



BUDGET AND
ECONOMIC FORECAST



NOVEMBER 2024

Produced by Minnesota Management and Budget



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 inflation and variables outside the control of the legislature.

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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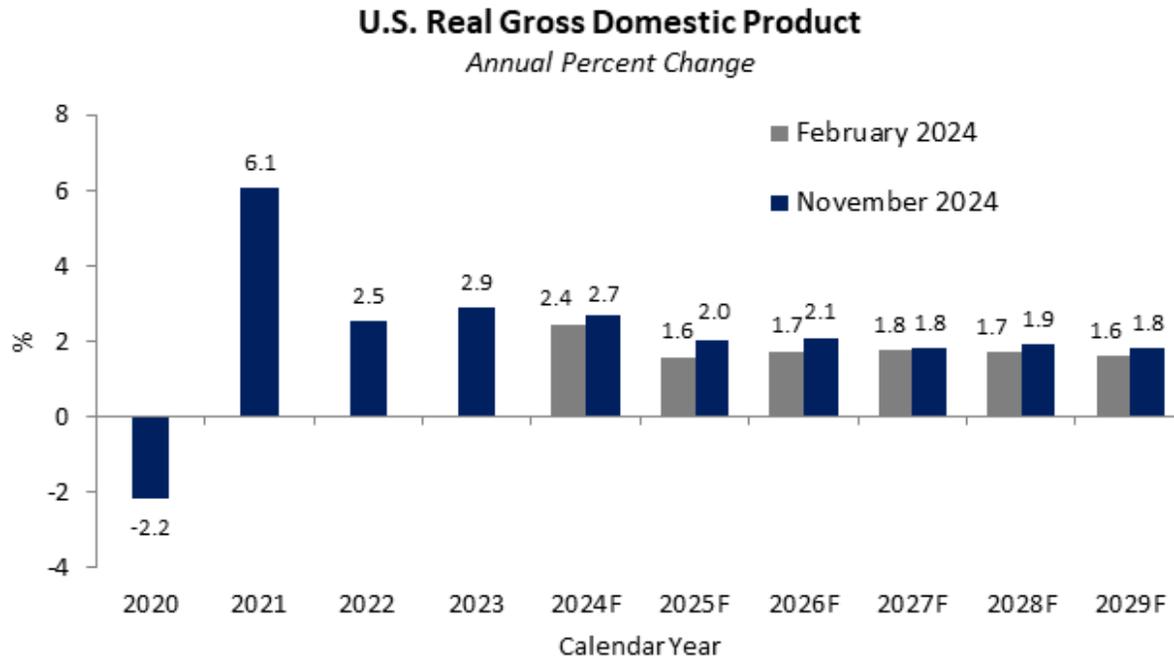
EXECUTIVE SUMMARY

Entering the 2025 legislative session, a small balance of \$616 million is projected for the 2026-27 biennium, \$1.1 billion less than prior estimates. A reduced forecast for income and sales tax combined with higher spending in long-term care services and special education result in a growing structural imbalance throughout the budget planning horizon. Potential policy shifts at the federal level create additional forecast uncertainty. A statutory allocation of part of the remaining FY 2025 surplus to the budget reserve reinforces the state's financial standing.

U.S. Economic Outlook. The outlook for U.S. economic growth has improved since Minnesota's Budget and Economic Forecast was last prepared in February 2024, but there are signs of economic weakness in the long term. Robust growth in real gross domestic product (GDP) in early 2024, combined with easing financial conditions, has improved the U.S. economic outlook for this year. However, in the longer term, there are indications of a cooling labor market, and the forecast is for slow real GDP growth.

In the near term, stronger-than-expected wage growth in 2024 is expected to fuel higher consumer spending and business investment in both 2024 and 2025. The Bureau of Economic Analysis (BEA) advanced estimate of real GDP growth in the third quarter of 2024 was a strong 2.8 percent (annual rate). Standard & Poors Global Market Intelligence (SPGMI) expects some of that momentum to carry into 2025.¹ At the same time, the Federal Reserve's 25 basis-point decrease in the federal funds target in November signals a shift toward less restrictive financial conditions. As a result, SPGMI now expects real GDP to grow 2.7 percent this year—0.3 percentage points higher than the February projection—with average annual real GDP growth over 2025-2029 also revised upward by 0.2 percentage points.

Because SPGMI's U.S. outlook was released on November 5, it does not incorporate any projected effects on the economy from the policy proposals of the incoming administration. This forecast carries significant uncertainty regarding the economic impact of potential policy shifts in the coming years. SPGMI anticipates that its assessment of U.S. policy effects will evolve with each monthly outlook release as policies become more defined. SPGMI notes that if the incoming administration implements the proposed tariffs, they are likely to lead to higher inflation, higher interest rates, and weaker GDP growth over 2025-2026 than expected in the baseline forecast.



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

Since February, SPGMI's outlook for U.S. economic growth in 2024 has improved. They now expect real GDP to grow 2.7 percent this year, 0.3 percentage points faster than the 2.4 percent growth they forecast in February. The higher near-term forecast is due to unexpectedly robust growth in the first half of 2024—which is expected to persist into 2025—as well as easing financial conditions. Average annual real GDP growth over 2025-2029 is now expected to be 0.2 percentage points faster than in the February baseline.

In 2023, employers added an average of 251,000 payroll jobs per month, for an annual gain of three million jobs. Job growth remained strong in 2024, averaging 170,000 jobs per month through October, but a slowdown has emerged in recent months. While job gains averaged nearly 200,000 per month in the first seven months of this year, increases in nonfarm payrolls slowed to an average of 151,000 in August and September, dropping further to 12,000 in October. The October employment report is obscured by the impacts of Hurricane Helene and Milton, which significantly affected the jobs figure. Additionally, major labor strikes subtracted about 41,000 from the reported gain in jobs in October. Looking ahead, SPGMI forecasts employment gains to slow to an average 85,000 jobs per month in 2025 and 26,000 per month in 2026, for a total increase of 1.3 million jobs in 2025 and an average gain of 450,000 jobs per year from 2026-2029. As the labor market cools, SPGMI expects the unemployment rate to rise to a high of 4.6 percent by early 2027 and to fall slightly in 2028.

The U.S. inflation rate, as measured by both the Consumer Price Index (CPI) and the Federal Reserve's preferred measure, core Personal Consumption Expenditure (core PCE), continues to fall. Inflation has already decreased significantly without the economy experiencing aggregate job losses.

The current baseline forecast depends on the Federal Reserve's current policies to further curb inflation. SPGMI currently expects the Fed will lower the fed funds rate by another 25 points

following the December meeting of the FOMC. Moving forward, SPGMI expects the FOMC to lower the federal funds rate target by another 50 basis points by June 2025. They then expect the FOMC to recommend cuts at every other meeting until the federal funds rate target reaches a range of 2.5 to 2.75 percent in early 2026. This monetary easing is conditional on inflation approaching the Federal Reserve's target range, and on a further loosening of labor markets. SPGMI expects CPI inflation to slow to 2.9 percent in 2024 and 2.1 percent in 2025, and for core PCE inflation to fall to 2.2 percent in 2025, 2.2 percent in 2026, and 2.0 percent in 2027 and beyond. If inflation persists above these levels, the Federal Reserve may act less aggressively in lowering interest rates than assumed in the baseline forecast. Higher interest rates would tend to reduce private investment and some forms of consumer spending reducing GDP growth.

Minnesota Economic Outlook. The near-term economic outlook for Minnesota has moderated since MMB's *Budget and Economic Forecast* was prepared in February 2024. In this forecast, slower employment and wage growth in Minnesota during 2024 lowers expectations compared to the February forecast. Beyond 2024, the forecasts for growth in Minnesota's wages and employment are expected to grow at a modest rate through 2029, reflecting indications of a cooling labor market. Since April, the Minnesota unemployment rate has increased by 0.7 percentage points, and employment growth has underperformed earlier projections. While the state's employers added an average of 6,000 jobs from January through April, they added an average of just 1,200 jobs per month from May through October. Data from the Quarter Census of Employment and Wages (QCEW) suggest that these numbers may be revised downward when the annual benchmark becomes available in January.

Looking ahead, Minnesota's aging population will continue to constrain employment growth. As a result, average wage growth—growth in wage and salary income per worker—is expected to be the primary driver of increases in total nominal wage income through our forecast horizon.

Minnesota's economic outlook is informed by the SPGMI forecasts for both the U.S. and Minnesota, data from the Minnesota Department of Economic and Employment Development (DEED), Quarterly Census of Employment and Wages (QCEW), and Minnesota tax revenues.

Budget Outlook: Current Biennium. When the last Budget and Economic Forecast was released in February 2024, a surplus of \$3.715 billion was projected for the current biennium. Legislative action appropriating supplemental spending and adjusting general fund resources in the 2024 session reduced the projected balance to \$3.291 billion. Since then, higher actual collections, partially offset by a lower forecast for the rest of the biennium, combined with lower estimated spending results in an improved projected ending balance for the biennium. With this release, the current biennium is now expected to conclude with a budgetary surplus of \$3.752 billion, \$461 million higher than prior estimates.

Current Biennium: FY 2024-25 General Fund Budget

Change From End-of-Session Estimates

(\$ in millions)	End of Session	November 2024 Forecast	\$ Change	% Change
Beginning Balance	\$16,516	\$16,516	\$ -	0.0%
Revenues				
Taxes	58,312	58,022	(290)	(0.5)
Non-Tax Revenues	2,479	3,082	603	24.3
Transfers, Other Resources	198	330	133	67.0
Total Revenues	\$60,988	\$61,434	\$445	0.7%
Expenditures				
E-12 Education	24,547	24,537	(8)	(0.0)
Property Tax Aids	5,506	5,549	43	0.8
Health & Human Services	21,206	20,980	(227)	(1.1)
Debt Service	1,137	1,066	(71)	(6.2)
All Other	18,554	18,537	(17)	(0.1)
Total Expenditures	\$70,950	\$70,670	\$(280)	(0.4)%
Budget Reserve	2,913	3,177	264	9.1
Cash Flow Account	350	350	-	0.0
Budgetary Balance	\$3,291	\$3,752		

Revenues. Total general fund revenues for FY 2024-25 are now forecast to be \$61.434 billion, \$445 million (0.7 percent) more than the prior estimates. Total tax revenues for the biennium are forecast to be \$58.022 billion, \$290 million (-0.5 percent) below the prior forecast. The forecasts for individual income tax and the general sales tax, Minnesota's largest tax types, are lower than previously estimated. These lower forecasts are offset by higher-than-expected corporate tax revenues, other tax revenues, non-tax revenues, and other resources. This is the third forecast of FY 2024-25 since FY 2024 began on July 1, 2023. After 16 months of observed collections (through October 2024), receipts for FY 2024-25 are \$40.422 billion, 65.8 percent of the total expected over the biennium. With 8 months of FY 2024-25 collections left to observe, 34.2 percent of forecast receipts are outstanding.

Revenues for FY 2024-25 are now expected to exceed their FY 2022-23 levels by \$13 million (0.0 percent). Total tax revenues are projected to be 508 million (-0.9 percent) less than in FY 2022-23.

Current biennium individual income tax revenues are now forecast to decline \$2.105 billion (-6.4 percent) from the FY 2022-23 level. This decline is driven by several factors: (1) strong income tax growth in TY2021; (2) the introduction of the Pass Through Entity (PTE) Tax, which shifted revenue into FY 2022-23; (3) a significant income tax cut enacted in May of 2023, affecting FY2024-2025; (4) the inclusion of the renters' credit in the May 2023 tax bill, which increased refunds by approximately \$400 million per year; and (5) a rebate in the same tax bill that reduced FY 2024-25 revenues by roughly \$990 million. State general property tax receipts are also forecast to decline in FY 2024-25, while corporate franchise tax revenues, net sales tax receipts, and other tax revenues are forecast to exceed their FY 2022-23 levels.

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

(\$ in millions)	End-of-Session	November	\$	%
		2024 Forecast		
Individual Income Tax	\$30,796	\$30,546	(250)	-0.8%
General Sales Tax	15,358	15,075	(283)	-1.8
Corporate Franchise Tax	6,147	6,307	160	2.6
State General Property Tax	1,476	1,471	(5)	-0.3
Other Tax Revenue	4,535	4,623	89	2.0
Total Tax Revenues	\$58,312	\$58,022	(290)	-0.5%
Non-Tax Revenues	2,479	3,082	603	24.3
Other Resources	198	330	133	67.0
Total Revenues	\$60,988	\$61,434	\$445	0.7%

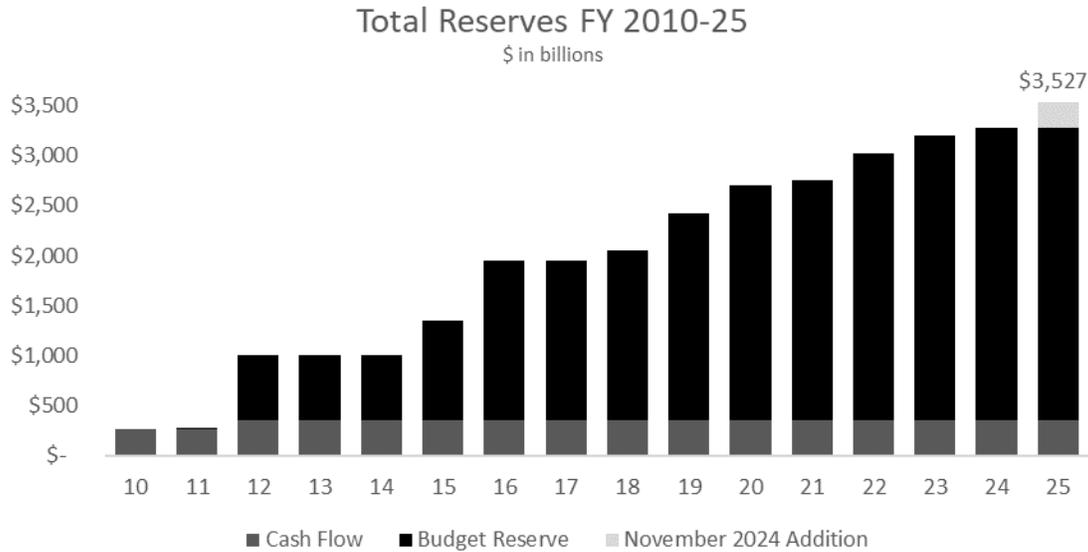
Spending. Spending estimates for FY 2024-25 are lower than prior estimates. Expenditures in the current biennium are now expected to be \$70.670 billion, a decrease of \$280 million (0.4 percent) from end-of-session estimates.

A \$227 million (1.1 percent) decrease in estimated spending for health and human services and a \$71 million (6.2 percent) decrease in estimated spending for debt service account for nearly all of the overall decrease in spending in FY 2024-25.

Current Biennium: FY 2024-25 General Fund Expenditures
Forecast Comparison

(\$ in millions)	End of Session	November 2024	\$	%
		Forecast		
E-12 Education	\$24,547	\$24,539	(\$8)	(0.0%)
Property Tax Aids & Credits	5,506	5,549	43	0.8
Health & Human Services	21,206	20,980	(227)	(1.1)
Debt Service	1,137	1,066	(71)	(6.2)
All Other	18,554	18,537	(17)	(0.1)
Total Expenditures	\$70,950	\$70,670	(\$280)	(0.4%)

Budget Reserve. Minnesota Statutes 16A.152 directs MMB to allocate funds to the budget reserve account up to the recommended budget reserve level when there is a projected surplus in the current biennium in the November Budget and Economic Forecast. In September, MMB, in accordance with Minnesota Statutes section 16A.152 subd.8, recommended a budget reserve target of 5.2 percent of unrestricted general fund revenues. When calculated using the updated revenue forecast with this release, the budget reserve target level is \$3.177 billion. Given the reserve balance at the end of FY 2024 was below the new target level, funds from the projected surplus are allocated so that the reserve balance is now at the target level of \$3.177 billion. The cash flow account balance is unchanged at \$350 million.



Over the last 10 years the reserve balance has significantly increased due to a law change that sets a reserve target based on the volatility of the state’s revenue sources and allows for automatic allocation to the reserve when there is a projected balance at the time to the November Budget and Economic Forecast. The reserve balance as of this release is \$3.177 billion after an allocation of \$252 million in FY 2025.

Budget Outlook: Next Biennium. At the end of the 2024 legislative session, the general fund balance for the next biennium was projected to be \$1.719 billion. The larger projected surplus for the current biennium, offset by a reduction in forecast revenue for the next biennium and higher forecast spending result in a projected balance of \$616 million, \$1.102 billion lower than prior estimates.

In February 2023 statute was amended to require that the impact of inflation be included in spending estimates for all biennia in which a budget is not yet enacted. For the FY 2026-27 biennium, this forecast estimates that inflationary cost pressures will add \$926 million to base level appropriations. This inflationary estimate is applied only to programs that do not already have inflationary increases built into current law formulas, or about 39 percent of the remaining budget.¹ The estimate of inflation is considered discretionary because it is not included in base level appropriations and the legislature must appropriate the funding for it to be available for agency spending. The remaining budgetary balance in the FY 2026-27 biennium is \$1.542 billion if the impact of discretionary inflation is removed from total spending estimates.

¹ Programs with inflation or cost based funding already built into current law base funding formulas include general and special education, nutrition funding for schools, HHS managed and long-term care, Minnesota Family Investment Program (MFIP), DHS general assistance, and property tax refunds. Debt service and capital projects are also excluded from the statewide calculation of discretionary inflation.

Next Biennium: FY 2026-27 General Fund Budget
Change From End-of-Session Estimates

(\$ in millions)	End of Session	November 2024 Forecast	\$ Change
Beginning Balance	\$6,554	\$7,279	\$724
Forecast Revenues	64,845	63,853	(991)
Total Projected Spending	66,417	66,989	572
<i>Forecast Spending</i>	<i>65,572</i>	<i>66,062</i>	<i>491</i>
<i>Discretionary Inflation</i>	<i>845</i>	<i>926</i>	<i>81</i>
Balance Before Reserve	\$4,982	\$4,153	\$(838)
Budget Reserve	2,913	3,177	264
Cash Flow Account		350	-
Budgetary Balance	\$1,719	\$616	\$(1,103)
<i>Budgetary Balance without Discretionary Spending Inflation</i>	<i>\$2,564</i>	<i>\$1,542</i>	<i>\$(1,021)</i>

The projected FY 2026-27 balance is not considered a surplus because it is estimated using projected revenues and base spending estimates before appropriations for the FY 2026-27 budget are enacted by the 2025 legislature. The projected balance is a starting point for the Governor's budget recommendations and the legislature's budget setting process.

Next Biennium: FY 2026-27 General Fund Budget
Biennial Comparison; November 2024 Forecast

(\$ in millions)	FY 2024-25	FY 2026-27	\$ Change	% Change
Beginning Balance	\$16,516	\$7,279	\$(9,236)	(55.9)%
Revenues				
Taxes	58,021	61,413	3,391	5.8
Non-Tax Revenues	3,081	2,049	(1,032)	(33.5)
Transfers, Other Resources	330	391	61	18.5
Total Revenues	\$61,434	\$63,853	\$2,419	3.9%
Expenditures				
E-12 Education	\$23,895	\$25,365	\$1,470	6.2%
Property Tax Aids	5,549	4,736	(812)	(14.7)
Health & Human Services	21,646	23,808	2,162	10.0
Debt Service	1,066	1,221	155	14.5
All Other	18,515	10,006	(8,509)	(46.0)
Discretionary Inflation	-	926	926	N/A
Total Expenditures	\$70,670	\$66,989	\$(3,681)	(5.2)%
Budget Reserve	3,177	3,177	-	
Cash Flow Account	350	350	-	
Budgetary Balance	\$3,752	\$616	\$(3,136)	
<i>Budgetary Balance without Discretionary Spending Inflation</i>	<i>\$3,752</i>	<i>\$1,542</i>	<i>\$(2,210)</i>	

Revenues. Total revenues for FY 2026-27 are now estimated to be \$63.853 billion, an increase of \$2.420 billion (3.9 percent) from the current forecast for FY 2024-25 revenues. Total tax revenues for FY 2026-27 are estimated to be \$61.412 billion, an increase of \$3.391 billion (5.8 percent) over FY 2024-25 forecast revenues. Growth of individual income tax revenue accounts for 67.1 percent of the biennial tax revenue change, and sales tax revenue growth accounts for 22.6 percent of the biennial tax revenue change. All major tax types show an anticipated increase in expected revenues from FY 2024-25 to FY 2026-27.

The revenue planning estimates are informed by the SPGMI baseline forecast, which assumes that U.S. real GDP will increase 2.0 percent in CY 2025, followed by growth of 2.1 percent in CY 2026, 1.8 percent in CY 2027, and 1.9 percent in CY 2028.

Biennial Comparison: FY 2024-25 vs. FY 2026-27 General Fund Revenues

November 2024 Forecast

(\$ in millions)	FY 2024-25	FY 2026-27	\$ Change	% Change
Individual Income Tax	\$30,546	\$32,821	\$2,275	7.4%
General Sales Tax	15,075	15,840	765	5.1
Corporate Franchise Tax	6,307	6,376	69	1.1
State General Property Tax	1,471	1,492	21	1.4
Other Tax Revenue	4,623	4,883	260	5.6
Total Tax Revenues	\$58,022	\$61,412	\$3,391	5.8%
Non-Tax Revenues	3,082	2,050	(1,032)	-33.5
Other Resources	330	391	61	18.4
Total Revenues	\$61,434	\$63,853	\$2,420	3.9%

Expenditures. Forecast expenditures in the FY 2026-27 biennium are expected to reach \$66.989 billion, a reduction of \$3.681 billion (5.2 percent) from projected spending for the FY 2024-25 biennium. Significant one-time spending in the FY 2024-25 biennium results in temporarily elevated spending levels. As a result, total general fund spending is projected to decline from the current biennium to the next. This reduction, however, is not uniform across program areas.

Spending for E-12 education is expected to be \$1.470 billion (6.2 percent) higher in the next biennium due primarily to growth in general education and special education programs. Spending for property tax aids and credits is expected to be \$812 million (14.6 percent) lower than the current biennium due to one-time spending in FY 2024-25 and the transition of the renter's credit from a property tax refund to an income tax credit. Debt service is expected to grow \$155 million (14.5 percent) compared to FY 2024-25. Partially offsetting the overall decline is the \$2.162 billion (10.0 percent) increase in HHS spending, due in large part to growth in Medical Assistance.

Next Biennium: FY 2026-27 General Fund Expenditures

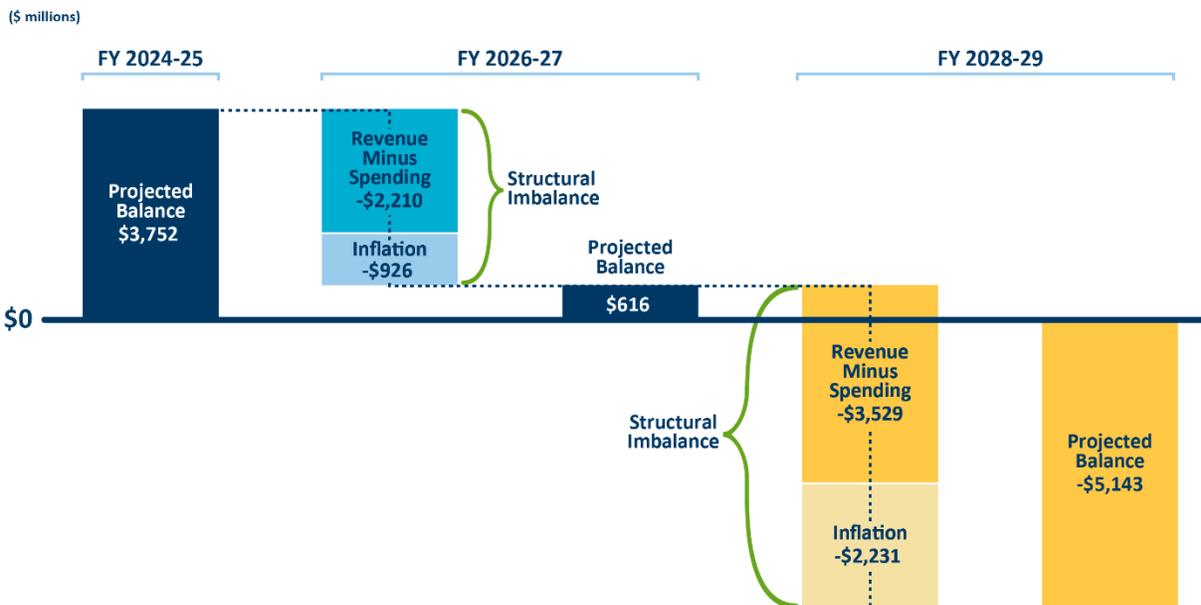
Biennial Comparison; November 2024 Forecast

(\$ in millions)	FY 2024-25	FY 2026-27	\$ Change	% Change
E-12 Education	\$23,895	\$25,365	\$1,470	6.2%
Property Tax Aids & Credits	5,549	4,736	(812)	(14.6%)
Health & Human Services	21,646	23,808	2,162	10.0
Debt Service	1,066	1,221	155	14.5
Estimated Inflation	-	926	926	N/A
All Other	18,515	10,933	(7,583)	(41.0)
Total Expenditures	\$70,670	\$66,989	(\$3,681)	(5.2%)

Biennial Budgetary Growth. State revenue is projected to grow \$2.419 billion (3.9 percent) in FY 2026-27 over the current biennium, driven by \$3.391 billion (5.8 percent) in tax revenue growth, partially offset \$1.032 billion (33.5 percent) lower projected non-tax revenue. The reduced non-tax revenue forecast is largely due to lower projected investment income resulting from lower projected interest rates and falling general fund cash balances in the next biennium. State spending, including discretionary inflation, is expected to be \$3.681 billion (5.2 percent) lower in

the next biennium due to the expiration of one-time investments in the current biennium, along with the shift of the renter property tax refund to an income tax credit in the next biennium.

The lower overall spending total masks underlying program spending growth in Health and Human Services (HHS) which is expected to grow \$2.162 billion (10.0 percent) and E-12 education, which is estimated to grow \$1.470 billion (6.2 percent) along with debt service which is expected to grow \$155 million (14.5 percent) in FY 2026-27.



The FY 2024-25 budget was structured to spend one-time balances from the FY 2020-23 period on one-time programs, however lower than projected revenue growth and underlying spending growth in forecast programs has resulted the \$3.752 billion available balance in the current biennium falling to \$616 million in the next biennium. The structural imbalance of long run spending exceeding long run revenue grows in the FY 2028-29 planning estimates where a deficit of \$5.143 billion is projected.

Budget Outlook: Planning Estimates. This forecast provides the first planning estimates for the FY 2028-29 biennium. While these estimates inherently carry a higher degree of uncertainty than estimates for FY 2025-27, they present an outlook of longer run spending and revenue growth that will assist in budget planning when setting the FY 2026-27 budget.

Revenue projections for FY 2026-29 are based on the SPGMI November baseline forecast for the planning years. Expenditure projections assume that current law funding levels and policies continue unchanged, adjusted for caseload and enrollment changes authorized in law, as well as formula-driven growth. Expenditure estimates also include the impact of expected inflationary cost pressure for FY 2026-29.

Projected inflationary growth based on the Consumer Price Index is now forecast to be 2.2 percent in FY 2026 and 2.7 percent in FY 2027. In the planning biennium inflationary growth is expected to be 1.9 percent in FY 2028 and 2.3 percent in FY 2029.

Planning Horizon: General Fund Budget
By Biennium, FY2026-29, November 2024 Forecast

(\$ in millions)	FY 2026-27	FY 2028-29	\$	Annual
			Change	%
Forecast Revenues	\$63,853	\$67,612	\$3,759	2.9%
<i>Forecast Spending</i>	<i>66,063</i>	<i>71,141</i>	<i>5,078</i>	<i>3.8</i>
<i>Discretionary inflation (FY 2026-27)</i>	<i>926</i>	<i>1,343</i>		
<i>Discretionary inflation (FY 2028-29)²</i>	<i>-</i>	<i>\$887</i>		
Total Projected Spending	\$66,989	\$73,371	\$6,382	4.7%
Structural Balance with Inflation	\$(3,136)	\$(5,759)		
<i>Structural Balance excluding Inflation</i>	<i>\$(2,210)</i>	<i>\$(3,529)</i>		

Biennial spending growth is currently forecast to exceed biennial revenue growth throughout the FY 2026-29 budget planning horizon. Revenue growth is expected to average 1.9 percent annually, while spending growth is expected to average 2.5 percent annually before inclusion of discretionary inflation, and 3.1 percent per year with discretionary inflation. Spending has exceeded revenue since FY 2024 while large balances left from the FY 2020-23 period partially supported the budget set for FY 2024-25. Spending growth exceeding revenue growth has resulted in the structural deficit growing from \$3.136 billion in FY 2026-27 to a projected \$5.749 billion in FY 2028-29.

² Discretionary inflation estimates are calculated using base spending forecasts for each year with inflationary growth compounding in each year against baseline spending. The discretionary inflation estimate displayed disaggregates the estimated impact of inflation needed for the budget set in 2025 for the FY 2026-27 biennium and its impact on the FY 2028-29 biennium and, on a separate line, the estimated impact of inflation needed for the budget set in 2027 for the FY 2028-29 biennium.



ECONOMIC OUTLOOK

U.S. Economic Outlook

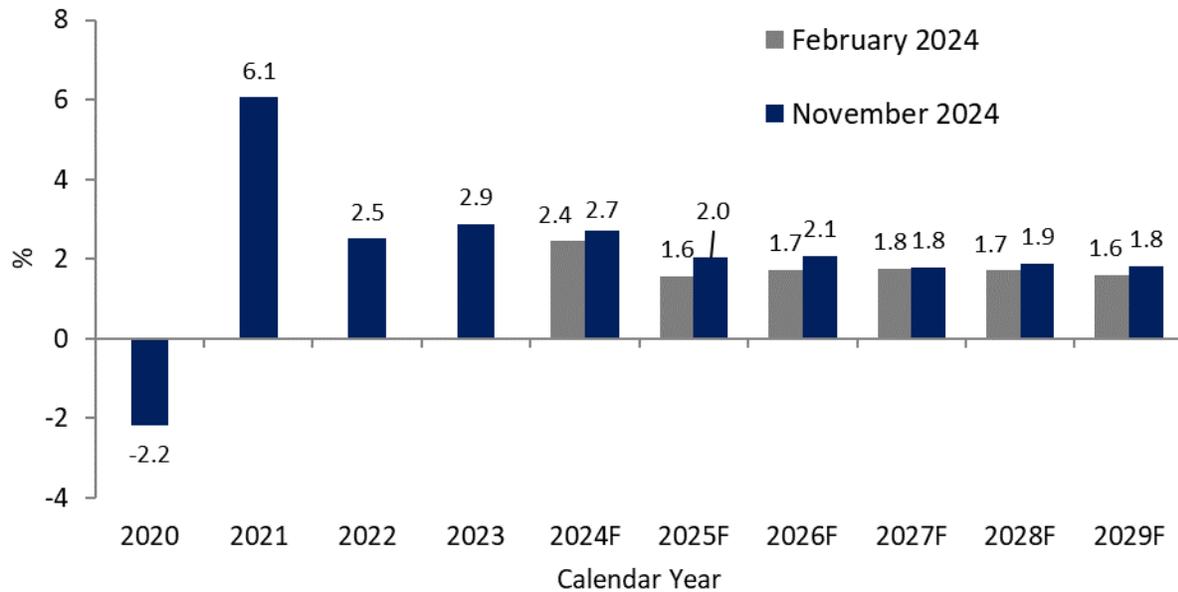
The outlook for U.S. economic growth has improved since Minnesota’s Budget and Economic Forecast was last prepared in February 2024, but there are signs of economic weakness in the long term. Robust growth in real gross domestic product (GDP) in early 2024, combined with easing financial conditions, has improved the U.S. economic outlook for this year. However, in the longer term, there are indications of a cooling labor market, and the forecast is for slow real GDP growth.

In the near term, stronger-than-expected wage growth in 2024 is expected to fuel higher consumer spending and business investment in both 2024 and 2025. The Bureau of Economic Analysis (BEA) advanced estimate of real GDP growth in the third quarter of 2024 was a strong 2.8 percent (annual rate). Standard & Poor’s Global Market Intelligence (SPGMI) expects some of that momentum to carry into 2025³. At the same time, the Federal Reserve’s 25 basis-point decrease in the federal funds target in November signals a shift toward less restrictive financial conditions. As a result, SPGMI now expects real GDP to grow 2.7 percent this year—0.3 percentage points higher than the February projection—with average annual real GDP growth over 2025-2029 also revised upward by 0.2 percentage points.

Because SPGMI’s U.S. outlook was released on November 5, it does not incorporate any projected effects on the economy from the policy proposals of the incoming administration. This forecast carries significant uncertainty regarding the economic impact of potential policy shifts in the coming years. SPGMI anticipates that its assessment of U.S. policy effects will evolve with each monthly outlook release as policies become more defined. SPGMI notes that if the incoming administration implements the proposed tariffs, they are likely to lead to higher inflation, higher interest rates, and weaker GDP growth over 2025-2026 than expected in the baseline forecast.

³ SPGMI is our principal source of macroeconomic forecasts.

U.S. Real Gross Domestic Product Annual Percent Change



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

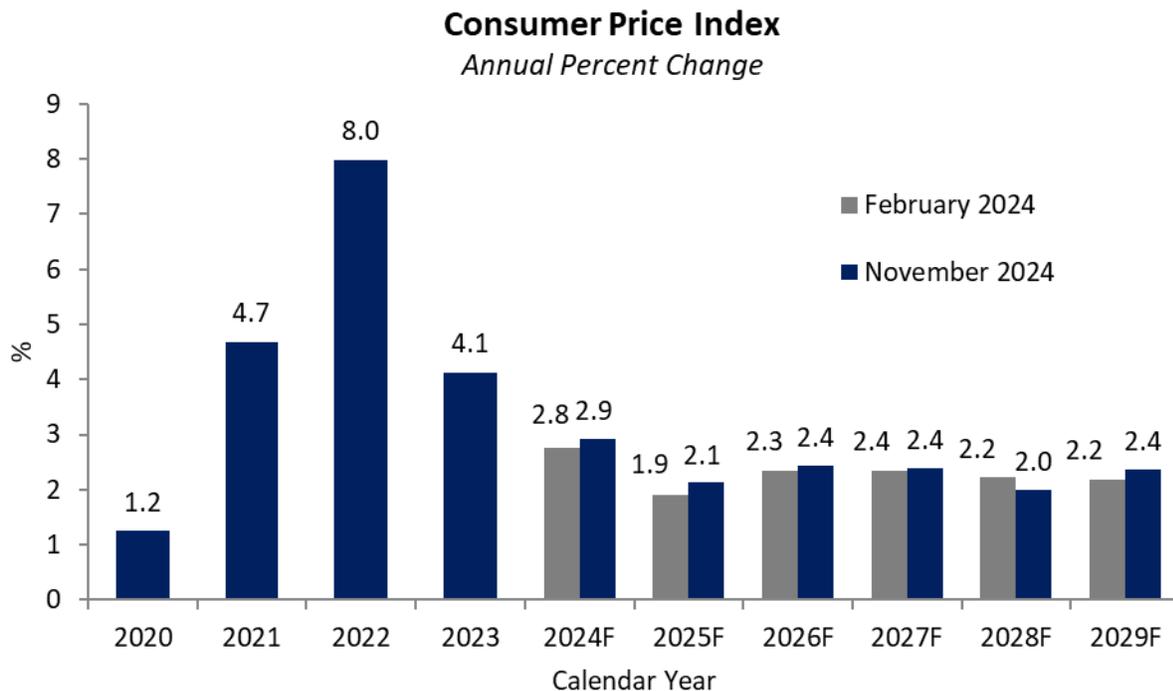
Since February, SPGMI’s outlook for U.S. economic growth in 2024 has improved. They now expect real GDP to grow 2.7 percent this year, 0.3 percentage points faster than the 2.4 percent growth they forecast in February. The higher near-term forecast is due to unexpectedly robust growth in the first half of 2024—which is expected to persist into 2025—as well as easing financial conditions. Average annual real GDP growth over 2025-2029 is now expected to be 0.2 percentage points faster than in the February baseline.

In 2023, employers added an average of 251,000 payroll jobs per month, for an annual gain of three million jobs. Job growth remained strong in 2024, averaging 170,000 jobs per month through October, but a slowdown has emerged in recent months. While job gains averaged nearly 200,000 per month in the first seven months of this year, increases in nonfarm payrolls slowed to an average of 151,000 in August and September, dropping further to 12,000 in October. The October employment report is obscured by the impacts of Hurricane Helene and Milton, which significantly affected the jobs figure. Additionally, major labor strikes subtracted about 41,000 from the reported gain in jobs in October. Looking ahead, SPGMI forecasts employment gains to slow to an average 85,000 jobs per month in 2025 and 26,000 per month in 2026, for a total increase of 1.3 million jobs in 2025 and an average gain of 450,000 jobs per year from 2026-2029. As the labor market cools, SPGMI expects the unemployment rate to rise to a high of 4.6 percent by early 2027 and to fall slightly in 2028.

