

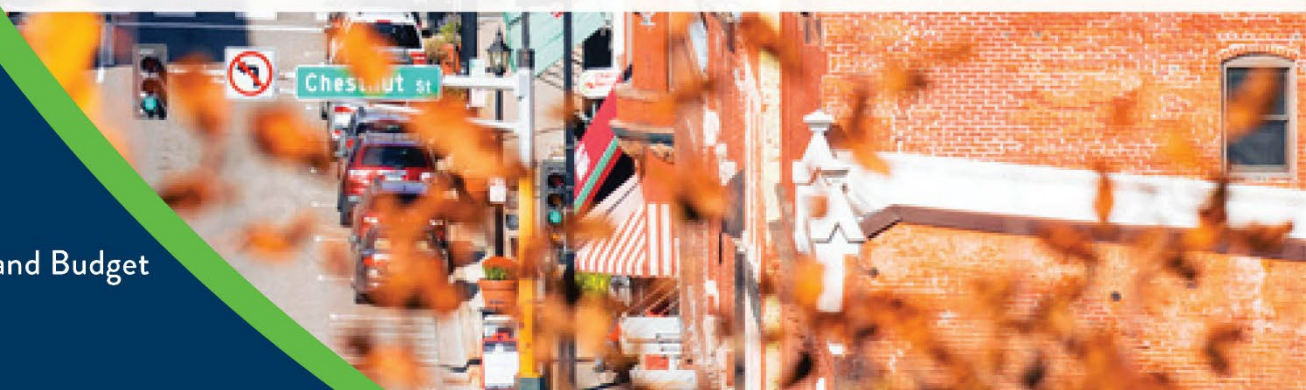


BUDGET AND ECONOMIC FORECAST



NOVEMBER 2024

Produced by Minnesota Management and Budget



Small Balance Projected in FY 2026-27, Structural Imbalance Grows

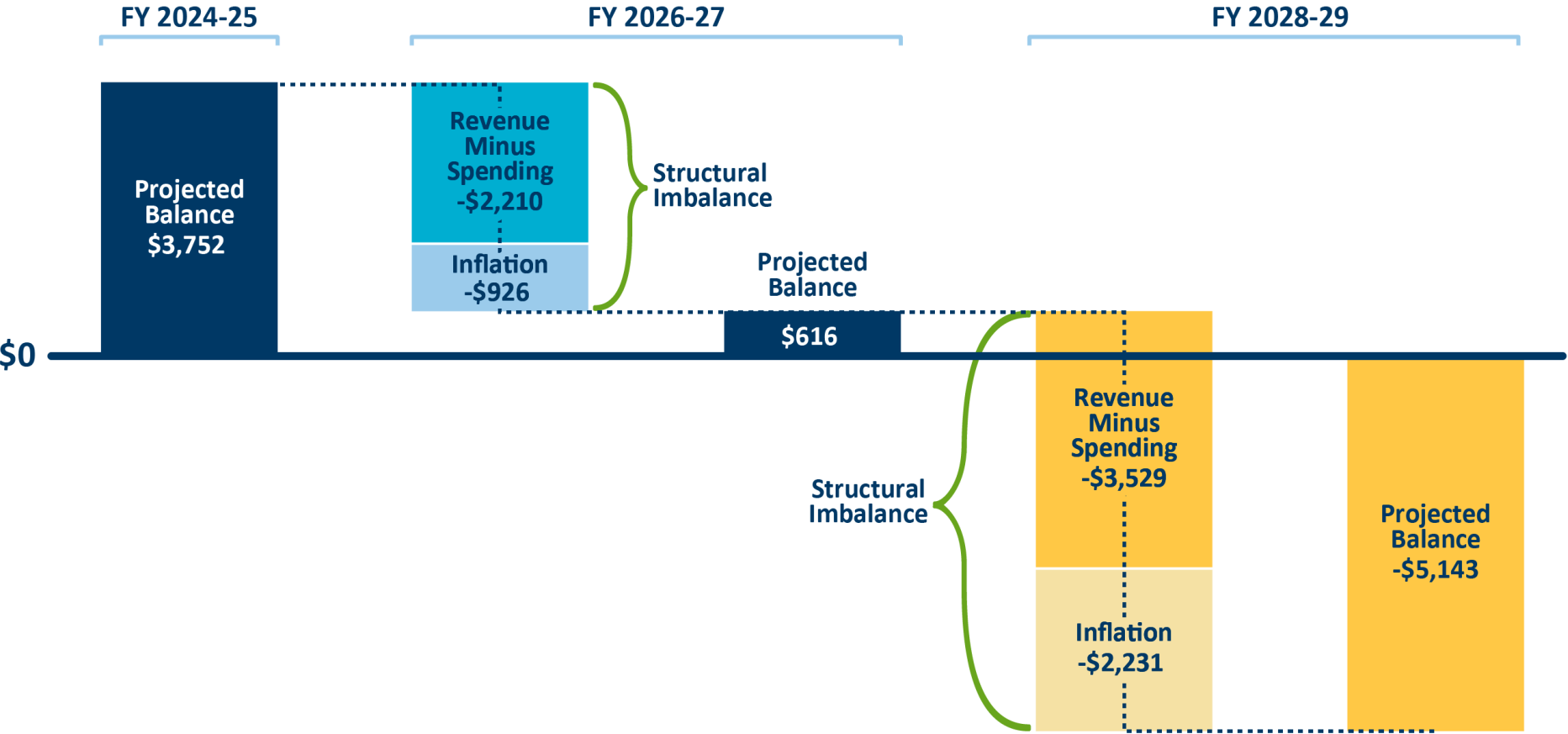
- FY 2026-27 projected balance is \$616 million, \$1.1 billion less than prior estimates
 - Structural imbalance widens as spending growth exceeds long term revenue forecast, driving projected deficit in FY 2028-29 biennium
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- Individual income and sales tax revenues are lower than previously estimated
 - Long-term care services and special education drive increased spending
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- Potential policy shifts at federal level create forecast uncertainty
 - Statutory allocation to budget reserve reinforces state's commitment to strong financial planning

