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Minnesota Management and Budget Non-Operating

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<https://mn.gov/mmb/>

AT A GLANCE

- Maintain approximately 140 accounts outside of MMB's regular statutory operations
- Receive over \$500 million in deposits, transfers, and cancellations to the general fund annually
- Act as fiscal agent for \$8 million in federal funds annually
- Collect almost \$98 million in miscellaneous fees, fines, penalties, and surcharges annually
- Provide \$69.7 million in direct aid to various local and state pension funds annually

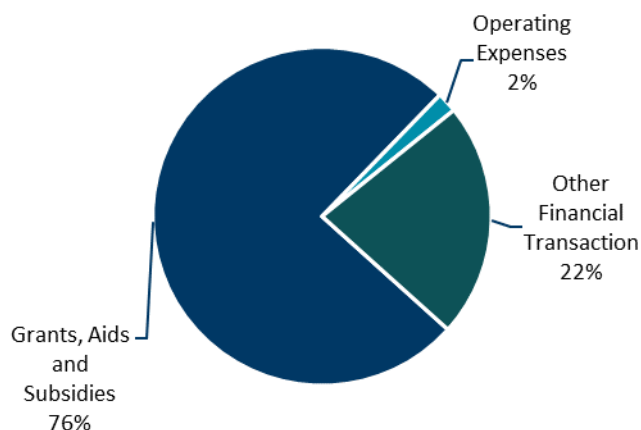
PURPOSE

Minnesota Management and Budget (MMB) provides statewide accounting, budgeting, and financial management functions. Statute requires MMB to manage a number of accounts and transactions that are outside of our day-to-day operations. This collective work is referred to as MMB's non-operating activities. These accounts and transactions cover a broad range of financial activities, including tort claims, contingency accounts, and pension direct aids as well as miscellaneous payments, deposits, and transfers. We are also responsible for receiving and depositing the state's share of various fees, fines, assessments, and surcharges collected by counties and judicial districts. Additionally, we act as a pass-through entity for federal payments in lieu of taxes, which we then remit to local units of government where national forests are located.

MMB is driven by our mission as stewards of the state's financial and human resources, delivering effective services for the people of Minnesota. Oversight of these non-operating activities is an important aspect of stewardship of state resources.

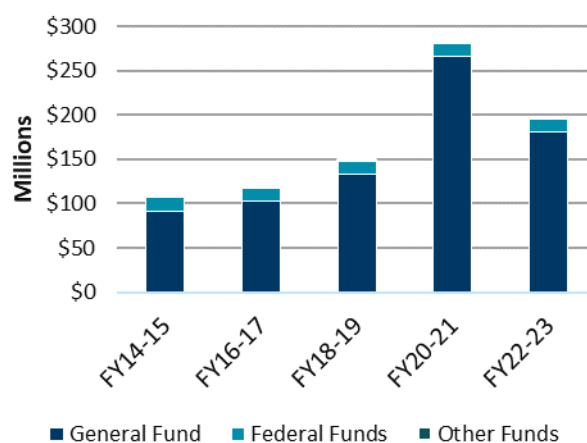
BUDGET

**Spending by Category
FY 2023 Actual**



Source: Budget Planning & Analysis System (BPAS)

Historical Spending



Source: Consolidated Fund Statement

The charts above show the amounts and categories of MMB non-operating expenditures. They do not include debt service payments administered by the agency. Expenditures are just one facet of MMB's non-operating activities. The increase in spending for the FY20-21 biennium is primarily related to County Relief Grants to Local

Businesses per 2020 special session 7 Chapter 2, Article 5. Our agency also processes a variety of deposits and transfers. MMB's non-operating activities are described in more detail below.

Tort Claims: This account pays tort claim judgments against a state agency that cannot be paid from that agency's appropriated accounts. As specified in Minnesota Statutes, Section 3.736, Subdivision 7, a state agency may seek approval from MMB to use money in the MMB non-operating account for tort claims if MMB determines that there is not enough money in the agency's appropriations to cover the tort claim payment.