The U.S. inflation rate, as measured by both the Consumer Price Index (CPI) and the Federal Reserve’s preferred measure, core Personal Consumption Expenditure (core PCE), continues to fall. Inflation has already decreased significantly without the economy experiencing aggregate job losses. Core PCE year-over-year inflation has decreased from 5.6 percent in March 2022 to 2.8 percent in October 2024. CPI year-over-year inflation has decreased more dramatically, falling from 9.0 in June 2022, to 2.6 percent in October 2024, while nonfarm payroll employment has

increased by 6.7 million over the same period. SPGMI expects core PCE inflation to stabilize at just above 2.0 percent by 2025 and CPI inflation to stabilize between 2.1 and 2.4 percent in 2025 and beyond.

According to the BEA, goods prices, both durable and nondurable, have fallen slightly over the past year to help gradually ease core PCE inflation towards the Federal Reserve’s 2.0 percent target. The Bureau of Labor Statistics (BLS) also reports declining goods prices over the past year, which have helped lower inflation as measured by the CPI. In this outlook, a period of slower U.S. real GDP growth combined with the softening of labor market conditions allows core PCE inflation to settle at the Federal Reserve’s target and CPI inflation to settle between 2.0 and 2.4 percent over our forecast horizon.



Source: U.S. Bureau of Labor Statistics (BLS), SPGMI

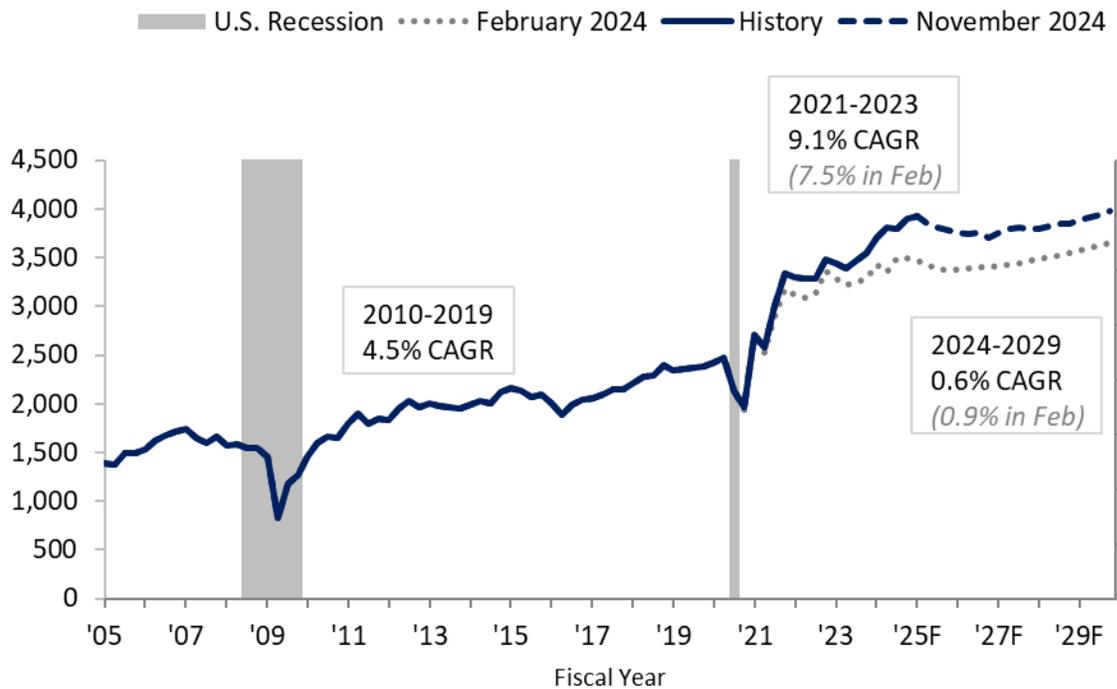
The U.S. inflation rate, as measured by the Consumer Price Index (CPI) continues to fall. Inflation has already decreased significantly without the economy experiencing aggregate job losses. CPI year-over-year inflation has decreased from 9.0 in June 2022, to 2.6 percent in October 2024, while nonfarm payroll employment has increased by 6.7 million over the same period. SPGMI expects CPI inflation to stabilize between 2.0 and 2.4 percent in 2025 and beyond.

Monetary Policy and Interest Rates. At the September meeting of the Federal Open Market Committee (FOMC), the federal funds rate target was cut by 50 basis points to between 5 and 4.75 percent, with an additional cut of 25 basis points to between 4.75 and 4.5 percent at their November meeting. In their November forecast, SPGMI expects the FOMC to reduce the target rate by another 25 basis points in December, with anticipated further reductions of over 150 basis points in 2025. SPGMI expects the federal funds rate target will stabilize between 2.5 and 2.75 percent in 2026 and remain at that level through 2029.

Corporate Profits. Before-tax U.S. corporate profits grew 3.8 percent in FY 2023, and SPGMI expects profits will grow 9.8 percent in FY 2024. On a quarterly basis, SPGMI expects corporate profits to decline for five consecutive quarters, beginning 2025 Q2 (the last quarter of FY25). On an annual basis, SPGMI expects before-tax U.S. corporate profits to increase by 1.0 percent in FY 2025 and decline by 2.7 percent in FY 2026. The compound annual growth rate (CAGR) for before-tax U.S. corporate profits was 4.5 percent from FY 2010 to FY 2019, and 9.1 percent from FY 2021 through 2024⁴. SPGMI’s current forecast anticipates a CAGR of 0.6 percent from FY 2024 through FY 2029, down from the February forecast of 0.9 percent for the same period.

U.S. Corporate Profits Before Tax*

Billions of Dollars, Annual Rate



*With Inventory Valuation and Capital Consumption Adjustments

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

The compound annual growth rate (CAGR) for before-tax U.S. corporate profits was 4.5 percent from FY 2010 to FY 2019, and 9.1 percent from FY 2021 through 2024. SPGMI’s current forecast anticipates a CAGR of 0.6 percent from FY 2024 through FY 2029, down from the February forecast of 0.9 percent for the same period.

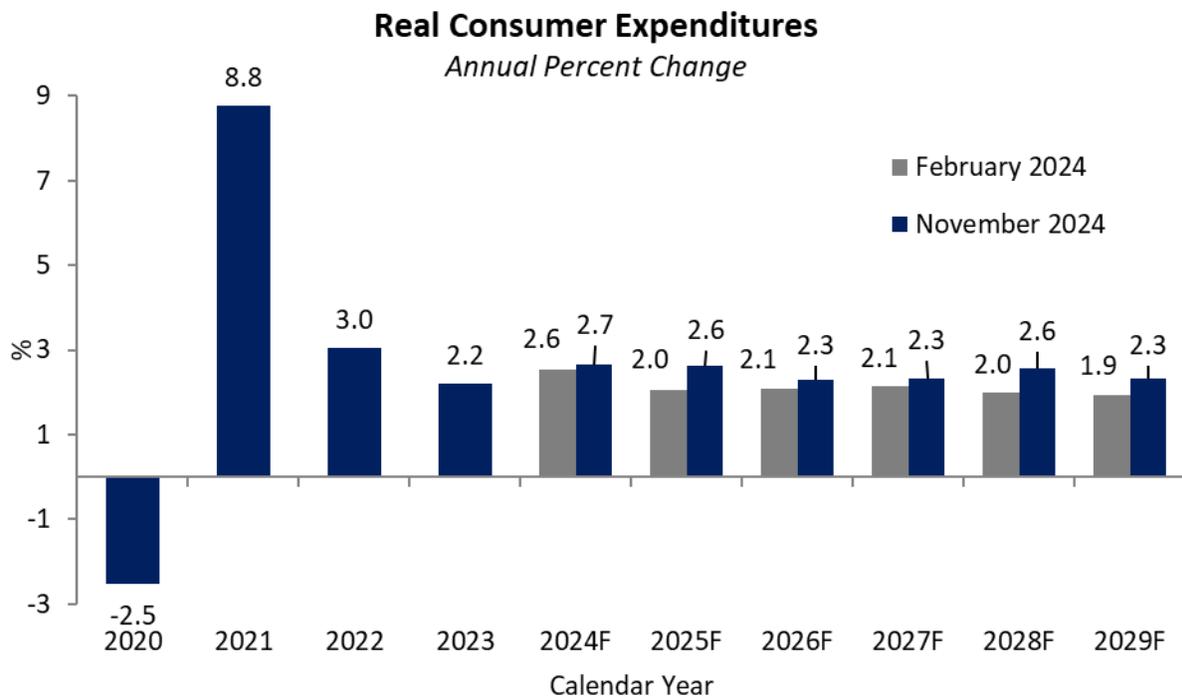
Federal Fiscal Policy. The November SPGMI forecast assumes that the debt ceiling remains suspended through 2024 under the Fiscal Responsibility Act of 2023 (FRA23), with an anticipated rise in the debt ceiling occurring without incident afterward. Discretionary budget authority is limited by FRA23 statutory caps through fiscal year 2025 and is assumed to grow at the rate of inflation beyond that. Personal taxes follow current policy, with provisions of the 2017 Tax Cut

⁴ Prior to revisions in the National Economic Accounts announced in September 2024, corporate profits CAGR had been 7.5 percent for FY 2021 to FY 2024.

and Jobs Act (TCJA), including extension beyond the scheduled phase-out in 2026. SPGMI assumes that corporate taxes follow current law including scheduled phase-outs in the Inflation Reduction Act. Social Security and Medicare benefits are expected to continue without interruption, even after projected trust fund exhaustion. Additionally, foreign aid package H.R. 815 provides \$95 billion to address crises in Ukraine, Israel, and the Indo-Pacific region.

Real Consumer Expenditure. Real consumer expenditure is projected to grow more rapidly in each year of our current forecast compared to our February forecast. In late September, the BEA significantly revised its employee compensation figures as part of their annual update of the National Income and Product Accounts (NIPA). This upward revision in compensation is driving the higher forecast for consumer expenditure.

SPGMI now expects real consumer expenditure to grow 2.7 percent in 2024, 0.1 percentage points higher than in the February 2024 forecast. In 2025, SPGMI now expects consumer spending to grow 2.6 percent, 0.6 percentage points higher than the growth expected in February. They expect consumer expenditure to increase 2.4 percent on average in years 2026 through 2029 and anticipate that consumer expenditure will remain the primary contributor to growth in the economy.



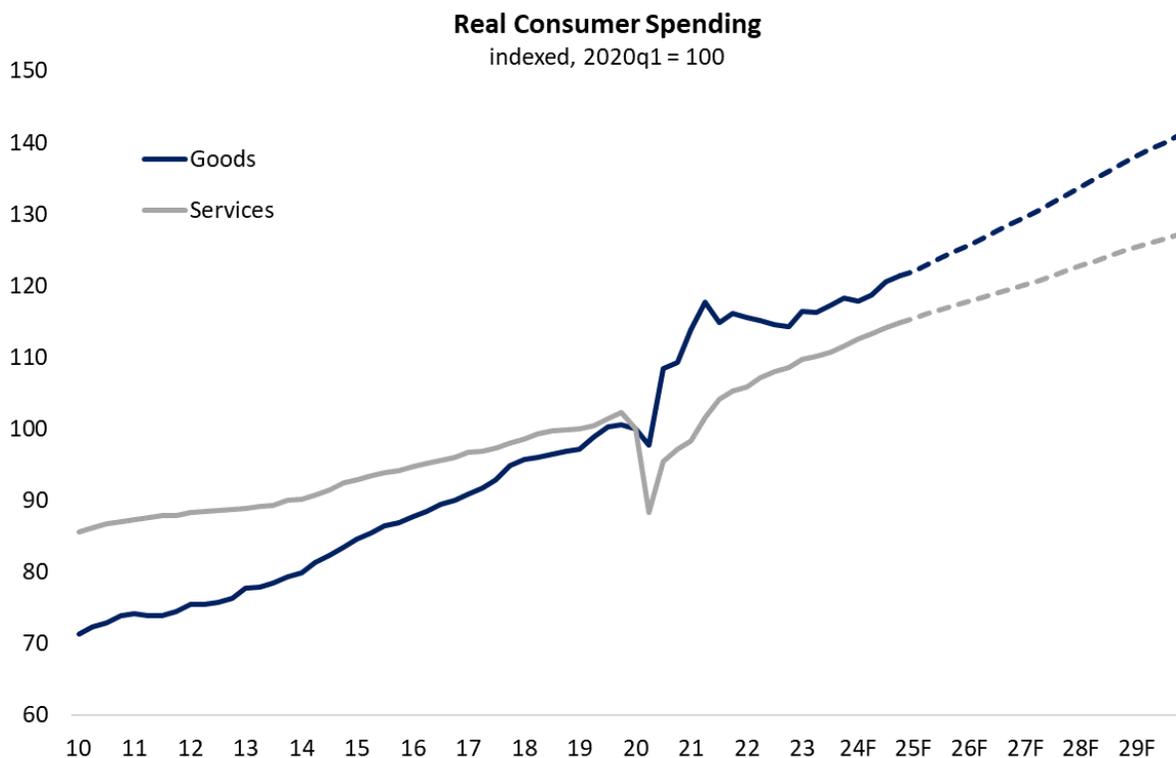
Source: U.S. Bureau of Economic Analysis (BEA), SPGMI

Stronger than anticipated wage growth in the first half of 2024 boosts real consumer expenditure in both 2024 and 2025 in this forecast. Real consumer expenditure is expected to grow faster in each year of our forecast compared to February.

Real disposable personal income grew by 5.1 percent in 2023, rebounding from a 5.6 percent decline in 2022 caused by high inflation and limited nominal increases coupled with reduced government transfer payments. The 2022 annual decrease was the largest in the history of the

series, which began in 1960. Inflation has slowed over the past two years, enabling wages, salaries, and other income sources to rise faster than prices on average. This has driven a 6.4 percent year-over-year increase in real income. SPGMI expects annual real disposable personal income growth to be 3.2 percent for 2024, followed by 2.8 percent in 2025, and an average of 2.7 percent from 2026 to 2029 as nominal income continues to exceed inflation. The personal savings rate, which fell to a low of 2.2 percent in 2022, has averaged 5.0 percent over the past year. Compared to income, low relative debt levels and higher savings indicate consumers remain well-positioned to sustain spending despite cooling labor markets.

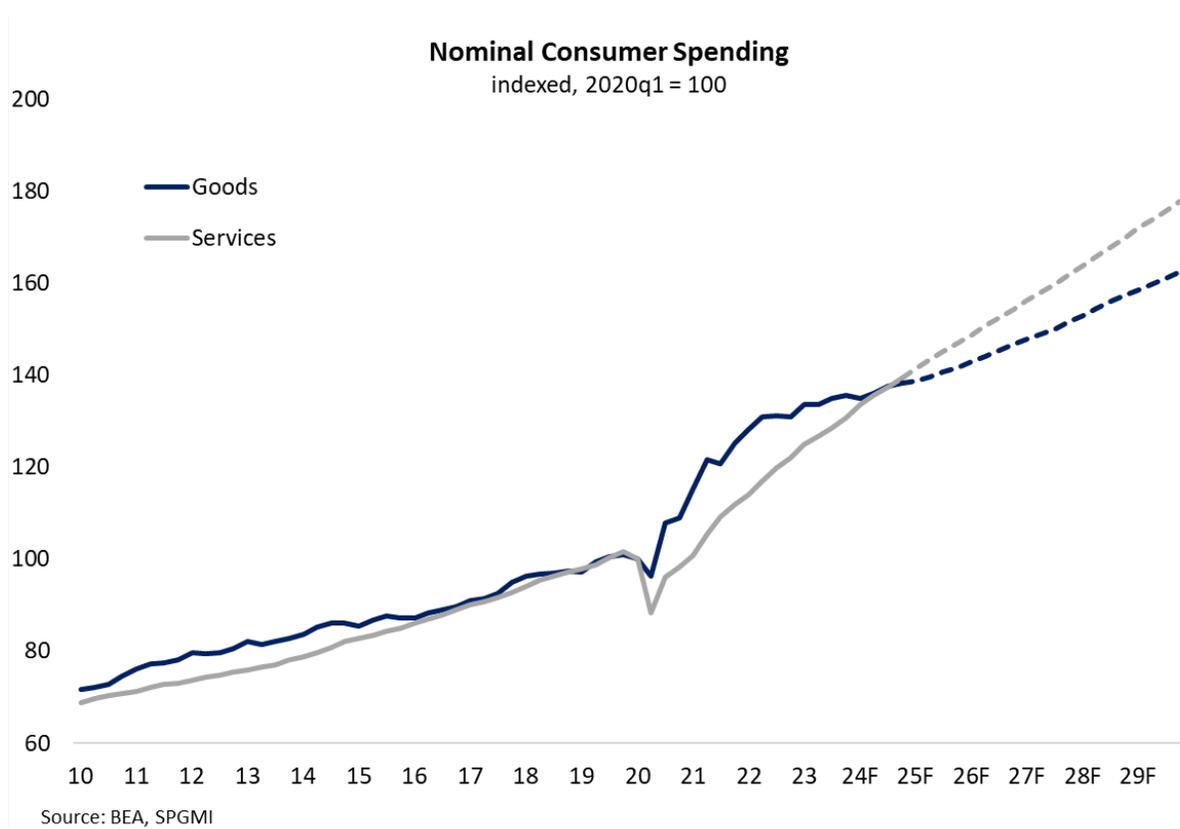
During the pandemic, consumers shifted their real spending from personal services and recreational activities to goods. This shift caused real spending on durable and non-durable goods to substantially exceed their pre-pandemic peaks, while real spending on services declined temporarily. Real spending patterns have now resumed their pre-pandemic trends.



Source: BEA, SPGMI

During the pandemic, consumers shifted their spending from personal services and recreational activities to goods. Real spending patterns have now resumed their pre-pandemic trends.

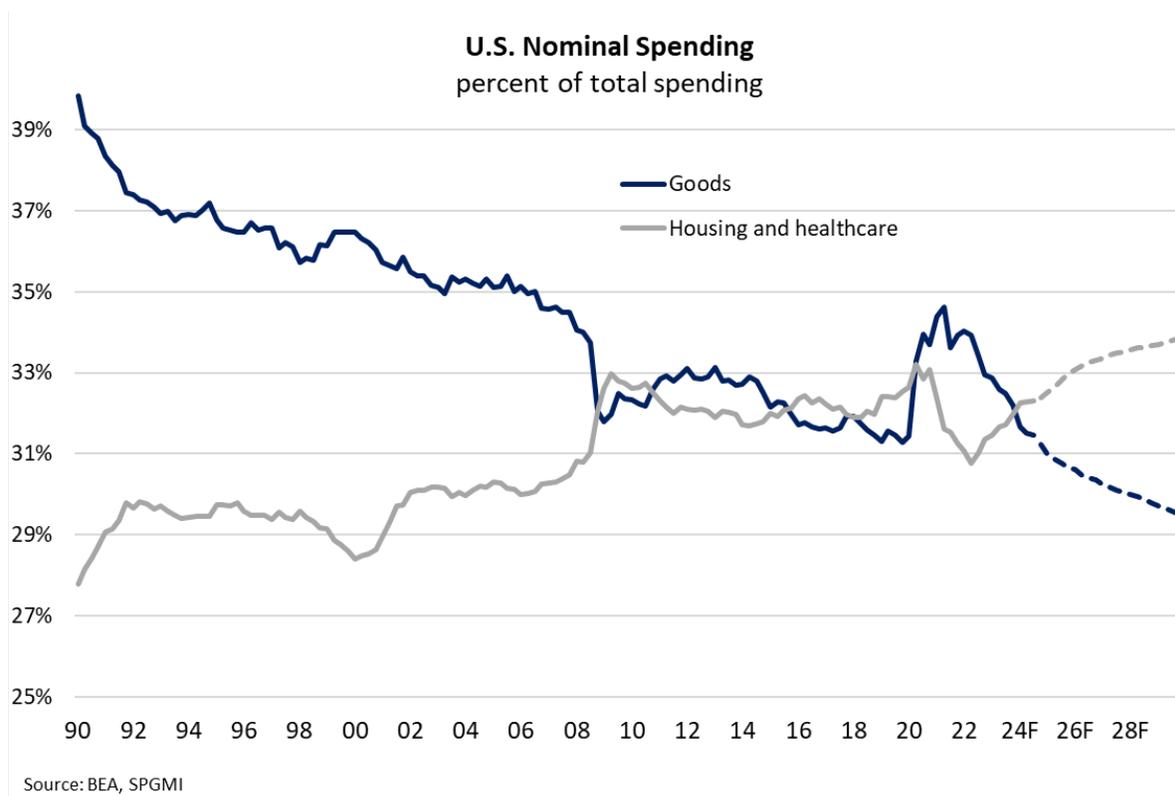
The story is similar when looking at nominal spending, which includes the effects of price changes. High goods inflation during the pandemic, coupled with above-trend real spending, caused nominal goods spending to exceed its pre-pandemic trend. As a result, the level of goods spending has undergone a permanent upward shift. Nominal services spending, on the other hand, suffered from decreases in real spending during the pandemic. Services spending has steadily recovered from its pandemic low, and growth in services spending is expected to outpace growth in goods spending throughout the forecast horizon.



The level of nominal goods spending underwent a permanent upward shift during the pandemic due to high goods inflation and above-trend real spending. Nominal services spending, on the other hand, suffered from decreases in real spending. Services spending has steadily recovered from its pandemic low, and growth in services spending is expected to outpace growth in goods spending throughout the forecast horizon.

For decades, consumers have generally dedicated increasingly smaller portions of their budgets to goods, in large part due to general price declines in prices of many goods. At the same time, consumers have generally dedicated increasingly larger portions of their budgets to services, including housing and healthcare services.

From 2020 to 2022, these longstanding trends were temporarily interrupted by the pandemic, as high goods inflation added to real goods spending increases and consumers reduced services spending. In 2023 and 2024, consumers again spent decreasing shares of their budgets on goods and increasing shares of their budgets on services. Consumers are now spending about as much of their budgets on goods as they were in 2019 (a record low share). SPGMI expects the goods share of spending to continue to decline further through the forecast horizon. They also expect the share of spending on housing and healthcare services to reach a record high in 2026 and continue rising thereafter.



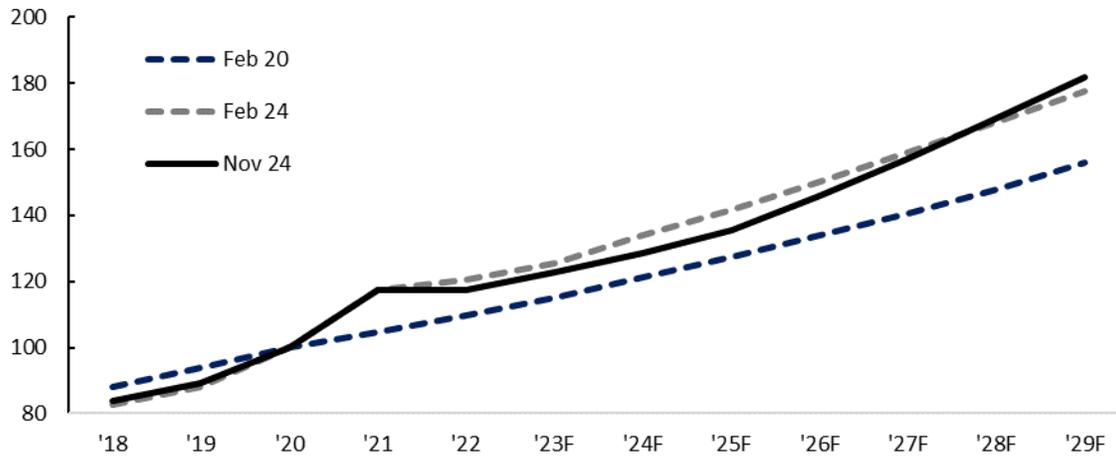
For decades, consumers have generally dedicated increasingly smaller portions of their budgets to goods and increasingly larger portions of their budgets on services, including housing and healthcare services. From 2020 to 2022, this longstanding trend was temporarily interrupted by the pandemic, as high goods inflation added to real spending increases and consumers cut back on services spending. SPGMI expects the goods share of spending to decline to new record lows through the forecast horizon. They also expect the share of spending on housing and healthcare services to reach record highs starting in 2026.

The updates to the National Economic Accounts released in September 2024 included substantial revisions to historical data for the first quarter of 2019 through the first quarter of 2024. We now know that consumer spending on durable goods was not as strong as previously estimated⁵. The November forecast reflects both the lower history, and a lower near-term forecast, for consumer spending on durable goods. SPGMI expects consumer spending on durable goods (excluding automobiles and medical devices) to increase 4.7 percent in 2024 and 5.6 percent in 2025, compared to the February forecast of 6.7 percent in 2024 and 5.8 percent in 2025. Spending on Other Services⁶ is expected to increase by 2.5 percent in 2024 and 2.4 percent in 2025.

⁵ Durable goods are products that can be stored or inventoried and that have an average life of at least three years.

⁶ Other services include communication services, education services, professional and other services, personal care and clothing services, social services, and household maintenance services.

U.S. Real Consumer Spending on Durable Goods
 Excluding Automobiles and Medical Devices
 Indexed 2020=100



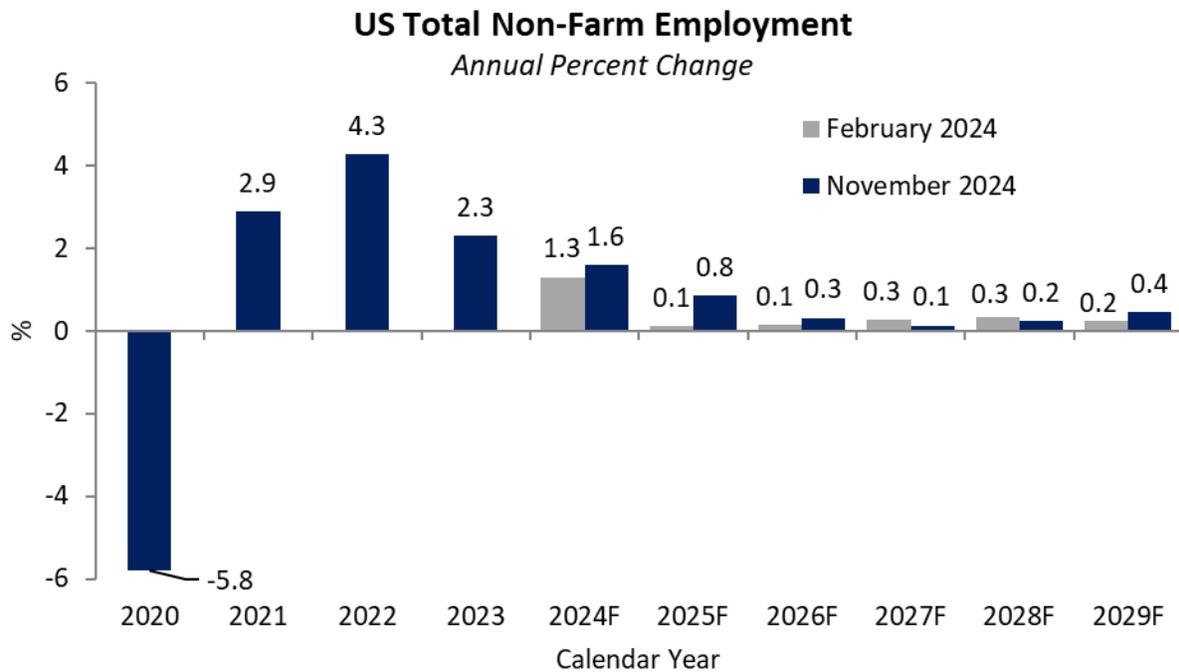
Source: U.S. Bureau of Economic Analysis (BEA), SPGMI

Durable goods spending remains elevated compared to its pre-pandemic trend. The revisions to the National Economic Accounts released in September provided revised historical data. We now know that consumer spending on durables was not as strong as previously estimated. The November forecast reflects both the lower history and a lower near-term forecast for consumer spending on durable goods. SPGMI expects consumer spending on durable goods to increase by a robust 4.7 percent in 2024 and 5.6 percent in 2025.

Labor Market. In 2023, nonfarm payroll employment increased by an average of 251,000 jobs per month, or 3.0 million jobs for the year. Despite tighter monetary policy, payroll job gains remained relatively strong in the first half of 2024, with employment increasing an average of nearly 200,000 jobs per month through July. However, increases in nonfarm payrolls only averaged 56,000 in August and September, and then slowed further to 12,000 in October⁷. The October employment report is complicated by the effects of Hurricane Helene and Milton, which significantly reduced employment. Additionally, temporary job losses due to large strikes reduced October job gains by an additional 41,000 jobs.

Employment growth is expected to average 85,000 jobs per month in 2025 and slow to about 26,000 jobs per month in 2026 in SPGMI's November forecast. As the payroll growth slows, SPGMI expects the unemployment rate to rise to a peak of 4.6 percent by early 2027. SPGMI expects employment to increase by 1.3 million jobs in 2025, compared to an increase of only 162,000 jobs in their February forecast. SPGMI expects nonfarm payroll to increase by approximately 450,000 jobs per year in the years 2026-2029.

⁷ In their November forecast, SPGMI expects payroll employment to increase by 2.5 million for all of 2024. However, unless the US adds 400,000 jobs in each of November and December, which seems unlikely given recent employment increases, this will not be achieved. Further, upcoming revisions to payroll employment data are likely to further reduce payroll employment levels.



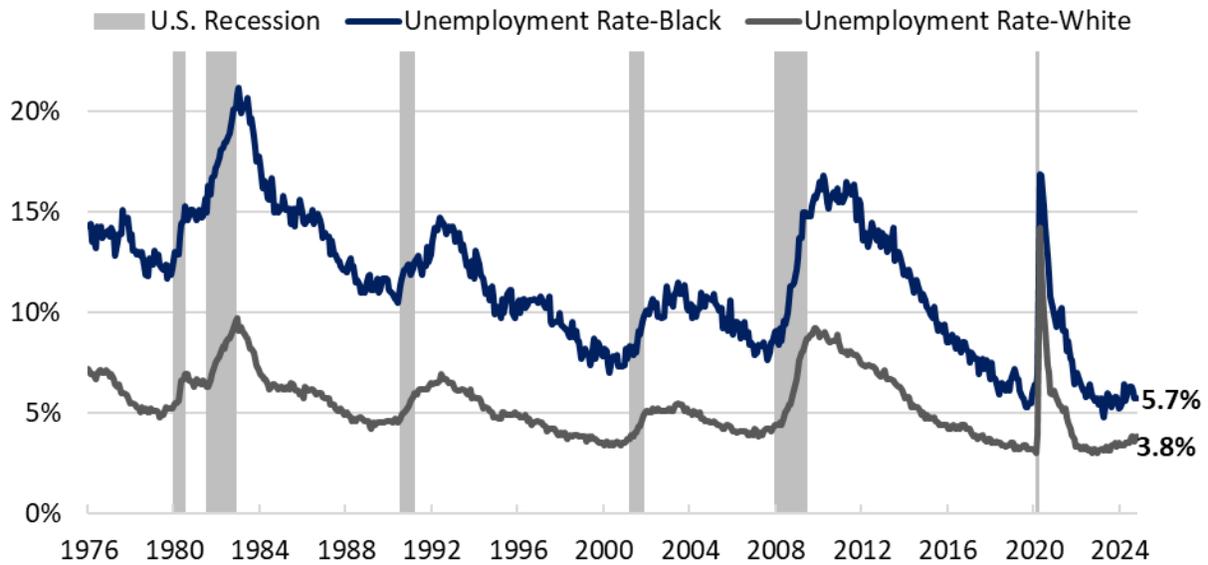
Source: U.S. Bureau of Labor Statistics (BLS), SPGMI

SPGMI expects employment to increase by 1.3 million jobs in 2025, compared to an increase of 162,000 jobs in their February forecast. SPGMI expects nonfarm payroll to increase by approximately 450,000 jobs per year in the years 2026-2029.

The gap in unemployment between Black and White Americans is near a record low. From 2010 to 2019, the gap between the Black unemployment rate and the White unemployment rate averaged 5.3 percentage points. Between 2021 and 2023, the gap averaged 3.0 percentage points, and in the past twelve months, the gap has fallen to 2.3 percentage points. From 2010 to 2019, the gap between the unemployment rates for the Hispanic or Latino population⁸ and the White population averaged 2.2 percentage points. Over the past twelve months, that gap has narrowed to 1.5 percentage points. SPGMI does not provide forecasts for employment growth or unemployment rates by race or ethnicity.

⁸ This is how the BLS and the Census Bureau classify persons in the Current Population Survey (CPS, also called the “household survey”), the source of monthly unemployment data. Persons classified as “Hispanic or Latino” can be of any race.

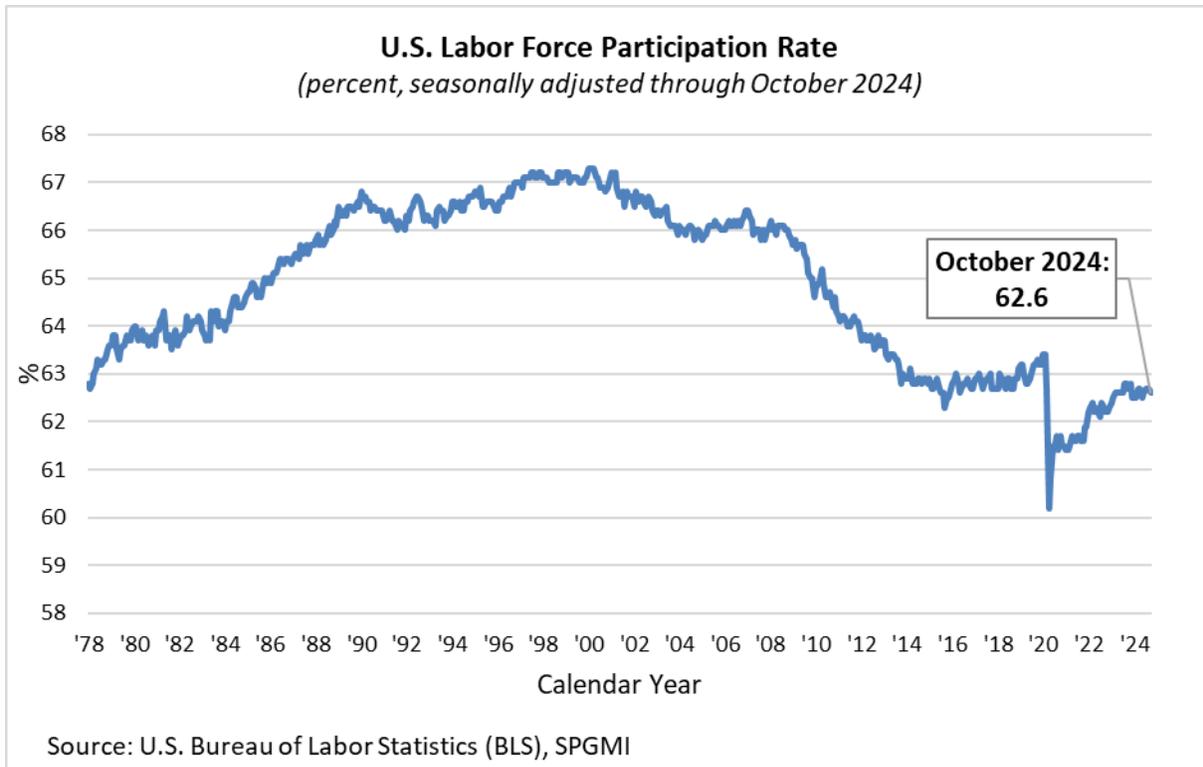
Unemployment Rate by Race Seasonally Adjusted, Monthly



Source: U.S. Bureau of Labor Statistics (BLS), SPGMI

The gap in unemployment between Black and White Americans is near a record low. From 2010-2019, the gap between the Black unemployment rate and the White unemployment rate averaged 5.3 percent. Between 2021 and 2023, the gap averaged 3.0 percent, and in the past twelve months, it has fallen to 1.5 percent.

