	
$ change	678	55	359	(352)	1,153	578	488	365	
% change	**11.4%**	**0.8%**	**5.4%**	**-5.0%**	**17.3%**	**7.4%**	**5.8%**	**4.1%**	**6.0%**
Public Safety & Judiciary	$1,130	$1,226	$1,237	$1,326	$1,269	$1,269	$1,263	$1,263	
$ change	(4)	96	11	89	(56)	(0)	(6)	-	
% change	**-0.3%**	**8.5%**	**0.9%**	**7.2%**	**-4.2%**	**0.0%**	**-0.5%**	**0.0%**	**2.9%**
Debt Service	$563	$550	$540	$516	$634	$630	$644	$651	
$ change	34	(13)	(10)	(25)	118	(4)	15	7	
% change	**6.4%**	**-2.4%**	**-1.8%**	**-4.5%**	**23.0%**	**-0.6%**	**2.3%**	**1.0%**	**0.5%**
All Other	$1,424	$1,444	$1,570	$1,640	$1,298	$1,308	$1,334	$1,317	
$ change	124	20	125	70	(342)	10	26	(18)	
% change	**9.5%**	**1.4%**	**8.7%**	**4.5%**	**-20.8%**	**0.8%**	**2.0%**	**-1.3%**	**1.0%**
Total Spending	$22,347	$23,053	$23,778	$24,008	$24,920	$25,737	$26,471	$26,971	
$ change	1,308	707	724	230	912	818	733	500	
% change	**6.2%**	**3.2%**	**3.1%**	**1.0%**	**3.8%**	**3.3%**	**2.8%**	**1.9%**	**3.6%**

FY 2016-2025 Stadium Reserve Balance

February 2021 Forecast
($ in thousands)

	Actual FY 2016	Actual FY 2017	Actual FY 2018	Actual FY 2019	Actual FY 2020	Projected FY 2021	Projected FY 2022	Projected FY 2023	Projected FY 2024	Projected FY 2025
Actual & Estimated Resources										
Beginning Balance	32,634	22,535	26,821	44,171	55,075	55,700	80,738	135,841	200,700	275,224
Prior Year Adjustments	0	0	0	0	42	0	0	0	0	0
Current Resources:										
Gambling Revenue	19,389	26,989	38,675	52,835	42,494	56,550	76,550	86,350	96,050	105,850
Sales Tax Exemption for Construction Equipment	(11,834)	(1,583)	0	0	0	0	0	0	0	0
Retained City of Minneapolis Revenue	0	0	0	0	0	10,539	21,215	21,704	22,113	22,466
Corporate Franchise Tax Revenue	20,000	20,000	20,000	0	0	0	0	0	0	0
Cigarette Floor Stocks Tax Reserve Deposit	0	0	0	0	0	0	0	0	0	0
Current Resources	**27,555**	**45,406**	**58,675**	**52,835**	**42,494**	**67,089**	**97,765**	**108,054**	**118,163**	**128,316**
Actual & Estimated Spending										
Debt Service	30,154	30,158	29,923	30,158	30,156	30,157	30,154	30,155	30,152	30,151
Total Payments for City Stadium Obligations	7,500	7,623	7,947	8,177	8,260	8,260	8,673	9,107	9,457	9,860
St. Paul Sports Facilities Grants	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700
Problem Gambling Appropriations	563	639	756	897	794	935	1,135	1,233	1,330	1,428
Total Uses	**40,917**	**41,120**	**41,325**	**41,932**	**41,910**	**42,052**	**42,662**	**43,195**	**43,639**	**44,138**
Sources Minus Uses	**(13,362)**	**4,286**	**17,350**	**10,903**	**584**	**25,038**	**55,103**	**64,859**	**74,524**	**84,178**
Expenses Covered by General Fund[1]	3,263	0	0	0	0	0	0	0	0	0
Use of the Reserve	[10,099]	0	0	0	0	0	0	0	0	0
Stadium Reserve Balance	**22,535**	**26,821**	**44,171**	**55,075**	**55,700**	**80,738**	**135,841**	**200,700**	**275,224**	**359,403**

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