FY 2026-27 Forecast Changes

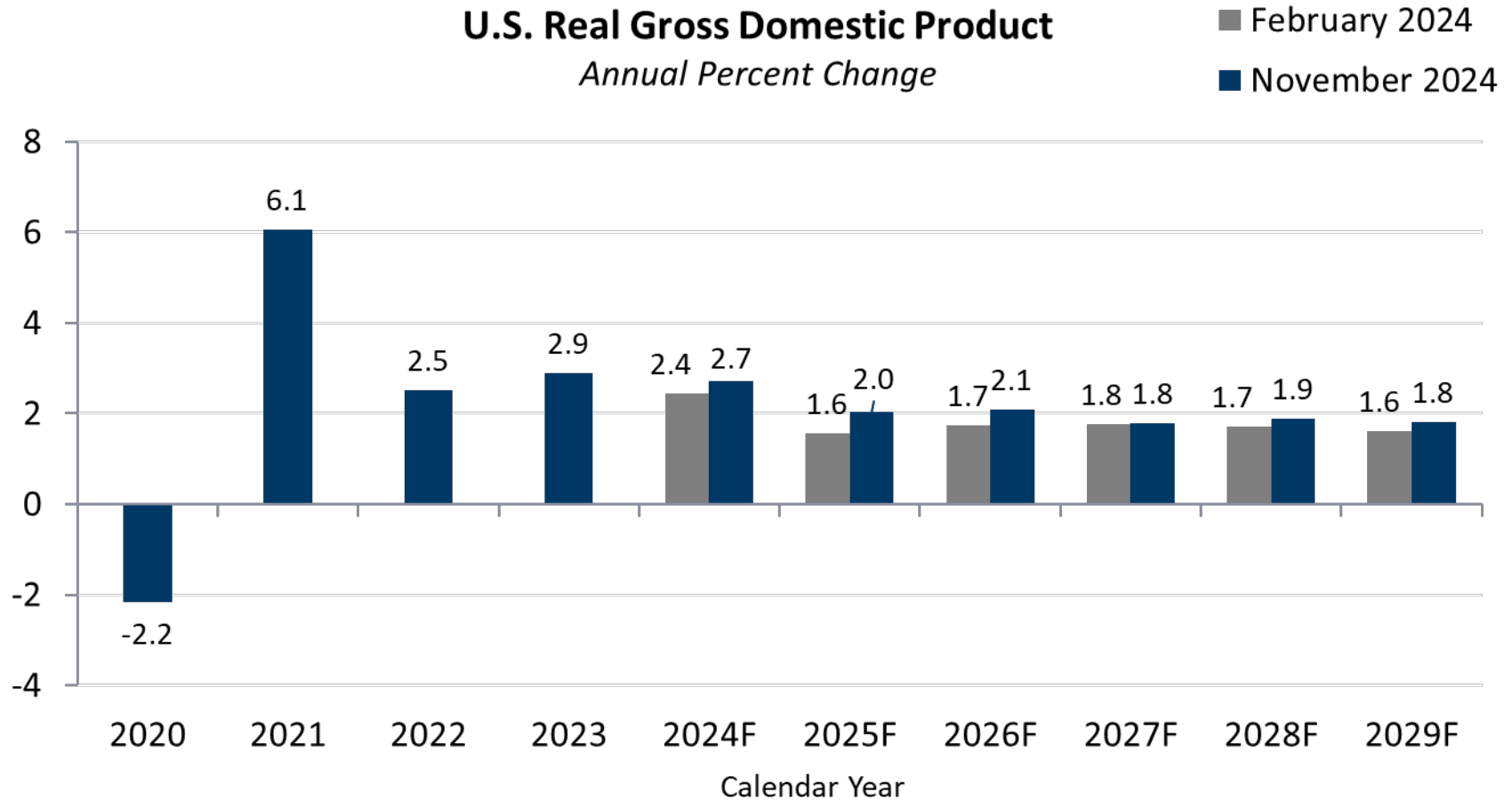
(\$ in millions)	FY 2026-27 End of Session	FY 2026-27 Nov Forecast	Forecast Change
Beginning Balance	\$6,555	\$7,279	\$724
Total Revenues	64,845	63,853	(992)
Total Spending	66,417	66,989	572
<i>Spending</i>	<i>65,572</i>	<i>66,063</i>	<i>491</i>
<i>Discretionary Inflation</i>	<i>845</i>	<i>926</i>	<i>81</i>
Cash Flow and Budget Reserve	3,263	3,527	264
Budgetary Balance	\$1,719	\$616	\$(1,103)
<i>Balance without Discretionary Inflation</i>	<i>\$2,564</i>	<i>\$1,542</i>	<i>\$(1,022)</i>

Fiscal Snapshot: Forecast Horizon FY 2024 through FY 2029

(\$ millions)