Contingent Accounts: Contingent accounts are appropriations made from several state funds to provide supplemental funding for emergencies and other legally authorized purposes. The release and expenditure of this funding requires the approval of the Governor after consultation with the Legislative Advisory Commission (LAC). The LAC provides legislative review for use of these funds during interim periods when the Legislature is not in session. With the approval of the Governor, supplemental funding for specific purposes is transferred to individual agency budgets; thus, expenditure history appears in the affected agency's budget.

Administrative Accounts: The state administers various trusts and funds on behalf of Minnesotans, including the Children's Trust, the Environmental Trust, and the Permanent School Fund. MMB manages the accounts used to support the administration of these trusts and funds.

Cash Flow Accounts: On an ongoing or one-time basis, some agencies or programs receive specific legislative authority to use general fund money to cash flow programs or activities during a biennium. These accounts are housed within the MMB non-operating accounts. In recent years, MMB has managed the following cash flow accounts:

- Lease-Purchase Cash Flow Account
- Education Aids Cash Flow Account
- Office of Higher Education Cash Flow Account
- MNsure Cash Flow Account
- MN.IT Cash Flow Account

Federal Payments in Lieu of Taxes: MMB receives pass-through federal payments in lieu of taxes for national forest lands, like the Chippewa National Forest and Superior National Forest. We receive these payments from the federal government and distribute them to the local government units that are home to these forest lands.

Miscellaneous Fees, Fines, Assessments, Surcharges, and Deposits: The state charges fees and surcharges for various activities, including obtaining marriage licenses or adopting a child. It also assesses fines and penalties for violations of the law. These receipts are often dedicated to more than one activity across multiple agencies; therefore, MMB is tasked with acting as an intermediary between the collecting entity and the receiving entities. In other instances, we are required to collect certain deposits that contribute to the available balance in the general fund or other funds.

Pension Direct Aids: The state provides direct aid to the Teachers Retirement Association (TRA) and the Public Employees Retirement Association (PERA) to help offset the additional liability those systems assumed when they merged with the Duluth Teachers Retirement Fund (TRA), the Minneapolis Teachers Retirement Fund (TRA), and the Minneapolis Employees Retirement Fund (PERA). The state also provides direct aid to the PERA Police and Fire Fund as well as to the St. Paul Teachers' Retirement Fund to help offset unfunded liabilities. These aids are appropriated to MMB for payment to the applicable pension funds.

STRATEGIES

MMB's non-operating activities contribute to the priorities of Fiscal Accountability and Measurable Results. To support these priorities, a key MMB goal is to direct and model responsible, transparent fiscal management. We

work to ensure state resources are used effectively; ensure public trust by responsibly managing state finances and maintaining or improving the state's credit ratings; and communicate the state's fiscal priorities along with financial information in an accessible way. These principles extend to both MMB's operating and non-operating functions. We strive to complete our prescribed non-operating duties according to law and accounting principles. We also report non-operating activities in the Biennial Budget, Enacted Budget, Budget and Economic Forecasts, and financial statements.

Minnesota Statutes, Chapters 16A (<https://www.revisor.mn.gov/statutes/?id=16A>) and 43A (<https://www.revisor.mn.gov/statutes/cite/43A>) provide the general legal authority for MMB. However, MMB's non-operating activities are authorized throughout various sections of Minnesota Statutes as well as Minnesota Session Law.