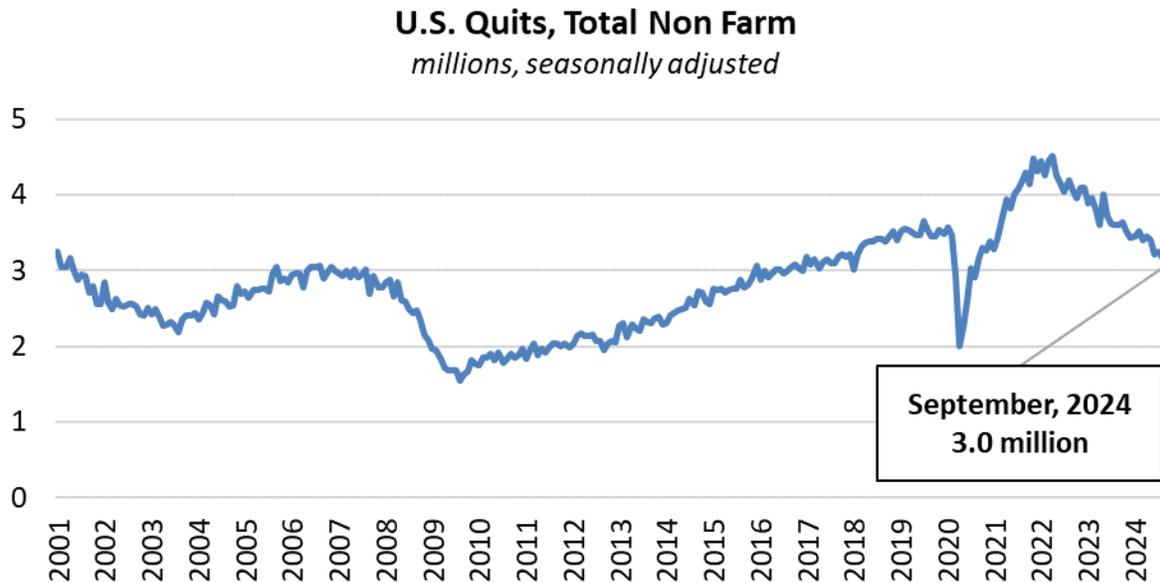
The U.S. labor force participation rate, the proportion of potential workers who were employed or unemployed and actively seeking employment, was 62.6 percent in October 2024, where it has remained relatively stable over the past year. The participation rate remains below the pre-pandemic peak of 63.4 percent. An aging population is a major factor putting downward pressure on the labor force participation rate, a trend expected to continue throughout the forecast horizon.



The U.S. labor force participation rate, the proportion of potential workers who were employed or unemployed and actively seeking employment, was 62.6 percent in October, 0.1 percentage points lower than one year ago. The participation rate remains below the pre-pandemic peak. An aging population is a major factor putting downward pressure on the labor force participation rate, a trend expected to continue throughout the forecast horizon.

The number of unemployed persons classified as “long-term unemployed”—people who have been without a job for 27 weeks or more—was 1.6 million in October, similar to the level when the forecast was prepared in February 2024. The number of workers on temporary layoff—those who do expect to return to work within six months—was 846,000.

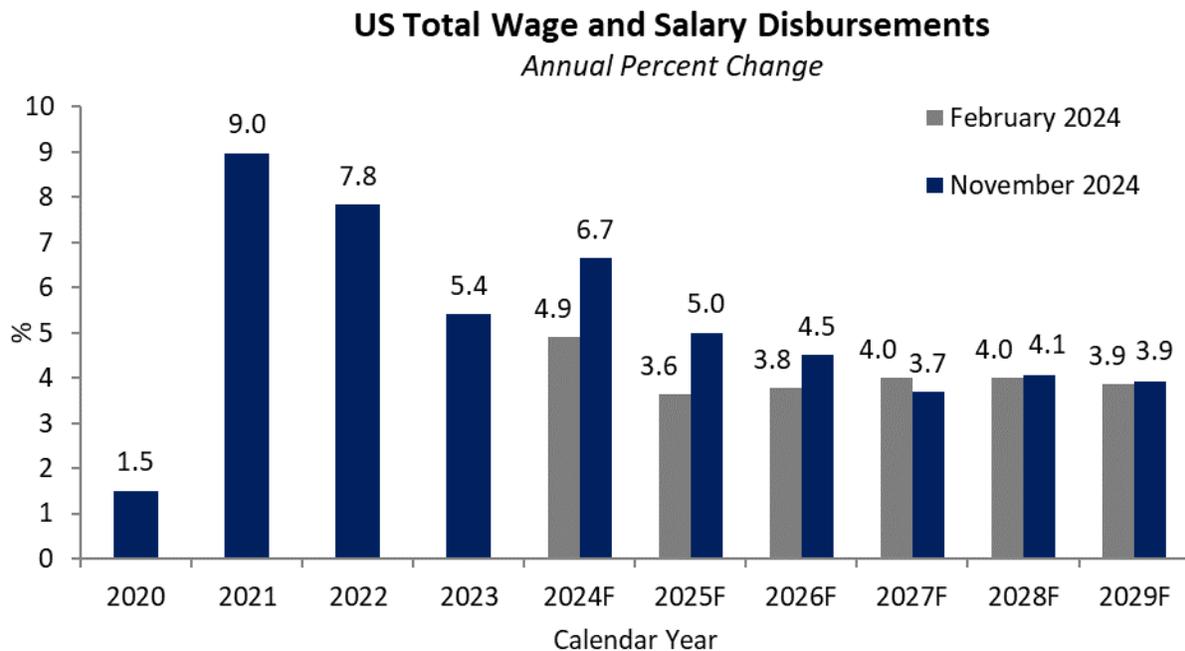
In recent years, the labor market experienced historically high levels of voluntary job separations—or quits—characterizing a labor market in which individuals were comfortable leaving one job for higher wages elsewhere. Quits peaked at 4.5 million in April 2022, which represented 4.5 million workers voluntarily leaving their jobs during the month. Quits have slowly moderated to their current level of 3.0 million per month, which is slightly below the levels seen just prior to the pandemic.



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Employers have responded to the tight labor market by retaining workers at a higher rate. The layoffs and discharges rate, the proportion of payroll employees who are laid off or discharged each month, has averaged 1.0 percent since 2021 after averaging 1.3 percent from 2010 to 2019.

Wage and Salary Income. Steady wage and household wealth growth continue to support consumer spending in this forecast. SPGMI expects wage and salary income to be the primary driver of personal income growth during the forecast period. SPGMI has increased their near-term forecast for the growth rate of total wage and salary disbursements compared to their February 2024 forecast. Wages grew at 5.4 percent in 2023, and SPGMI now expects wage growth to continue at a robust rate of 6.7 percent in 2024, an increase of 1.8 percentage points since February. The forecast for wage and salary income growth has been revised up in 2025 and 2026 to 5.0 and 4.5 percent, respectively. Wage and salary income growth is expected to average 3.9 percent in the years 2027-2029.

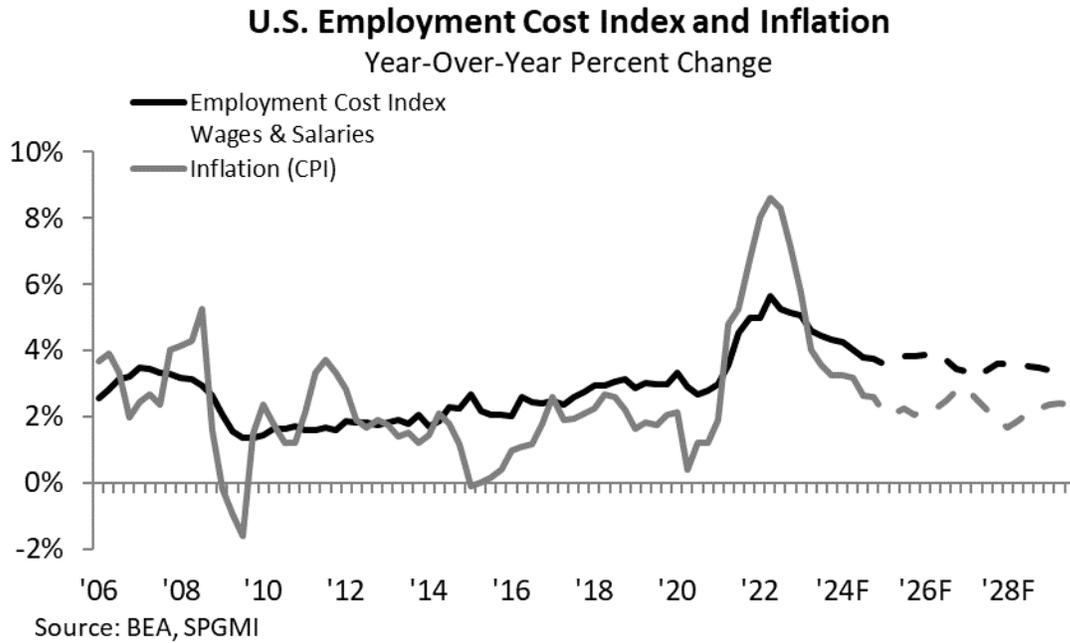


Source: Bureau of Economic Analysis (BEA), SPGMI

SPGMI expects wage income growth of 6.7 percent in 2024, an increase of 1.8 percentage points since February. The forecast for wage and salary income growth has been revised up in 2025 and 2026 to 5.0 and 4.5 percent, respectively. Wage and salary income growth is expected to average 3.9 percent in the years 2027-2029.

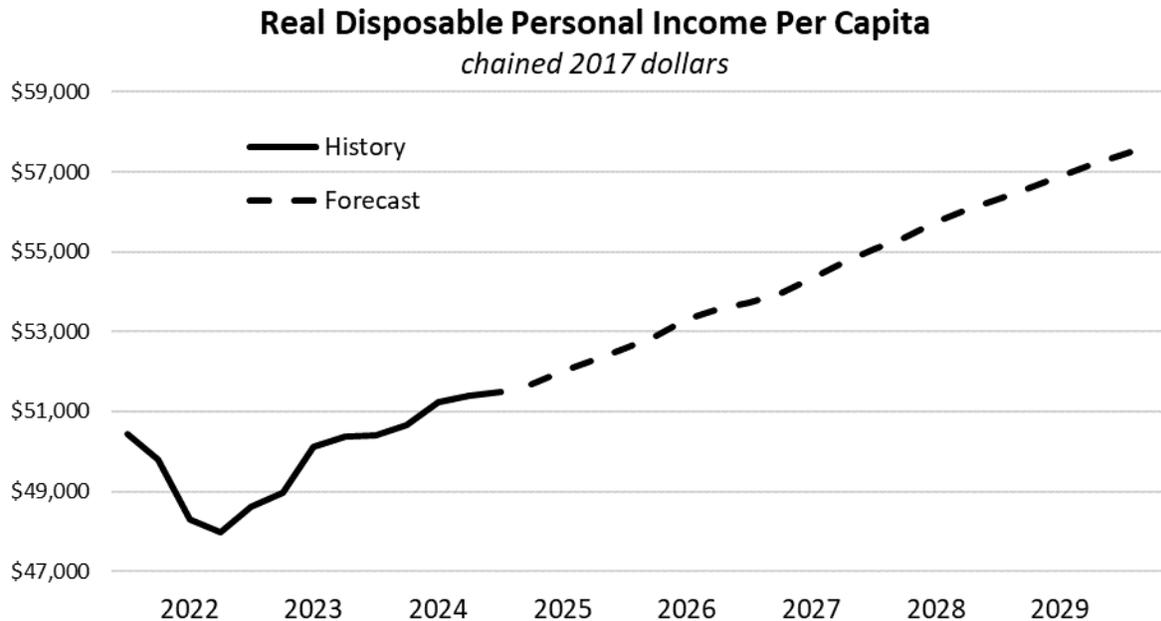
The BLS’s employment cost index (ECI) measures the percentage change in the total hourly labor cost to employers over time. The ECI uses a fixed “basket” of labor to be free from the effects of employment shifts between occupations and industries. The BLS also provides indexes for wage and salary costs and for benefit costs.

Shown below is the ECI for wages and salaries (compensation excluding benefits). From the second quarter of 2021 through the first quarter of 2023, inflation, as measured by the CPI, exceeded the growth in the ECI for wages and salaries. Since then, growth in the ECI for wages and salaries has exceeded inflation. SPGMI expects employment costs for wages and salaries will continue to grow faster than the rate of inflation throughout the forecast horizon.



From the second quarter of 2021 through the first quarter of 2023, CPI inflation exceeded the increase in the ECI for wages and salaries. Since then, increases in the ECI for wages and salaries have exceeded inflation. SPGMI expects wage and salary costs will continue to rise faster rate than inflation throughout the forecast horizon.

U.S. real disposable personal income per capita, a key measure of purchasing power, declined 6.2 percent in 2022; the same year, CPI inflation peaked at 8 percent. In 2023, real disposable personal income grew 4.0 percent as inflation subsided and income growth continued at a strong pace. SPGMI expects real disposable personal income per capita to increase 2.1 percent in 2024 and average 2.2 percent in years 2025 through 2029.

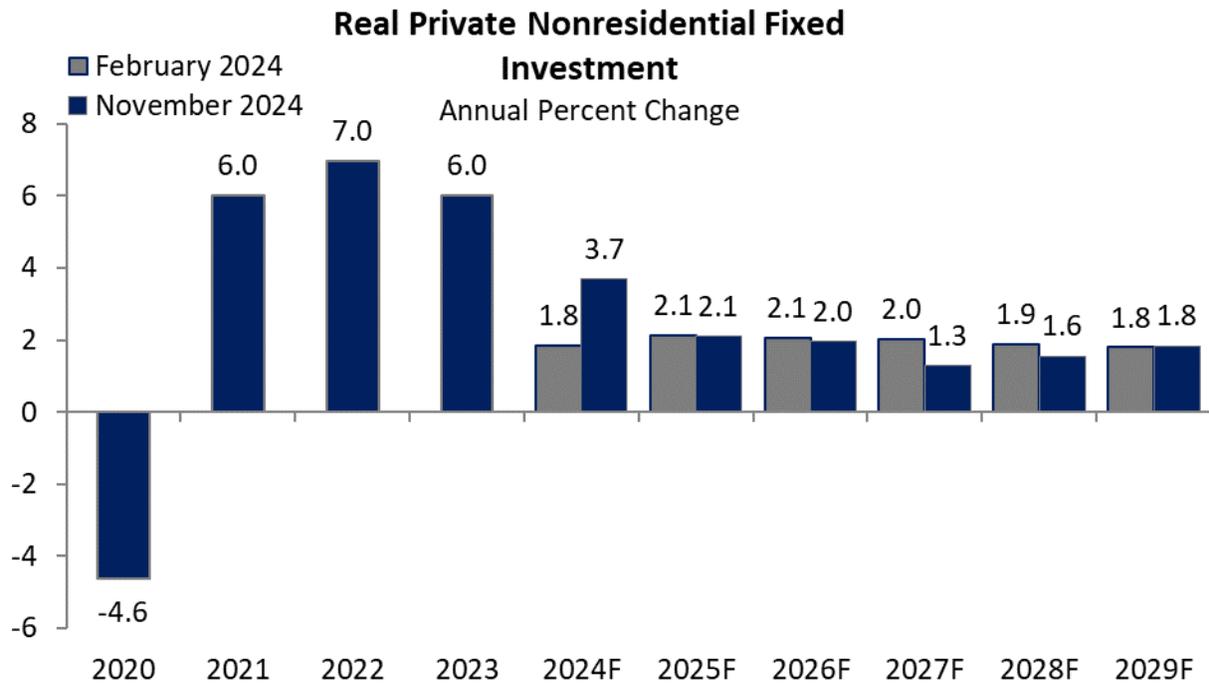


Source: BEA, SPGMI

U.S. real disposable personal income per capita, a key measure of purchasing power, declined 6.2 percent in 2022; the same year, inflation peaked at 8 percent. In 2023, real disposable personal income grew 4.0 percent as inflation subsided and income growth continued at a strong pace. SPGMI expects real disposable personal income to increase 2.1 percent in 2024 and average 2.2 percent in years 2025 through 2029.

Real Business Fixed Investment. In their November outlook, SPGMI expects real business fixed investment (real private nonresidential fixed investment) growth of 3.7 percent in 2024, an upward revision of 1.9 percentage points from the February estimate. However, this marks a slowdown from the 6.0 percent growth rate in 2023, reflecting the economy's return to potential output. As sales growth and output slow, businesses face less pressure to expand capacity, dampening investment.

Tight monetary policy and tighter bank lending standards for commercial and industrial real estate loans continue to constrain businesses' access to credit to finance some capital investments. Manufacturing structures, particularly in plants producing semiconductors and electric vehicle batteries, have driven recent growth in real business fixed investment, but these investments are expected to peak this year, removing a key source of investment. From 2014-2024, growth in real business fixed investment averaged 4.2 percent per year. From 2025-2029, SPGMI expects real business fixed investment to increase at an average annual rate of 1.7 percent, a marked slowdown from the previous decade.



From 2014-2024, real business fixed investment growth averaged 4.2 percent per year. From 2025-2029, SPGMI expects real business fixed investment to increase at an average annual rate of 1.7 percent, a marked slowdown from the previous decade.

Other forecasts and real GDP growth. The SPGMI November baseline forecast for real GDP in 2024 and beyond agrees with those of other macroeconomic forecasters.⁹ In the November Blue Chip Economic Outlook, a monthly survey of 50 business and academic forecasts, the mean real GDP growth rate expected for 2024 is 2.7 percent, matching SPGMI’s forecast. SPGMI’s forecast for 2025 is 2.0 percent, 0.1 percentage points below the Blue Chip mean (average) forecast. The Philadelphia Federal Reserve Bank’s (PFRB) Fourth Quarter (2024) Survey of Professional Forecasters shows the expectation for real GDP growth also at 2.7 percent in 2024, 2.2 percent in 2025, and 2.1 percent in 2026 and 2027.

SPGMI’s forecasts for inflation in 2025 are also consistent with the Blue Chip Economic Outlook and the Philadelphia Federal Reserve’s Survey. SPGMI forecasts CPI inflation to be 2.1 percent in 2025, slightly lower than the Blue Chip mean of 2.3 percent and the PFRB’s 2.4 percent annual average. The Blue Chip mean forecast for PCE inflation in 2025 is 2.1 percent and the annual average PFRB’s is 2.2 percent, which are both similar to SPGMI’s forecast of 2.0 percent.

Forecast risks. There are risks inherent in this forecast in addition to the uncertainty surrounding the economic impacts of policy proposals from the new administration. First, long-run real GDP growth of 1.8-2.0 percent, as expected in this forecast, is below the 2.4 percent average annual growth rate U.S. experienced from 2010-2019 and is well below the 3.1 percent average annual growth rate experienced during the 20 years prior to the Great Recession. A lower growth rate

⁹ SPGMI is one of the forecasters included in both Wolter Kluwers’s “Blue Chip Economic Outlook” and the Philadelphia Federal Reserve Bank’s “Survey of Professional Forecasters.”

means that an adverse shock to real GDP is more likely to reduce output, other things equal. Second, SPGMI's November outlook depends on several important forecast assumptions. If these assumptions prove untrue, the economic outcomes may differ substantially from SPGMI's baseline forecast.

The current baseline forecast depends on the Federal Reserve's current policies to further curb inflation. SPGMI currently expects the Fed will lower the fed funds rate by another 25 points following the December meeting of the FOMC. Moving forward, SPGMI expects the FOMC to lower the federal funds rate target by another 50 basis points by June 2025. They then expect the FOMC to recommend cuts at every other meeting until the federal funds rate target reaches a range of 2.5 to 2.75 percent in early 2026. This monetary easing is conditional on inflation approaching the Federal Reserve's target range, and on a further loosening of labor markets. SPGMI expects CPI inflation to slow to 2.9 percent in 2024 and 2.1 percent in 2025, and for core PCE inflation to fall to 2.2 percent in 2025, 2.2 percent in 2026, and 2.0 percent in 2027 and beyond. If inflation persists above these levels, the Federal Reserve may act less aggressively in lowering interest rates than assumed in the baseline forecast. Higher interest rates would tend to reduce private investment and some forms of consumer spending reducing GDP growth.

The ongoing conflicts in Ukraine and in the Middle East pose risks to this forecast if they cause additional or more severe supply-chain disruptions, or if they lead to higher commodity prices in energy and agriculture.

Other key assumptions of SPGMI's November outlook are that: (1) existing tariffs on approximately \$18 billion of imports of electric cars, batteries, and other commodities remain in place, (2) global GDP growth reaches 1.9 percent in 2024, followed by an increase to 2.3 percent in 2025 and 2.4 percent in 2026, (3) the Brent crude oil price will continue to fall from \$81/barrel in 2024 to \$71/barrel in 2025 and \$68/barrel by 2026, (4) under the Fiscal Responsibility Act of 2023 (FRA23) the debt ceiling is suspending through 2024 and raised without incident before then, and (5) Personal taxes follow current policy, including extension beyond the scheduled phase-out in 2026, and corporate taxes follow current law including scheduled phase-outs in the Inflation Reduction Act.

SPGMI develops alternative scenarios to the baseline which they call the "optimistic" and "pessimistic" scenarios. They assign a 55 percent probability to the November baseline outlook; it is described above.

SPGMI assigns a 20 percent probability to the "optimistic" scenario. Here, they assume (1) strong credit expansion on the part of financial institutions that support consumer spending and business investment, and (2) stronger productivity gains than in the baseline. In this scenario, consumer spending grows 3.1 percent, and business fixed investment grows 3.5 percent in 2025, compared to 2.6 percent and 2.1 percent in the baseline. In this scenario, as a result, GDP grows 2.8 percent in 2025.

SPGMI assigns a 25 percent probability to the "pessimistic" scenario which is characterized by (1) a mild recession in 2025 with slight declines in consumer spending and three quarters of contraction in real GDP. Underlying this is a deterioration in the conflicts in the Middle East and Ukraine. These conflicts begin to weigh heavily on households and businesses as (2) substantially higher energy prices than in the baseline, and (3) weakening capital markets lead to lower equity

values and tighter financial conditions. In this scenario, the unemployment rate reaches 6.5 percent by early 2026, compared to a high of 4.6 percent in early 2027 in the baseline scenario. GDP grows 0.4 percent in 2025 as compared to 2.0 percent growth in the baseline scenario.

Minnesota Economic Outlook

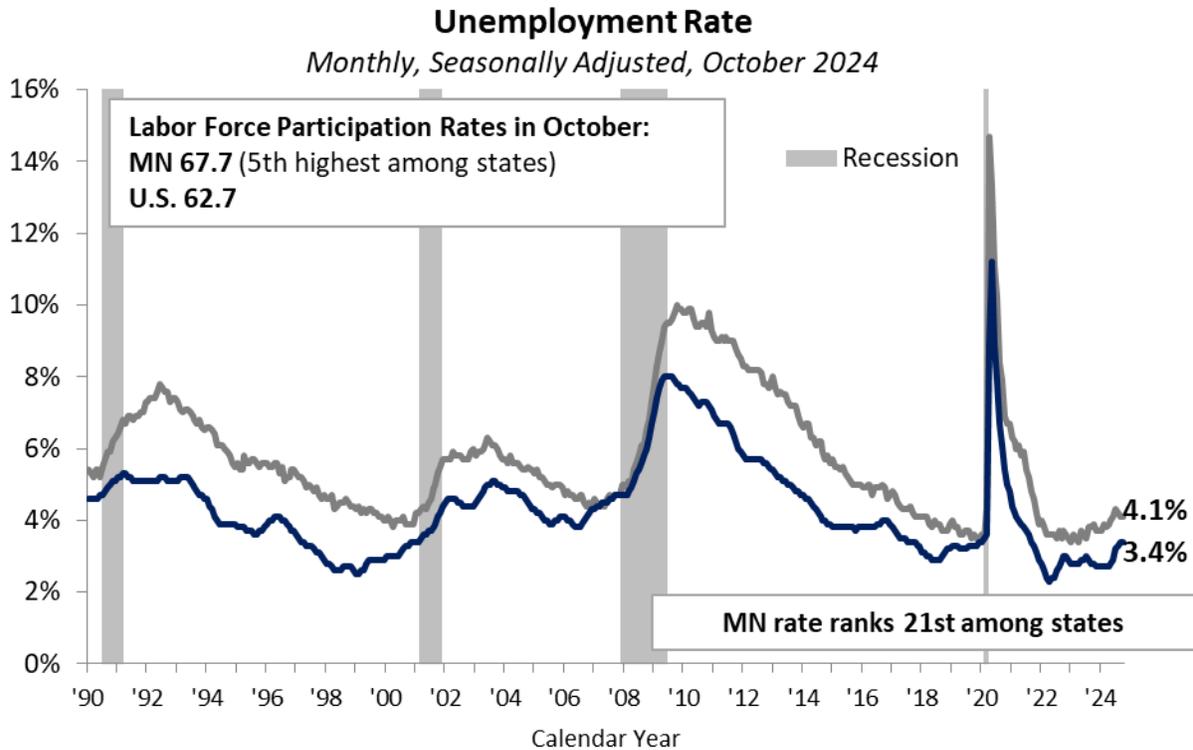
The near-term economic outlook for Minnesota has moderated since MMB's *Budget and Economic Forecast* was prepared in February 2024. In this forecast, slower employment and wage growth in Minnesota during 2024 lowers expectations compared to the February forecast. Beyond 2024, the forecasts for growth in Minnesota's wages and employment are expected to grow at a modest rate through 2029, reflecting indications of a cooling labor market. Since April, the Minnesota unemployment rate has increased by 0.7 percentage points, and employment growth has underperformed earlier projections. While the state's employers added an average of 6,000 jobs from January through April, they added an average of just 1,200 jobs per month from May through October. Data from the Quarter Census of Employment and Wages (QCEW) suggest that these numbers may be revised downward when the annual benchmark becomes available in January.

Looking ahead, Minnesota's aging population will continue to constrain employment growth. As a result, average wage growth—growth in wage and salary income per worker—is expected to be the primary driver of increases in total nominal wage income through our forecast horizon.

Minnesota's economic outlook is informed by the SPGMI forecasts for both the U.S. and Minnesota, data from the Minnesota Department of Economic and Employment Development (DEED), Quarterly Census of Employment and Wages (QCEW), and Minnesota tax revenues.

Labor Market. In October, Minnesota's unemployment rate was 3.4 percent, the 21st highest among U.S. states and 0.7 percentage points below the U.S. rate of 4.1 percent. The national unemployment rate has been trending upward this year, rising from 3.7 percent in January to a high of 4.3 percent in July. Subsequently, it has decreased to 4.1 percent in September and October. Since reaching 2.7 percent in April 2024, Minnesota's unemployment rate has increased proportionately more than the national rate, rising steadily to October's rate of 3.4 percent. Alternative employment metrics also indicate growing challenges in Minnesota's labor market.

Minnesota's employment growth is slowing. Payroll employment decreased by 1,000 jobs in October on a seasonally adjusted basis. From January through April, employers added an average of 6,000 jobs per month; however, this dropped to just 1,200 jobs from May through October. Data from the Quarter Census of Employment and Wages (QCEW) suggest that these job gains will likely be revised down when the annual benchmark becomes available. Employment growth has underperformed our February projections, when we expected employment growth of about 3,800 jobs per month in 2024. This forecast has been adjusted to an expectation that Minnesota will add an average of 2,000 jobs per month in the forecast period.



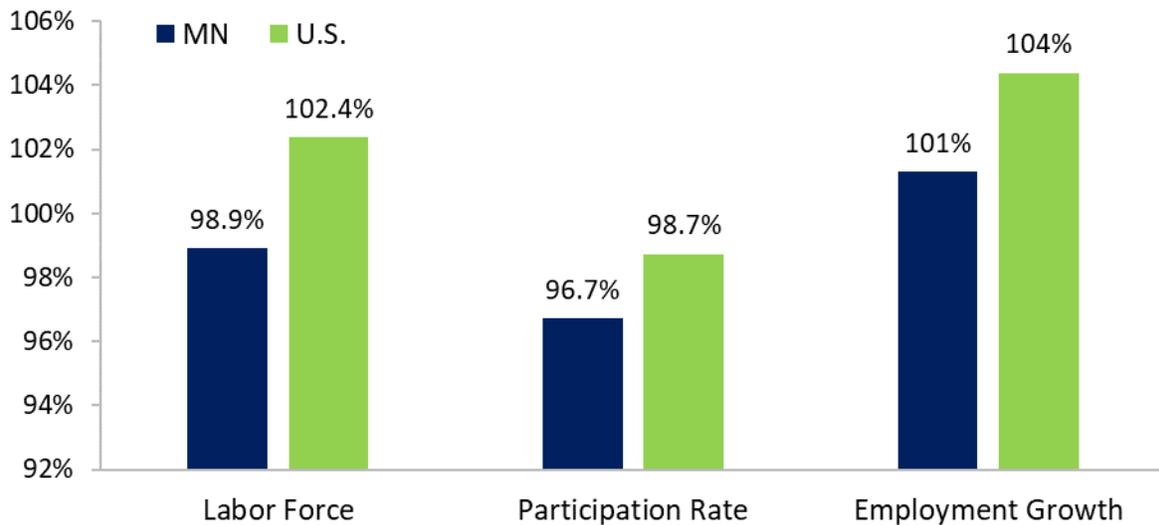
Source: MN Department of Employment and Economic Development (DEED)

In October, Minnesota’s unemployment rate was 3.4 percent, 0.7 percentage points below the U.S. rate of 4.1 percent. Since April, Minnesota’s unemployment rate has increased 0.7 percentage points.

Minnesota’s job market recovery since the pandemic has lagged the national recovery. Through October, total employment in Minnesota exceeded its pre-pandemic level by 1.3 percent, compared to a 4.4 percent increase nationwide. This disparity is partly due to labor force dynamics; Minnesota’s labor force in October 2024 was 1.1 percent below its February 2020 level, while the U.S. labor force was 2.4 percent higher. While Minnesota’s payroll employment has been growing faster in recent years (1.3 percent per year) than it was pre-pandemic (0.7 percent per year), it is still growing slower than total employment nationwide (1.6 percent per year).

Minnesota’s labor force participation rate, the share of the over-16 population employed or seeking employment, was 67.7 percent in October, 5.1 percentage points above the U.S. rate (62.6 percent), and the sixth highest among states. However, both state and national participation rates remain below pre-pandemic levels. Minnesota’s labor force participation rate has recovered to 97 percent of its February 2020 level, compared to 99 percent nationally. Additionally, the gap between Minnesota’s and the U.S. participation rate has narrowed, shrinking from 6.6 percentage points in February 2020 to the current 5.1 percentage points. This suggests Minnesota’s labor market is potentially tighter than in other parts of the country and the state may face ongoing challenges in workforce recovery.

U.S. and MN Labor Force Metrics
October 2024, percent of Feb 2020 level



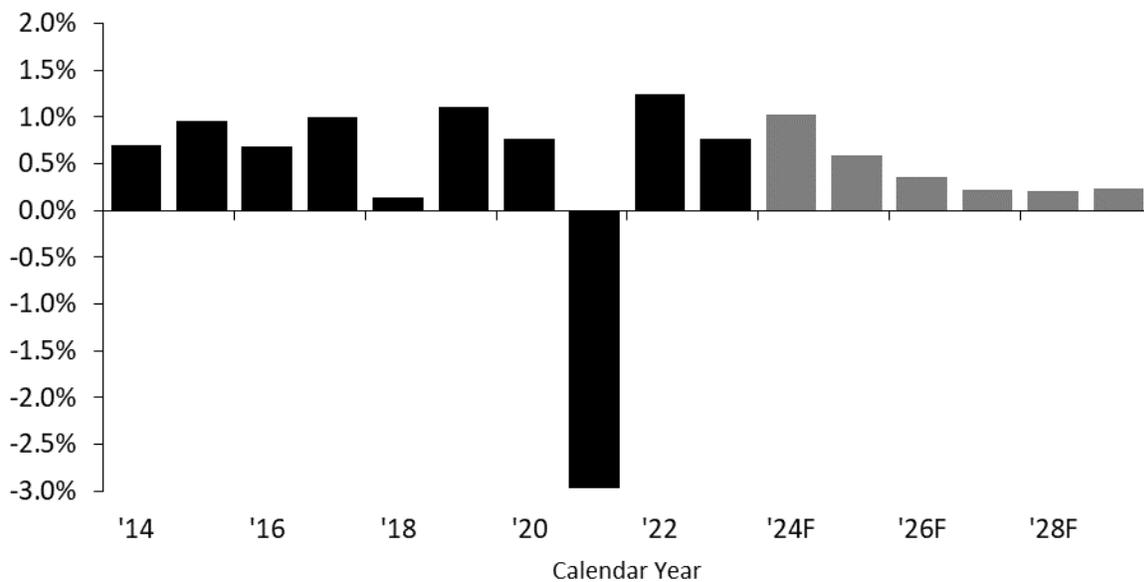
Source: Deed, MMB

Minnesota’s employment recovery since the pandemic has lagged the U.S. While both the state and U.S. labor force participation rates have risen since early 2020, neither has reached its pre-pandemic level. Through October, Minnesota’s total employment exceeds its pre-pandemic level by 1.3 percent, while U.S. employment is 4.4 percent above its pre-pandemic level.

Slower growth in Minnesota’s payroll employment and labor force reflects the state’s slowing population growth. From 2000 to 2010, Minnesota averaged a net population increase of 38,400 people annually, with the labor force growing about 12,800 per year. From 2010-2020, the population continued to increase by an average of 40,300 per year, while the labor force growth increased by an average of 18,000 per year. From 2021-2023, annual population growth slowed to 10,000 people per year, while the labor force increased by 25,700 people per year. Looking ahead, the MN Demographer’s Office expects Minnesota’s population to grow by 24,700 annually from 2024-2029. This slower rate of population growth affects our projections for labor force growth which constrains employment growth.

Minnesota’s population growth is comprised of three parts: natural population increase (number of births minus deaths), net domestic migration, and net international immigration. Aging and lower birth rates will continue to put downward pressure on labor force growth in the coming years. Whether immigration will be enough to counter these trends remains to be seen.

Minnesota Labor Force Growth *Annual, Percent Change*



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

Since the onset of the pandemic in February 2020, Minnesota’s labor force has fallen by 34,000. In October 2024, Minnesota’s labor force was at 98.9 percent of the February 2020 level, while the U.S. labor force was at 102.4 percent of the February 2020 level. The decelerating growth in Minnesota’s labor force puts a constraint on employment growth in the state.

Another indicator of Minnesota’s tight labor market is the number of job openings per unemployed worker. According to the BLS, there are currently 1.8 job openings for every unemployed worker in the state. While this measure of labor market tightness is below the record highs in 2022, it remains elevated compared to pre-pandemic levels, indicating that workers continue to have greater bargaining power. This dynamic may incentivize employers to enhance compensation and benefits to attract potential employees, as job seekers have more options. However, the ratio of job openings to unemployed workers has been trending downward, signaling a gradual cooling of the state’s labor market.

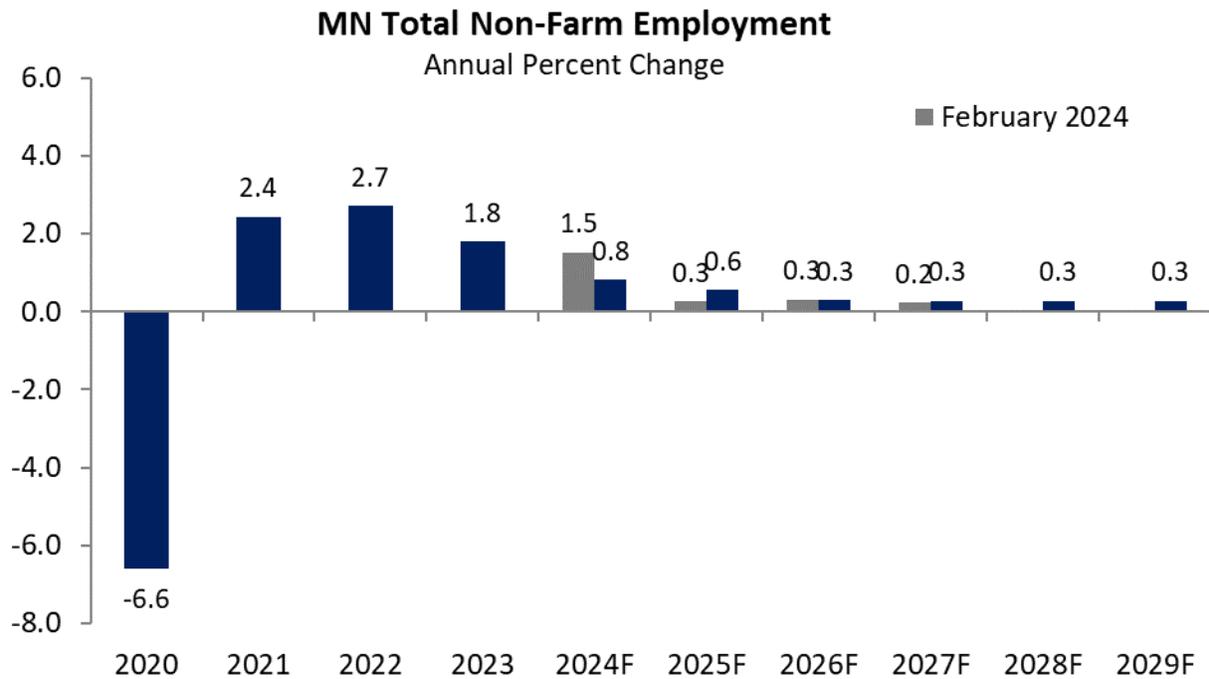
Minnesota Job Openings per Unemployed Worker
(seasonally adjusted)



Source: BLS, MMB

Another indicator of Minnesota’s tight labor market is the number of job openings per unemployed worker. According to the BLS, there are currently 1.8 job openings for every unemployed worker in the state.