Near-term U.S. Economic Outlook Improved; Slow Growth Projected in Long Term

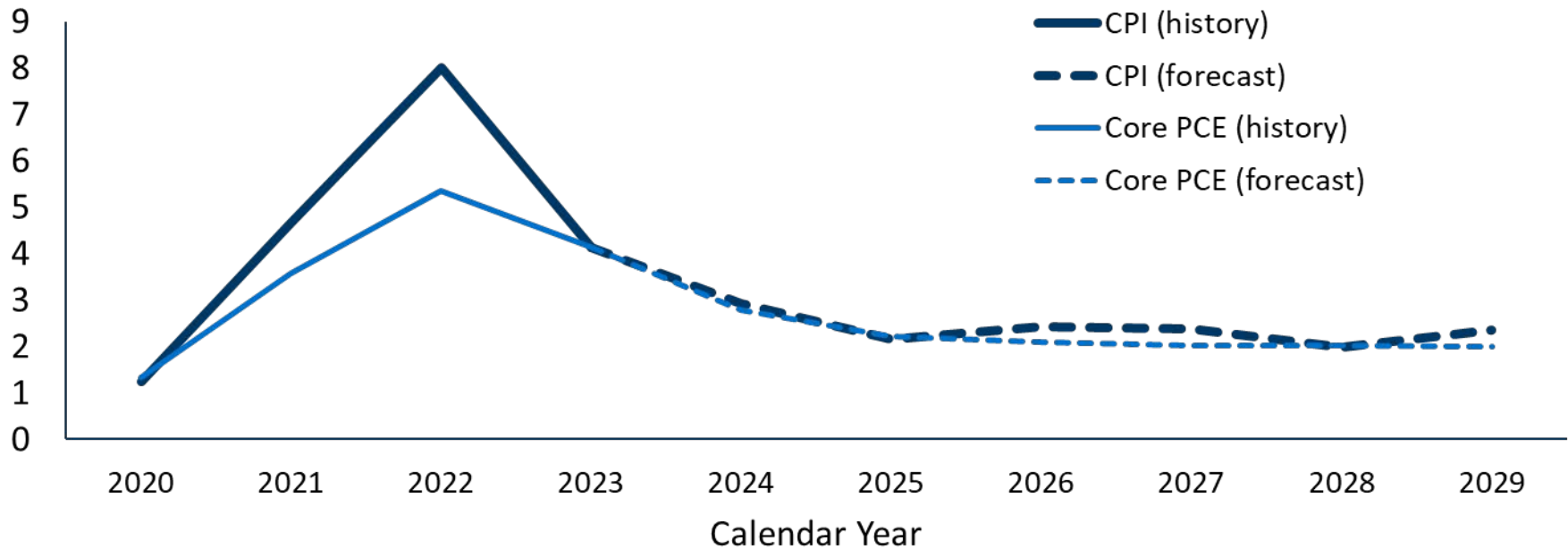


Source: U.S. Bureau of Economic Analysis (BEA), S&P Global Market Intelligence (SPGMI)

SPGMI's macro-economic forecast was prepared prior to the November election.