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base		Governor's Recommendation	
					FY26	FY27	FY26	FY27
<u>Expenditures by Fund</u>								
1000 - General	81,298	99,193	210,163	89,604	86,764	85,832	86,764	85,832
1201 - Health Related Boards				800	400	400	400	400
2001 - Other Misc Special Revenue	226	447	2,020	2,661	2,405	2,405	2,405	2,405
2830 - Workers Compensation				200	100	100	100	100
3000 - Federal	7,982	7,985	8,047	8,041	8,037	8,037	8,037	8,037
3700 - Debt Service			390	200	200	200	200	200
5000 - Master Lease	21,039	19,437	22,155	28,041	33,459	33,459	33,459	33,459
Total	110,544	127,062	242,776	129,547	131,365	130,433	131,365	130,433
Biennial Change				134,716		(110,525)		(110,525)
Biennial % Change				57		(30)		(30)
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Program

Contingent				4,000	2,000	500	2,000	500
Teachers Aid	60,658	60,658	76,405	62,196	60,658	60,658	60,658	60,658
Tort Claims	145	12		322	161	161	161	161
Federal Funds	7,982	7,985	8,047	8,041	8,037	8,037	8,037	8,037
Administrative	20,495	38,524	133,758	24,841	24,944	25,512	24,944	25,512
Debt Management	21,265	19,884	24,565	30,147	35,565	35,565	35,565	35,565
Total	110,544	127,062	242,776	129,547	131,365	130,433	131,365	130,433

Expenditures by Category

Operating Expenses	524	2,466	112,938	6,868	4,775	3,383	4,775	3,383
Grants, Aids and Subsidies	80,340	96,043	96,152	82,693	80,895	80,895	80,895	80,895
Other Financial Transaction	29,680	28,553	33,685	39,986	45,695	46,155	45,695	46,155
Total	110,544	127,062	242,776	129,547	131,365	130,433	131,365	130,433

MMB Non-operating

Agency Financing by Fund

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY22	FY23	FY24	FY25	FY26	FY27	FY26	FY27
1000 - General								
Balance Forward In		516		1,661				
Direct Appropriation	229,547	575,812	3,059,415	386,647	75,030	73,530	140,486	73,080
Open Appropriation	8,686	10,310	27,204	12,385	12,744	13,312	12,744	13,312
Transfers In	34,701	16,288	10,971	22,387	296,536	12,531	301,578	12,531
Transfers Out	162,120	491,257	2,864,524	317,093	7,315	7,633	72,771	7,183
Cancellations	28,999	12,476	21,242	16,383	290,231	5,908	295,273	5,908
Balance Forward Out	516		1,661					
Expenditures	81,298	99,193	210,163	89,604	86,764	85,832	86,764	85,832
Biennial Change in Expenditures			119,276		(127,171)		(127,171)	
Biennial % Change in Expenditures			66		(42)		(42)	
Governor's Change from Base							0	
Governor's % Change from Base							0	

1200 - State Government Special Rev

Transfers In	0				
Cancellations	0				

1201 - Health Related Boards

Balance Forward In		400		400				
Direct Appropriation	400	400	400	400	400	400	400	400
Transfers In	1	163						
Cancellations	1	963						
Balance Forward Out	400		400					
Expenditures				800	400	400	400	400
Biennial Change in Expenditures				800		0		0
Biennial % Change in Expenditures								
Governor's Change from Base								0
Governor's % Change from Base								0

1250 - Health Care Response

Direct Appropriation	3,814	4,091				
Transfers Out	3,814	4,091				

MMB Non-operating

Agency Financing by Fund

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base FY26 FY27		Governor's Recommendation FY26 FY27	
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1251 - COVID-19 Minnesota

Direct Appropriation	21,900	2,108	0					
Transfers Out	21,900	2,108	0					

2000 - Restrict Misc Special Revenue

Balance Forward In	6,848			6,961	7,363	7,765	7,363	7,765
Receipts	(4,012)	2,874	3,192	3,582	3,412	3,412	3,412	3,412
Transfers In			6,961					
Transfers Out	2,836	2,874	3,192	3,180	3,010	3,010	3,010	3,010
Balance Forward Out	0		6,961	7,363	7,765	8,167	7,765	8,167