The MMB model of the Minnesota economy incorporates data from the Quarterly Census of Employment and Wages (QCEW) and income tax withholding collections since early November. Payroll employment in Minnesota grew 1.8 percent in 2023 but is projected to expand by 0.8 percent in 2024. Payroll employment growth is expected to slow further to an average of 0.3 percent annually from 2025 to 2029, or approximately 10,200 jobs annually. This subdued employment trajectory reflects the constraints of an aging workforce and lower birth rates.



Following growth of 1.8 percent in 2023, our projections indicate that Minnesota payroll employment is set to expand by 0.8 percent in 2024, equivalent to 24,700 jobs. This growth is anticipated to decelerate to an average of 0.3 percent growth in years 2025-2029, for an average addition of 10,200 jobs per year.

Broader measures of unemployment provide additional insights into Minnesota’s labor market. These metrics are presented as 12-month moving averages to improve reliability. These broader measures are also showing signs of a softening labor market. The BLS U-6 measure, the most comprehensive unemployment metric, includes unemployed individuals in the official unemployment rate (U-3), marginally attached workers (those not in the labor force but who looked for work in the past year), and part-time workers who would prefer full-time employment. As of October, Minnesota’s U-6 rate stood at 6.2 percent, up from 5.5 percent a year earlier.

About three-quarters of the difference between the state’s U-3 and U-6 rates is due to workers who have part-time jobs but would prefer to work full-time. In October 2024, 76,100 workers fell into this category, 2,300 more than in October 2023. In October 2024, 4,800 Minnesotans were counted as discouraged workers¹⁰ up from 3,000 a year ago.

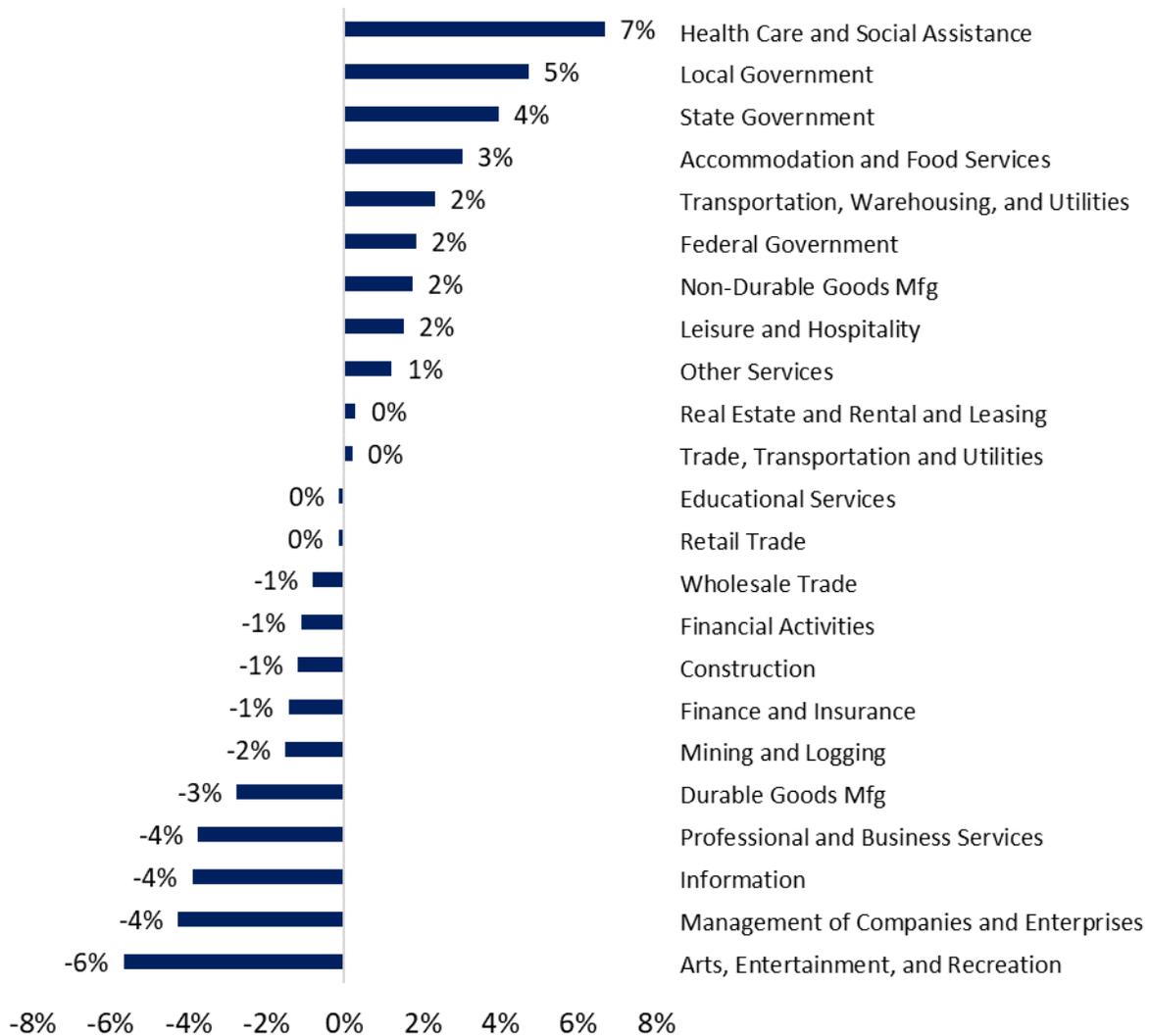
Long-term unemployment is also on the rise. In October, 14,400 Minnesotans were reported as long-term unemployed (those unemployed for more than 27 weeks), an increase from 9,400 one year ago.

The labor market is not uniformly affected by the trends discussed above. Employment growth remains strong at 7 percent per year in the state’s largest sector, health care and social assistance,

¹⁰ A “discouraged worker” is a person only marginally attached to the labor force, and part of the broader group of people not in the labor force. They are not classified as unemployed because they have not actively searched for work in the last 4 weeks though they have searched for work in the past year.

which accounts for about 18 percent of the employment in Minnesota. However, some areas of employment are showing signs of weakening, including professional and business services (12 percent of total employment), durable goods manufacturing (7 percent of total employment), and construction (4 percent of total employment).

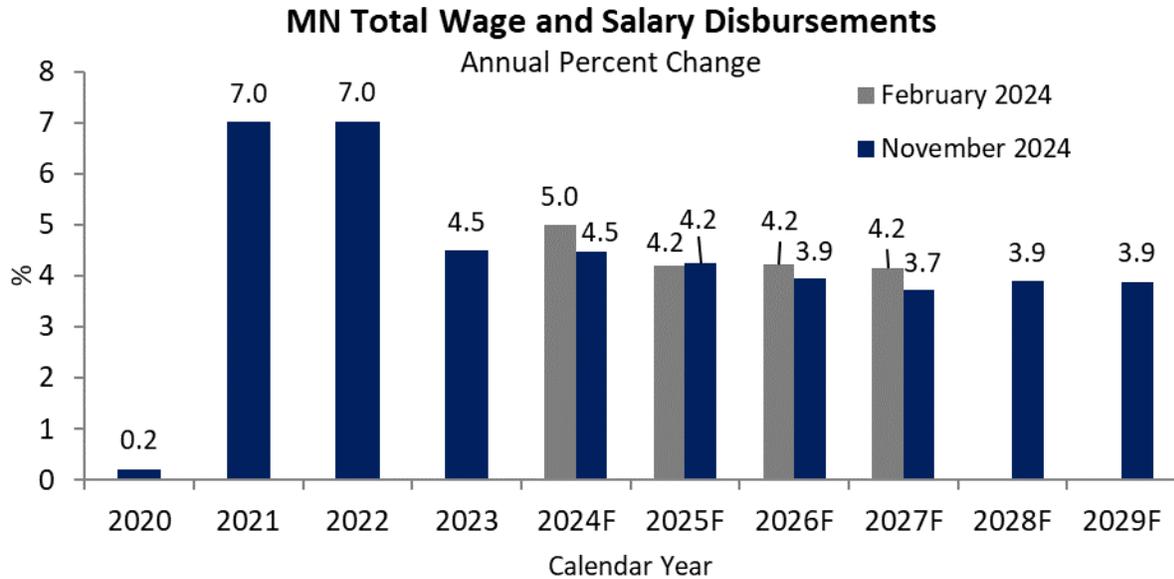
October 2023 to October 2024 Employment Change by Sector



Employment growth remains strong at 7 percent in one of the state’s largest sectors, health care and social assistance, which accounts for about 18 percent of the employment in Minnesota. However, some areas of employment are showing signs of weakening.

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

In February, we forecasted that total wage income, the sum of all wages distributed, would increase 5.0 percent in 2024. We now expect wages to grow 4.5 percent in 2024 and decelerate to an average growth rate of 3.9 percent per year for years 2025-2029.



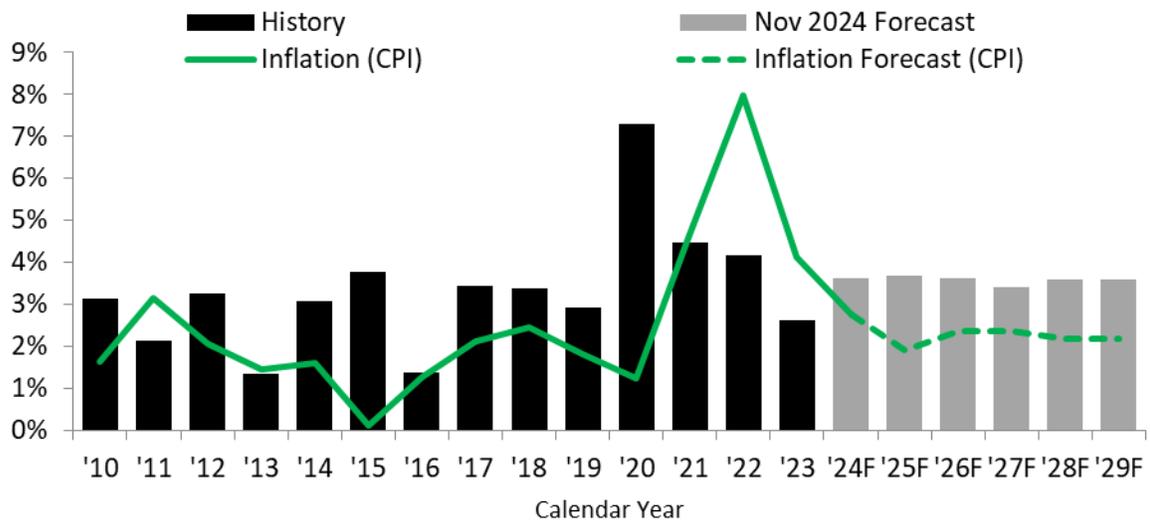
Source: Bureau of Economic Analysis (BEA), U.S. Bureau of Labor Statistics (BLS), SPGMI,

We expect total wage income, the sum of all wages distributed, to increase 4.5 percent in 2024 before decelerating to an average growth rate of 3.9 percent per year in years 2025-2029.

With only moderate growth in Minnesota employment in this forecast, average wage growth (growth in wage and salary income per worker) is expected to be the primary driver of growth in total nominal wage income through our forecast horizon. From 2010-2019 average wage income per worker increased 2.8 percent per year on average. We expect growth in average wage income per worker to rise 3.6 percent per year in years 2024-2029. This exceeds forecasted average rates of inflation over the same period (2.2 percent), implying improvements in real wages on average.

Minnesota Average Nominal Wage and Salary Disbursement

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



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

With only moderate growth in Minnesota employment in this forecast, average wage growth (growth in wage and salary income per worker) is expected to be the primary driver of growth in total nominal wage income through our forecast horizon. From 2010-2019, average wage income per worker increased 2.8 percent per year on average. We expect growth in average wage income per worker to rise 3.6 percent per year in 2024-2029.

Forecast Comparison: Minnesota & U.S.

Forecast 2024 to 2029, Calendar Years

	2023	2024	2025	2026	2027	2028	2029
Personal Income (Billions of Current Dollars)							
Minnesota							
November 2024	416.3	433.8	453.4	475.6	498.8	522.0	545.2
%Chg	4.2	4.2	4.5	4.9	4.9	4.6	4.4
February 2024	410.7	428.2	452.3	476.2	499.0		
%Chg	4.3	4.3	5.6	5.3	4.8		
U.S.							
November 2024	23,403	24,761	25,966	27,275	28,579	29,932	31,268
%Chg	5.9	5.8	4.9	5.0	4.8	4.7	4.5
February 2024	22,966	24,045	25,271	26,493	27,744		
%Chg	5.2	4.7	5.1	4.8	4.7		
Wage and Salary Disbursements (Billions of Current Dollars)							
Minnesota							
November 2024	214.8	224.4	234.0	243.2	252.2	262.1	272.2
%Chg	4.5	4.5	4.2	3.9	3.7	3.9	3.9
February 2024	214.6	225.3	234.7	244.6	254.8		
%Chg	4.5	5.0	4.2	4.2	4.2		
U.S.							
November 2024	11,725	12,506	13,132	13,725	14,231	14,810	15,390
%Chg	5.4	6.7	5.0	4.5	3.7	4.1	3.9
February 2024	11,805	12,384	12,834	13,319	13,853		
%Chg	6.2	4.9	3.6	3.8	4.0		
Total Non-Farm Payroll Employment (Thousands)							
Minnesota							
November 2024	2,985	3,009	3,026	3,035	3,043	3,052	3,060
%Chg	1.8	0.8	0.6	0.3	0.3	0.3	0.3
February 2024	2,987	3,032	3,041	3,050	3,057		
%Chg	1.9	1.5	0.3	0.3	0.2		
U.S.							
November 2024	156,066	158,543	159,887	160,389	160,588	160,952	161,671
%Chg	2.3	1.6	0.8	0.3	0.1	0.2	0.4
February 2024	156,069	158,098	158,261	158,493	158,908		
%Chg	2.3	1.3	0.1	0.1	0.3		
Average Annual Non-Farm Wage (Current Dollars)							
Minnesota							
November 2024	71,970	74,586	77,327	80,137	82,880	85,867	88,952
%Chg	2.6	3.6	3.7	3.6	3.4	3.6	3.6
February 2024	71,830	74,289	77,190	80,205	83,346		
%Chg	2.6	3.4	3.9	3.9	3.9		
U.S.							
November 2024	75,130	78,880	82,130	85,571	88,618	92,012	95,193
%Chg	3.0	5.0	4.1	4.2	3.6	3.8	3.5
February 2024	75,641	78,328	81,095	84,038	87,176		
%Chg	3.8	3.6	3.5	3.6	3.7		

Source: SPGMI, MMB

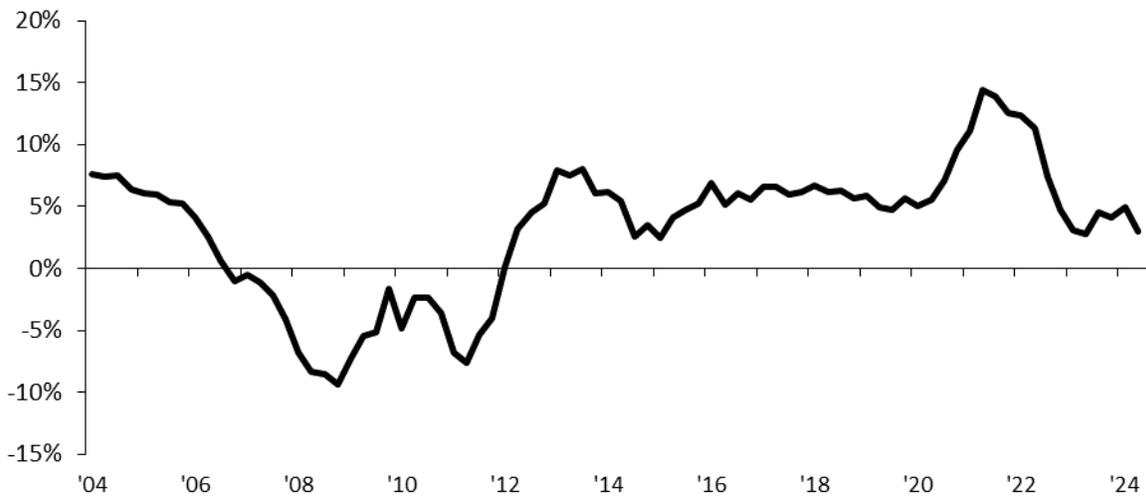
Homebuilding Activity. High borrowing costs due to tight monetary policy, coupled with increasing inventory, are causing more moderate price increases in Minnesota's housing market. Although home prices continue to increase, buyer activity has slowed, and an increase in available inventory gives purchasers more flexibility. Because of loosening monetary conditions, SPGMI projects that the 30-year fixed-rate mortgage (FRM) rate, the most popular home loan in the U.S., will drop below 6.0 percent by the middle of 2025, the first time it will have been below 6 percent

since September 2022. SPGMI expects the rate to reach 5.0 percent by the end of 2027 and remain at that level through the end of 2028.

High mortgage rates have discouraged buyers of both new and existing homes and have “locked in” owners of existing homes, who could lose lower rates on their current mortgages if they sell in a high-rate environment. Despite this, new listings in Minnesota are up 9.1 percent in October 2024, compared to the same period last year, and the available inventory has increased by 7.4 percent.

Even with high mortgage rates and a decline in pending and closed sales, home prices in Minnesota remain at record highs. In October 2024, the median sales price statewide reached \$347,500, a 5.3 percent increase compared to the previous year. According to the Federal Housing Finance Agency (FHFA), Minnesota home prices were 2.9 percent higher in the second quarter of 2024 compared to the year prior. In the metro area, the median price rose to \$382,000, 4.1 percent higher than a year earlier. On average, metro-area sellers received 97.8 percent of the original list price at closing, demonstrating the market’s resilience despite shifting conditions.

Minnesota Home Prices
Purchase-Only Index
Year-Over-Year % Change



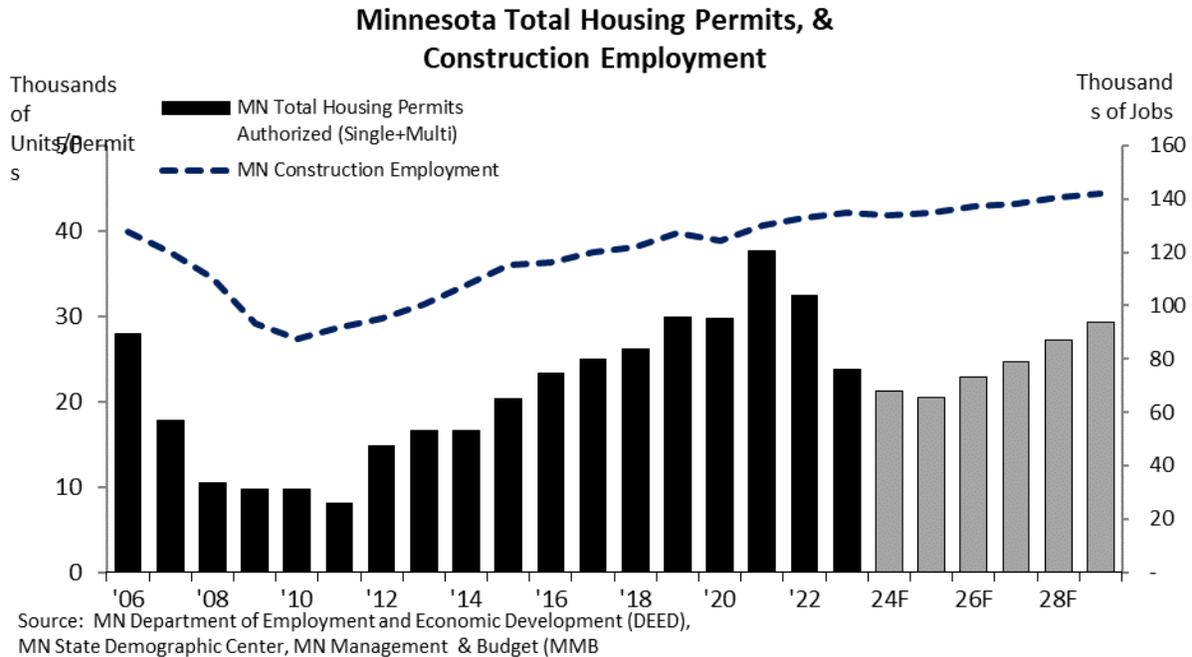
Source: Federal Housing Finance Agency (FHFA)

Even with rising interest rates and a decline in pending and closed sales, home prices in Minnesota remain at record highs. In September, the median sales price statewide reached \$347,000, a 5.3 percent increase compared to the previous year. According to the Federal Housing Finance Agency (FHFA), Minnesota home prices increased 2.9 percent in the second quarter of 2024 compared to the year prior.

The housing affordability index—which compares median household income to the income needed to afford a median-priced home—has improved slightly but still reflects high housing costs relative to household incomes. In October 2024, the Minnesota affordability index was 94, up 5.6 percent from the previous year. However, it remains below the ideal threshold of 100, indicating that a family earning the median income has just enough income to qualify for a

mortgage on a median-priced home. A lower affordability index signifies that homes are less affordable.

According to data for January through September 2024 from the U.S. Census Bureau, the total number of authorized residential building permits (not seasonally adjusted) in Minnesota fell from 19,212 in 2023 to 16,803 in 2024, a decline of 12.5 percent. The decline is due to a 34.4 percent decline in multi-family housing permits. This was partially offset by an increase of 11.2 percent in single-family permits. In this forecast, we expect total housing permits to average 24,300 per year in years 2024-2027.



According to data through September from the U.S. Census Bureau, the total number of authorized residential building permits (not seasonally adjusted) in Minnesota has declined 12.5 percent year-to-date. In this forecast, we expect total housing permits to average 24,300 per year in years 2024-2027.

Agriculture. According to the Minnesota Department of Agriculture, by values of production (cash receipts), Minnesota ranks sixth in the U.S. in total agricultural production fourth in crop production, and eighth in livestock production Minnesota is also the fourth largest agricultural exporting state by value of exports.

Net farm income influences Minnesota’s individual income tax liability. The U.S. Department of Agriculture’s (USDA) farm income forecast estimates that overall U.S. net farm income, a broad measure of profitability, will decline by \$6.5 billion (4.4 percent) from 2023, reaching \$140.0 billion in nominal dollars for 2024. Despite this projected decrease, 2024 net farm income is expected to remain 15.2 percent above the 20-year average of \$121.5 billion (2004 to 2023). However, it will still be 27.6 percent below the inflation-adjusted peak recorded in 2022. Crop cash receipts are forecasted to decline 1.9 percent in 2024, primarily due to lower corn and soybean receipts. Total animal and animal product receipts are expected to increase by 7.1 percent in 2024, following increases in receipts for milk, eggs, turkeys, and cattle/calves. Lower

direct government payments also contribute to the lower forecast for farm income in 2024. Production expenses are expected to decline in 2024 which will raise net income.

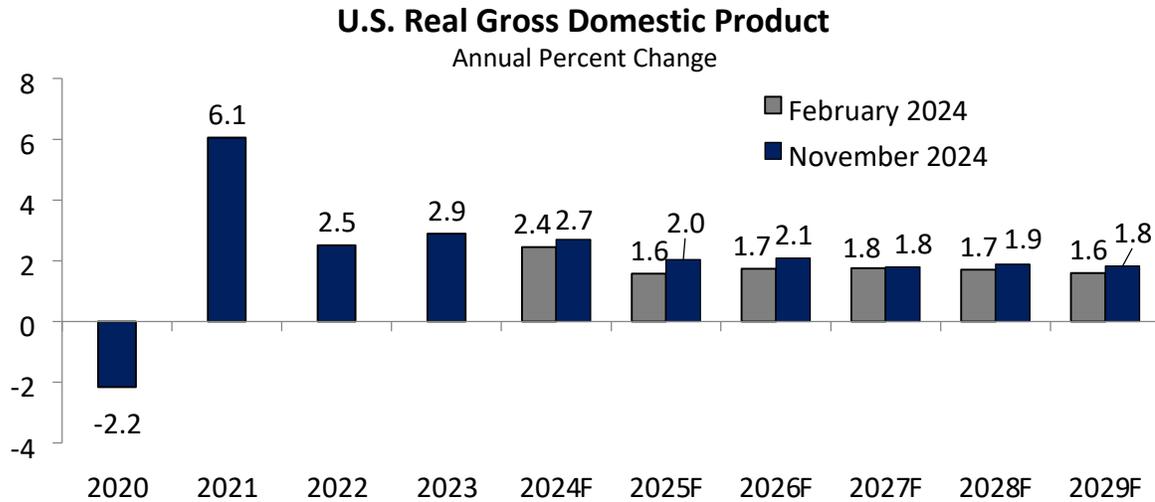
Net farm income will be adversely affected by lower prices in some sectors important for Minnesota producers. According to the latest USDA Agricultural Prices Report for September 2024, the average price received for corn during September 2024 was \$3.98 per bushel, down from a price of \$5.21 in September 2023. The average price for soybeans was \$10.20 per bushel, down from a price of \$13.20 in September 2023. The average price for turkeys was \$0.58 per pound, down from a price of \$0.82 in September 2023.

Council of Economic Advisor's Statement

Minnesota's Council of Economic Advisors met on November 14, 2024, to review the Standard & Poor's Global Market Intelligence (SPGMI) outlook for U.S. economic growth, which includes the macroeconomic assumptions underlying Minnesota's November 2024 *Budget and Economic Forecast*. **The November outlook was prepared before the U.S. presidential election and does not incorporate any projected effects on the economy from the policy proposals of the incoming administration.** Council members agreed that there is considerable uncertainty about which policy changes may be enacted in the coming years and the likely economic impact of those changes. SPGMI will revise their baseline forecast between now and February 2025 as they incorporate likely policy changes. We look forward to the February forecast for greater clarity on the effects of administration policies.

Since February, real GDP has grown faster than in SPGMI's February 2024 baseline forecast, driven by faster than expected growth in wages, real consumer spending, and real business investment. The BEA's advanced estimate of real GDP growth in the third quarter of 2024 was a strong 2.8 percent (annual rate). SPGMI expects that strength to carry into 2025. At the same time, financial conditions are easing with a 25 basis-point decrease in the federal funds target following the November FOMC meeting. SPGMI now expects real GDP to grow 2.7 percent this year, an increase of 0.3 percentage points from their February forecast. Real GDP growth in 2025 is now expected to be 2.0 percent, up 0.4 percentage points from February. Over 2026-2029, average annual real GDP growth is now expected to be 0.2 percentage points higher than in the February baseline forecast.

SPGMI assigns a 55 percent probability to the November baseline outlook. The baseline forecast assumes that a period of slower growth and an increase in the unemployment rate to a level consistent with full employment are needed to allow inflation to settle at the Fed's objective. In this outlook, real GDP growth slows from 2.7 percent in 2024 to under 2.0 percent in 2026 and beyond, while the U.S. unemployment rate rises to a peak of 4.6 percent in late 2027.



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

Since February, SPGMI’s outlook for U.S. economic growth in 2024 has improved. They now expect real GDP to grow 2.7 percent this year, 0.3 percentage points faster than the 2.4 percent growth they forecast in February. Real GDP growth in 2025 is now expected to be 2.0 percent, up 0.4 percentage points from February. Average annual real GDP growth over 2026-2029 is now expected to be 0.2 percentage points faster than in the February baseline.

The U.S. inflation rate, as measured by the change in the Consumer Price Index (CPI), continues to fall. According to the Bureau of Labor Statistics (BLS), the CPI in September 2024 had grown 2.4 percent from a year before. The annual inflation rate for the CPI in 2023 was 4.1 percent, down from 8.0 percent in 2022. In their November outlook, SPGMI expects annual CPI inflation to be 2.9 percent for 2024, to fall to 2.1 percent in 2025, and rise slightly 2.4 percent in 2026.

SPGMI now anticipates a monetary policy path that lowers the federal funds rate later than they had expected in February 2024. In their November forecast, SPGMI expects the Fed to lower the federal funds rate gradually through early 2026 and stabilize at a rate below 2.75 percent.

The SPGMI November baseline forecast for 2024 agrees with those of other macroeconomic forecasters. The November Blue Chip Consensus, the median of 50 business and academic forecasts, calls for real GDP to grow 2.7 percent this year, matching the SPGMI estimate. SPGMI’s forecast for 2025 is 2.0 percent, 0.1 percentage points below the Blue Chip average forecast for that year.

Subject to considerable uncertainties about U.S. economic policy in 2025 and beyond, Council members agreed that the SPGMI expectations for U.S. growth are a reasonable starting point for MMB’s November 2024 economic and budget forecast, but they caution about risks to the forecast. Members can envision a variety of possible shocks that, separately or in combination, could throw the economy off the projected path. Most agree that, while there are some upside risks, at present the risks generally favor the downside. However, they expect more clarity about forecast risks by the time of our February 2025 forecast. Council members also differentiated between short-run and long-run forecast risks and noted that the short-run risks may be more important over the budget planning horizon. They also concluded that the long-run risks were

more likely to be downside risks. Council members also agreed that the baseline forecast, in general, implies more stability than the U.S. economy is likely to experience.

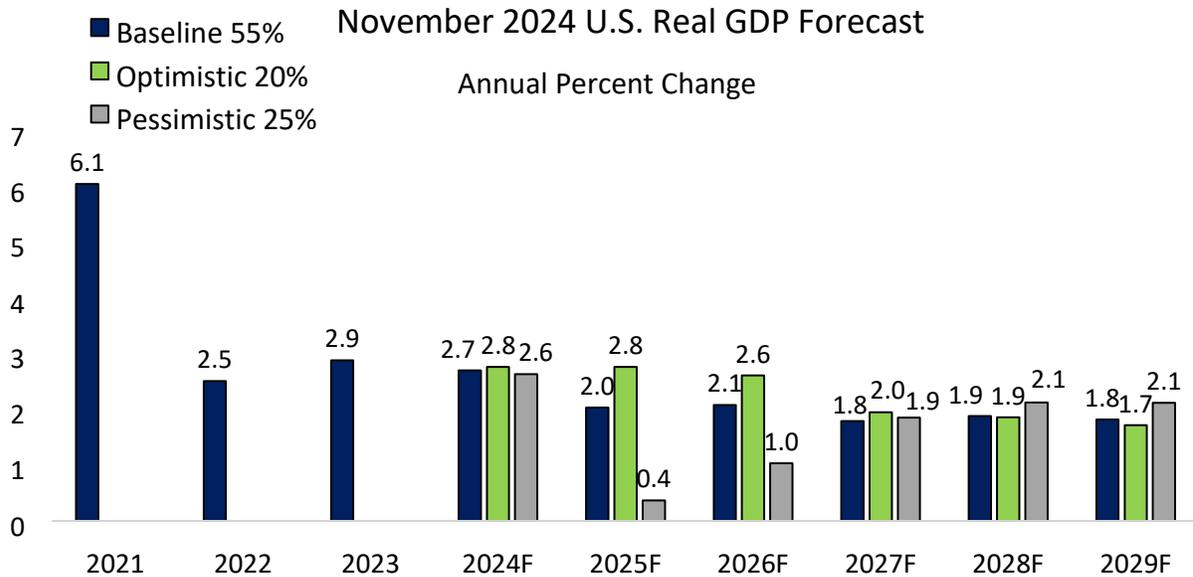
Regarding upside potential, fiscal stimulus—perhaps due to changes in tax rates or tax credits—could support more robust consumer spending or business investment than is currently expected. The prospect of lower energy prices is another possible upside risk. Higher productivity growth—perhaps from emerging technologies such as AI—would also boost economic growth, even if additions to the labor force are modest. Inflation continuing at stable and predictable levels and moderation of interest rates could lead to higher private investment and consumption spending.

Events in the international sector pose one of the biggest downside risks. This includes the possible effect of proposed tariffs on inflation and the impact on exporting industries of trade retaliation from our trading partners. Broader conflict in the Middle East could trigger an oil supply shock, and worsening or prolongation of conflicts between Russia and Ukraine and in the Red Sea could reintroduce the supply chain issues and high shipping costs that dogged the economy in 2022. Either a reduction in immigration or increased deportations of workers could lead to labor shortages and production disruptions in many industries. All these factors could put upward pressure on prices, threatening the forecasted monetary policy path. Finally, high federal deficits and national debt – especially considering the incoming administration’s proposed tax cuts – could weigh negatively on economic growth.

SPGMI assigns a 25 percent probability to the “pessimistic” scenario, characterized by (1) a mild recession in 2025 with slight declines in consumer spending and GDP due to a deterioration in the conflicts in the Middle East and Ukraine. These conflicts begin to weigh heavily on households and businesses (2) higher energy prices caused by a worsening Russia-Ukraine conflict, with the price of Brent crude oil about \$20 per barrel higher throughout the forecast horizon than in the baseline, and (3) capital markets falter leading to weaker equity values and tighter financial conditions. The unemployment rate reaches 6.5 percent by early 2026, compared to a peak of 4.6 percent in early 2027 in the baseline scenario. GDP grows 0.4 percent in 2025, compared to 2.0 percent in the baseline scenario.

SPGMI assigns a 20 percent probability to an “optimistic” scenario. Here they assume (1) strong credit expansion on the part of financial institutions that supports consumer spending, and (2) a stronger productivity gains than in the baseline. Consumer spending grows 3.1 percent and business fixed investment grows 3.5 percent in 2025, compared to 2.6 percent and 2.1 percent in the baseline. In this scenario, GDP grows 2.8 percent in 2025.

The Council members were asked to assign probabilities to the baseline, optimistic, and pessimistic scenarios. The median estimate by members for the baseline scenario was 50 percent probability, slightly lower than SMGMI’s 55 percent. The median probability assigned to the pessimistic scenario was 30 percent, somewhat higher than SPGMI’s 25 percent. Finally, the median of members' estimates of the optimistic scenario was 20 percent, the same as SPGMI’s.



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

SPGMI assigns a 55 percent probability to the November baseline outlook. They assign a 25 percent probability to a more pessimistic scenario in which worsening international conflicts generate persistently higher prices and slower global growth. They assign a 20 percent probability to a more optimistic scenario, characterized by expanded credit in support of consumer spending, and stronger productivity gains than in the baseline.

Council members believe that Minnesota’s budget reserve target—which, at \$2.913 billion, is at the level recommended by the state’s budget reserve policy—affords policymakers crucial financial flexibility. The statutory policy assigns an adequate target reserve level based on MMB’s annual evaluation of volatility in Minnesota’s general fund tax system. The target is a percentage of forecast revenues, allowing reserves to adjust with revenue changes over time. In addition, the policy automatically transfers 33 percent of a positive forecast balance each November into the reserves until the target is reached. Based on MMB’s most recent analysis, the target level is 5.2 percent of biennial (two-year) general fund revenues.



BUDGET OUTLOOK

Current Biennium

When the last *Budget and Economic Forecast* was released in February 2024, a surplus of \$3.715 billion was projected for the current biennium. Legislative action appropriating supplemental spending and adjusting general fund resources in the 2024 session reduced the projected balance to \$3.291 billion. Since then higher actual collections, partially offset by a lower forecast for the rest of the biennium, combined with lower estimated spending results in an improved projected ending balance for the biennium. With this release, the current biennium is now expected to conclude with a budgetary surplus of \$3.752 billion, \$461 million higher than prior estimates.

Current Biennium: FY 2024-25 General Fund Budget

Change From End-of-Session Estimates

(\$ in millions)	End of Session	November 2024 Forecast	\$ Change	% Change
Beginning Balance	\$16,516	\$16,516	\$ -	0.0%
Revenues				
Taxes	58,312	58,022	(290)	(0.5)
Non-Tax Revenues	2,479	3,082	603	24.3
Transfers, Other Resources	198	330	133	67.0
Total Revenues	\$60,988	\$61,434	\$445	0.7%
Expenditures				
E-12 Education	24,547	24,537	(8)	(0.0)
Property Tax Aids	5,506	5,549	43	0.8
Health & Human Services	21,206	20,980	(227)	(1.1)
Debt Service	1,137	1,066	(71)	(6.2)
All Other	18,554	18,537	(17)	(0.1)
Total Expenditures	\$70,950	\$70,670	\$(280)	(0.4)%
Budget Reserve	2,913	3,177	264	9.1
Cash Flow Account	350	350	-	0.0
Budgetary Balance	\$3,291	\$3,752		

FY 2024. In August the books were officially closed for the fiscal year that ended June 30, 2024. Fiscal Year 2024 ended with a general fund balance of \$5.896 billion, \$584 million above prior estimates. This gain, representing “money in the bank,” is included in the projected increased balance for the current biennium.