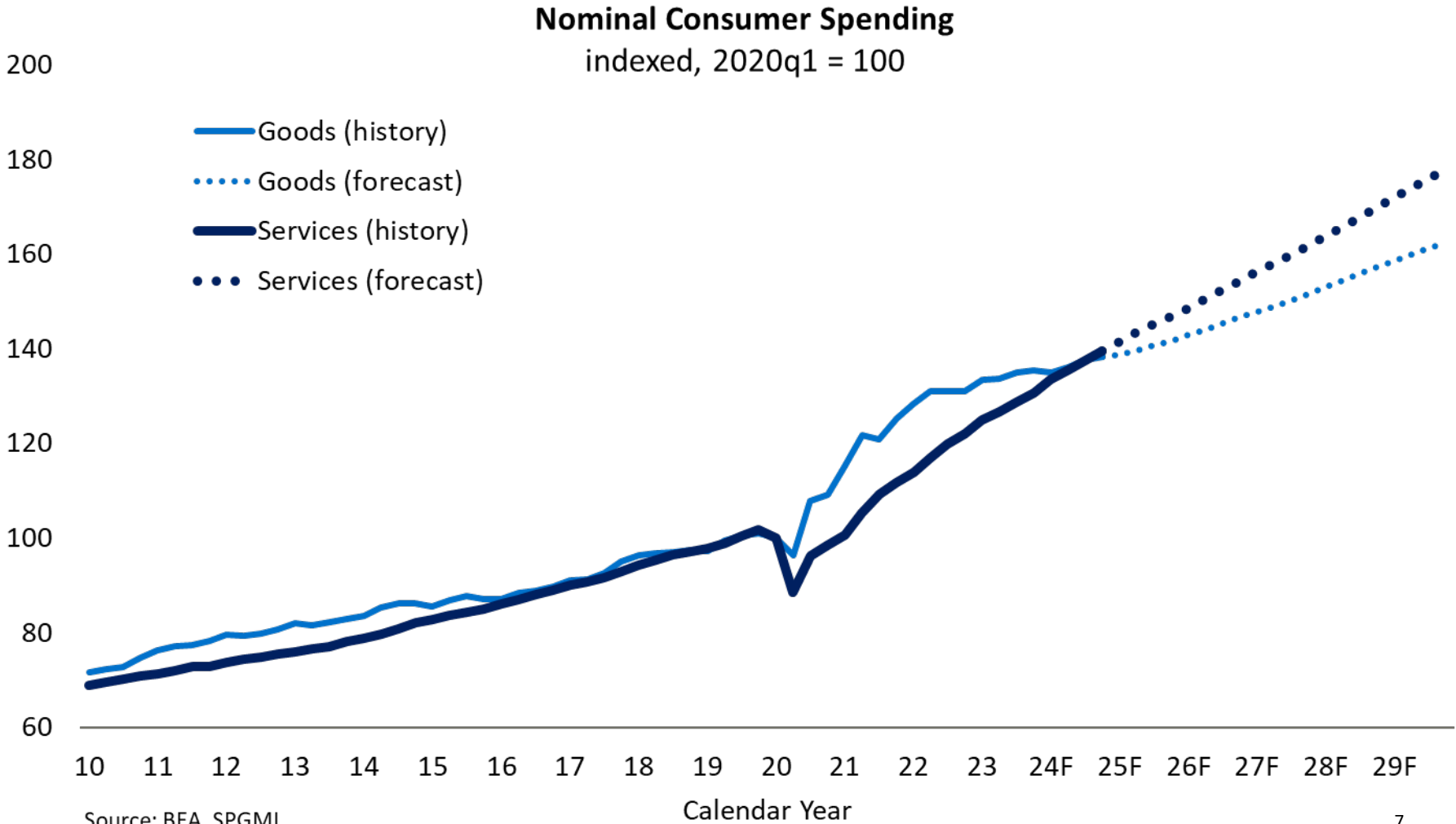
Inflation Forecasted to Moderate

**Consumer Price Index and
Core Personal Consumption Expenditure Inflation**
Annual Percent Change

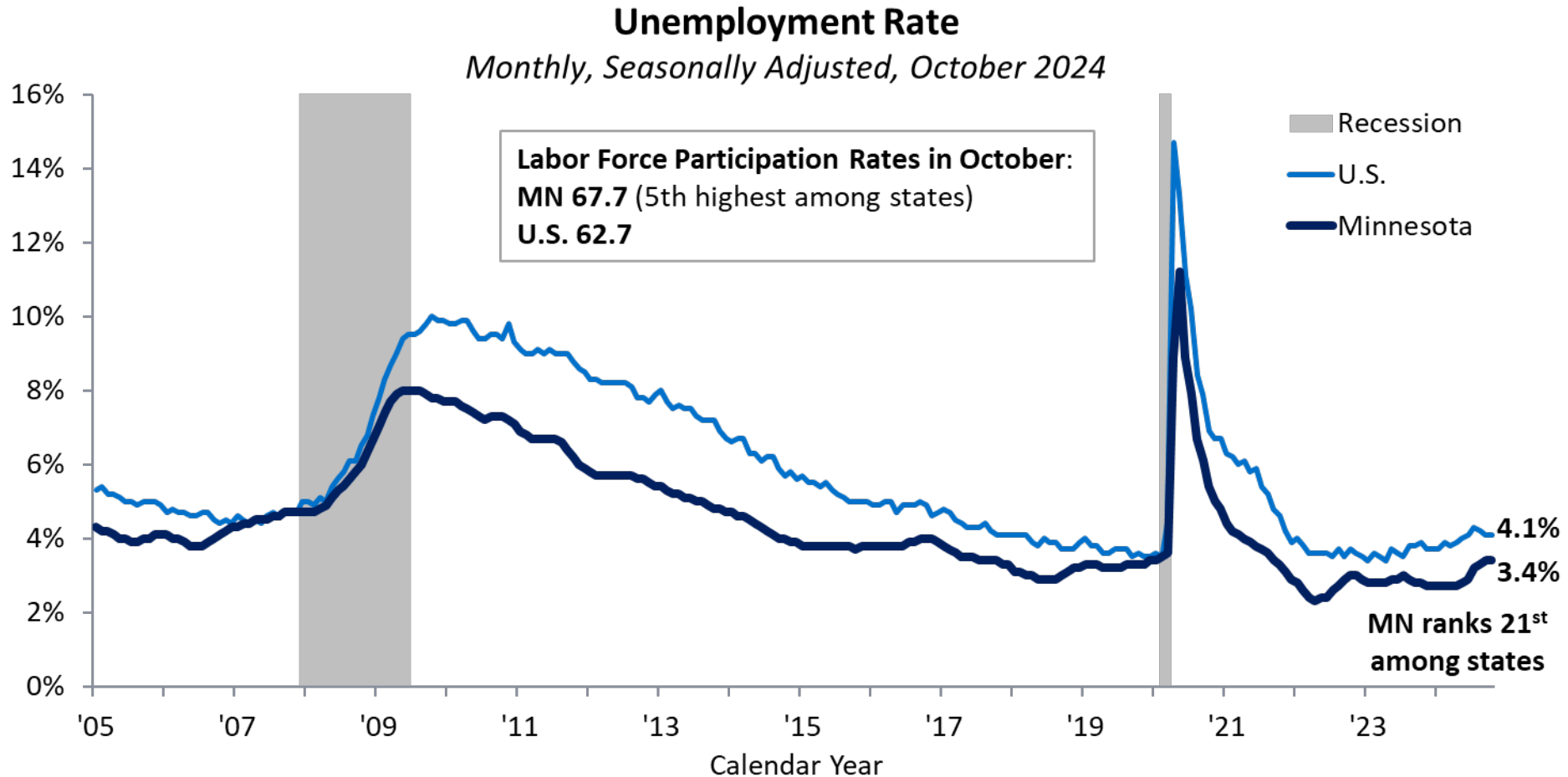


Source: U.S. Bureau of Economic Analysis (BEA), SPGMI

Lower Growth in Goods than Services Spending

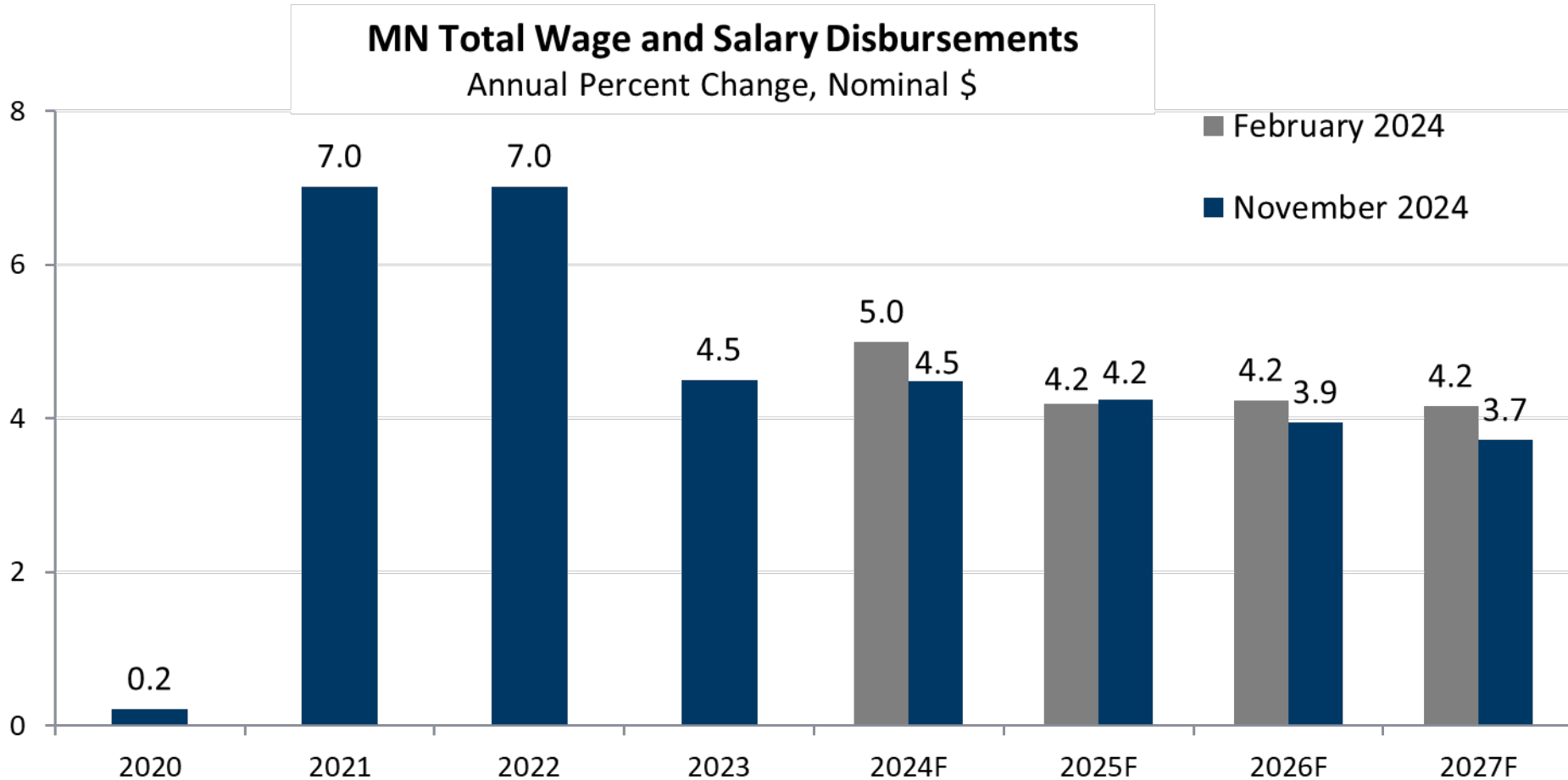


U.S. and Minnesota Unemployment



Sources: BLS, MN Department of Employment and Economic Development (DEED)

Lower Growth in Minnesota Wages & Salaries



U.S. Economic Forecast Risks



Uncertainty around trade and immigration policies



U.S. fiscal policy uncertainties



Inflation



Monetary policy



Geopolitical conflict



31 months until the end of FY 2026-27

Revenue Forecast

(\$ in millions)

	FY 2026-27 End of Session	FY 2026-27 Nov. Forecast	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
All Other Revenue	8,526	8,816	290	3.4
Total Revenues	\$64,845	\$63,853	\$(992)	(1.5)