2001 - Other Misc Special Revenue

Balance Forward In	4,249	7,969	11,894	24,588	26,877	29,422	26,427	28,522
Receipts	20	286	574	1,000	1,000	1,000	1,000	1,000
Transfers In	4,265	4,426	14,481	4,440	4,890	4,890	4,440	4,440
Transfers Out	340	340	340	940	940	940	940	940
Balance Forward Out	7,969	11,894	24,588	26,427	29,422	31,967	28,522	30,617
Expenditures	226	447	2,020	2,661	2,405	2,405	2,405	2,405
Biennial Change in Expenditures				4,009		129		129
Biennial % Change in Expenditures				596		3		3
Governor's Change from Base								0
Governor's % Change from Base								0

2005 - Opiate Epidemic Response

Transfers In	1,000							
Cancellations	1,000							

2051 - Environmental Trust

Direct Appropriation	70,882	70,882	79,644	79,645	131,506	131,506	131,506	131,506
Transfers Out	70,882	70,882	79,644	79,645	131,506	131,506	131,506	131,506

2100 - Water Recreation

MMB Non-operating

Agency Financing by Fund

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base FY26 FY27		Governor's Recommendation FY26 FY27	
Transfers In		0						
Cancellations		0						

2360 - Health Care Access

Direct Appropriation	122,000	122,000	70,215	100	100	100	100	100
Transfers In	85,049	392						
Transfers Out	122,000	122,000	70,215	100	100	100	100	100
Cancellations	85,049	392						

2390 - Workforce Development

Transfers In		281						
Cancellations		281						

2700 - Trunk Highway

Transfers In	4,358	3,601	3,555	4,045	4,249	4,461	4,249	4,461
Cancellations	4,358	3,601	3,555	4,045	4,249	4,461	4,249	4,461

2830 - Workers Compensation

Balance Forward In		100		100				
Direct Appropriation	100	100	100	100	100	100	100	100
Transfers In	14							
Cancellations	14	200						
Balance Forward Out	100		100					
Expenditures				200	100	100	100	100
Biennial Change in Expenditures				200		0		0
Biennial % Change in Expenditures								
Governor's Change from Base								0
Governor's % Change from Base								0

3000 - Federal

Balance Forward In	68	74	4	4				
Receipts	7,988	7,915	8,047	8,037	8,037	8,037	8,037	8,037
Transfers In			0					

MMB Non-operating

Agency Financing by Fund

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base FY26 FY27		Governor's Recommendation FY26 FY27	
Transfers Out			0					
Balance Forward Out	74	4	4					
Expenditures	7,982	7,985	8,047	8,041	8,037	8,037	8,037	8,037
Biennial Change in Expenditures				121		(14)		(14)
Biennial % Change in Expenditures				1		(0)		(0)
Governor's Change from Base								0
Governor's % Change from Base								0

3700 - Debt Service

Balance Forward In	190	190	306	309	309	309	309	309
Receipts		115	393	200	200	200	200	200
Balance Forward Out	190	306	309	309	309	309	309	309
Expenditures			390	200	200	200	200	200
Biennial Change in Expenditures				590		(190)		(190)
Biennial % Change in Expenditures						(32)		(32)
Governor's Change from Base								0
Governor's % Change from Base								0

3800 - Permanent School

Balance Forward In	8,780	9,615	11,510	13,738	14,708	14,820	14,708	14,820
Receipts	36,162	42,772	53,172	58,926	59,260	59,594	59,260	59,594
Transfers Out	35,327	40,878	50,944	57,956	59,148	59,483	59,148	59,483
Balance Forward Out	9,615	11,510	13,738	14,708	14,820	14,931	14,820	14,931

4901 - 911 Revenue Bond Debt Service

Balance Forward In	1,069	1,069	1,069	1,069	1,069	1,069	1,069	1,069
Balance Forward Out	1,069	1,069	1,069	1,069	1,069	1,069	1,069	1,069