Current Biennium: FY 2024 General Fund Close
Change From End-of-Session Estimates

(\$ in millions)	End of Session	FY 2024 Close	\$ Change
Beginning Balance	\$16,516	\$16,516	\$ -
Revenues	29,951	30,572	621
Spending	37,892	35,282	(2,609)
Appropriation Carryfwd	-	2,634	2,634
Budget Reserve	2,913	2,925	12
Cash Flow Account	350	350	-
Budgetary Balance	\$5,312	\$5,896	\$584

Total revenues, transfers-in and other resources in FY 2024 were \$621 million higher than previously forecast. Tax revenue was \$239 million more than projections and non-tax revenues were \$262 million above previous projections, largely driven by higher than forecast investment income due to larger general fund cash balances earning interest. Prior period adjustments were \$119 million higher than estimated. Prior year adjustments reflect savings occurring from cancellations of encumbrances (contracts, grants, or purchase orders), revenues deposited during the year but attributable to *prior fiscal years*, or other financial activity related to loans and cash advances. These are reflected as adjustments in the most recent fiscal year – in this case, FY 2024.

Fiscal year 2024 spending was \$2.609 billion below prior estimates. However, that amount is offset by \$2.634 billion in unspent appropriations that have spending authority that carries into FY 2025 and is reflected as increased spending in that year. This reserved appropriation carryforward is significantly higher than typical due to the enacted FY 2024-25 budget including approximately \$9 billion in one-time appropriations, some of which have extended availability due to the nature of the projects and grants that were funded. All appropriations carrying out of FY 2024 are assumed to be spent in FY 2025 in this forecast and thus have a net zero impact of the ending balance of the general fund for the biennium. Total carryforward exceeding spending savings is the result of the accounting treatment of some forecast programs and that spending is adjusted in this forecast as to not exceed total appropriation authority in FY 2025. Actual cancellations in FY 2024 contributing to the bottom line were \$61 million. The budget reserve ended with a balance of \$2.925 billion, \$12 million higher than expected due to a statutory allocation from surplus assigned risk insurance plan balances. The cash flow account balance was unchanged at \$350 million.

FY 2025. Higher projected investment income and lower than projected spending on HHS programs, partially offset by a lower tax revenue forecast, are largely responsible for the additional gain to the projected ending balance for the current biennium. Since February, actual and projected interest rates on invested general fund cash have significantly increased. These higher rates combined with significant cash balances in the general fund result in projected investment earnings of \$554 million, \$335 million higher (153 percent) than prior estimates for the fiscal year.

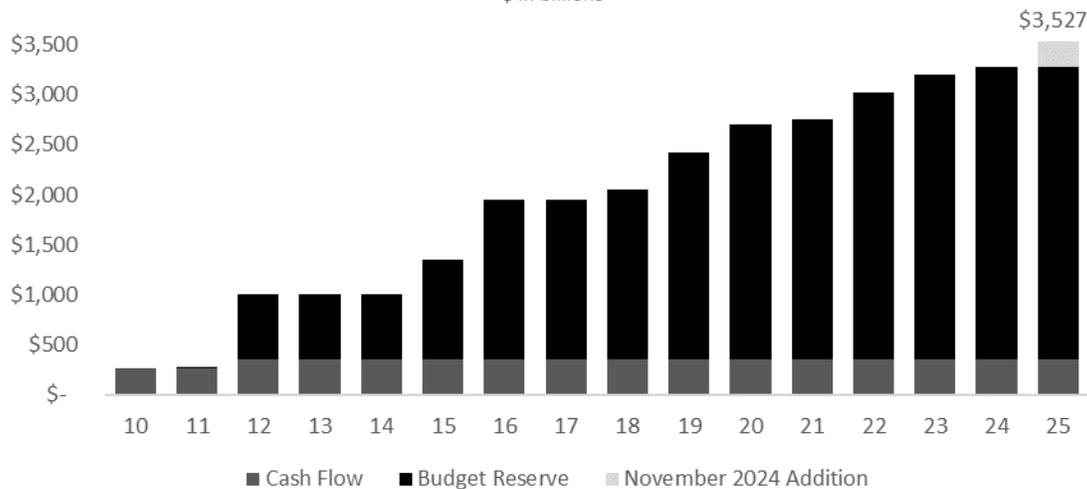
Current Biennium: FY 2024-25 General Fund Budget
Change From End-of-Session Estimates

(\$ in millions)	End of Session	November 2022 Forecast	\$ Change
Beginning Balance	\$16,516	\$16,516	\$ -
Forecast Revenues	60,988	61,434	445
Projected Spending	70,950	70,670	(280)
Budget Reserve	2,913	3,177	264
Cash Flow Account	350	350	-
Forecast Balance	\$3,291	\$3,752	\$461

Combining the spending savings from FY 2024 close with reduced estimates in FY 2025 results in \$280 million (0.4 percent) lower spending projected for the current biennium. Lower HHS spending accounts for the majority of change in the spending estimates. A statutory allocation to the budget reserve reduces the general fund bottom line by \$264 million, leaving a projected \$3.752 billion left at the end of the current biennium.

Total Reserves FY 2010-25

\$ in billions



Over the last 10 years the reserve balance has significantly increased due to a law change that sets a reserve target based on the volatility of the state’s revenue sources and allows for automatic allocation to the reserve when there is a projected balance at the time to the November Budget and Economic Forecast. The reserve balance as of this release is \$3.177 billion after an allocation of \$252 million in FY 2025.

Budget Reserve. Minnesota Statutes 16A.152 directs MMB to allocate funds to the budget reserve account up to the recommended budget reserve level when there is a projected surplus in the current biennium in the *November Budget and Economic Forecast*. In September, MMB, in accordance with Minnesota Statutes section 16A.152 subd.8, recommended a budget reserve target of 5.2 percent of unrestricted general fund revenues. When calculated using the updated

revenue forecast with this release, the budget reserve target level is \$3.177 billion. Given the reserve balance at the end of FY 2024 was below the new target level, funds from the projected surplus are allocated so that the reserve balance is now at the target level of \$3.177 billion. The cash flow account balance is unchanged at \$350 million.

Next Biennium

At the end of the 2024 legislative session, the general fund balance for the next biennium was projected to be \$1.719 billion. The larger projected surplus for the current biennium, offset by a reduction in forecast revenue for the next biennium and higher forecast spending result in a projected balance of \$616 million, \$1.102 billion lower than prior estimates.

Next Biennium: FY 2026-27 General Fund Budget Change From End-of-Session Estimates

(\$ in millions)	November 2024		\$ Change
	End of Session	Forecast	
Beginning Balance	\$6,554	\$7,279	\$724
Forecast Revenues	64,845	63,853	(991)
Total Projected Spending	66,417	66,989	572
<i>Forecast Spending</i>	65,572	66,062	491
<i>Discretionary Inflation</i>	845	926	81
Balance Before Reserve	\$4,982	\$4,153	\$(838)
Budget Reserve	2,913	3,177	264
Cash Flow Account		350	-
Budgetary Balance	\$1,719	\$616	\$(1,103)
<i>Budgetary Balance without Discretionary Spending Inflation</i>	<i>\$2,564</i>	<i>\$1,542</i>	<i>\$(1,021)</i>

In February 2023 statute was amended to require that the impact of inflation be included in spending estimates for all biennia in which a budget is not yet enacted. For the FY 2026-27 biennium, this forecast estimates that inflationary cost pressures will add \$926 million to base level appropriations. This inflationary estimate is applied only to programs that do not already have inflationary increases built into current law formulas, or about 39 percent of the remaining budget.¹¹ The estimate of inflation is considered discretionary because it is not included in base level appropriations and the legislature must appropriate the funding for it to be available for agency spending. The remaining budgetary balance in the FY 2026-27 biennium is \$1.542 billion if the impact of discretionary inflation is removed from total spending estimates.

The projected FY 2026-27 balance is not considered a surplus because it is estimated using projected revenues and base spending estimates before appropriations for the FY 2026-27 budget

¹¹ Programs with inflation or cost based funding already built into current law base funding formulas include general and special education, nutrition funding for schools, HHS managed and long-term care, Minnesota Family Investment Program (MFIP), DHS general assistance, and property tax refunds. Debt service and capital projects are also excluded from the statewide calculation of discretionary inflation.

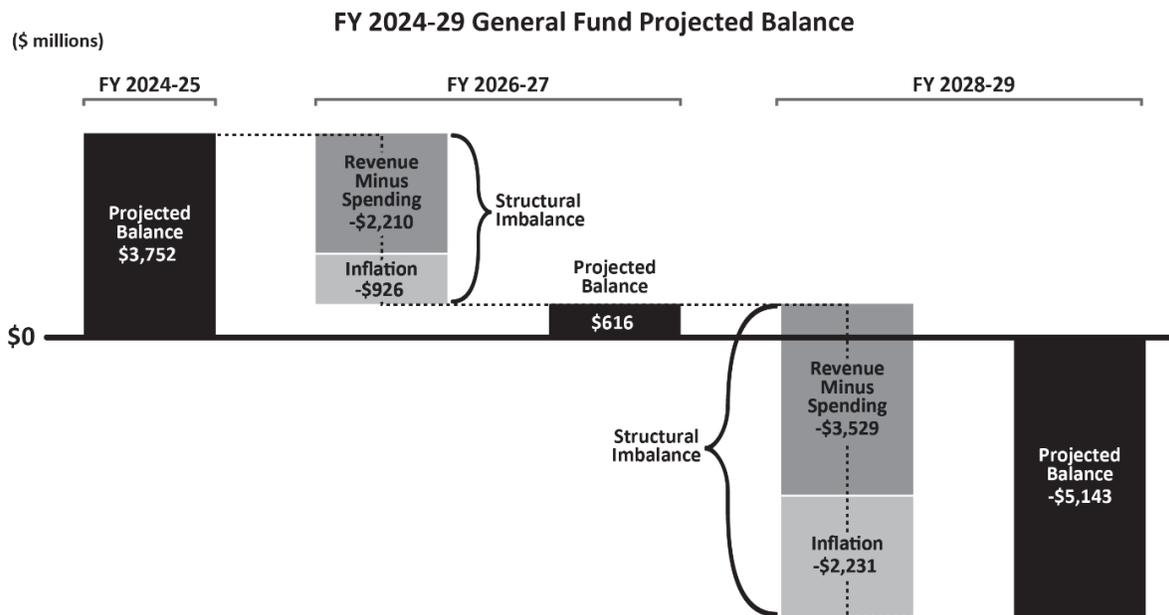
are enacted by the 2025 legislature. The projected balance is a starting point for the Governor's budget recommendations and the legislature's budget setting process.

Next Biennium: FY 2026-27 General Fund Budget
Biennial Comparison; November 2024 Forecast

(\$ in millions)	FY 2024-25	FY 2026-27	\$ Change	% Change
Beginning Balance	\$16,516	\$7,279	\$(9,236)	(55.9)%
Revenues				
Taxes	58,021	61,413	3,391	5.8
Non-Tax Revenues	3,081	2,049	(1,032)	(33.5)
Transfers, Other Resources	330	391	61	18.5
Total Revenues	\$61,434	\$63,853	\$2,419	3.9%
Expenditures				
E-12 Education	\$23,895	\$25,365	\$1,470	6.2%
Property Tax Aids	5,549	4,736	(812)	(14.7)
Health & Human Services	21,646	23,808	2,162	10.0
Debt Service	1,066	1,221	155	14.5
All Other	18,515	10,006	(8,509)	(46.0)
Discretionary Inflation	-	926	926	N/A
Total Expenditures	\$70,670	\$66,989	\$(3,681)	(5.2)%
Budget Reserve	3,177	3,177	-	
Cash Flow Account	350	350	-	
Budgetary Balance	\$3,752	\$616	\$(3,136)	
<i>Budgetary Balance without Discretionary Spending Inflation</i>	<i>\$3,752</i>	<i>\$1,542</i>	<i>\$(2,210)</i>	

Biennial Budgetary Growth. State revenue is projected to grow \$2.419 billion (3.9 percent) in FY 2026-27 over the current biennium, driven by \$3.391 billion (5.8 percent) in tax revenue growth, partially offset \$1.032 billion (33.5 percent) lower projected non-tax revenue. The reduced non-tax revenue forecast is largely due to lower projected investment income resulting from lower projected interest rates and falling general fund cash balances in the next biennium. State spending, including discretionary inflation, is expected to be \$3.681 billion (5.2 percent) lower in the next biennium due to the expiration of one-time investments in the current biennium, along with the shift of the renter property tax refund to an income tax credit in the next biennium.

The lower overall spending total masks underlying program spending growth in Health and Human Services (HHS) which is expected to grow \$2.162 billion (10.0 percent) and E-12 education, which is estimated to grow \$1.470 billion (6.2 percent) along with debt service which is expected to grow \$155 million (14.5 percent) in FY 2026-27.



The FY 2024-25 budget was structured to spend one-time balances from the FY 2020-23 period on one-time programs, however lower than projected revenue growth and underlying spending growth in forecast programs has resulted the \$3.752 billion available balance in the current biennium falling to \$616 million in the next biennium. The structural imbalance of long run spending exceeding long run revenue grows in the FY 2028-29 planning estimates where a deficit of \$5.143 billion is projected.

Planning Estimates

This forecast provides the first planning estimates for the FY 2028-29 biennium. While these estimates inherently carry a higher degree of uncertainty than estimates for FY 2025-27, they present an outlook of longer run spending and revenue growth that will assist in budget planning when setting the FY 2026-27 budget.

Revenue projections for FY 2026-29 are based on the *SPGMI* November baseline forecast for the planning years. Expenditure projections assume that current law funding levels and policies continue unchanged, adjusted for caseload and enrollment changes authorized in law, as well as formula-driven growth. Expenditure estimates also include the impact of expected inflationary cost pressure for FY 2026-29.

Projected inflationary growth based on the Consumer Price Index is now forecast to be 2.2 percent in FY 2026 and 2.7 percent in FY 2027. In the planning biennium inflationary growth is expected to be 1.9 percent in FY 2028 and 2.3 percent in FY 2029.

Planning Horizon: General Fund Budget
By Biennium, FY2026-29, November 2024 Forecast

(\$ in millions)	FY 2026-27	FY 2028-29	\$ Change	Annual % Change
Forecast Revenues	\$63,853	\$67,612	\$3,759	2.9%
<i>Forecast Spending</i>	66,063	71,141	5,078	3.8
<i>Discretionary inflation (FY 2026-27)</i>	926	1,343		
<i>Discretionary inflation (FY 2028-29)¹²</i>	-	\$887		
Total Projected Spending	\$66,989	\$73,371	\$6,382	4.7%
Structural Balance with Inflation	\$(3,136)	\$(5,759)		
<i>Structural Balance excluding Inflation</i>	\$(2,210)	\$(3,529)		

Biennial spending growth is currently forecast to exceed biennial revenue growth throughout the FY 2026-29 budget planning horizon. Revenue growth is expected to average 1.9 percent annually, while spending growth is expected to average 2.5 percent annually before inclusion of discretionary inflation, and 3.1 percent per year with discretionary inflation. Spending has exceeded revenue since FY 2024 while large balances left from the FY 2020-23 period partially supported the budget set for FY 2024-25. Spending growth exceeding revenue growth has resulted in the structural deficit growing from \$3.136 billion in FY 2026-27 to a projected \$5.749 billion in FY 2028-29.

¹² Discretionary inflation estimates are calculated using base spending forecasts for each year with inflationary growth compounding in each year against baseline spending. The discretionary inflation estimate displayed disaggregates the estimated impact of inflation needed for the budget set in 2025 for the FY 2026-27 biennium and its impact on the FY 2028-29 biennium and, on a separate line, the estimated impact of inflation needed for the budget set in 2027 for the FY 2028-29 biennium.



REVENUE OUTLOOK

Current Biennium

Total general fund revenues for FY 2024-25 are now forecast to be \$61.434 billion, \$445 million (0.7 percent) more than the prior estimates. Total tax revenues for the biennium are forecast to be \$58.022 billion, \$290 million (-0.5 percent) below the prior forecast. The forecasts for individual income tax and the general sales tax, Minnesota's largest tax types, are lower than previously estimated. These lower forecasts are offset by higher-than-expected corporate tax revenues, other tax revenues, non-tax revenues, and other resources.

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

(\$ in millions)	End-of-Session	November 2024 Forecast	\$ Change	% Change
Individual Income Tax	\$30,796	\$30,546	(250)	-0.8%
General Sales Tax	15,358	15,075	(283)	-1.8
Corporate Franchise Tax	6,147	6,307	160	2.6
State General Property Tax	1,476	1,471	(5)	-0.3
Other Tax Revenue	4,535	4,623	89	2.0
Total Tax Revenues	\$58,312	\$58,022	(290)	-0.5%
Non-Tax Revenues	2,479	3,082	603	24.3
Other Resources	198	330	133	67.0
Total Revenues	\$60,988	\$61,434	\$445	0.7%

Revenues for FY 2024-25 are now expected to exceed their FY 2022-23 levels by \$13 million (0.0 percent). Total tax revenues are projected to be 508 million (-0.9 percent) less than in FY 2022-23. Current biennium individual income tax revenues are now forecast to decline \$2.105 billion (-6.4 percent) from the FY 2022-23 level. This decline is driven by several factors: (1) strong income tax growth in TY2021; (2) the introduction of the Pass Through Entity (PTE) Tax, which shifted revenue into FY 2022-23; (3) a significant income tax cut enacted in May of 2023, affecting FY2024-2025; (4) the inclusion of the renters' credit in the May 2023 tax bill, which increased refunds by approximately \$400 million per year; and (5) a rebate in the same tax bill that reduced FY 2024-25 revenues by roughly \$983 million. State general property tax receipts are also forecast to decline in FY 2024-25, while corporate franchise tax revenues, net sales tax receipts, and other tax revenues are forecast to exceed their FY 2022-23 levels.

This is the third forecast of FY 2024-25 since FY 2024 began on July 1, 2023. After 16 months of observed collections (through October 2024), receipts for FY 2024-25 are \$40.422 billion, 66.2 percent of the total expected over the biennium. With 8 months of FY 2024-25 collections left to observe, 33.8 percent of forecast receipts are outstanding.

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

November 2024 Forecast

(\$ in millions)	FY 2022-23	FY 2024-25	\$	%
			Change	Change
Individual Income Tax	\$32,650	\$30,546	(2,105)	-6.4%
General Sales Tax	14,090	15,075	985	7.0
Corporate Franchise Tax	5,752	6,307	555	9.7
State General Property Tax	1,539	1,471	(69)	-4.5
Other Tax Revenue	4,498	4,623	125	2.8
Total Tax Revenues	\$58,529	\$58,022	(508)	-0.9%
Non-Tax Revenues	2,273	3,082	809	35.6
Other Resources	618	330	(288)	-46.6
Total Revenues	\$61,420	\$61,434	\$13	0.0%

Individual Income Tax. Minnesota individual income tax receipts are now forecast to be \$250 million (-0.8 percent) less than the prior estimates. Net individual income tax receipts ended fiscal year 2024 \$63 million above the end-of-session estimate. So far in FY 2025, net income tax receipts are \$178 million (3.5 percent) more than forecast.

Minnesota's individual income tax receipts declined 5.7 percent (\$905 million) in FY 2024 over FY 2023.

This forecast builds from estimated final TY 2023 M1 individual income tax liability net of the Pass-Through Entity (PTE) tax credit. In constructing the estimate, we used information from processed income tax (including S-Corporation, partnership, and fiduciary tax returns), revenue in the state accounting system, and projections of returns remaining to be received and/or processed.

We now estimate that final 2023 income tax liability, net of the PTE credit, reported on individual tax returns is \$11.932 billion—\$375 million lower than our February forecast. This updated forecast incorporates data from returns filed and processed to date and state accounting system information, providing a better estimate of liability. As a result, the forecast starts from a lower base, reducing anticipated individual income tax revenue for each year in the forecast. On its own, a lower estimate of base year tax liability directly decreases the forecast of future liabilities.

The estimate of TY 2023 liability will be adjusted again in February. We will have final TY 2023 liability in late January.

Calibrating the income tax model to produce our lower estimated base year liability generally requires making assumptions about base year growth rates for specific income types. Four changes lower the estimate for TY23 liability. (1) To produce estimated tax year 2023 liability, capital gains realized by Minnesota residents were assumed to decline -5.8 percent in CY 2023 from CY 2022. In the February forecast, we had assumed a 6.0 percent increase. This reduction

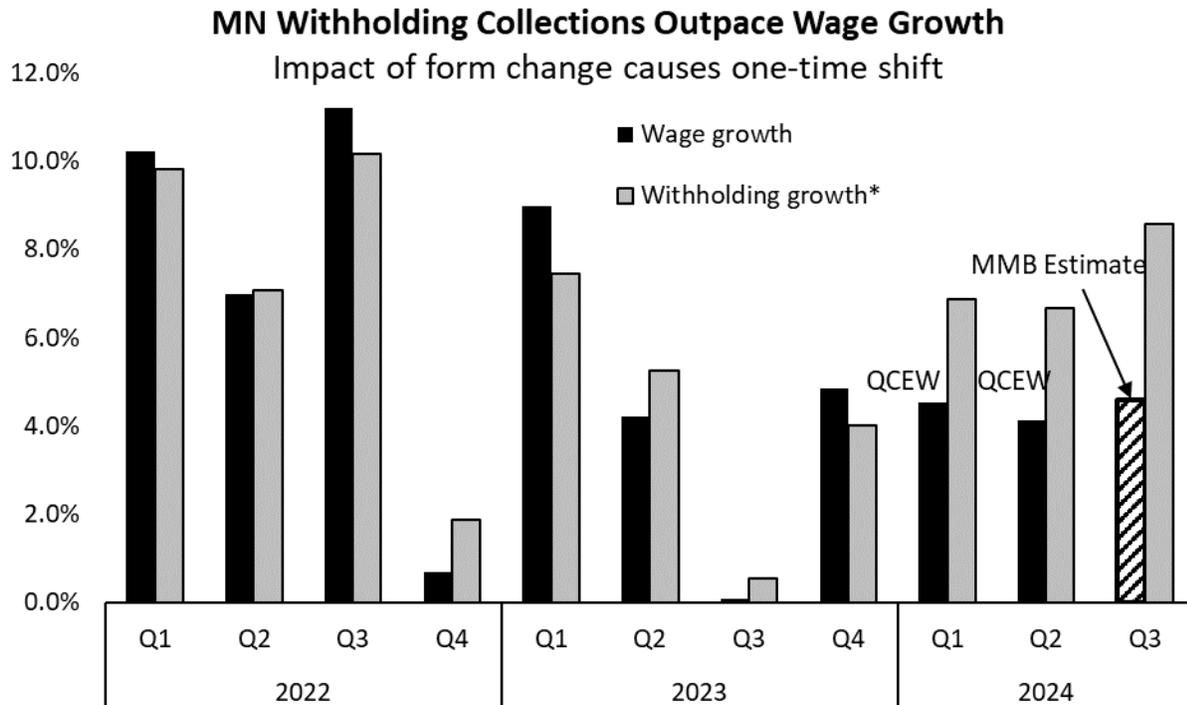
lowered liability by about 175 million from TY 2023 liability. (2) This forecast makes use of the newly available 2022 sample of tax returns, which provides a more representative and normal distribution of income compared to the 2021 sample used in February. The 2021 sample included unusually high capital gains, which inflated the effective marginal tax rate. The 2022 sample offers a more reliable basis for projecting future trends. (3) Changes to the estimate of the Minnesota Child and Dependent Care Credit and Working Family Credit reduced the forecast by about 40 million. (4) An updated assumption based on preliminary information from the processing report indicated higher growth in the number of tax filers, resulting in lower average incomes. All other things equal, increasing the number of tax returns lowers the income per return in our forecast, which, due to the graduated tax rates in our income tax, lowers our revenue forecast. This adjustment further reduced the forecast by about \$20 million.

In TY 2024, the liability forecast was reduced by \$506 million, driven by the same factors that impacted TY 2023 liability, along with a reduction in the forecast of Minnesota wages and an updated estimate of the renters' credit. Despite reductions in TY 2023 and TY 2024 liability, the forecast for FY 2024-25 is reduced by only \$250 million, which may seem surprising given the close connection between TY 2023 and TY 2024 liabilities and FY 2024-25 revenues. This is because technical changes partially offset the reductions by adding to tax revenues.

Three technical and timing changes partially offset the lower base year tax liability, raising the FY 2024-25 income tax forecast.

One key factor is the consistent collection of income tax withholding payments that exceed the total withholding reported on current year individual tax returns. The gap is likely due to taxpayers whose employers remit withholding on their behalf but who file their tax returns late or not all. Examples of such taxpayers include late filers (those filing more than 12.5 months after the end of the tax year), non-filers, deceased individuals, and those with withholding but minimal taxable income. Many of these taxpayers would likely be eligible for a refund. These amounts have been increasing significantly in recent years. Based on our estimate of withholding on final returns on the income tax processing report, the gap for TY 2023 appears to be unusually high. As part of this forecast, the estimate for this withholding increased by \$265 million in TY 2023 and \$100 million in TY 2024.

Second, withholding collections have been exceeding the forecast since the February forecast and appears to surpass plausible rates of growth in wages, based on two quarters of QCEW wage data. At the same time, information from the Department of Revenue (DOR) indicates very strong growth in 1099 withholding. Most withholding on 1099s comes from 1099Rs, which are related to retirement income. This coincides with legislation passed during the 2023 legislative session that introduced a simple, voluntary default withholding rate of 6.25 percent. We do not believe the excess withholding reflects new income that will be reported on tax returns. Instead, it is likely to result in lower final payments or higher refunds. However, since this trend is likely to persist, we expect it will cause a one-time shift, increasing FY 2024-25 collections without reducing payments in future years. We estimate this timing shift to be \$100 million.



*Excluding non-resident entertainer tax withholding and non-resident composite tax withholding

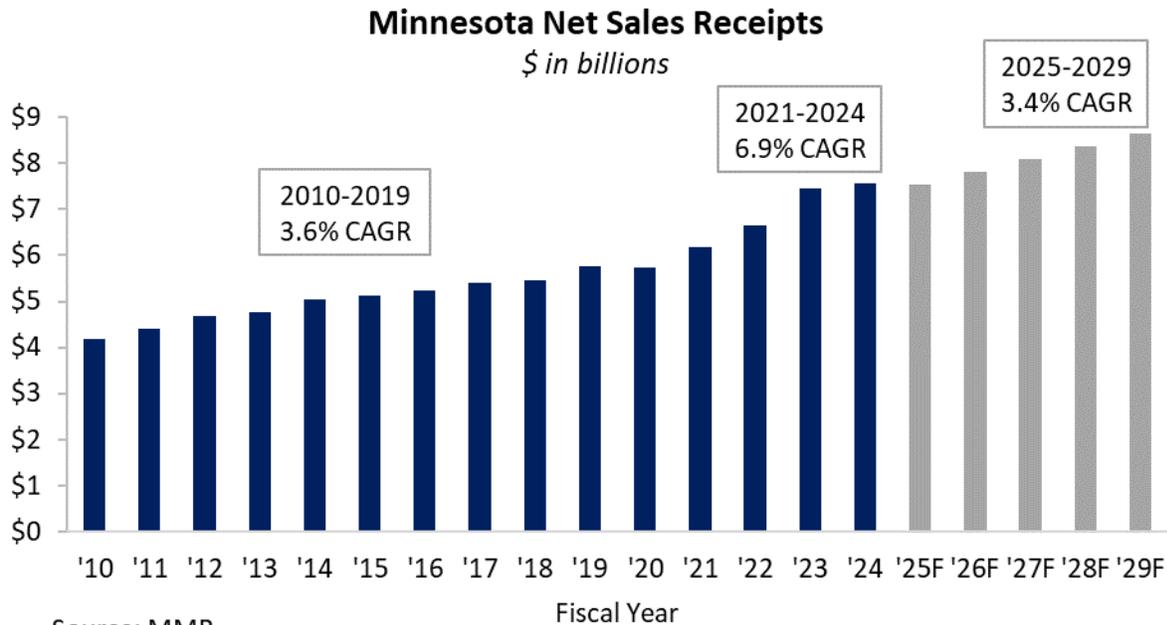
This chart compares wage growth and withholding growth, showing that withholding has exceeded forecasts and outpaced plausible wage growth rates. We assume a portion of this divergence is driven by strong 1099 withholding growth coincident with a change introducing a 6.25% voluntary default withholding rate. Excess withholding is expected to result in lower final payments or higher refunds, with a one-time timing shift adding an estimated \$100 million to FY 2024-25 collections.

Third, we have observed significant positive variances in S Corporation and Partnership revenues, which have raised the base for those revenues and increased forecasted collections for FY 2024 and FY 2025. Some of this increase will likely be offset by Pass-Through Entity (PTE) credit refunds in the current biennium when taxpayers file their TY 2024 returns in the spring of CY 2025. However, all PTE credits for TY 2025 will be paid out in FY 2026 and FY 2027. We estimate this will result in an additional \$100 million revenue shift into FY 2024-25. Notably, a substantial portion of TY 2024 refunds won't be paid until the fall of 2025, which falls within FY 2026.

As in February, this forecast reflects adjustments to income tax revenues for 2023 Minnesota tax law changes. Significant tax law changes such as these increase the level of uncertainty in the revenue forecast throughout our forecast horizon.

General Sales Tax. Net general sales tax revenue in FY 2024-25 is now forecast to be \$283 million (-1.8 percent) less than the prior estimate. Both a \$275 million decrease in forecast gross sales tax receipts and an \$11.4 million increase in expected refunds contribute to the change. Revenue estimates for recent sales tax law changes are built into this forecast.

Net sales tax receipts ended FY 2024 \$22 million below the end-of-session estimate. So far in FY 2025, net sales tax receipts fall short of the end-of-session estimate by \$159 million (5.5 percent).



Source: MMB

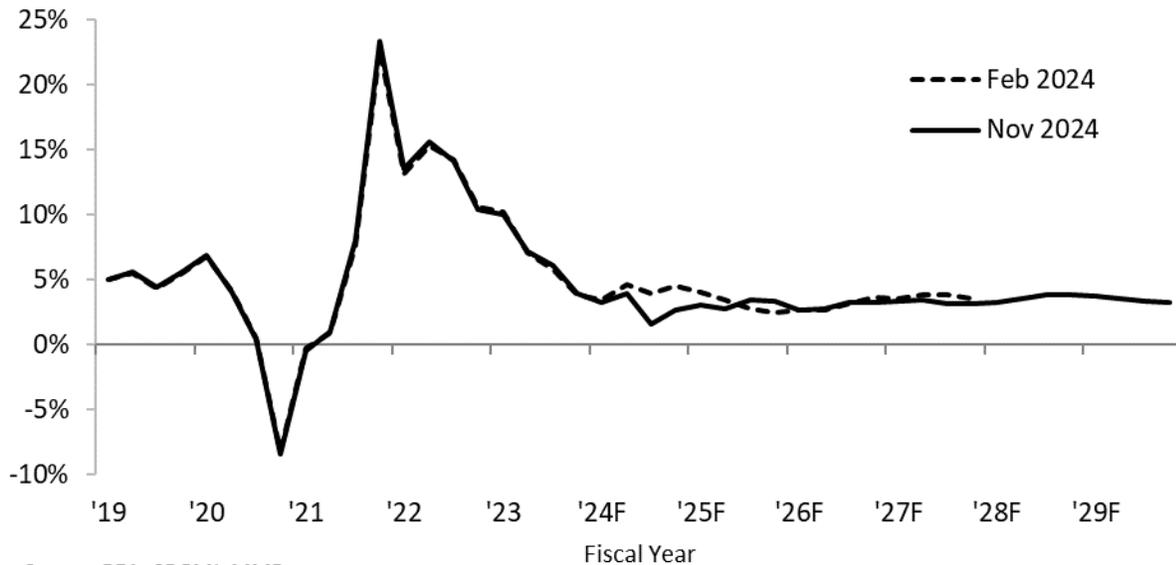
Minnesota’s sales tax receipts grew 1.5 percent (\$109 million) in FY 2024 after growing 12.1 percent in FY 2023. FY 2023 growth was exogenously high (and FY 2022 growth was exogenously low) due to a 2021 session law change that removed June accelerated payments. Without the law change, FY 2023 estimated growth would have been lower, and FY 2022 estimated growth would have been higher. Current biennium sales tax revenues are now forecasted to increase \$985 million (7.0 percent) from the FY 2022-23 level.

The decreased forecast in the current biennium for gross sales tax receipts reflects weaker than expected collections since February in FY 2024 and FY 2025. The near-term forecast for taxable sales is little changed compared to February. Using forecasts for spending on a wide range of taxable goods and services, we construct the Minnesota synthetic sales tax base, a proxy for the actual sales tax base. In this forecast, the synthetic base grew 2.9 percent in FY 2024, 1.3 percentage points less than we expected in February. Off this lower base, we expect the synthetic sales tax base to grow 3.2 percent in FY 2025, the same rate that we forecast in February.

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.

The compound annual growth rate (CAGR) for the synthetic base was 3.3 percent from FY 2000 to FY 2008, 3.7 percent from FY 2010 to FY 2019, and 7.6 percent from FY 2021 to FY 2024. The current forecast anticipates a CAGR of 3.3 percent from FY 2024 through FY 2029. Similarly, while net sales tax revenues grew at a CAGR of 6.9 percent from FY 2021-24, we expect sales tax revenues to slow to a CAGR of 3.4 percent in from FY 2025-2029.

Minnesota Synthetic Sales Tax Base Forecast Comparison Year-Over-Year Percent Change



Source: BEA, SPGMI, MMB

In this forecast, the proxy for Minnesota’s sales tax base grew 1.3 percentage points slower in FY 2024 than we had assumed in February. Off this lower base, we expect the synthetic sales tax base to grow at the same rate in FY 2025 as we expected in February.

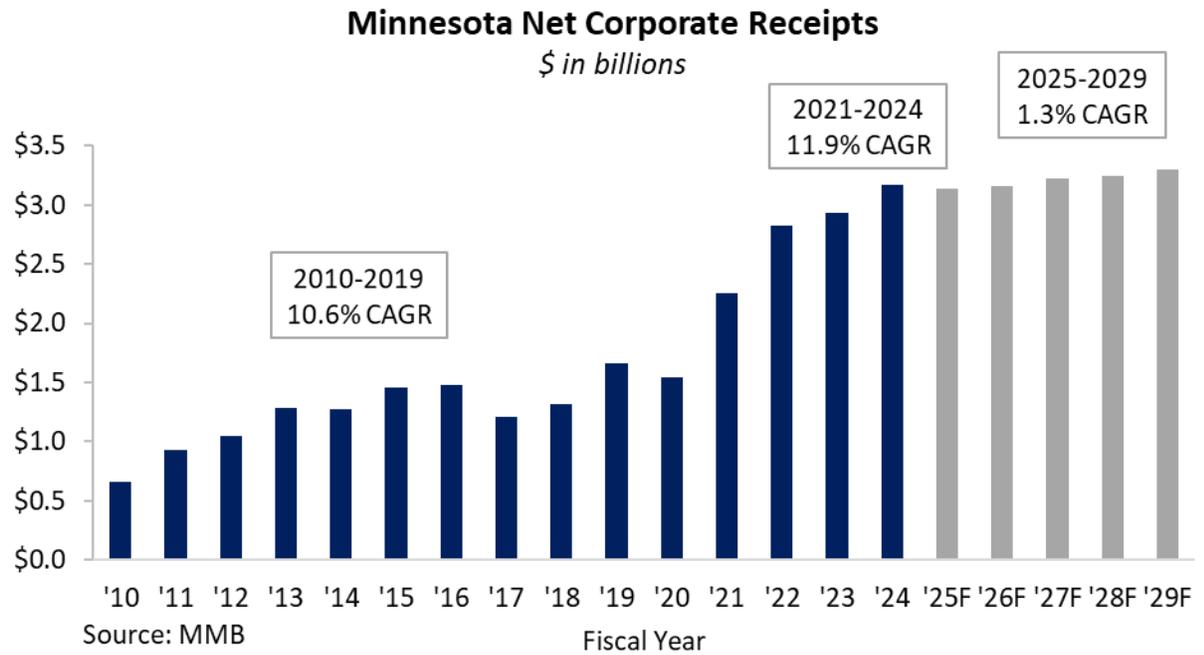
Corporate Franchise Tax. The corporate franchise tax is forecast to generate \$6.307 billion in FY 2024-25, \$160 million (2.6 percent) more than the end-of-session estimate. A higher forecast for gross corporate tax receipts and a lower refund forecast both contribute to this change.