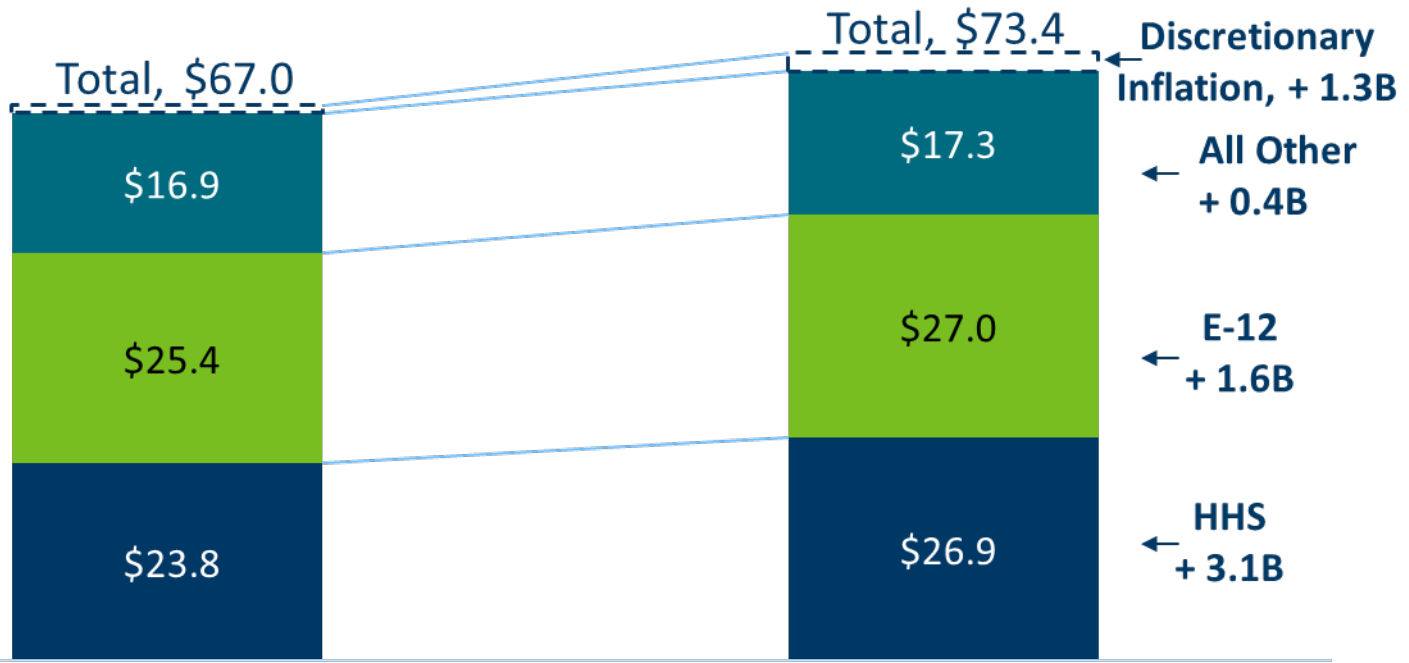
Spending Forecast

(\$ in millions)	FY 2026-27 End of Session*	FY 2026-27 Nov Forecast	Forecast Change	% Change
E-12 Education*	\$25,163	\$25,365	\$202	0.8
Health and Human Services*	23,420	23,808	388	1.7
Property Tax Aids and Credits	4,648	4,736	88	1.9
Debt Service	1,350	1,221	(129)	(9.5)
All Other*	10,992	10,933	(59)	(0.5)
<i>Discretionary Inflation</i>	<i>845</i>	<i>926</i>	<i>81</i>	<i>9.6</i>
Total Spending	\$66,418	\$66,989	\$572	0.9

*End of session values adjusted to reflect statutory transfer of programs between bill areas.

HHS and E-12 Growth Outpacing Other Areas

General Fund Spending By Major Area
(\$ in billions)