4925 - Family and Medical Benefit Ins

Transfers In			668,321					
Cancellations			668,321					

5000 - Master Lease

MMB Non-operating

Agency Financing by Fund

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base		Governor's Recommendation	
					FY26	FY27	FY26	FY27
Balance Forward In	0	0	0					
Transfers In	21,039	19,437	22,155	28,041	33,459	33,459	33,459	33,459
Transfers Out	0							
Balance Forward Out	0	0	0					
Expenditures	21,039	19,437	22,155	28,041	33,459	33,459	33,459	33,459
Biennial Change in Expenditures				9,720		16,722		16,722
Biennial % Change in Expenditures				24		33		33
Governor's Change from Base								0
Governor's % Change from Base								0

6000 - Miscellaneous Agency

Balance Forward In	18,463	17,463	22,761	13,843	18,463	23,083	18,463	23,083
Receipts	(962)	6,082	3,865	5,020	5,020	5,020	5,020	5,020
Transfers In	25	113	62					
Transfers Out	618	898	12,844	400	400	400	400	400
Balance Forward Out	16,907	22,761	13,843	18,463	23,083	27,703	23,083	27,703

8000 - Housing Finance Agency

Balance Forward In	315	17						
Receipts	538	636	707					
Transfers Out	835	653	707					
Balance Forward Out	17							

MMB Non-operating

Agency Change Summary

(Dollars in Thousands)

	FY25	FY26	FY27	Biennium 2026-27
Direct				
Fund: 1000 - General				
FY2025 Appropriations	387,097	107,632	107,632	215,264
Base Adjustments				
All Other One-Time Appropriations		(31,458)	(31,458)	(62,916)
Biennial Appropriations			(1,500)	(1,500)
Current Law Base Change		(119)	(119)	(238)
Transfer Between Agencies		(1,025)	(1,025)	(2,050)
Forecast Base	387,097	75,030	73,530	148,560
Change Items				
Repeal Unappropriated Housing Transfer	(450)	(450)	(450)	(900)
One-time 0.25 Percent Employee Pension Contribution Holiday		55,906		55,906
Debt Service and Cash Impact for Capital Investments		10,000		10,000
Total Governor's Recommendations	386,647	140,486	73,080	213,566
Fund: 1201 - Health Related Boards				
FY2025 Appropriations	400	400	400	800
Forecast Base	400	400	400	800
Total Governor's Recommendations	400	400	400	800
Fund: 2051 - Environmental Trust				
FY2025 Appropriations	79,645	131,506	131,506	263,012
Forecast Base	79,645	131,506	131,506	263,012
Total Governor's Recommendations	79,645	131,506	131,506	263,012
Fund: 2360 - Health Care Access				
FY2025 Appropriations	100	100	100	200
Forecast Base	100	100	100	200
Total Governor's Recommendations	100	100	100	200
Fund: 2830 - Workers Compensation				
FY2025 Appropriations	100	100	100	200
Forecast Base	100	100	100	200
Total Governor's Recommendations	100	100	100	200
Total Governor's Recommendations	0			
Open				
Fund: 1000 - General				
FY2025 Appropriations	11,593	11,593	11,593	23,186

MMB Non-operating

Agency Change Summary

(Dollars in Thousands)

	FY25	FY26	FY27	Biennium 2026-27
Base Adjustments				
Forecast Open Appropriation Adjustment	527	853	1,321	2,174
November Forecast Adjustment	241	184	211	395
February Forecast Adjustment	24	114	187	301
Forecast Base	12,385	12,744	13,312	26,056
Total Governor's Recommendations	12,385	12,744	13,312	26,056
<i>Dedicated</i>				
Fund: 2001 - Other Misc Special Revenue				
Planned Spending	2,661	2,405	2,405	4,810
Forecast Base	2,661	2,405	2,405	4,810
Total Governor's Recommendations	2,661	2,405	2,405	4,810
Fund: 3000 - Federal				
Planned Spending	8,041	8,037	8,037	16,074
Forecast Base	8,041	8,037	8,037	16,074
Total Governor's Recommendations	8,041	8,037	8,037	16,074
Fund: 3700 - Debt Service				
Planned Spending	200	200	200	400
Forecast Base	200	200	200	400
Total Governor's Recommendations	200	200	200	400
Fund: 5000 - Master Lease				
Planned Spending	28,041	33,459	33,459	66,918
Forecast Base	28,041	33,459	33,459	66,918
Total Governor's Recommendations	28,041	33,459	33,459	66,918
<i>Revenue Change Summary</i>				
<i>Dedicated</i>				
Fund: 2000 - Restrict Misc Special Revenue				
Forecast Revenues	3,582	3,412	3,412	6,824
Total Governor's Recommendations	3,582	3,412	3,412	6,824
Fund: 2001 - Other Misc Special Revenue				
Forecast Revenues	1,000	1,000	1,000	2,000
Total Governor's Recommendations	1,000	1,000	1,000	2,000
Fund: 3000 - Federal				