The main factors influencing our higher forecast for Minnesota corporate tax receipts are (1) a higher starting point arising from receipts exceeding our prior forecast and (2) a lower forecast for U.S. corporate profits—an important driving variable in our revenue forecast model.

Net corporate receipts ended FY 2024 \$171 million above the end-of-session estimate. So far in FY 2025, net corporate receipts are short of the end-of-session estimate by \$15.7 million (1.8 percent).

Minnesota’s corporate receipts increased 8.3 percent (\$242 million) in FY 2024 over FY 2023. Legislative changes contributed approximately \$345 million to FY 2024 revenues; absent these changes, corporate receipts would have declined 3.5 percent. Similarly, federal corporate receipts increased in FY 2024. In the federal fiscal year ending September 30, the CBO reported that federal

corporate receipts increased 26.2 percent (\$110 billion) in FY 2024 over FY 2023¹³ after declining 1.2 percent (\$5 billion) in 2023.¹⁴



Minnesota’s corporate receipts increased 8.3 percent (\$242 million) in FY 2024 over FY 2023. Current biennium corporate tax revenues are now forecast to increase \$555 million (9.7 percent) from the FY 2022-23 level. While corporate tax revenues grew at a compound annual growth rate (CAGR) of 11.9 percent from FY 2021-24, we expect corporate tax revenues to grow at a lower CAGR (1.3 percent) in years 2025-2029.

Before-tax U.S. corporate profits grew 3.8 percent in FY 2023, and SPGMI expects profits will grow 9.8 percent in FY 2024. On an annual basis, SPGMI expects before-tax U.S. corporate profits to increase 1.0 percent in FY 2025 and decline 2.7 percent in FY 2026.

The compound annual growth rate (CAGR) for before-tax U.S. corporate profits was 4.5 percent from FY 2010 to FY 2019 and 9.1 percent from FY 2021 through 2024. SPGMI’s current forecast anticipates a CAGR of 0.6 percent from FY 2024 through FY 2029, down from the February forecast of 0.9 percent for the same period. Similarly, while corporate tax revenues grew at a CAGR of 11.9 percent from FY 2021-24, we expect corporate tax revenues to slow to a CAGR of 1.3 percent in years 2025-2029.

¹³ Congressional Budget Office (CBO). “Monthly Budget Review: Summary for Fiscal Year 2024,” November 8, 2024, page 4. Available here: [MBR: Summary for Fiscal Year 2024](#).

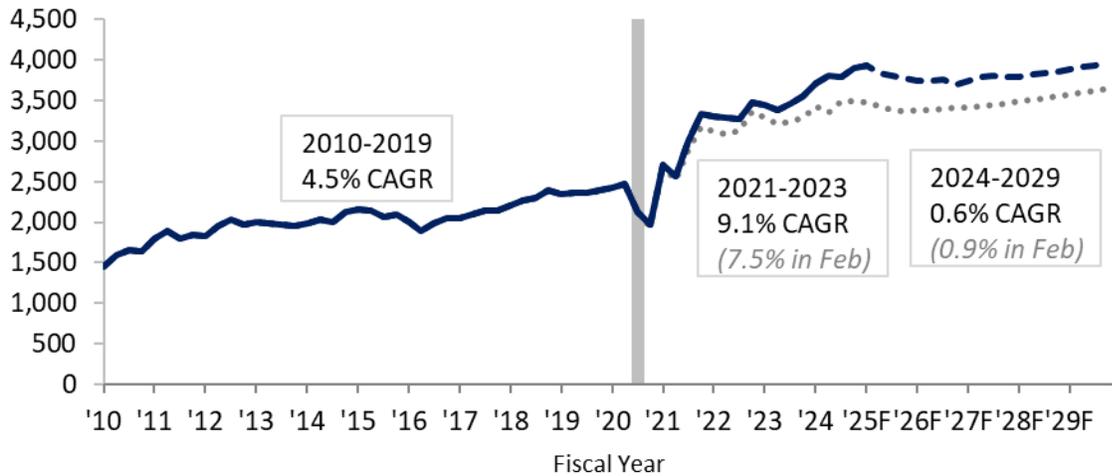
¹⁴ Congressional Budget Office (CBO). “Monthly Budget Review: Summary for Fiscal Year 2023,” November 8, 2023, page 4. Available here: [Monthly Budget Review: Summary for Fiscal Year 2023](#).

U.S. Corporate Profits Before Tax*

Billions of Dollars, Annual Rate

Recession February 2024 History November 2024

*With Inventory Valuation and Capital Consumption Adjustments

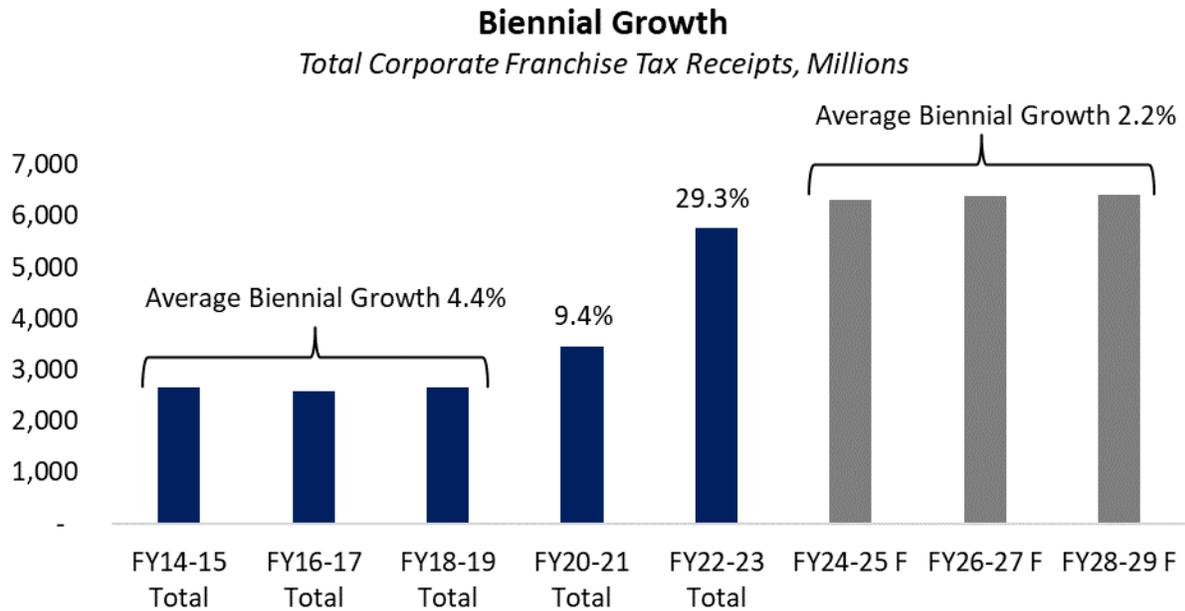


Source: U.S. Bureau of Economic Analysis (BEA); SPGMI; Minnesota Management & Budget (MMB)

The compound annual growth rate (CAGR) for before-tax U.S. corporate profits was 4.5 percent from FY 2010 to FY 2019 and 9.1 percent from FY 2021 through 2024. SPGMI's current forecast anticipates a CAGR of 0.6 percent from FY 2024 through FY 2029, down from the February forecast of 0.9 percent for the same period.

Regarding biennial growth in Minnesota corporate tax receipts, we now expect the corporate franchise tax to grow \$555 million (9.7 percent) in FY2024-2025 over FY 2022-23.

The corporate franchise tax is Minnesota’s most volatile source of tax revenue, making it generally difficult to forecast. Moreover, corporate taxpayers may still be adjusting to significant changes to Minnesota’s tax law that were enacted in the 2023 legislative session. This adds uncertainty to the corporate tax revenue forecast.



This forecast expects growth closer to the growth rates observed in corporate tax revenues from FY14-FY19. After two biennia of extraordinary growth, this forecast expects biennial growth of 2.2 percent for years FY24-29.

Other Tax Revenue, Non-Tax Revenue, Other Resources. Other tax revenue is now projected to be \$89 million (2.0 percent) higher than the prior estimate. Among other taxes, the forecast for cigarette & tobacco products taxes has declined by 43 million (-4.0 percent), the mortgage registry tax by 28 million (-11.4 percent), the deed transfer tax by 9 million (-3.2 percent), and liquor, wine & beer taxes by 5 million (-2.2 percent).

In contrast, the insurance gross premiums tax is now forecast to be \$88 million (8.2 percent) higher than in February, while the estate tax is expected to be \$121 million (23.8 percent) higher than in February. Among non-tax revenues, the largest dollar amount change is in investment income, now expected to generate \$488 million (55.6 percent) more than the prior estimate.

Next Biennium

Total revenues for FY 2026-27 are now estimated to be \$63.853 billion, an increase of \$2.420 billion (3.9 percent) from the current forecast for FY 2024-25 revenues. Total tax revenues for FY 2026-27 are estimated to be \$61.412 billion, an increase of \$3.391 billion (5.8 percent) over FY 2024-25 forecast revenues. Growth of individual income tax revenue accounts for 67.1 percent of the biennial tax revenue change, and sales tax revenue growth accounts for 22.6 percent of the biennial tax revenue change. All major tax types show an anticipated increase in expected revenues from FY 2024-25 to FY 2026-27.

The revenue estimates are informed by the SPGMI baseline forecast, which assumes that U.S. real GDP will increase 2.0 percent in CY 2025, followed by growth of 2.1 percent in CY 2026, and 1.8 percent in CY 2027.

Biennial Comparison: FY 2024-25 vs. FY 2026-27 General Fund Revenues

November 2024 Forecast

(\$ in millions)	FY 2024-25	FY 2026-27	\$ Change	% Change
Individual Income Tax	\$30,546	\$32,821	\$2,275	7.4%
General Sales Tax	15,075	15,840	765	5.1
Corporate Franchise Tax	6,307	6,376	69	1.1
State General Property Tax	1,471	1,492	21	1.4
Other Tax Revenue	4,623	4,883	260	5.6
Total Tax Revenues	\$58,022	\$61,412	\$3,391	5.8%
Non-Tax Revenues	3,082	2,050	(1,032)	-33.5
Other Resources	330	391	61	18.4
Total Revenues	\$61,434	\$63,853	\$2,420	3.9%

The current forecast for FY 2026-27 total revenues is \$992 million (-1.5 percent) less than the prior estimate. Total tax revenues for the next biennium are forecast to be \$1.322 billion (-2.1 percent) below the prior estimate. Lower forecasts for individual income tax receipts, general sales tax receipts, and other tax revenues are the primary drivers of the forecast change.

Next Biennium: FY 2026-27 General Fund Revenues

End-of-Session vs. November 2024 Forecast Comparison

(\$ in millions)	End-of- Session	November 2024 Forecast	\$ Change	% Change
Individual Income Tax	\$33,651	\$32,821	(830)	-2.5%
General Sales Tax	16,381	15,840	(541)	-3.3
Corporate Franchise Tax	6,287	6,376	90	1.4
State General Property Tax	1,491	1,492	1	0.1
Other Tax Revenue	4,924	4,883	(41)	-0.8
Total Tax Revenues	\$62,734	\$61,412	(1,322)	-2.1%
Non-Tax Revenues	1,700	2,050	350	20.6
Other Resources	411	391	(19)	-4.7
Total Revenues	\$64,845	\$63,853	(992)	-1.5%

Individual Income Tax. Individual income tax revenues for FY 2026-27 are forecast to be \$32.821 billion, \$2.275 billion (7.4 percent) more than the current forecast for FY 2024-25. An increase in individual income tax receipts accounts for 67.1 percent of the biennial growth in general fund revenues.

The forecast for FY 2026-27 is \$830 million lower than the February forecast. This lower forecast is largely attributed to a reduction in tax liability in TY 2025-26, which are closely associated with FY 2026-27. Tax liability in these two years is now expected to be \$850 million less than we expected in February. The factors contributing to this change are consistent with those identified in the previous biennium: a new 2022 base sample of tax returns, lower capital gains, reduced wage growth, increased usage of the Minnesota Child and Dependent Care Credit and Working Family Credit, slower average income growth due to a higher number of filers than previously

expected, and a higher estimate of the renters' credit. Additionally, it is assumed that the higher withholding attributed to 1099 filings will persist, along with elevated overall withholding levels in excess of what is reported on current year tax returns filed within 12.5 months of the end of the tax year.

General Sales Tax. General sales tax receipts for FY 2026-27 are expected to exceed FY 2024-25 levels by \$765 million (5.1 percent), accounting for 22.6 percent of the total tax revenue biennial change. Growth in forecast gross sales tax receipts and a decrease in refunds between FY 2024-25 and FY 2026-27 both contribute to the biennial change.

Gross sales tax receipts in FY 2026-27 are forecast to exceed FY 2024-25 levels by \$736 million (4.8 percent). The Minnesota synthetic sales tax base, a proxy for the actual tax base, is expected to grow 3.2 percent in FY 2025, 3.0 percent in FY 2026, and 3.3 percent in FY 2027.

Regarding forecast change, net sales tax receipts for FY 2026-27 are now forecast to be \$541 million (3.3 percent) lower than the prior estimate. The forecast change is due to a lower base of gross sales tax receipts and lower expected growth in taxable sales in FY 2026-27. The synthetic sales tax base is expected to grow a cumulative 0.5 percentage points slower between FY 2025 and FY 2027 than we assumed in the prior estimate.

Corporate Franchise Tax. The corporate franchise tax is forecast to generate \$6.376 billion in FY 2026-27, \$69 million (1.1 percent) more than the current FY 2024-25 forecast.

We have raised our forecast of FY 2026-27 corporate tax receipts by \$90 million (1.4 percent) over our February estimate. A higher base from the FY 2024-25 corporate forecast offsets a slightly lower growth forecast in corporate profits from SPGMI. In this forecast, we use SPGMI's November baseline outlook which assumes a decline of 2.7 percent in corporate profits in FY 2026, down from a decline of -0.5 percent in February. The decline in FY26 is followed by a 1.3 percent increase in FY 2027, similar to the February forecast of 1.4 percent.

Other Tax Revenue, Non-Tax Revenue, Other Resources. Other tax revenue is now forecast to grow \$260 million (5.6 percent) in FY 2026-27 over FY 2024-25. Non-tax revenues are forecast to be \$1.032 billion (33.5 percent) lower in FY 2026-27 than in FY 2024-25. Among non-tax revenues, the largest change in dollar amount is in investment income, which is now expected to generate \$865 million (63.3 percent) less than in FY24-25.

Planning Estimates

This is the first reporting of revenue planning estimates for FY 2028-29. Total revenues for the biennium are now estimated to be \$67.612 billion, an increase of \$3.758 billion (5.9 percent) over the current forecast for FY 2026-27 revenues. Total tax revenues for FY 2028-29 are estimated to be \$65.747 billion, an increase of \$4.334 billion (7.1 percent) over FY 2026-27.

Planning Estimates: FY 2028-29 General Fund Revenues
Biennial Comparison; November 2024 Forecast

(\$ in millions)	FY 2026-27	FY 2028-29	\$ Change	% Change
Individual Income Tax	\$32,821	\$35,613	\$2,792	8.5%
General Sales Tax	15,840	16,840	1,000	6.3
Corporate Franchise Tax	6,376	6,555	179	2.8
State General Property Tax	1,492	1,490	(1)	-0.1
Other Tax Revenue	4,883	5,249	365	7.5
Total Tax Revenues	\$61,412	\$65,747	\$4,334	7.1%
Non-Tax Revenues	2,050	1,760	(290)	-14.2
Other Resources	391	105	(286)	-73.0
Total Revenues	\$63,853	\$67,612	\$3,758	5.9%

Together, the individual income and sales taxes account for about 90 percent of the projected biennial tax revenue growth. The individual income tax shows the largest increase, growing by \$2.792 billion (8.5 percent), and contributing 64 percent of the total tax revenue biennial change. The general sales tax is expected to exceed FY 2026-27 forecast levels by \$1.000 billion (6.3 percent), accounting for 23 percent of the growth in tax revenues. The corporate franchise tax is expected to exceed FY 2026-27 forecast levels by \$179 million (2.8 percent), accounting for 4.1 percent of the growth in tax revenues. The other taxes account for the remaining \$365 million of biennial growth.

The revenue planning estimates are based on the SPGMI baseline forecast, which assumes U.S. real GDP will grow 1.8 percent in CY 2027 followed by 1.9 percent in CY 2028 and 1.8 percent in CY 2029.

The planning estimates for FY 2028-29 should be used with caution. First, the projections will be affected by any revenue changes in the supplemental budget for FY 2024-25 and the enacted budget for FY 2026-27. Second, in subsequent forecasts, changes to our estimates of individual income tax liability for tax years 2025 through 2029, as well as changes to the base levels of other revenue types for FY 2025 through 2029, will change the FY 2028-29 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, or more quickly, than forecast, or should some volatile income source such as capital gains or corporate profits fall well below, or well above, forecast, the revenue outlook for FY 2028-29 will deteriorate or improve. Finally, Minnesota's Council of Economic Advisers warns that the difficulty of projecting long-range economic conditions warrants caution when using economic forecasts of 2028 and 2029. The SPGMI baseline forecast calls for modest real GDP growth of less than 2.0 percent from 2027-2029. This slow growth leaves the economy vulnerable to negative shocks, such as geopolitical conflicts, natural disasters, and financial market volatility, which could cause growth in the planning estimate years to underperform SPGMI's expectations.



EXPENDITURE OUTLOOK

Current Biennium

Spending estimates for FY 2024-25 are lower than prior estimates. Expenditures in the current biennium are now expected to be \$70.670 billion, a decrease of \$280 million (0.4 percent) from end-of-session estimates.

Current Biennium: FY 2024-25 General Fund Expenditures

Forecast Comparison

(\$ in millions)	November 2024		\$	%
	End of Session	Forecast	Change	Change
E-12 Education	\$24,547	\$24,539	(\$8)	(0.0%)
Property Tax Aids & Credits	5,506	5,549	43	0.8
Health & Human Services	21,206	20,980	(227)	(1.1)
Debt Service	1,137	1,066	(71)	(6.2)
All Other	18,554	18,537	(17)	(0.1)
Total Expenditures	\$70,950	\$70,670	(\$280)	(0.4%)

A \$227 million (1.1 percent) decrease in estimated spending for health and human services and a \$71 million (6.2 percent) decrease in estimated spending for debt service account for nearly all of the overall decrease in spending in FY 2024-25.

Health and human services spending is lower than previous estimates, primarily due to lower enrollment in basic care, partially offset by higher spending on long term care services. Debt service expenditures are \$71 million (6.2 percent) lower than previous estimates due to a smaller-than-forecast 2024 bond sale and the absence of a 2024 bonding bill. Property tax aids and credits spending is \$43 million (0.8 percent) higher than end-of-session estimates largely due to growth in property tax refunds. Changes in the current biennium for all other areas of spending were modest.

Agency Transitions between Bill Areas

The November 2024 forecast includes the establishment of two new agencies within the health and human services (HHS) bill area: the Departments of Children, Youth, and Families (DCYF) and Direct Care and Treatment (DCT). The legislature directed the executive branch to identify and move appropriations to the new agencies from originating agencies between July 1, 2024 and July 1, 2025 for DCYF and on July 1, 2025 for DCT. This forecast includes the transfer of base budgets for DCT, but the full transfer of duties and responsibilities will occur on July 1, 2025.

DCYF was established in Laws 2023, Chapter 70. Expenditures in the HHS bill area will increase by \$479 million in FY 2026-27 due to programs related to early childhood education and youth justice transitioning from the Departments of Education (MDE) and Public Safety (DPS) to DCYF. Expenditures in the E-12 bill area will decrease by \$457 million in FY 2026-27 due to programs related to early childhood education moving from the MDE to DCYF. Additionally, programs related to child care, child welfare, economic assistance, and juvenile safety are transitioning from the Department of Human Services (DHS) to DCYF. \$1.951 billion in forecast programs, grants, and administrative funding is transferring from DHS to DCYF in the FY 2026-27 biennium.

The chart below summarizes changes to each bill area.

Adjusted End-of-Session Estimates

(\$ in millions)	FY 2024-25	FY 2026-27
E-12 Education	\$24,547	\$25,620
<i>E-12 moving to HHS</i>	<i>(650)</i>	<i>(457)</i>
E-12 Adjusted	23,897	25,163
Property Tax Aids & Credits	5,506	4,648
Health & Human Services (HHS)	21,206	22,941
<i>E-12 and Other moving to HHS</i>	<i>671</i>	<i>479</i>
HHS Adjusted	21,878	23,420
Debt Service	1,137	1,349
All Other	18,554	11,013
<i>All Other moving to HHS</i>	<i>(21)</i>	<i>(21)</i>
All Other Adjusted	18,532	10,992
Total Expenditures	\$70,950	\$65,572

Note: The above table shows programs transferring to agencies during the next biennium included in the receiving agency in FY 2024-25. Agency reorganizations do not impact the bottom line of the general fund. The remaining sections of the Expenditure Outlook will reference these adjusted end-of-session estimates in order to isolate forecast change from movement between bill areas related to agency transitions.

E-12 Education. Education finance is the largest category of state general fund spending. It consists of aid programs for general education, special education, school breakfast and lunch, 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 \$23.895 billion on education.

General Fund Education Expenditures
Change From Adjusted End-of-Session Estimates

(\$ in millions)	FY 2024-25		FY 2026-27	
	\$ Change	% Change	\$ Change	% Change
General Education	\$(99)	(0.6)%	\$(87)	(0.5)%
Special Education	79	1.7	243	4.4
Nutrition Programs	32	5.8	55	9.1
All Other E-12 Education	(15)	(0.7)	(9)	(0.5)
Adjusted E-12 Forecast Change	\$(2)	(0.0)	\$202	0.8%

Nutrition Programs include School Breakfast, School Lunch, Kindergarten Milk and Summer Food Service Replacement Aid.

Spending in E-12 education in the FY 2024-25 biennium is down \$2 million (0.0 percent) from prior estimates, due to increases in special education and nutrition programs offset by lower spending on general education. General education is now forecast to be \$16.334 billion in the FY 2024-25 biennium, \$99 million (0.6 percent) lower than prior estimates, driven by lower pupil counts.

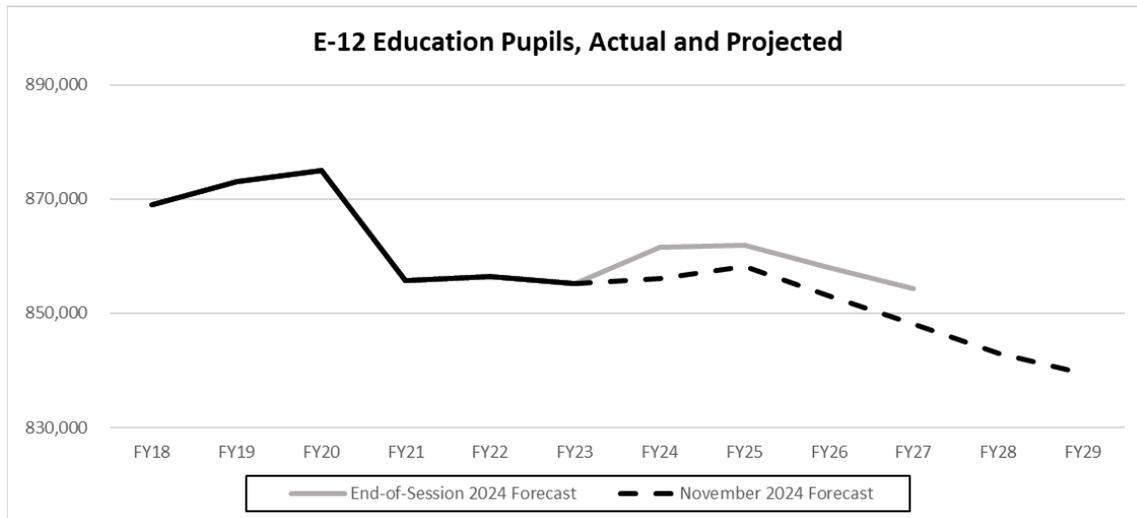
Special education spending is up \$79 million (1.7 percent) in the FY 2024-25 biennium due to higher preliminary data on local education agency special education expenditures in FY 2024. Special education aid is primarily distributed based on prior year district expenditures. Higher actual special education expenditures raise the base for the rest of the forecast period, as well as increase projected growth rates. Higher compensation and special education transportation costs at school districts drove increases in FY 2024 special education expenditures. Additionally, spending on school lunch and breakfast programs is \$32 million (5.8 percent) higher than previous estimates for the FY 2024-25 biennium. This increase is attributable to higher than anticipated FY 2024 meal claims and an increase in the assumption for growth of the number of meals served for FY 2025, FY 2026, and FY 2027.

Pupil Projections in the November 2024 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.

Changes in Pupil Counts in the Current Biennium. Pupil count projections decreased by 5,604 (0.7 percent) in FY 2024 and 3,700 (0.4 percent) in FY 2025. FY 2024 decreases are attributed to preliminary actual pupil counts coming in lower than expected, which are partially offset by an increase in postsecondary enrollment options (PSEO) pupils. FY 2024 preliminary actuals for PSEO pupils showed an increase of 20 percent over FY 2023. This raises the assumption of how many pupils participate in PSEO courses for future years.

MDE has made adjustments to the pupil projections model in recent forecasts to account for trends not captured by the current methodology. End-of-session estimates contained an adjustment to account for migration at levels greater than MDE’s underlying pupil projection model would predict. Analysis has indicated that adjustment was higher than necessary. This forecast includes an adjustment in FY 2025 through FY 2029 of roughly 2,500 pupils above the model projections based on preliminary data on the number of pupils for FY 2025. This is not attributed exclusively to migration and is less than the off-model adjustment for migrant students that had been previously carried. This lower off-model adjustment drives lower enrollment projections than assumed at the end of session.



Changes in Pupil Counts in the Next Biennium. Compared to prior estimates, pupil counts are expected to be lower by 4,956 (0.6 percent) in FY 2026 and by 6,134 (0.7 percent) in FY 2027. This change is driven by the impact of pupil decreases in the prior biennium. MDE assumes a gradual decline in the number of pupils beginning in FY 2026 largely due to declining birth rates. Beginning in FY 2026 pupils are projected to decline by roughly 0.5 percent per year. MDE uses Minnesota State Demographer projections for live births to Minnesotans.

Health & Human Services. Health and Human Services (HHS) is approximately 30 percent of total state general fund spending. The majority of these expenditures (81 percent) are forecast programs including Medical Assistance (MA), the Behavioral Health Fund (BHF), 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.

As noted above, the November forecast includes several agency transitions within HHS. These transitions result in spending changes at multiple state agencies and multiple bill areas.

The table below shows the expenditure changes in the HHS bill area in November compared to the adjusted end-of-session forecast. This table recognizes the establishment of two new agencies within the HHS bill area: The Department of Children, Youth, and Families (DCYF) and Direct Care and Treatment (DCT). This adjustment assumes programs transferring to agencies during the next biennium were included in the receiving agency at the end of session. The table below reflects the adjusted end-of-session forecast to isolate changes related to forecast change and does not reflect expenditure changes due to state agency reorganizations because moving programs to different state agencies does not have an impact on the bottom line of the general fund.

The table below summarizes the total level of spending at agencies within HHS after adjusting for transitions at the end-of-session and November 2024 forecasts.

(\$ in millions)	Adjusted End of Session		November 2024 Forecast	
	FY 2024-25	FY 2026-27	FY 2024-25	FY 2026-27
Human Services	17,936	19,434	17,740	19,956
Direct Care and Treatment	1,108	1,094	1,108	1,095
Children, Youth, and Families	2,371	2,491	2,274	2,320
Other Health and Human Service	645	564	668	564
Federal Reimbursement	(183)	(163)	(146)	(127)
Health & Human Services, Adjusted	21,878	23,420	21,646	23,808

In the FY 2024-25 biennium, anticipated HHS general fund spending is \$21.646 billion, down \$232 million (1.1 percent) from end-of-session estimates. MA accounts for \$297 million of the reduction, a 2.0 percent change from end-of-session estimates.

General Fund Health and Human Services Expenditures

Change From Adjusted End-of-Session Estimates

(\$in millions)	FY 2024-25		FY 2026-27	
	\$ Change	% Change	\$ Change	% Change
Human Services				
Long Term Care Waiver Average Payment	\$190	2.8%	549	6.4%
CADI Caseload	47	0.7	176	2.0
Basic Care Enrollment	(311)	(3.5)	(340)	(3.4)
Elderly Waiver Managed Care Rates	(58)	(0.7)	(109)	(1.1)
Statutory FMAP Decrease	0	0.0	162	(1.0)
All other MA	(165)	(1.1)	18	0.0
Total MA General Fund Change	(297)	(2.0)	456	2.7
Behavioral Health Fund	15	7.4	28	11.8
All other DHS Change	86	1.0	38	0.1
Total Department of Human Services	(196)	1.1	522	2.7
Children, Youth, & Families				
MFIP Child Care	(58)	(48.2)	(147)	(36.7)
Northstar Care for Children	(17)	(7.7)	(21)	(8.3)
All other Children, Youth, & Families	(6)	(2.5)	(3)	(1.0)
Total Department of Children Youth and Families	(81)	(13.7)	(171)	(17.7)
All other HHS changes (Including FFP)	45	2.5	37	2.1
Total HHS General Fund Change	\$(232)	(1.1)%	\$388	(1.7)%

MA spending is down \$297 million (2.0 percent) from end-of-session estimates in the FY 2024-25 biennium. Lower projected spending for basic health care services is partially offset by higher projected spending for long term care (LTC) waivers.

Higher average payments for LTC waivers increase state MA spending by \$190 million (2.8 percent) relative to end-of-session estimates. This change is explained by growth in average payments for the Development Disability (DD) and Community Access for Disability Inclusion (CADI) waivers. The disability waivers and their rate methodologies are incredibly complex, and this change can not be attributed to just one or two causes. However, several trends do appear to contribute. Individuals on these programs are assessed and determined eligible for a certain level of services. The growth in average payment is explained by increased utilization of the rate exception process for rates set by the Disability Waiver Rate System (DWRS). DWRS calculates rates using factors such as the identified needs of the individuals, amount of support needed, and estimated wages of staff. County human services agencies can submit exceptions to this process for waiver participants who they determine require a level of service that exceeds the rates in the DWRS framework. The use of those exceptions has grown from 18 percent of all DWRS spending in FY 2021 to an estimated 22.5 percent in FY 2024. Finally, the use of non-residential services has also increased relative to previous estimates. A higher proportion of waiver recipients are using these services and more units of service are utilized per user.

Offsetting these increases in spending is a greater-than-expected reduction in basic care enrollment. This reduction decreases state MA expenditures by \$311 million (3.5 percent) in the

current biennium. When the Consolidated Appropriations Act of 2023 passed, states no longer had the requirement to provide continuous coverage to Medicaid enrollees, beginning March 31, 2023. This required states to begin a 14-month process of redetermining eligibility. The February 2024 forecast made assumptions about the percentage of enrollees who would be determined ineligible based upon how many enrollees had already been found ineligible. This is the first forecast since DHS completed the initial redetermination process. Actual experience resulted in more individuals being ineligible for coverage than was previously assumed.

Managed care rates for Elderly Waiver also decreased state MA expenditures by \$58 million (0.4 percent) in FY 2024-25. Most basic care is provided through managed care contracts, through which the state makes monthly payments to health plans on a per capita basis. Every year managed care contracts are updated with actuarial information. In 2025, the contract rates were lower than expected relative to rates in prior forecasts.

Other changes also decreased MA spending by \$165 million (1.1 percent). A portion of this decrease is explained by funds appropriated within MA for the Consumer Support Grant which are transferred to a DHS grant account. This reduced MA spending by \$102 million in the current biennium but is spent within grant programs at DHS and has no net impact to the bottom-line of the forecast. Additionally, this forecast includes a \$35 million decrease in spending for Part D claw back payments within MA elderly and disabled basic care due to a decrease in enrollment of individuals enrolled in both Medicaid and Medicare. Because Medicare includes prescription drug coverage for these individuals, the federal government bills each state an amount roughly equal to what the state would have paid through Medicaid for prescription drug payments. Lower caseload of this group in this forecast results in fewer projected claw back payments and thus a reduction in state spending.

Forecast spending in the Behavioral Health Fund is \$15 million (7.4 percent) higher in the current biennium. The significant driver of this increase is decreased enrollment in MA managed care for adults without children. This is the primary group of individuals utilizing substance use disorder treatment services. Lower usage of MA managed care has increased usage of fee-for-service residential treatment and increased utilization of non-residential treatment.

Forecast spending in the Minnesota Family Investment Program (MFIP) Child Care program is \$58 million (48 percent) lower in the current biennium. The primary driver of change is lower caseloads, which results in fewer families that are expected to access MFIP Child Care. Caseloads in MFIP Child Care are driven by participation in MFIP and this forecast also assumes lower caseloads in MFIP due to fewer families qualifying for economic assistance.

Property Tax, Aids, and Credits. Property tax aids and credits are approximately 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, such as property tax refunds for homeowners and renters, are also included in this category because they provide targeted property tax relief.

Estimates for property tax aids and credits now total \$5.549 billion in the current biennium, an increase of \$43 million (0.8 percent) from prior estimates. Changes in property tax refunds account for the largest portion of this change. Relative to prior estimates, homestead credit refunds are forecast to increase \$11 million (0.7 percent) and renters property tax refunds are forecast to increase \$16 million (2.8 percent). Although the total number of actual homestead and renter's property tax refund filings decreased, the total value of the refunds were higher than previous estimates.

Police and fire state aids are \$11 million (5.5 percent) and \$5 million (6.1 percent) higher, respectively, due to increases in auto and fire insurance premium tax receipts, a portion of which are distributed to units of local government to offset law enforcement pension costs.

Debt Service and All Other Spending. Debt service expenditures for the current biennium are forecast to be \$1.066 billion, which is a decrease of \$71 million (6.2 percent) from previous estimates. The reduction is primarily due to a smaller 2024 bond sale than previously forecast, as well as the absence of a 2024 bonding bill. Additional savings in the current biennium result from lower interest rates in the August 2024 bond sale than previously projected, which resulted in higher bond premiums and that together reduced debt service costs, as well as savings realized from refinancing previously sold bonds and higher investment income earnings.

MMB makes assumptions about the size of future capital budgets in each forecast. The assumptions have historically been based on the average size of general obligation (GO) bonds authorized in capital budget bills over the past ten years, differentiating between the larger even-year capital budgets and smaller odd-year capital budgets. In the February 2024 forecast, the debt service forecast was based on an assumption of a \$980 million capital budget in 2024, a \$165 million capital budget in 2025 and subsequent odd-year sessions, and a \$1.01 billion capital budget in 2026 and subsequent even-year sessions. At the conclusion of the 2024 session there was not an enacted capital budget. This forecast assumes a larger bonding bill in 2025 than previous estimates for next year, however at a level lower than the previous 2024 assumption that was not enacted.

This forecast assumes a \$790 million capital budget in 2025, which will keep the state in compliance with all three debt capacity guidelines. As reported in the November 2024 Debt Capacity Forecast¹⁵, the State measures debt under three capital investment guidelines that together demonstrate a commitment to long-term capital and financial planning. Two guidelines measure outstanding debt against personal income, and the third guideline measures how quickly the state is scheduled to repay GO debt. The Debt Capacity Report shows that \$790 million is the maximum amount of GO debt the legislature could authorize in 2025 without adjusting the assumption about future bonding bills while maintaining compliance with the third guideline regarding the schedule of debt retirement. This is a one-time adjustment and the forecast assumes a return to the normal 10-year averages starting with the 2026 legislative session (\$1.01 billion in even years and \$165 million in odd years).

All other spending is forecast to be \$18.515 billion, virtually unchanged from end-of-session estimates. Public safety spending is \$48 million (1.3 percent) higher due to a \$50 million transfer to the disaster assistance contingency account that was triggered when the FY 2024 ending

¹⁵ November 2024 Debt Capacity Forecast, Minnesota Management and Budget

balance exceeded the projected balance for that fiscal year at the end of the 2024 legislative session.¹⁶ With this release the forecast methodology for estimated future cancellations has been updated. The previous methodology assumed a \$5 million aggregate cancellation in the first year of the biennium and \$15 million in the second year. The new methodology uses a rolling historic cancellation average. With this change estimated cancellations across the enterprise are forecast to be \$23 million in the first year of the biennium and \$64 million in the second year. This forecast change results in savings that more than offsets increases in all other areas of the budget.

Next Biennium

Forecast expenditures in the FY 2026-27 biennium are expected to reach \$66.989 billion, a reduction of \$3.681 billion (5.2 percent) from projected spending for the FY 2024-25 biennium. Significant one-time spending in the FY 2024-25 biennium results in temporarily elevated spending levels. As a result, total general fund spending is projected to decline from the current biennium to the next. This reduction, however, is not uniform across program areas.