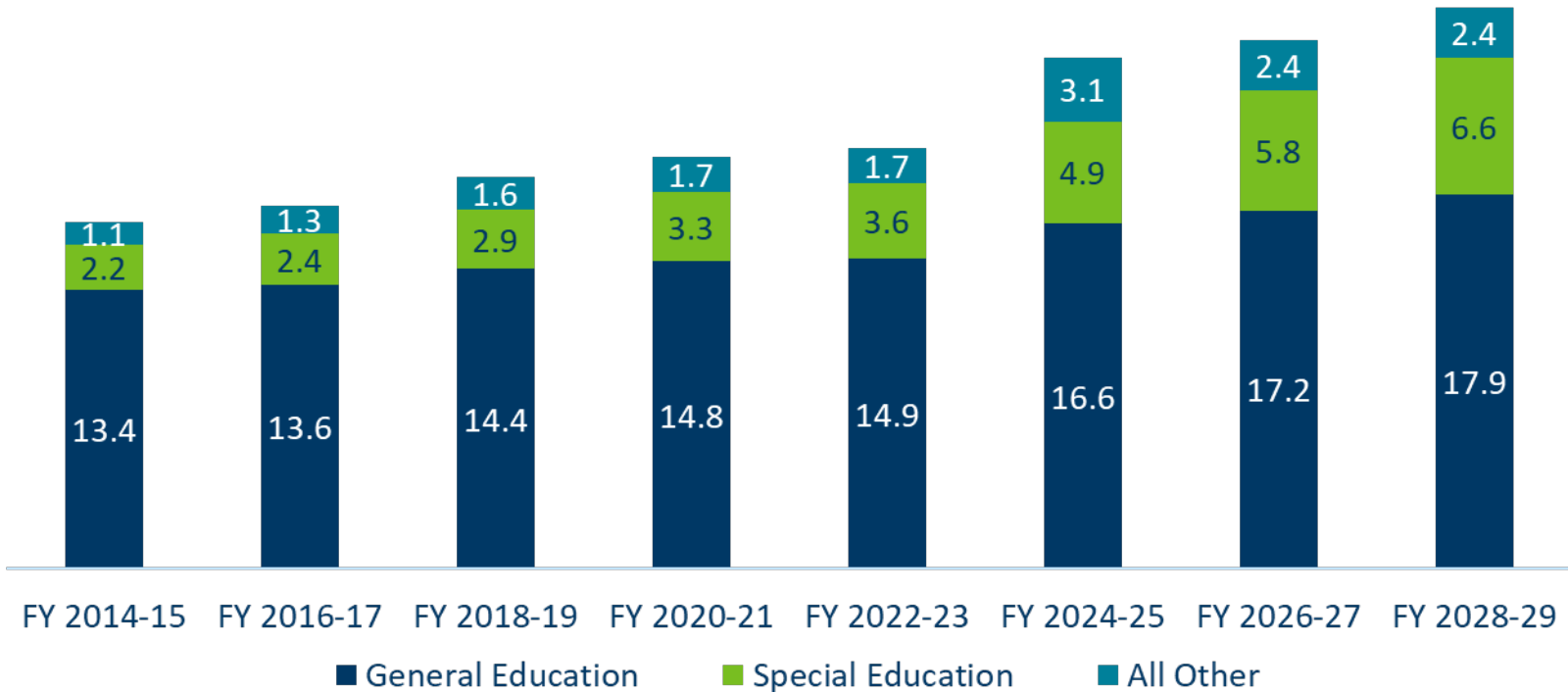
FY 2026-27

FY 2028-29

■ HHS ■ E-12 ■ All Other □ Discretionary Inflation

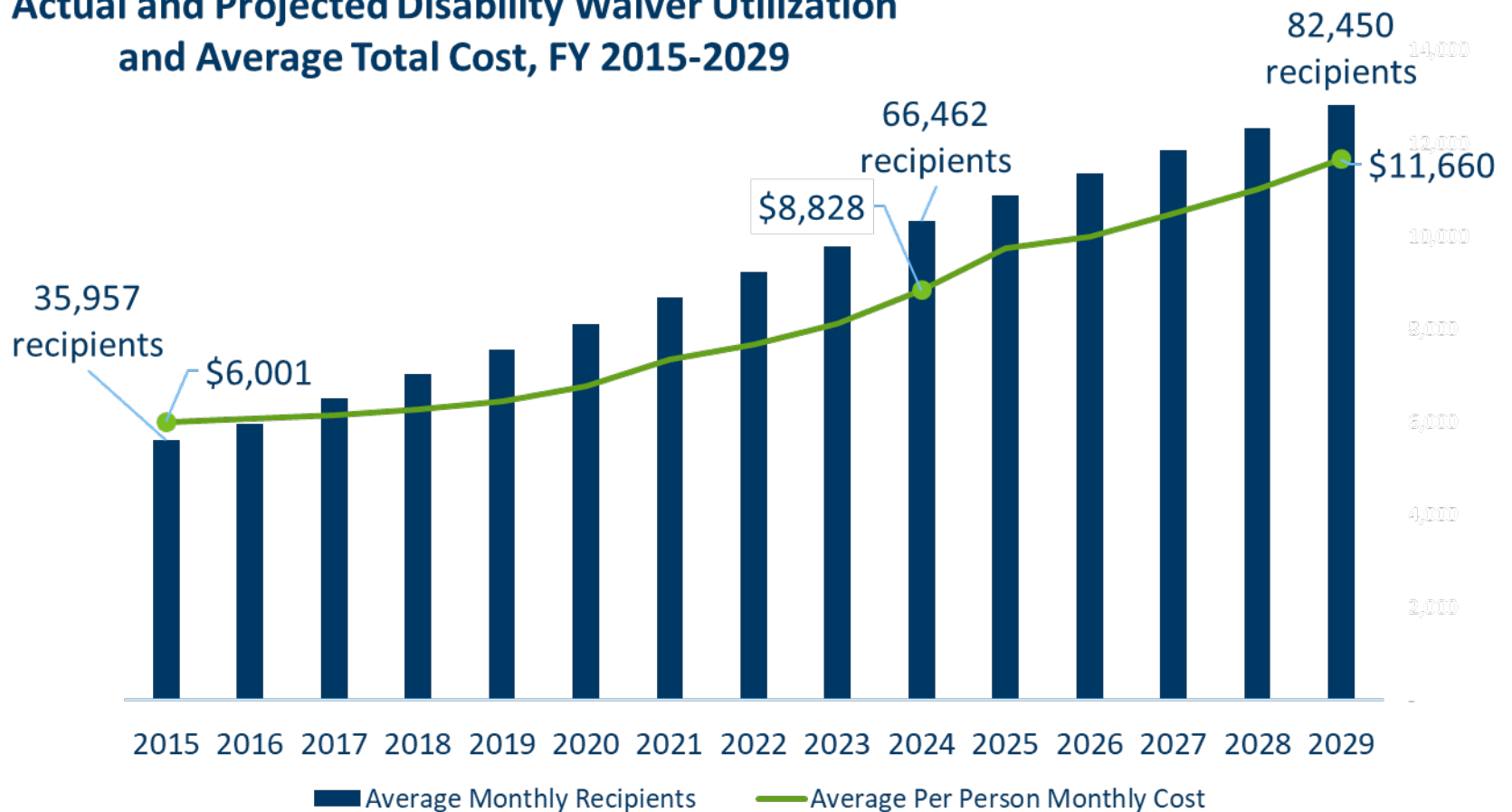
Special Education Drives E-12 Growth

E-12 Education General Fund Expenditures by Biennium
(\$ in billions)



Use and Cost of Disability Services Have Grown Over Time

Actual and Projected Disability Waiver Utilization and Average Total Cost, FY 2015-2029