MMB Non-operating

Agency Change Summary

(Dollars in Thousands)

	FY25	FY26	FY27	Biennium 2026-27
Forecast Revenues	8,037	8,037	8,037	16,074
Total Governor's Recommendations	8,037	8,037	8,037	16,074
Fund: 3700 - Debt Service				
Forecast Revenues	200	200	200	400
Total Governor's Recommendations	200	200	200	400
Fund: 3800 - Permanent School				
Forecast Revenues	58,926	59,260	59,594	118,854
Total Governor's Recommendations	58,926	59,260	59,594	118,854
Fund: 6000 - Miscellaneous Agency				
Forecast Revenues	5,020	5,020	5,020	10,040
Total Governor's Recommendations	5,020	5,020	5,020	10,040
Non-Dedicated				
Fund: 1000 - General				
Forecast Revenues	924,422	687,586	560,627	1,248,213
Change Items				
Changes to SBI Cost Apportionment		(818)	(818)	(1,636)
Total Governor's Recommendations	924,422	686,768	559,809	1,246,577
Fund: 1200 - State Government Special Rev				
Forecast Revenues	2,603	2,603	2,603	5,206
Total Governor's Recommendations	2,603	2,603	2,603	5,206
Fund: 2005 - Opiate Epidemic Response				
Forecast Revenues	24,724	8,256	8,853	17,109
Total Governor's Recommendations	24,724	8,256	8,853	17,109
Fund: 2212 - Peace Officer Training Account				
Forecast Revenues	87	87	87	174
Total Governor's Recommendations	87	87	87	174
Fund: 2300 - Outdoor Heritage				
Forecast Revenues	15,063	4,797	3,647	8,444
Total Governor's Recommendations	15,063	4,797	3,647	8,444
Fund: 2301 - Arts & Cultural Heritage				

MMB Non-operating

Agency Change Summary

(Dollars in Thousands)

	FY25	FY26	FY27	Biennium 2026-27
Forecast Revenues	1,672	465	359	824
Total Governor's Recommendations	1,672	465	359	824
Fund: 2302 - Clean Water				
Forecast Revenues	7,439	2,367	1,804	4,171
Total Governor's Recommendations	7,439	2,367	1,804	4,171
Fund: 2303 - Parks and Trails				
Forecast Revenues	2,821	946	721	1,667
Total Governor's Recommendations	2,821	946	721	1,667
Fund: 2340 - Renewable Development				
Forecast Revenues	13,683	30,773	31,800	62,573
Total Governor's Recommendations	13,683	30,773	31,800	62,573
Fund: 2360 - Health Care Access				
Forecast Revenues	39,541	15,430	8,410	23,840
Total Governor's Recommendations	39,541	15,430	8,410	23,840

Minnesota Management and Budget

FY 2026-27 Biennial Budget Change Item

Change Item Title: Repeal Unappropriated Housing Transfer

Fiscal Impact (\$000s)	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
General Fund					
Transfers Out	(450)	(450)	(450)	(450)	(450)
Revenues	0	0	0	0	0
Other Funds					
Expenditures	0	0	0	0	0
Transfers In	(450)	(450)	(450)	(450)	(450)
Net Fiscal Impact = (Expenditures – Revenues)	0	0	0	0	0
FTEs	0	0	0	0	0

Recommendation:

The Governor recommends eliminating a transfer from the general fund to the housing support account in the special revenue fund of \$450,000 each year beginning in FY 2025. This results in a savings to the general fund of \$450,000 in FY 2025, \$900,000 in FY 2026-27 and \$900,000 in FY 2028-29. The housing support account was established in 2024, and resources from this fund have not been allocated to programs.