Spending for E-12 education is expected to be \$1.470 billion (6.2 percent) higher in the next biennium due primarily to growth in general education and special education programs. Spending for property tax aids and credits is expected to be \$812 million (14.6 percent) lower than the current biennium due to one-time spending in FY 2024-25 and the transition of the renter's credit from a property tax refund to an income tax credit. Debt service is expected to grow \$155 million (14.5 percent) compared to FY 2024-25. Partially offsetting the overall decline is the \$2.162 billion (10.0 percent) increase in HHS spending, due in large part to growth in Medical Assistance.

Next Biennium: FY 2026-27 General Fund Expenditures

Biennial Comparison; November 2024 Forecast

(\$ in millions)	FY 2024-25	FY 2026-27	\$ Change	% Change
E-12 Education	\$23,895	\$25,365	\$1,470	6.2%
Property Tax Aids & Credits	5,549	4,736	(812)	(14.6%)
Health & Human Services	21,646	23,808	2,162	10.0
Debt Service	1,066	1,221	155	14.5
Estimated Inflation	-	926	926	N/A
All Other	18,515	10,933	(7,583)	(41.0)
Total Expenditures	\$70,670	\$66,989	(\$3,681)	(5.2%)

Overall spending in the FY 2026-27 biennium is expected to be up \$572 million (0.9 percent) compared to prior estimates. Health and human services is the largest driver of this increase, with forecast spending \$388 million (1.7 percent) higher than previous estimates due to increased spending on long term care services in Medical Assistance. A \$202 million (0.8 percent) increase in education aids is primarily driven by increases in special education expenditures and nutrition programs, which are slightly offset by decreases in pupils. Higher forecast spending on property tax aids and credits (\$88 million, 1.9 percent) is primarily due to increases in property tax refunds and police & fire state aids. These increases are partially offset by lower spending on debt service, which reflects the absence of a 2024 bonding bill. Estimated spending in other areas of the state

¹⁶ MN 2024 Session Law, Chapter 123, Article 1, Section 14

budget are down \$59 million (0.5 percent) for FY 2026-27 due to an updated methodology for estimating enterprise-wide cancellations.

Next Biennium: FY 2026-27 General Fund Expenditures

Change From End of Session

(\$ in millions)	November 2024		\$	%
	End of Session	Forecast	Change	Change
E-12 Education	\$25,163	\$25,365	\$202	0.8%
Property Tax Aids & Credits	4,648	4,736	88	1.9
Health & Human Services	23,420	23,808	388	1.7
Debt Service	1,350	1,221	(129)	(9.5)
Estimated Inflation	845	926	81	9.6
All Other	10,992	10,933	(59)	(0.5)
Total Expenditures	\$66,418	\$66,989	\$572	0.9%

E-12 Education. E-12 expenditures in FY 2026-27 are forecast to reach \$25.365 billion, growing \$1.470 billion (6.2 percent) relative to FY 2024-25. While pupils are projected to decline, spending in general education aid grows in FY 2026-27 compared to the FY 2024-25 biennium as the basic revenue formula allowance now increases annually with inflation, with a lower bound of 2 percent and an upper bound of 3 percent. Increases in the basic revenue are expected to increase general education spending by \$496 million (3.7 percent) compared to the prior biennium. The largest share of biennial growth, approximately \$908 million (18.7 percent), comes from special education. Increases in special education are primarily due to cost inflation for providing special education services and special education pupil growth. Special education funding is projected to be \$5.761 billion in FY 2026-27. Growth in the FY 2026-27 biennium in Student Support Personnel Aid of almost \$53 million is attributable to a statutory increase in the per pupil allowance beginning in FY 2026. Nutrition programs continue to grow in the FY 2026-27 biennium by \$75 million (12.8 percent) due to continued increases in the number of meals served and expected increases in the state per meal reimbursement rate that increases with federal reimbursement rate updates.

Compared to end-of-session estimates, education aids in FY 2026-27 are up \$202 million (0.8 percent) from prior estimates. The increase in education aids is primarily driven by increases in special education spending of \$243 million (4.4 percent). Special education aid provides funding to local education agencies based on prior year special education expenditures. This increase is due to higher projected special education expenditures on special education staff and transportation costs for special education pupils. Historically, special education costs grow by 5-to-6 percent, but in 2024 they are expected to grow by over 9 percent. This raises both the base and future growth assumptions for special education expenditures. Salaries and benefits in addition to transportation of special education pupils make up the majority of local education agency special education expenditures. Salary increases and use of contracted services for both personnel needs and transportation functions contribute to special education expenditure growth. Projected spending for school breakfast and lunch is \$55 million (9.1 percent) higher than previous estimates, resulting from anticipated increases in the number of meals served. These increases are partially offset by lower spending in general education. General education spending is projected to be \$87 million (0.5 percent) lower than prior estimates due to lower pupil estimates.

Health & Human Services. General fund spending for health and human services is expected to reach \$23.808 billion in the FY 2026-27 biennium, an increase of \$2.162 billion (10.0 percent) from the current biennium. As in previous forecasts, Medical Assistance (MA) is the primary driver of the biennial change.

General fund spending in MA is expected to grow by \$3.276 billion (19.1 percent) from FY 2024-25 to FY 2026-27. This change is primarily explained by growth in LTC waivers. Spending on LTC waivers is expected to grow \$1.792 billion (26.4 percent) due to growth in payment rates (16 percent) and caseload (11 percent) over the current biennium. Additionally, increasing managed care rates are the primary drivers of a \$1.143 billion (13.6 percent) increase in MA basic care expenditures over the current biennium. These are the primary factors explaining the growth in MA spending.

MA spending is up \$456 million (2.7 percent) from end-of-session estimates in the FY 2026-27 biennium. Growth in LTC waivers continues into the next biennium, due to both higher average payments as well as more individuals accessing these services. Average payments for LTC waivers are expected to increase MA expenditures by \$549 million (6.4 percent) in FY 2026-27 relative to end-of-session estimates. This is in part due to inflationary adjustments to the Disability Waiver Rate System (DWRS) framework, which are higher than previously estimated. This forecast adjusts the expected increase on January 1, 2026, from 8.5 percent to 12.4 percent, increasing state spending by \$75 million in this biennium. As noted in the current biennium, growth in LTC waiver average costs is anticipated to continue into future years, driven in part by higher use of rate exceptions and higher cost per unit for residential and non-residential services.

Higher-than-anticipated CADI waiver caseload also increases spending in the FY 2026-27 biennium. The CADI caseload is expected to grow 5 percent in this biennium, resulting in an increase of \$176 million (2.0 percent) relative to previous estimates. This growth is attributable to higher-than-expected enrollment in the program over recent months, which is expected to continue to grow in this biennium.

A reduction in the federal matching rate for MA in FY 2026-27 increases expected general fund spending by \$162 million (1.0 percent) compared to end-of-session estimates. The Centers for Medicaid and Medicare (CMS) recently announced a 0.48 percentage point reduction to Minnesota's baseline federal medical assistance percentage (FMAP) starting October 1, 2025. The reduction is a result of changes in how Minnesota's per capita personal income compares to the national average personal income, as measured annually by the federal government. The forecast assumes this lower federal share continues through the forecast horizon.

Offsetting these increases to spending is the impact of greater-than-expected reductions in basic care enrollment. The impact continues into the next biennium with MA spending decreasing by \$340 million (3.4 percent) from end-of-session estimates due to lower enrollment. The impact of the COVID unwinding process results in a lower-than-previously forecast caseload as more enrollees were determined ineligible during the FY 2024-25 biennium. As in the current biennium, updates to the managed care rates for calendar year 2025 for the Elderly Waiver lower projected spending across the forecast horizon, including \$109 million (0.6 percent) lower spending in FY 2026-27 relative to previous estimates.

Behavioral Health Fund expenditures are projected to grow \$28 million (11.8 percent) in the FY 2026-27 biennium, consistent with trends in the FY 2024-25 biennium. The increase is driven by reductions in MA managed care enrollment, increased utilization of fee-for-service residential treatment, and increased utilization of non-residential treatment.

MFIP Child Care expenditures decrease by \$147 million (37 percent) in FY 2026-27. This decrease is driven by a lower caseload. MFIP Child Care caseloads decreased significantly during the COVID-19 pandemic and have been steadily increasing since FY 2023. In FY 2023 and FY 2024, caseloads grew by an average 4.5 percent each year, and caseloads are projected to grow by 7.8 percent in FY 2025. This forecast recognizes that caseloads are growing at a slower rate than assumed in the end-of-session forecast.

Property Tax, Aids, and Credits. Estimates for property tax aids and credits are expected to total \$4.736 billion in the FY 2026-27 biennium, a decrease of \$812 million (14.6 percent) from the current biennium. The primary reason for the decrease is the transition of the renter's credit from a property tax refund to an income tax credit. Beginning with tax year 2024, eligible renters will be able to claim a refundable tax credit as part of their individual income tax return (Form M1) rather than filing a separate renter's property tax refund (Form M1PR). Adding to this decline in the next biennium is the \$300 million one-time public safety aid in the current biennium.

In FY 2026-27, property tax aids and credits are forecast to be \$88 million (1.9 percent) higher than end-of-session estimates. Homestead credit refunds are \$47 million (3.0 percent) higher due to faster property tax growth relative to household income growth. Police and fire state aids are \$38 million (12.8 percent) higher than prior estimates due to projected continued increases in auto and fire insurance premium tax receipts.

Estimated Inflation: General Fund Expenditure Budget

By Fiscal Year, November 2024 Forecast

(\$ in millions)	FY 2026	FY 2027	FY 2028	FY 2029
Forecast CPI change yr/yr	2.2%	2.7%	1.9%	2.3%
Total Base Expenditures	\$32,340	\$33,724	\$34,981	\$36,160
Expenditures with existing statutory inflation or excluded from calc.				
MA Pymts w/ Inflation	6,404	6,794	7,231	7,731
Other HHS	104	120	126	132
General Education	8,480	8,718	8,899	9,046
Special Education	2,768	3,010	3,191	3,367
School Nutrition	323	337	343	348
Property Tax Refunds	822	833	861	892
Debt Service	576	644	682	721
Capital Projects	142	145	146	149
Adjusted Base for Inflation Calc.	\$12,722	\$13,122	\$13,500	\$13,775
Estimated Inflation for FY 2026-27 Budget	280	646	665	678
Estimated Inflation for FY 2028-29 Budget	-	-	272	615
Total Estimated Inflation	\$280	\$646	\$936	\$1,294

Estimated Inflation. State law mandates that the forecast of state spending include estimates of inflationary cost impacts on state programs and operations. Under current law, several state programs including general education, special education, school nutrition programs, a portion of spending within DHS, DCYF, and property tax refunds include the allowance for rate or cost increases in current law formulas. In addition, including inflation on certain categories of spending such as debt service and capital project appropriations would not be appropriate. After removing these programs from total spending, inflating the remainder by projected Consumer Price Index growth of 2.2 percent in FY 2026 and 2.7 percent in FY 2027 results in the addition of \$926 million in inflationary pressures to total state spending estimates related to the FY 2026-27 budget for the next biennium and \$1.343 billion in the FY 2028-29 planning estimates. This forecast holds an additional \$887 million in expected inflationary pressures for the FY 2028-29 biennial budget.

Debt Service and All Other Spending. Debt service expenditures are forecast to be \$1.221 billion in the next biennium, which is \$129 million (9.5 percent) less than previous estimates. There are several factors in the next biennium placing higher cost pressures on debt service costs, including higher forecast interest rates, which lower estimated bond premiums in future bond sales and increase the amount of debt service; increases to future bond sale sizes on previously authorized debt due to shifts of agency spending projections into the next biennium; and the higher capital budget assumption in 2025 compared to previous estimates. However, the savings resulting from the absence of a 2024 bonding bill more than offset those increases and resulted in an overall reduction of debt service costs in the next biennium.

All other areas of the state budget are projected to total \$10.933 billion, a decrease of \$59 million from end-of-session estimates. A new forecasting methodology results in an increase in estimated

cancellations of \$67 million (335.0 percent), resulting in lower expected general fund spending. Metro Mobility, which becomes a forecasted program in FY 2026, is up \$25 million (12.1 percent) relative to end-of-session estimates due to higher fuel costs and higher demand for new services.

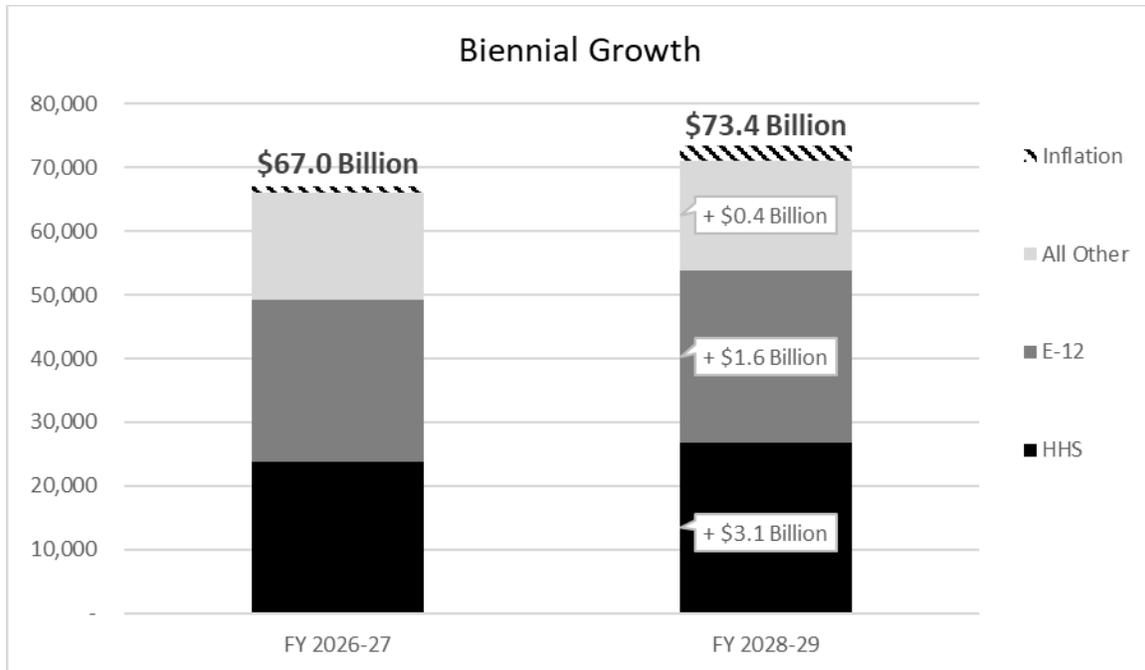
Two enterprise-wide base adjustments impact November forecast spending estimates beginning in the FY 2026-27 biennium. First, agencies are allocated funding for Minnesota Paid Leave (MPL) pursuant to Laws 2023 Chapter 59. Second, agencies received allocated reductions related to the Governor’s Office funding adjustments pursuant to Laws 2023 Chapter 62. In both instances, these amounts are shown as changes to agency budgets in November forecast estimates but remain at the enterprise level in the end-of-session estimates. There is no net impact to the bottom-line of the general fund; the enterprise-wide base adjustments are simply distributed among state agencies. The allocations for Minnesota Paid Leave are less than the allocated reductions related to the Governor’s Office funding adjustments, resulting in a net decrease of approximately \$3 million to agency budgets in the FY 2026-27 biennium, consistent with end-of-session estimates.

Planning Estimates

Planning Estimates: FY 2028-29 General Fund Expenditures
Biennial Comparison; November 2024 Forecast

(\$ in millions)	FY 2026-27	FY 2028-29	\$ Change	% Change
E-12 Education	\$25,365	\$26,953	\$1,589	6.3%
Property Tax Aids & Credits	4,736	4,946	210	4.4
Health & Human Services	23,808	26,861	3,053	12.8
Debt Service	1,221	1,403	182	14.9
Estimated Inflation	926	2,231	1,304	140.8
All Other	10,933	10,977	45	0.4
Total Expenditures	\$66,989	\$73,371	\$6,382	9.5%

Total projected spending in the FY 2028-29 biennium is expected to reach \$73.371 billion, an increase of \$6.382 billion (9.5 percent). The growth trends in the major forecast programs remain the same as described in FY 2026-27 with growth in HHS spending accounting for most of the increase (\$3.053 billion, a 12.8 percent increase from the previous biennium) due to continued Medical Assistance growth, especially in LTC waiver programs. E-12 education spending is expected to increase \$1.589 billion (6.3 percent), largely due program cost growth in special education and inflationary increases in the formula allowance. Property tax aids and credits is expected to grow \$210 million (4.4 percent), primarily due to higher property tax refunds and police & fire state aids. Debt service spending is forecast to increase \$182 million (14.9 percent).



E-12 Education. E-12 education spending is expected to reach \$26.953 billion in FY 2028-29, growing \$1.589 billion (6.3 percent) from FY 2026-27. Inflationary increases in special education costs and the formula allowance are the largest drivers of growth. General education spending is estimated to grow \$741 million (4.3 percent). Inflation increases the formula allowance, which drives growth in basic revenue despite declines in pupil counts. Special education spending is estimated to grow \$778 million (13.5 percent) due to an increase in the number of students qualifying for services in addition to increased service costs.

Health & Human Services. Health and human services spending is projected to reach \$26.861 billion in the FY 2028-29 biennium, an increase of \$3.053 billion (12.8 percent) compared to the FY 2026-27 biennium. Nearly all of the biennial increase is driven by MA, which is expected to grow \$2.850 billion (16.2 percent).

Growth in MA is driven by services for the elderly and people with disabilities, who make up 15 percent of enrollees. State spending for long term care waivers is expected to grow \$1.441 billion (16.8 percent) due to enrollment and payments increasing 7.8 and 8.3 percent, respectively, and CADI waiver enrollment is expected to grow 10.8 percent. Meanwhile, elderly and disabled basic care spending is projected to increase by \$589 million (13.1 percent) due to enrollment and average payments increasing by 2.2 and 10.3 percent, respectively.

Property Tax, Aids, and Credits. In FY 2028-29, property tax aids and credits spending is forecast to total \$4.946 billion, an increase of \$210 million (4.4 percent) from the FY 2026-27 biennium. \$61 million of the biennial growth is due to a one-time shift of local government aid from FY 2026 to FY 2025 as a result of legislation enacted in 2023, distorting the increase into the planning years. Homestead credit refund growth of \$93 million (5.8 percent) is a continuation of the forecast trend of homestead property taxes rising faster than household incomes. Police & fire state aids also continue to grow, with biennial growth of \$34 million (10.2 percent) driven by the forecast rise in auto and fire insurance premium tax receipts.

Debt Service and All Other Spending. The forecast debt service costs for FY 2028-29 are \$1.403 billion, an increase of \$182 million compared to FY 2026-27. Metro Mobility is expected to grow \$39 million (16.7 percent), primarily due to federally-mandated replacement of buses, an expansion of the program's fleet, and rising fuel costs.



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Minnesota Economic Forecast Summary

Forecast 2024 to 2029 - Calendar Years

	2024	2025	2026	2027	2028	2029
Current Dollar Income (Billions of Dollars)						
Personal Income	433.798	453.368	475.610	498.840	521.993	545.188
%Chg	4.2	4.5	4.9	4.9	4.6	4.4
Wage & Salary Disbursements	224.445	233.980	243.205	252.235	262.063	272.225
%Chg	4.5	4.2	3.9	3.7	3.9	3.9
Non-Wage Personal Income	209.353	219.388	232.408	246.605	259.933	272.960
%Chg	3.9	4.8	5.9	6.1	5.4	5.0
Supplements to Wages & Salaries	48.042	50.464	52.496	54.420	56.643	58.993
%Chg	6.3	5.0	4.0	3.7	4.1	4.1
Dividends, Interest, & Rent Income	91.094	94.364	100.265	106.793	112.715	118.105
%Chg	4.0	3.6	6.3	6.5	5.5	4.8
Farm Proprietors Income	0.072	0.795	2.011	2.421	2.243	2.012
%Chg	-97.2	1000.7	152.9	20.4	-7.3	-10.3
Non-Farm Proprietors Income	30.609	31.779	33.395	35.614	37.808	40.031
%Chg	4.3	3.8	5.1	6.6	6.2	5.9
Personal Current Transfer Receipts	77.127	80.889	84.440	88.695	93.316	98.197
%Chg	6.1	4.9	4.4	5.0	5.2	5.2
Less: Contrib. for Gov. Social Ins.	35.815	37.127	38.426	39.559	41.016	42.596
%Chg	4.9	3.7	3.5	2.9	3.7	3.9
Real Income (Billions of 2012 Dollars)						
Real Personal Income	351.368	360.128	369.858	379.973	390.093	399.163
%Chg	1.7	2.5	2.7	2.7	2.7	2.3
Real Wage & Salary Disbursements	181.790	185.863	189.133	192.135	195.845	199.313
%Chg	2.0	2.2	1.8	1.6	1.9	1.8
Employment (Thousands)						
Employment - Total Non-Farm Payrolls	3,009.2	3,025.9	3,034.9	3,043.4	3,052.0	3,060.4
%Chg	0.8	0.6	0.3	0.3	0.3	0.3
Construction	133.9	134.9	137.2	138.4	140.7	141.9
%Chg	-0.8	0.8	1.7	0.9	1.6	0.9
Manufacturing	320.7	319.0	320.7	323.5	326.0	328.8
%Chg	-1.6	-0.5	0.6	0.9	0.8	0.9
Private Service-Providing	2,110.2	2,122.2	2,125.5	2,128.4	2,130.5	2,133.2
%Chg	0.6	0.6	0.2	0.1	0.1	0.1
Government	437.8	443.0	444.8	446.5	448.1	449.7
%Chg	4.4	1.2	0.4	0.4	0.4	0.4
Minnesota Civilian Labor Force	3,132.6	3,151.1	3,162.5	3,169.4	3,176.2	3,182.9
Unemployment Rate (%)	3.2	3.4	3.4	3.4	0.0	0.0
Demographic Indicators (Millions)						
Total Population	5.771	5.798	5.822	5.844	5.865	5.884
%Chg	0.5	0.5	0.4	0.4	0.4	0.3
Total Population Age 16 & Over	4.650	4.684	4.715	4.743	4.770	4.794
%Chg	0.8	0.7	0.7	0.6	0.6	0.5
Total Population Age 65 & Over	0.107	0.110	0.113	0.115	0.117	0.119
%Chg	3.4	2.8	2.3	2.0	1.7	1.5
Total Households	2.337	2.356	2.376	2.395	2.412	2.427
%Chg	0.9	0.8	0.8	0.8	0.7	0.6
Housing Indicators (Thousands)						
Total Housing Permits (Authorized)	21.298	20.503	22.813	24.707	27.194	29.342
%Chg	-10.1	-3.7	11.3	8.3	10.1	7.9
Single-Family	13.676	13.956	13.617	13.672	13.900	14.172
%Chg	17.1	2.1	-2.4	0.4	1.7	2.0

Source: Minnesota Management & Budget (MMB) November 2024 Forecast

U.S. Economic Forecast Summary

Forecast 2024 to 2029, Calendar Years

	2024	2025	2026	2027	2028	2029
Real National Income Accounts (Billions of 2012 Dollars)						
Real Gross Domestic Product (GDP)	23,283.8	23,758.0	24,252.7	24,688.4	25,154.7	25,612.3
%Chg	2.7	2.0	2.1	1.8	1.9	1.8
Real Consumption	16,038.2	16,460.5	16,840.1	17,230.7	17,674.0	18,084.2
%Chg	2.7	2.6	2.3	2.3	2.6	2.3
Real Nonresidential Fixed Investment	3,509.2	3,583.2	3,653.3	3,700.3	3,757.8	3,826.8
%Chg	3.7	2.1	2.0	1.3	1.6	1.8
Real Residential Investment	790.9	781.3	802.9	824.4	849.8	886.1
%Chg	3.7	-1.2	2.8	2.7	3.1	4.3
Real Personal Income	20,055.7	20,625.1	21,210.1	21,769.3	22,368.0	22,892.5
%Chg	3.3	2.8	2.8	2.6	2.8	2.3
Current Dollar National Income Accounts (Billions of Dollars)						
Gross Domestic Product (GDP)	29,150.4	30,408.6	31,743.1	32,998.9	34,351.6	35,740.9
%Chg	5.2	4.3	4.4	4.0	4.1	4.0
Personal Income	24,760.6	25,965.6	27,274.8	28,579.5	29,931.8	31,267.6
%Chg	5.8	4.9	5.0	4.8	4.7	4.5
Wage & Salary Disbursements	12,505.8	13,131.6	13,724.7	14,231.1	14,809.6	15,390.0
%Chg	6.7	5.0	4.5	3.7	4.1	3.9
Non-Wage Personal Income	11,661.1	12,436.6	13,174.1	13,891.0	14,570.9	15,233.5
%Chg	4.5	6.6	5.9	5.4	4.9	4.5
Price and Wage Indexes						
U.S. GDP Deflator (2005=1.0)	125.194	127.989	130.881	133.658	136.557	139.542
%Chg	2.4	2.2	2.3	2.1	2.2	2.2
U.S. Consumer Price Index (1982-84=1.0)	3.136	3.203	3.281	3.359	3.426	3.507
%Chg	2.9	2.1	2.4	2.4	2.0	2.4
Employment Cost Index (Dec 2005=1.0)	1.658	1.720	1.785	1.844	1.909	1.973
%Chg	3.8	3.7	3.8	3.3	3.5	3.3
Employment (Thousands)						
Employment - Total Non-Farm Payrolls	158.5	159.9	160.4	160.6	161.0	161.7
%Chg	1.6	0.8	0.3	0.1	0.2	0.4
Construction	8.2	8.4	8.6	8.7	8.9	9.2
%Chg	2.9	2.0	1.9	2.0	2.2	2.4
Manufacturing	12.9	12.9	12.7	12.5	12.3	12.2
%Chg	0.0	-0.3	-1.9	-1.3	-1.4	-0.8
Private Service-Providing	113.4	114.4	114.8	114.9	115.2	115.7
%Chg	1.5	0.9	0.4	0.1	0.2	0.5
Government	23.3	23.6	23.7	23.8	23.8	23.9
%Chg	2.4	1.0	0.4	0.4	0.3	0.3
U.S. Civilian Labor Force	168.2	169.7	170.4	170.9	171.4	171.9
Employment - Household Survey	161.4	162.2	162.7	163.1	163.6	164.3
Unemployment Rate (%)	4.0	4.4	4.5	4.6	4.5	4.4
Other Key Measures						
Non-Farm Productivity (index, 2005=1.0)	1.200	1.218	1.243	1.269	1.294	1.315
%Chg	2.3	1.5	2.1	2.1	2.0	1.6
Total Ind. Production (index, 2007=100)	102.587	103.248	104.863	106.247	107.638	109.232
%Chg	-0.3	0.6	1.6	1.3	1.3	1.5
Manhours in Private Non-Farm Estab. Billions of Hours	224.4	224.4	224.6	225.2	225.9	226.4
%Chg	0.3	0.0	0.1	0.2	0.3	0.2
Average Weekly Hours	32.5	32.5	32.5	32.5	32.5	32.5
Manufacturing Workweek	40.7	40.8	40.8	40.7	40.8	40.8

Source: SPGMI; November 2024 Baseline

Alternative Forecast Comparison

Calendar Years

	24Q1	24Q2	24Q3	24Q4	25Q1	25Q2	2024	2025	2026	2027
Real Gross Domestic Product (GDP), Percent Change, Seasonally Adjusted at Annual Rate										
Blue Chip Consensus (11-24)	1.6	3.0	2.8	1.9	1.8	1.9	2.7	2.1	**	**
S&P Global (11-24)	1.6	3.0	2.8	1.5	2.0	1.8	2.7	2.0	2.1	1.8
Moody's Analytics (11-24)	1.6	3.0	2.8	2.0	1.8	2.1	2.7	2.2	**	**
Wells Fargo (11-24)	1.6	3.0	2.8	2.1	2.4	1.5	2.7	2.0	2.3	**
CBO Outlook (7-24)	1.6	2.4	2.1	1.9	2.0	2.1	2.6	2.1	1.8	1.7
Consumer Price Index (CPI), Percent Change, Seasonally Adjusted at Annual Rate (except where noted)										
Blue Chip Consensus (11-24) *	3.8	2.8	1.2	2.3	2.4	2.4	2.9	2.3	**	**
S&P Global (11-24)	3.8	2.8	1.2	2.5	2.0	2.7	2.9	2.1	2.4	2.4
Moody's Analytics (11-24)	3.8	2.8	1.2	2.3	2.3	2.6	2.9	2.3	**	**
Wells Fargo (11-24) *	3.2	3.2	2.6	2.7	2.5	2.5	2.9	2.6	2.6	**
CBO Outlook (7-24)	3.8	3.5	2.5	2.3	2.4	2.4	3.2	2.4	2.2	2.2

* Year-over-Year Percent Change

** Not Available

SPGMI Economics Baseline Forecast Comparison

Calendar Years

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Real Gross Domestic Product (GDP), Annual Percent Change										
April 2020	2.9	2.3	-5.4	6.3	4.0	1.6				
November 2020	3.0	2.2	-3.6	3.1	2.5	2.5	2.9	3.0		
February 2021	3.0	2.2	-3.5	5.7	4.1	2.3	2.6	2.6		
November 2021	2.9	2.3	-3.4	5.5	4.3	2.9	2.7	2.6		
February 2022	2.9	2.3	-3.4	5.7	3.7	2.7	2.6	2.5		
November 2022	2.9	2.3	-2.8	5.9	1.8	-0.2	1.3	1.8	1.9	1.8
February 2023	2.9	2.3	-2.8	5.9	2.1	0.7	1.6	2.0	1.8	1.6
November 2023	3.0	2.5	-2.2	5.8	1.9	2.4	1.4	1.4	1.7	1.7
February 2024	3.0	2.5	-2.2	5.8	1.9	2.5	2.4	1.6	1.7	1.8
November 2024	3.0	2.6	-2.2	6.1	2.5	2.9	2.7	2.0	2.1	1.8
Consumer Price Index (CPI), Annual Percent Change										
April 2020	2.4	1.8	0.7	2.1	2.7	2.7				
November 2020	2.4	1.8	1.3	2.3	2.6	2.2	2.1	2.2		
February 2021	2.4	1.8	1.3	2.1	2.1	2.0	2.1	2.2		
November 2021	2.4	1.8	1.2	4.5	3.3	2.1	2.2	2.2		
February 2022	2.4	1.8	1.3	4.7	4.5	1.9	2.1	2.1		
November 2022	2.4	1.8	1.2	4.7	8.1	4.3	2.7	2.3	2.2	2.2
February 2023	2.4	1.8	1.3	4.7	8.0	4.0	2.3	2.2	2.1	2.2
November 2023	2.4	1.8	1.3	4.7	8.0	4.1	2.7	2.0	2.5	2.2
February 2024	2.4	1.8	1.3	4.7	8.0	4.1	2.8	1.9	2.3	2.4
November 2024	2.4	1.8	1.2	4.7	8.0	4.1	2.9	2.1	2.4	2.4

Source: SPGMI

Forecast Comparison: Minnesota & U.S.

Forecast 2024 to 2029, Calendar Years

	2022	2023	2024	2025	2026	2027	2028	2029
Personal Income (Billions of Current Dollars)								
Minnesota								
November 2024	399.4	416.3	433.8	453.4	475.6	498.8	522.0	545.2
%Chg	3.6	4.2	4.2	4.5	4.9	4.9	4.6	4.4
February 2024	393.6	410.7	428.2	452.3	476.2	499.0		
%Chg	3.1	4.3	4.3	5.6	5.3	4.8		
U.S.								
November 2024	22,089	23,403	24,761	25,966	27,275	28,579	29,932	31,268
%Chg	3.1	5.9	5.8	4.9	5.0	4.8	4.7	4.5
February 2024	21,841	22,966	24,045	25,271	26,493	27,744		
%Chg	2.0	5.2	4.7	5.1	4.8	4.7		
Wage and Salary Disbursements (Billions of Current Dollars)								
Minnesota								
November 2024	205.6	214.8	224.4	234.0	243.2	252.2	262.1	272.2
%Chg	7.0	4.5	4.5	4.2	3.9	3.7	3.9	3.9
February 2024	205.2	214.6	225.3	234.7	244.6	254.8		
%Chg	6.8	4.5	5.0	4.2	4.2	4.2		
U.S.								
November 2024	11,123	11,725	12,506	13,132	13,725	14,231	14,810	15,390
%Chg	7.8	5.4	6.7	5.0	4.5	3.7	4.1	3.9
February 2024	11,116	11,805	12,384	12,834	13,319	13,853		
%Chg	7.8	6.2	4.9	3.6	3.8	4.0		
Total Non-Farm Payroll Employment (Thousands)								
Minnesota								
November 2024	2,932	2,985	3,009	3,026	3,035	3,043	3,052	3,060
%Chg	2.7	1.8	0.8	0.6	0.3	0.3	0.3	0.3
February 2024	2,931	2,987	3,032	3,041	3,050	3,057		
%Chg	2.7	1.9	1.5	0.3	0.3	0.2		
U.S.								
November 2024	152,531	156,066	158,543	159,887	160,389	160,588	160,952	161,671
%Chg	4.3	2.3	1.6	0.8	0.3	0.1	0.2	0.4
February 2024	152,531	156,069	158,098	158,261	158,493	158,908		
%Chg	4.3	2.3	1.3	0.1	0.1	0.3		
Average Annual Non-Farm Wage (Current Dollars)								
Minnesota								
November 2024	70,130	71,970	74,586	77,327	80,137	82,880	85,867	88,952
%Chg	4.2	2.6	3.6	3.7	3.6	3.4	3.6	3.6
February 2024	70,015	71,830	74,289	77,190	80,205	83,346		
%Chg	4.0	2.6	3.4	3.9	3.9	3.9		
U.S.								
November 2024	72,924	75,130	78,880	82,130	85,571	88,618	92,012	95,193
%Chg	3.4	3.0	5.0	4.1	4.2	3.6	3.8	3.5
February 2024	72,877	75,641	78,328	81,095	84,038	87,176		
%Chg	3.4	3.8	3.6	3.5	3.6	3.7		

Source: SPGMI, MMB

Factors Affecting Tax Revenue

Billions of Current Dollars

	2022	2023	2024	2025	2026	2027	2028	2029
Individual Income Tax (Calendar Year)								
Minnesota Non-Farm Tax Base								
November 2022	303.662	319.375	334.763	351.330	367.868	384.188		
%Chg	5.9	5.2	4.8	4.9	4.7	4.4		
February 2023	303.837	317.220	332.620	348.255	363.770	379.150		
%Chg	6.2	4.4	4.9	4.7	4.5	4.2		
November 2023	311.508	327.541	345.718	364.393	381.460	398.020		
%Chg	7.5	5.1	5.5	5.4	4.7	4.3		
February 2024	311.508	327.085	344.385	362.988	381.210	398.915		
%Chg	7.5	5.0	5.3	5.4	5.0	4.6		
November 2024	312.177	331.771	346.145	360.125	376.865	394.643	412.583	430.360
%Chg	6.6	6.3	4.3	4.0	4.6	4.7	4.5	4.3
Minnesota Wage and Salary Disbursements								
November 2022	205.456	214.643	225.165	237.778	249.600	260.813		
%Chg	6.9	4.5	4.9	5.6	5.0	4.5		
February 2023	205.569	215.253	225.503	236.095	246.858	257.360		
%Chg	7.2	4.7	4.8	4.7	4.6	4.3		
November 2023	205.241	215.088	225.498	234.968	245.165	255.950		
%Chg	6.8	4.8	4.8	4.2	4.3	4.4		
February 2024	205.241	214.559	225.270	234.705	244.638	254.800		
%Chg	6.8	4.5	5.0	4.2	4.2	4.2		
November 2024	205.614	214.828	224.445	233.980	243.205	252.235	262.063	272.225
%Chg	7.0	4.5	4.5	4.2	3.9	3.7	3.9	3.9
Minnesota Dividends, Interest, & Rental Income								
November 2022	73.117	79.475	84.292	87.874	91.514	95.545		
%Chg	4.9	8.7	6.1	4.2	4.1	4.4		
February 2023	72.792	76.492	80.791	85.132	89.072	93.124		
%Chg	4.5	5.1	5.6	5.4	4.6	4.5		
November 2023	78.843	83.792	90.586	99.107	105.223	109.875		
%Chg	9.9	6.3	8.1	9.4	6.2	4.4		
February 2024	78.843	83.572	88.498	95.810	102.603	108.898		
%Chg	9.9	6.0	5.9	8.3	7.1	6.1		
November 2024	79.382	87.609	91.094	94.364	100.265	106.793	112.715	118.105
%Chg	7.9	10.4	4.0	3.6	6.3	6.5	5.5	4.8
Minnesota Non-Farm Proprietors' Income								
November 2022	25.088	25.259	25.307	25.679	26.752	27.828		
%Chg	1.3	0.7	0.2	1.5	4.2	4.0		
February 2023	25.475	25.477	26.323	27.028	27.842	28.667		
%Chg	2.9	0.0	3.3	2.7	3.0	3.0		
November 2023	27.424	28.661	29.633	30.317	31.072	32.190		
%Chg	6.2	4.5	3.4	2.3	2.5	3.6		
February 2024	27.424	28.955	30.614	32.470	33.973	35.217		
%Chg	6.2	5.6	5.7	6.1	4.6	3.7		
November 2024	27.181	29.334	30.609	31.779	33.395	35.614	37.808	40.031
%Chg	0.3	7.9	4.3	3.8	5.1	6.6	6.2	5.9