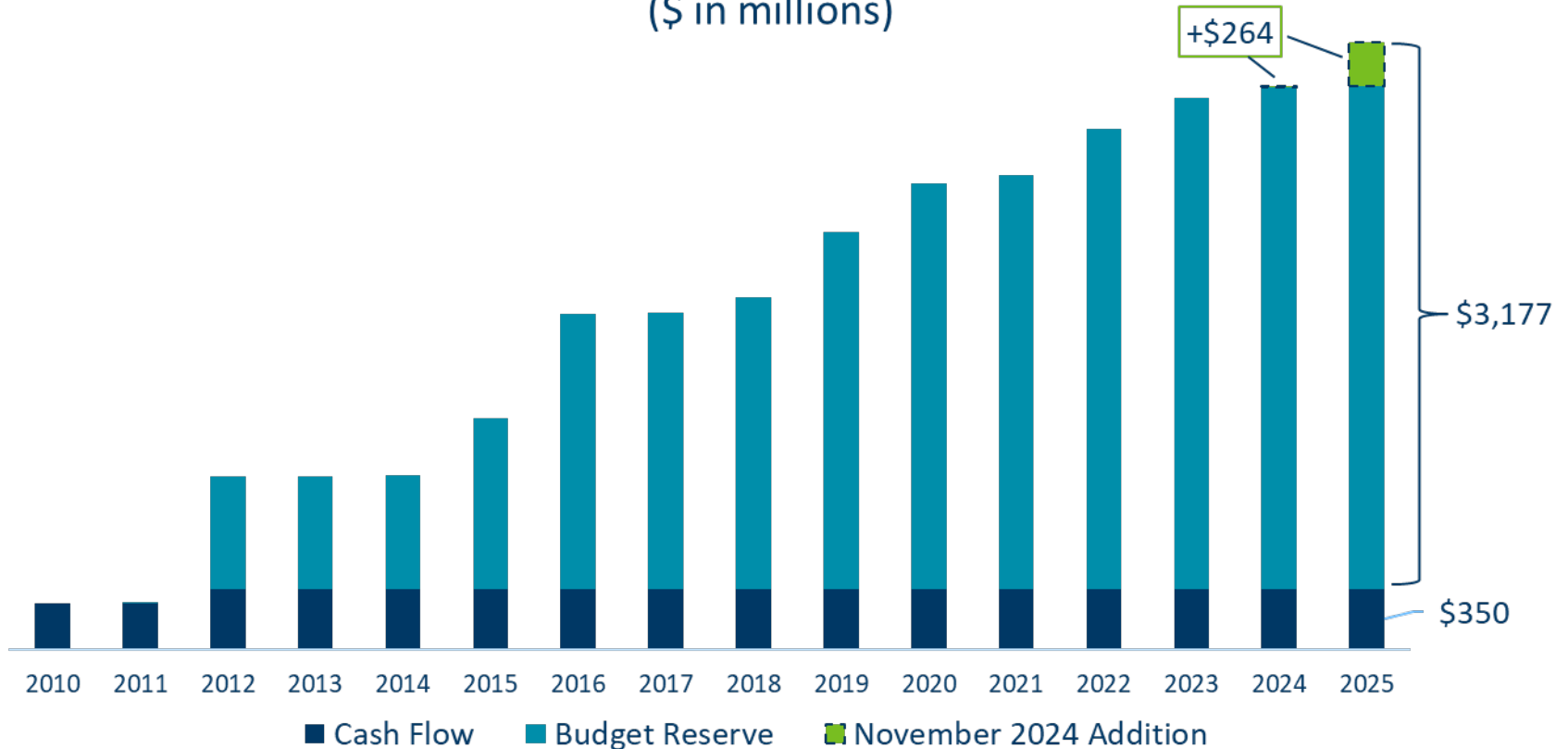


Long Term Budget Outlook

\$ in millions	FY 2026-27	FY 2028-29	Biennial Growth	Annualized % Growth
Forecast Revenues	\$63,853	\$67,612	\$3,758	2.8%
Total Forecast Spending	66,989	73,371	6,382	4.7
<i>Baseline Spending</i>	<i>66,063</i>	<i>71,141</i>	<i>5,078</i>	<i>3.8</i>
<i>Discretionary Inflation</i>	<i>926</i>	<i>2,231</i>	<i>1,304</i>	
Structural Balance	\$(3,136)	\$(5,759)		
<i>Structural Balance Without Discretionary Inflation</i>	<i>\$(2,210)</i>	<i>(3,529)</i>		

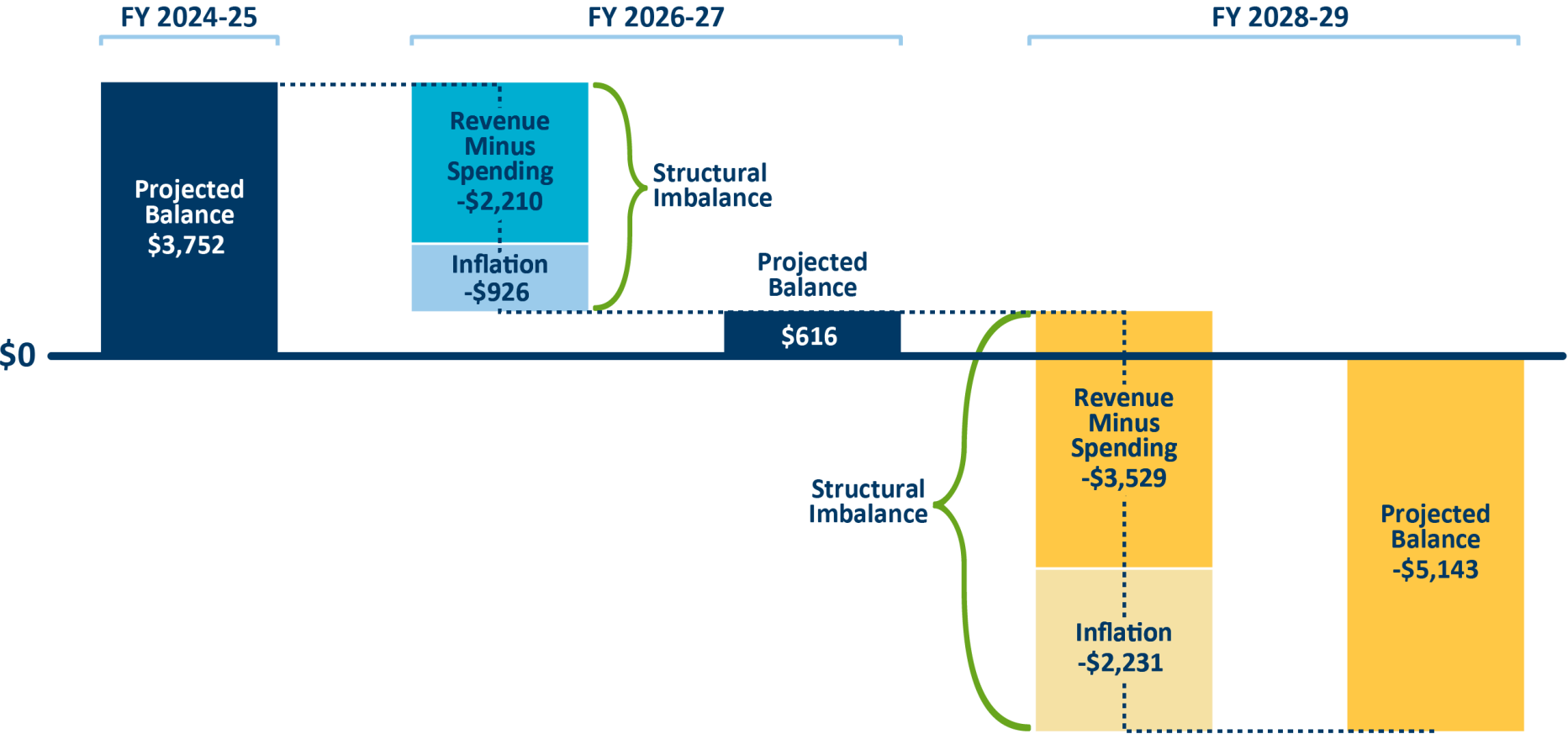
Reserves and Budget Stability

General Fund Reserves, FY 2010-25
(\$ in millions)



Fiscal Snapshot: Forecast Horizon FY 2024 through FY 2029

(\$ millions)





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