Factors Affecting Tax Revenue (Continued)

Billions of Current Dollars

	2022	2023	2024	2025	2026	2027	2028	2029
General Sales Tax (Fiscal Year)								
Minnesota Synthetic Sales Tax Base								
November 2022	113.912	118.719	119.106	123.024	127.307	131.659		
%Chg	12.8	4.2	0.3	3.3	3.5	3.4		
February 2023	113.942	119.065	120.073	123.573	127.608	131.352		
%Chg	12.8	4.5	0.8	2.9	3.3	2.9		
November 2023	115.697	123.430	127.788	131.711	136.174	141.058		
%Chg	13.3	6.7	3.5	3.1	3.4	3.6		
February 2024	115.684	123.374	128.494	132.560	136.579	141.629		
%Chg	13.3	6.6	4.2	3.2	3.0	3.7		
November 2024	115.932	123.748	127.293	131.324	135.229	139.685	144.742	149.776
%Chg	13.3	6.7	2.9	3.2	3.0	3.3	3.6	3.5
<i>* Historical data revised as a result of comprehensive GDP account revisions</i>								
Minnesota's Proxy Share of U.S. Consumer Durable Spending (Excluding Autos)								
November 2022	24.998	25.411	25.127	25.567	26.169	26.792		
%Chg	10.2	1.7	-1.1	1.8	2.4	2.4		
February 2023	24.977	25.398	25.044	25.365	25.907	26.455		
%Chg	10.1	1.7	-1.4	1.3	2.1	2.1		
November 2023	23.989	24.961	25.798	26.526	27.455	28.380		
%Chg	10.1	4.0	3.4	2.8	3.5	3.4		
February 2024	23.989	24.964	25.788	26.486	27.371	28.374		
%Chg	10.1	4.1	3.3	2.7	3.3	3.7		
November 2024	23.538	24.184	24.804	25.435	26.346	27.530	28.811	30.205
%Chg	8.9	2.7	2.6	2.5	3.6	4.5	4.7	4.8
Minnesota's Proxy Share of U.S. Capital Equipment Spending								
November 2022	13.839	14.179	13.497	13.654	14.227	14.786		
%Chg	7.9	2.5	-4.8	1.2	4.2	3.9		
February 2023	13.815	14.008	13.658	13.979	14.461	15.017		
%Chg	7.7	1.4	-2.5	2.4	3.4	3.8		
November 2023	14.212	14.846	14.650	14.856	15.304	15.997		
%Chg	8.8	4.5	-1.3	1.4	3.0	4.5		
February 2024	14.212	14.847	14.823	15.365	15.933	16.683		
%Chg	8.8	4.5	-0.2	3.7	3.7	4.7		
November 2024	14.089	14.888	15.066	15.852	16.300	16.722	17.186	17.693
%Chg	7.7	5.7	1.2	5.2	2.8	2.6	2.8	2.9
Minnesota's Proxy Share of U.S. Construction Spending								
November 2022	10.933	10.463	10.764	11.740	12.444	12.960		
%Chg	9.1	-4.3	2.9	9.1	6.0	4.1		
February 2023	10.853	10.404	10.491	11.304	11.991	12.515		
%Chg	8.4	-4.1	0.8	7.8	6.1	4.4		
November 2023	11.271	11.397	11.985	12.116	12.657	13.203		
%Chg	10.7	1.1	5.2	1.1	4.5	4.3		
February 2024	11.267	11.344	12.384	12.663	13.159	13.664		
%Chg	10.7	0.7	9.2	2.3	3.9	3.8		
November 2024	11.448	11.809	12.374	12.265	12.684	13.064	13.566	14.076
%Chg	11.7	3.2	4.8	-0.9	3.4	3.0	3.8	3.8

Factors Affecting Tax Revenue (Continued)

Billions of Current Dollars

	2022	2023	2024	2025	2026	2027	2028	2029
Corporate Franchise Tax (Fiscal Year)								
U.S. Corporate Profits (w/ IVA and capital consumption adjustment)								
November 2020	1,886.8	2,012.5	2,143.2	2,310.0	2,455.7	2,598.9		
%Chg	-8.4	6.7	6.5	7.4	6.7	5.8		
February 2021	2134.9	2206.1	2330.8	2458.7	2577.2	2685.2		
%Chg	-2.4	3.3	5.6	5.5	4.8	4.2		
November 2021	2,706.4	2,652.0	2,721.8	2,857.9	2,996.5	3,137.4		
%Chg	2.0	-2.0	2.6	5.0	4.9	4.7		
February 2022	2,902.6	2,772.5	2,851.3	2,994.8	3,147.5	3,297.3		
%Chg	9.4	-4.5	2.8	50.0	5.1	4.8		
November 2022	3,004.4	2,978.2	2,911.7	2,902.0	2,969.2	3,084.3		
%Chg	13.4	-0.9	-2.2	-0.3	2.3	3.9		
February 2023	3,004.4	3,040.4	3,020.5	3,035.5	3,105.5	3,193.4		
%Chg	13.4	1.2	-0.7	0.5	2.3	2.8		
November 2023	3,175.5	3,259.2	3,529.4	3,274.7	3,194.4	3,214.3		
%Chg	12.6	2.6	8.3	-7.2	-2.5	0.6		
February 2024	3,175.5	3,259.2	3,443.2	3,412.2	3,393.9	3,442.3		
%Chg	12.6	2.6	5.6	-0.9	-0.5	1.4		
November 2024	3,336.9	3,463.3	3,804.3	3,842.2	3,738.8	3,786.3	3,826.8	3,928.3
%Chg	14.8	3.8	9.8	1.0	-2.7	1.3	1.1	2.7
Deed & Mortgage Tax (Fiscal Year)								
U.S. New and Existing Home Sales (Current \$ Value)								
November 2020	2,178.5	2,168.0	2,170.0	2,211.4				
%Chg	-1.4	-0.5	0.1	1.9				
February 2021	2,319.2	2,251.4	2,222.4	2,260.3				
%Chg	1.1	-2.9	-1.3	1.7				
November 2021	2,393.1	2,338.1	2,326.3	2,362.5				
%Chg	3.5	-2.3	-0.5	1.6				
February 2022	2,459.2	2,410.7	2,359.9	2,395.1				
%Chg	6.3	-2.0	-2.1	1.5				
November 2022	2,394.0	1,716.8	1,575.8	1,860.5	2,086.1	2,400.4		
%Chg	3.6	-28.3	-8.2	18.1	12.1	15.1		
February 2023	2,394.0	1,785.4	1,507.0	1,742.9	1,917.7	2,284.2		
%Chg	3.6	-25.4	-15.6	15.7	10.0	19.1		
November 2023	2,391.4	1,851.8	1,831.2	2,090.9	2,350.2	2,586.3		
%Chg	3.6	-22.6	-1.1	14.2	12.4	10.0		
February 2024	2,391.4	1,851.9	1,799.7	2,126.0	2,368.4	2,579.1		
%Chg	3.6	-22.6	-2.8	18.1	11.4	8.9		
November 2024	2387.5	1842.0	1800.3	1865.8	2189.4	2488.4	2674.8	2857.9
%Chg	3.7	-22.8	-2.3	3.6	17.3	13.7	7.5	6.8

COMPARISON OF ACTUAL AND ESTIMATED

NON-RESTRICTED REVENUES

October YTD, 2024-FY2025

(\$ IN THOUSANDS)

	FORECAST REVENUES	ACTUAL REVENUES	VARIANCE ACT-FCST
Individual Income Tax			
Withholding	3,947,895	4,085,616	137,720
Declarations	460,080	473,328	13,249
Miscellaneous	278,923	288,318	9,394
Partnership & S Corporation Gross	592,330	613,164	20,833
Gross	5,279,229	5,460,425	181,196
Partnership & S Corporation Refunds	41,656	39,556	(2,099)
Individual, Fiduciary, & Withholding Refunds	154,841	159,689	4,848
Total Refunds	196,496	199,246	2,749
Net Income Tax	5,082,732	5,261,179	178,447
Corporate Franchise Tax			
Declarations	847,800	816,670	(31,130)
Miscellaneous	64,929	59,498	(5,431)
Gross	912,729	876,169	(36,560)
Refund	43,566	22,712	(20,854)
Net	869,162	853,457	(15,706)
General Sales and Use Tax			
Gross	2,939,242	2,764,473	(174,769)
Mpls. sales tax transferred to MSFA	-	-	-
MPLS Sales Tax w/Holding for NFL Stadium	6,206	6,206	-
Sales Tax Gross	2,945,447	2,770,679	(174,769)
Refunds (including Indian refunds)	50,864	35,294	(15,570)
Net	2,894,583	2,735,385	(159,199)
Other Revenues:			
Net Estate	87,268	170,307	83,039
Net Liquor/Wine/Beer	32,609	30,723	(1,886)
Net Cigarette/Tobacco	143,198	131,297	(11,901)
Deed and Mortgage	92,354	75,132	(17,222)
Net Insurance Premiums Taxes	132,706	137,441	4,735
Net Lawful Gambling	45,990	53,404	7,414
Health Care Surcharge	49,595	35,105	(14,490)
Other Taxes	0	234	234
Statewide Property Tax	170,429	178,164	7,735
DHS SOS Collections	39,767	43,638	3,872
Investment Income	73,977	213,045	139,068
Tobacco Settlement	0	0	0
Dept. Earnings & MSOP Recov.	57,966	68,839	10,874
Fines and Surcharges	17,623	19,094	1,471
Lottery Revenues	14,923	14,258	(665)
Revenues yet to be allocated	0	21,341	21,341
Residual Revenues	51,335	70,847	19,512
Other Subtotal	1,009,739	1,262,870	253,130
Other Refunds	2,067	1,178	(889)
Other Net	1,007,672	1,261,691	254,019
Total Gross	10,147,144	10,370,142	222,998
Total Refunds	292,994	258,430	(34,564)
Total Net	9,854,150	10,111,712	257,562

FY 2024Actual vs End of 2024 Legislative Session
(\$ in thousands)

	EOS FY 2024	Actual FY 2024	\$ Change
<u>Actual & Estimated Resources</u>			
Balance Forward From Prior Year	16,516,196	16,516,196	0
Current Resources:			
Tax Revenues	28,322,380	28,561,655	239,275
Non-Tax Revenues	1,493,599	1,746,604	253,005
Subtotal - Non-Dedicated Revenue	29,815,979	30,308,259	492,280
Dedicated Revenue	1,970	2,027	57
Transfers In	98,350	107,244	8,894
Prior Year Adjustments	34,943	154,348	119,405
Subtotal - Other Revenue	135,263	263,619	128,356
Subtotal-Current Resources	29,951,242	30,571,878	620,636
Total Resources Available	46,467,438	47,088,074	620,636
<u>Actual & Estimated Spending</u>			
E-12 Education	12,148,747	11,969,194	-179,553
Higher Education	2,079,158	2,062,335	-16,823
Property Tax AISs & Credits	2,832,316	2,820,234	-12,082
Health & Human Services	10,672,931	9,934,317	-738,614
Public Safety & Judiciary	1,815,745	1,680,712	-135,033
Transportation	1,175,489	429,839	-745,650
Environment & Energy	675,107	391,201	-283,906
Jobs, Commerce, Ag and Housing	3,050,692	2,664,693	-385,999
State Government & Veterans	1,856,624	1,616,036	-240,588
Debt Service	507,577	507,577	0
Capital Projects & Grants	1,172,071	1,206,201	34,130
Estimated Cancellations	-5,000	0	5,000
Total Expenditures & Transfers	37,981,457	35,282,339	-2,699,118
Balance Before Reserves	8,485,982	11,805,735	3,319,754
Cash Flow Account	350,000	350,000	0
Budget Reserve	2,913,422	2,925,308	11,886
Appropriations Carried Forward	0	2,633,945	2,633,945
Budgetary Balance	5,222,560	5,896,482	673,923

Current Biennium: FY 2024-25

November 2024 Forecast
(\$ in thousands)

	Actual FY 2024	Nov FY 2025	Biennial Total FY 2024-25
<u>Actual & Estimated Resources</u>			
Balance Forward From Prior Year	16,516,196	11,805,735	16,516,196
Current Resources:			
Tax Revenues	28,561,655	29,459,980	58,021,635
Non-Tax Revenues	1,746,604	1,335,029	3,081,633
Subtotal - Non-Dedicated Revenue	30,308,259	30,795,009	61,103,268
Dedicated Revenue	2,027	1,812	3,839
Transfers In	107,244	30,142	137,386
Prior Year Adjustments	154,348	34,704	189,052
Subtotal - Other Revenue	263,619	66,658	330,277
Subtotal-Current Resources	30,571,878	30,861,667	61,433,545
Total Resources Available	47,088,074	42,667,402	77,949,741
<u>Actual & Estimated Spending</u>			
E-12 Education	11,969,194	12,569,919	24,539,113
Higher Education	2,062,335	2,137,272	4,199,607
Property Tax AISs & Credits	2,820,234	2,728,404	5,548,638
Health & Human Services	9,934,317	11,045,506	20,979,823
Public Safety & Judiciary	1,680,712	1,974,029	3,654,741
Transportation	429,839	968,539	1,398,378
Environment & Energy	391,201	681,841	1,073,042
Jobs, Commerce, Ag and Housing	2,664,693	1,253,783	3,918,476
State Government & Veterans	1,616,036	1,393,545	3,009,581
Debt Service	507,577	558,601	1,066,178
Capital Projects & Grants	1,206,201	140,598	1,346,799
Estimated Cancellations	0	-64,000	-64,000
Total Expenditures & Transfers	35,282,339	35,388,037	70,670,376
Balance Before Reserves	11,805,735	7,279,365	7,279,365
Cash Flow Account	350,000	350,000	350,000
Budget Reserve	2,925,308	3,177,370	3,177,370
Appropriations Carried Forward	2,633,945	0	0
Budgetary Balance	5,896,482	3,751,995	3,751,995

Current Biennium: FY 2024-25November 2024 Forecast vs End of 2024 Legislative Session
(\$ in thousands)

	EOS FY 2024-25	Nov FY 2024-25	\$ Change
<u>Actual & Estimated Resources</u>			
Balance Forward From Prior Year	16,516,196	16,516,196	0
Current Resources:			
Tax Revenues	58,311,883	58,021,635	-290,248
Non-Tax Revenues	2,478,791	3,081,633	602,842
Subtotal - Non-Dedicated Revenue	60,790,674	61,103,268	312,594
Dedicated Revenue	4,025	3,839	-186
Transfers In	124,157	137,386	13,229
Prior Year Adjustments	69,544	189,052	119,508
Subtotal - Other Revenue	197,726	330,277	132,551
Subtotal-Current Resources	60,988,400	61,433,545	445,145
Total Resources Available	77,504,596	77,949,741	445,145
<u>Actual & Estimated Spending</u>			
E-12 Education	24,546,986	24,539,113	-7,873
Higher Education	4,194,984	4,199,607	4,623
Property Tax Aids & Credits	5,506,056	5,548,638	42,582
Health & Human Services	21,206,410	20,979,823	-226,587
Public Safety & Judiciary	3,606,960	3,654,741	47,781
Transportation	1,399,050	1,398,378	-672
Environment & Energy	1,070,303	1,073,042	2,739
Jobs, Commerce, Ag and Housing	3,958,882	3,918,476	-40,406
State Government & Veterans	3,028,382	3,009,581	-18,801
Debt Service	1,136,805	1,066,178	-70,627
Capital Projects & Grants	1,315,185	1,346,799	31,614
Estimated Cancellations	-20,000	-64,000	-44,000
Total Expenditures & Transfers	70,950,003	70,670,376	-279,627
Balance Before Reserves	6,554,593	7,279,365	724,772
Cash Flow Account	350,000	350,000	0
Budget Reserve	2,913,422	3,177,370	263,948
Budgetary Balance	3,291,171	3,751,995	460,824

Biennial ComparisonNovember 2024 Forecast
(\$ in thousands)

	Actual FY 2022-23	Nov FY 2024-25	\$ Change
<u>Actual & Estimated Resources</u>			
Balance Forward From Prior Year	7,025,957	16,516,196	9,490,239
Current Resources:			
Tax Revenues	58,529,189	58,021,635	-507,554
Non-Tax Revenues	2,272,795	3,081,633	808,838
Subtotal - Non-Dedicated Revenue	60,801,984	61,103,268	301,284
Dedicated Revenue	5	3,839	3,834
Transfers In	342,025	137,386	-204,639
Prior Year Adjustments	276,070	189,052	-87,018
Subtotal - Other Revenue	618,100	330,277	-287,823
Subtotal-Current Resources	61,420,084	61,433,545	13,461
Total Resources Available	68,446,041	77,949,741	9,503,700
<u>Actual & Estimated Spending</u>			
E-12 Education	20,164,050	24,539,113	4,375,063
Higher Education	3,518,166	4,199,607	681,441
Property Tax Aids & Credits	4,622,185	5,548,638	926,453
Health & Human Services	15,137,315	20,979,823	5,842,508
Public Safety & Judiciary	2,722,737	3,654,741	932,004
Transportation	407,458	1,398,378	990,920
Environment & Energy	374,252	1,073,042	698,790
Jobs, Commerce, Ag and Housing	1,322,804	3,918,476	2,595,672
State Government & Veterans	1,777,223	3,009,581	1,232,358
Debt Service	1,140,185	1,066,178	-74,007
Capital Projects & Grants	743,470	1,346,799	603,329
Estimated Cancellations	0	-64,000	-64,000
Total Expenditures & Transfers	51,929,845	70,670,376	18,740,531
Balance Before Reserves	16,516,196	7,279,365	-9,236,831
Cash Flow Account	350,000	350,000	0
Budget Reserve	2,852,098	3,177,370	325,272
Appropriations Carried Forward	211,070	0	-211,070
Budgetary Balance	13,103,028	3,751,995	-9,351,033

Next Biennium: FY 2026-27

November 2024 Forecast
(\$ in thousands)

	Nov FY 2026	Nov FY 2027	Biennial Total FY 2026-27
<u>Actual & Estimated Resources</u>			
Balance Forward From Prior Year	7,279,365	6,245,620	7,279,365
Current Resources:			
Tax Revenues	30,124,860	31,287,397	61,412,257
Non-Tax Revenues	1,123,027	926,957	2,049,984
Subtotal - Non-Dedicated Revenue	31,247,887	32,214,354	63,462,241
Dedicated Revenue	1,609	1,594	3,203
Transfers In	302,034	17,345	319,379
Prior Year Adjustments	34,358	34,129	68,487
Subtotal - Other Revenue	338,001	53,068	391,069
Subtotal-Current Resources	31,585,888	32,267,422	63,853,310
Total Resources Available	38,865,253	38,513,042	71,132,675
<u>Actual & Estimated Spending</u>			
E-12 Education	12,427,295	12,937,519	25,364,814
Higher Education	1,985,014	1,985,078	3,970,092
Property Tax Aids & Credits	2,323,704	2,412,474	4,736,178
Health & Human Services	11,529,184	12,278,959	23,808,143
Public Safety & Judiciary	1,691,871	1,692,241	3,384,112
Transportation	237,920	243,122	481,042
Environment & Energy	223,301	223,073	446,374
Jobs, Commerce, Ag and Housing	414,113	407,435	821,548
State Government & Veterans	811,434	817,773	1,629,207
Debt Service	576,424	644,682	1,221,106
Capital Projects & Grants	142,295	145,027	287,322
Estimated Cancellations	-23,000	-64,000	-87,000
Total Expenditures & Transfers	32,339,555	33,723,383	66,062,938
Estimated Inflation	280,078	646,319	926,397
Balance Before Reserves	6,245,620	4,143,340	4,143,340
Cash Flow Account	350,000	350,000	350,000
Budget Reserve	3,177,370	3,177,370	3,177,370
Budgetary Balance	2,718,250	615,970	615,970
Budgetary Balance without Inflation	2,998,328	1,542,367	1,542,367

Next Biennium: FY 2026-27
 November 2024 Forecast vs End of 2024 Legislative Session
 (\$ in thousands)

	EOS FY 2026-27	Nov FY 2026-27	\$ Change
<u>Actual & Estimated Resources</u>			
Balance Forward From Prior Year	6,554,593	7,279,365	724,772
Current Resources:			
Tax Revenues	62,734,322	61,412,257	-1,322,065
Non-Tax Revenues	1,700,396	2,049,984	349,588
Subtotal - Non-Dedicated Revenue	64,434,718	63,462,241	-972,477
Dedicated Revenue	5,195	3,203	-1,992
Transfers In	336,349	319,379	-16,970
Prior Year Adjustments	68,981	68,487	-494
Subtotal - Other Revenue	410,525	391,069	-19,456
Subtotal-Current Resources	64,845,243	63,853,310	-991,933
Total Resources Available	71,399,836	71,132,675	-267,161
<u>Actual & Estimated Spending</u>			
E-12 Education	25,620,053	25,364,814	-255,239
Higher Education	3,970,220	3,970,092	-128
Property Tax Aids & Credits	4,647,730	4,736,178	88,448
Health & Human Services	22,941,410	23,808,143	866,733
Public Safety & Judiciary	3,404,011	3,384,112	-19,899
Transportation	456,465	481,042	24,577
Environment & Energy	444,479	446,374	1,895
Jobs, Commerce, Ag and Housing	815,851	821,548	5,697
State Government & Veterans	1,652,118	1,629,207	-22,911
Debt Service	1,349,984	1,221,106	-128,878
Capital Projects & Grants	289,892	287,322	-2,570
Estimated Cancellations	-20,000	-87,000	-67,000
Total Expenditures & Transfers	65,572,213	66,062,938	490,725
Estimated Inflation	845,424	926,397	80,973
Balance Before Reserves	4,982,199	4,143,340	-838,859
Cash Flow Account	350,000	350,000	0
Budget Reserve	2,913,422	3,177,370	263,948
Budgetary Balance	1,718,777	615,970	-1,102,807
Budgetary Balance without Inflation	2,564,201	1,542,367	-1,021,834

Biennial ComparisonNovember 2024 Forecast
(\$ in thousands)

	Nov FY 2024-25	Nov FY 2026-27	\$ Change
<u>Actual & Estimated Resources</u>			
Balance Forward From Prior Year	16,516,196	7,279,365	-9,236,831
Current Resources:			
Tax Revenues	58,021,635	61,412,257	3,390,622
Non-Tax Revenues	3,081,633	2,049,984	-1,031,649
Subtotal - Non-Dedicated Revenue	61,103,268	63,462,241	2,358,973
Dedicated Revenue	3,839	3,203	-636
Transfers In	137,386	319,379	181,993
Prior Year Adjustments	189,052	68,487	-120,565
Subtotal - Other Revenue	330,277	391,069	60,792
Subtotal-Current Resources	61,433,545	63,853,310	2,419,765
Total Resources Available	77,949,741	71,132,675	-6,817,066
<u>Actual & Estimated Spending</u>			
E-12 Education	24,539,113	25,364,814	825,701
Higher Education	4,199,607	3,970,092	-229,515
Property Tax Aids & Credits	5,548,638	4,736,178	-812,460
Health & Human Services	20,979,823	23,808,143	2,828,320
Public Safety & Judiciary	3,654,741	3,384,112	-270,629
Transportation	1,398,378	481,042	-917,336
Environment & Energy	1,073,042	446,374	-626,668
Jobs, Commerce, Ag and Housing	3,918,476	821,548	-3,096,928
State Government & Veterans	3,009,581	1,629,207	-1,380,374
Debt Service	1,066,178	1,221,106	154,928
Capital Projects & Grants	1,346,799	287,322	-1,059,477
Estimated Cancellations	-64,000	-87,000	-23,000
Total Expenditures & Transfers	70,670,376	66,062,938	-4,607,438
Estimated Inflation	0	926,397	926,397
Balance Before Reserves	7,279,365	4,143,340	-2,209,628
Cash Flow Account	350,000	350,000	0
Budget Reserve	3,177,370	3,177,370	0
Budgetary Balance	3,751,995	615,970	-3,136,025
Budgetary Balance without Inflation	3,751,995	1,542,367	-2,209,628

Planning Estimates: FY 2028-29

November 2024 Forecast
(\$ in thousands)

	Nov FY 2028	Nov FY 2029	Biennial Total FY 2028-29
<u>Actual & Estimated Resources</u>			
Balance Forward From Prior Year	4,143,340	1,537,898	4,143,340
Current Resources:			
Tax Revenues	32,374,027	33,372,704	65,746,731
Non-Tax Revenues	885,168	874,409	1,759,577
Subtotal - Non-Dedicated Revenue	33,259,195	34,247,113	67,506,308
Dedicated Revenue	1,594	1,594	3,188
Transfers In	17,348	17,378	34,726
Prior Year Adjustments	33,900	33,672	67,572
Subtotal - Other Revenue	52,842	52,644	105,486
Subtotal-Current Resources	33,312,037	34,299,757	67,611,794
Total Resources Available	37,455,377	35,837,655	71,755,134
<u>Actual & Estimated Spending</u>			
E-12 Education	13,310,243	13,643,079	26,953,322
Higher Education	1,985,078	1,985,078	3,970,156
Property Tax Aids & Credits	2,453,077	2,493,096	4,946,173
Health & Human Services	13,027,214	13,833,451	26,860,665
Public Safety & Judiciary	1,692,241	1,692,241	3,384,482
Transportation	253,748	266,934	520,682
Environment & Energy	222,750	222,668	445,418
Jobs, Commerce, Ag and Housing	404,291	404,243	808,534
State Government & Veterans	825,614	811,995	1,637,609
Debt Service	681,723	721,165	1,402,888
Capital Projects & Grants	147,699	149,915	297,614
Estimated Cancellations	-23,000	-64,000	-87,000
Total Expenditures & Transfers	34,980,678	36,159,865	71,140,543
Estimated Inflation	936,801	1,293,758	2,230,559
Balance Before Reserves	1,537,898	-1,615,968	-1,615,968
Cash Flow Account	350,000	350,000	350,000
Budget Reserve	3,177,370	3,177,370	3,177,370
Budgetary Balance	-1,989,472	-5,143,338	-5,143,338
Budgetary Balance without Inflation	-126,274	-1,986,382	-1,986,382

Biennial ComparisonNovember 2024 Forecast
(\$ in thousands)

	Nov FY 2026-27	Nov FY 2028-29	\$ Change
<u>Actual & Estimated Resources</u>			
Balance Forward From Prior Year	7,279,365	4,143,340	-3,136,025
Current Resources:			
Tax Revenues	61,412,257	65,746,731	4,334,474
Non-Tax Revenues	2,049,984	1,759,577	-290,407
Subtotal - Non-Dedicated Revenue	63,462,241	67,506,308	4,044,067
Dedicated Revenue	3,203	3,188	-15
Transfers In	319,379	34,726	-284,653
Prior Year Adjustments	68,487	67,572	-915
Subtotal - Other Revenue	391,069	105,486	-285,583
Subtotal-Current Resources	63,853,310	67,611,794	3,758,484
Total Resources Available	71,132,675	71,755,134	622,459
<u>Actual & Estimated Spending</u>			
E-12 Education	25,364,814	26,953,322	1,588,508
Higher Education	3,970,092	3,970,156	64
Property Tax Aids & Credits	4,736,178	4,946,173	209,995
Health & Human Services	23,808,143	26,860,665	3,052,522
Public Safety & Judiciary	3,384,112	3,384,482	370
Transportation	481,042	520,682	39,640
Environment & Energy	446,374	445,418	-956
Jobs, Commerce, Ag and Housing	821,548	808,534	-13,014
State Government & Veterans	1,629,207	1,637,609	8,402
Debt Service	1,221,106	1,402,888	181,782
Capital Projects & Grants	287,322	297,614	10,292
Estimated Cancellations	-87,000	-87,000	0
Total Expenditures & Transfers	66,062,938	71,140,543	5,077,605
Estimated Inflation	926,397	2,230,559	1,304,162
Balance Before Reserves	4,143,340	-1,615,968	-4,455,146
Cash Flow Account	350,000	350,000	0
Budget Reserve	3,177,370	3,177,370	0
Budgetary Balance	615,970	-5,143,338	-5,759,308
Budgetary Balance without Inflation	1,542,367	-1,986,382	-3,528,749

FY 2024-29 Planning Horizon

November 2024 Forecast
(\$ in thousands)

	Nov FY 2024-25	Nov FY 2026-27	Nov FY 2028-29
Actual & Estimated Resources			
Balance Forward From Prior Year	16,516,196	7,279,365	4,143,340
Current Resources:			
Tax Revenues	58,021,635	61,412,257	65,746,731
Non-Tax Revenues	3,081,633	2,049,984	1,759,577
Subtotal - Non-Dedicated Revenue	61,103,268	63,462,241	67,506,308
Dedicated Revenue	3,839	3,203	3,188
Transfers In	137,386	319,379	34,726
Prior Year Adjustments	189,052	68,487	67,572
Subtotal - Other Revenue	330,277	391,069	105,486
Subtotal-Current Resources	61,433,545	63,853,310	67,611,794
Total Resources Available	77,949,741	71,132,675	71,755,134
Actual & Estimated Spending			
E-12 Education	24,539,113	25,364,814	26,953,322
Higher Education	4,199,607	3,970,092	3,970,156
Property Tax Aids & Credits	5,548,638	4,736,178	4,946,173
Health & Human Services	20,979,823	23,808,143	26,860,665
Public Safety & Judiciary	3,654,741	3,384,112	3,384,482
Transportation	1,398,378	481,042	520,682
Environment & Energy	1,073,042	446,374	445,418
Jobs, Commerce, Ag and Housing	3,918,476	821,548	808,534
State Government & Veterans	3,009,581	1,629,207	1,637,609
Debt Service	1,066,178	1,221,106	1,402,888
Capital Projects & Grants	1,346,799	287,322	297,614
Estimated Cancellations	-64,000	-87,000	-87,000
Total Expenditures & Transfers	70,670,376	66,062,938	71,140,543
Estimated Inflation	0	926,397	2,230,559
Balance Before Reserves	7,279,365	4,143,340	-1,615,968
Cash Flow Account	350,000	350,000	350,000
Budget Reserve	3,177,370	3,177,370	3,177,370
Budgetary Balance	3,751,995	615,970	-5,143,338
Budgetary Balance without Inflation	3,751,995	1,542,367	-1,986,382

Historical and Projected Revenue Growth

November 2024 Forecast - General Fund

(\$ in millions)

	Actual FY 2022	Actual FY 2023	Actual FY 2024	Nov FY 2025	Nov FY 2026	Nov FY 2027	Pling FY 2028	Pling FY 2029	Average Annual
Individual Income Tax	\$16,873	\$15,778	\$14,873	\$15,673	\$16,042	\$16,779	\$17,503	\$18,110	
\$ change	2,640	(1,095)	(905)	800	370	736	724	607	
% change	18.6%	-6.5%	-5.7%	5.4%	2.4%	4.6%	4.3%	3.5%	1.0%
Sales Tax	\$6,644	\$7,446	\$7,546	\$7,529	\$7,793	\$8,047	\$8,293	\$8,547	
\$ change	474	802	100	(18)	264	254	246	254	
% change	7.7%	12.1%	1.3%	-0.2%	3.5%	3.3%	3.1%	3.1%	3.7%
Corporate Tax	\$2,823	\$2,929	\$3,171	\$3,136	\$3,156	\$3,220	\$3,250	\$3,305	
\$ change	564	106	242	(35)	20	65	30	54	
% change	25.0%	3.8%	8.3%	-1.1%	0.6%	2.1%	0.9%	1.7%	2.3%
Statewide Property Tax	\$774	\$765	\$718	\$753	\$747	\$745	\$745	\$745	
\$ change	(29)	(9)	(47)	35	(6)	(2)	0	0	
% change	-3.6%	-1.2%	-6.2%	4.9%	-0.8%	-0.2%	0.0%	0.0%	-0.5%
Other Tax Revenue	\$2,277	\$2,221	\$2,253	\$2,370	\$2,387	\$2,496	\$2,583	\$2,666	
\$ change	80	(56)	32	117	17	109	86	83	
% change	3.6%	-2.5%	1.4%	5.2%	0.7%	4.6%	3.5%	3.2%	2.3%
Total Tax Revenue	\$29,390	\$29,139	\$28,562	\$29,460	\$30,125	\$31,287	\$32,374	\$33,373	
\$ change	3,730	(251)	(577)	898	665	1,163	1,087	999	
% change	14.5%	-0.9%	-2.0%	3.1%	2.3%	3.9%	3.5%	3.1%	1.8%
Non-Tax Revenues	\$927	\$1,346	\$1,747	\$1,335	\$1,123	\$927	\$885	\$874	
\$ change	5	419	401	(412)	(212)	(196)	(42)	(11)	
% change	0.5%	45.3%	29.8%	-23.6%	-15.9%	-17.5%	-4.5%	-1.2%	-0.8%
Transfers, All Other	\$313	\$162	\$264	\$67	\$338	\$53	\$53	\$53	
\$ change	(434)	(151)	102	(197)	271	(285)	(0)	(0)	
% change	-58.1%	-48.2%	62.7%	-74.7%	407.1%	-84.3%	-0.4%	-0.4%	-22.5%
Total Revenue	\$30,629	\$30,647	\$30,572	\$30,862	\$31,586	\$32,267	\$33,312	\$34,300	
\$ change	3,301	18	(75)	290	724	682	1,045	988	
% change	12.1%	0.1%	-0.2%	0.9%	2.3%	2.2%	3.2%	3.0%	1.6%

Historical and Projected Spending Growth

November 2024 Forecast - General Fund
(\$ in millions)

	Actual FY 2022	Actual FY 2023	Actual FY 2024	Nov FY 2025	Nov FY 2026	Nov FY 2027	Pling FY 2028	Pling FY 2029	Average Annual
E-12 Education	\$9,779	\$10,204	\$11,969	\$12,570	\$12,427	\$12,938	\$13,310	\$13,643	
\$ change	43	425	1,765	601	(143)	510	373	333	
% change	0.4%	4.3%	17.3%	5.0%	-1.1%	4.1%	2.9%	2.5%	4.9%
Higher Education	\$1,750	\$1,768	\$2,062	\$2,137	\$1,985	\$1,985	\$1,985	\$1,985	
\$ change	36	18	294	75	(152)	0	-	-	
% change	2.1%	1.0%	16.6%	3.6%	-7.1%	0.0%	0.0%	0.0%	1.8%
Prop. Tax Aids & Credits	\$2,053	\$2,569	\$2,820	\$2,728	\$2,324	\$2,412	\$2,453	\$2,493	
\$ change	27	516	251	(92)	(405)	89	41	40	
% change	1.3%	25.1%	9.8%	-3.3%	-14.8%	3.8%	1.7%	1.6%	2.8%
Health & Human Services	\$6,923	\$8,215	\$9,934	\$11,046	\$11,529	\$12,279	\$13,027	\$13,833	
\$ change	312	1,292	1,719	1,111	484	750	748	806	
% change	4.7%	18.7%	20.9%	11.2%	4.4%	6.5%	6.1%	6.2%	10.4%
Public Safety & Judiciary	\$1,292	\$1,430	\$1,681	\$1,974	\$1,692	\$1,692	\$1,692	\$1,692	
\$ change	(21)	138	251	293	(282)	0	-	-	
% change	-1.6%	10.6%	17.5%	17.5%	-14.3%	0.0%	0.0%	0.0%	3.9%
Debt Service	\$592	\$548	\$508	\$559	\$576	\$645	\$682	\$721	
\$ change	77	(44)	(40)	51	18	68	37	39	
% change	14.9%	-7.5%	-7.4%	10.1%	3.2%	11.8%	5.7%	5.8%	2.8%
All Other	\$2,116	\$2,509	\$6,308	\$4,374	\$1,806	\$1,772	\$1,831	\$1,792	
\$ change	569	393	3,799	(1,934)	(2,568)	(34)	59	(39)	
% change	36.8%	18.6%	151.4%	-30.7%	-58.7%	-1.9%	3.3%	-2.1%	-2.3%
Total Spending	\$24,505	\$27,243	\$35,282	\$35,388	\$32,340	\$33,723	\$34,981	\$36,160	
\$ change	1,042	2,738	8,039	106	(3,048)	1,384	1,257	1,179	
% change	4.4%	11.2%	29.5%	0.3%	-8.6%	4.3%	3.7%	3.4%	5.7%