Rationale/Background:

Minnesota Laws 2024, Chapter 127 established the housing support account in the special revenue fund under Minnesota Statutes 462A.43 and directed the transfer of \$450,000 per year from the general fund to the account. Statute specifies that money appropriated from the account shall be used to provide housing support for Minnesotans. However, the law did not appropriate the balance of the account.

The November 2024 Budget and Economic forecast projects that the state general fund will have a structural imbalance, resulting in a projected budget shortfall in the FY 2028-29 biennium. Eliminating this transfer allows savings to the general fund with no identifiable impacts to any agency or programs.

Proposal:

The Governor recommends eliminating the required transfer of funds enacted in 2024 from the general fund to a newly established housing support account.

Dollars in Thousands

Net Impact by Fund	FY 25	FY 26	FY 27	FY 25-27	FY 28	FY 29	FY 28-29
General Fund	(450)	(450)	(450)	(1,350)	(450)	(450)	(900)
Housing Support Account	450	450	450	1,350	450	450	450
Total All Funds	0	0	0	0	0	0	0

Results:

This proposal would result in a savings to the general fund. As these funds have not been appropriated, there is no impact to state programs.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☐ Yes

☒ No

Statutory Change(s):

16A.287

Minnesota Management and Budget

FY 2026-27 Biennial Budget Change Item

Change Item Title: Expand Operating Budget Carry-Forward Authority

Fiscal Impact (\$000s)	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
General Fund					
Expenditures	15,000	0	15,000	0	15,000
Revenues	0	0	0	0	0
Other Funds					
Expenditures	0	0	0	0	0
Revenues	0	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	15,000	0	15,000	0	15,000
FTEs	0	0	0	0	0

Recommendation:

The Governor recommends modifying Minnesota Statutes 16A.28 to allow agencies to uniformly carry-forward unexpended non-grant operating appropriations for the second year of a biennium into the next, beginning in FY 2025. This is being proposed as an improvement to current financial management practices – to increase state agencies budget management flexibility to deal with planned and unplanned cost increases and cost pressures.

The budget impact of this recommendation will reduce forecast general fund cancellations in the second year of each biennium by an estimated \$15 million.

Rationale/Background:

State agencies are generally authorized in M.S. 16A.28 to balance forward unexpended and unencumbered non-grant operating balance from the first to the second year of the biennium, while unspent operating appropriations for the second year (the end of a biennium) generally cancel back to the originating fund.

This requirement, however, is not uniform. Appropriations to the legislature, higher education systems, and selective appropriations to various state agencies are exempt, or are provided specific carry-forward authority in law. The current requirement to cancel unspent operating funds is generally perceived as a “use it or lose it” disincentive for agencies that increases year-end spending and reduces the ability to manage year-end and following year costs in the most effective, strategic way.

In 2003 and 2005, the legislature provided one-time authorities to balance forward funds from one biennium to the next. These authorities were granted to provide agencies flexibility in managing budget reductions. In 2007, one-time authority was provided to carry-forward up to \$5.8 million of unspent operating funds, but with the use limited to technology investments.

Uniformly extending carry-forward authority of operating balances at the end of the biennium to all agencies will increase agencies’ flexibility to better utilize resources to manage costs such as increases related to general operating expenses or operating projects. It will provide an effective incentive for agencies to identify efficiencies and cost savings as they would be able to redirect resources to both identified and unanticipated future costs – removing the constraint that the money be spent by year-end. This proposal is strongly supported by executive branch agencies’ chief financial officers.

Proposal:

The Governor recommends extending carry-forward authority at the end of the biennium to all agencies, constitutional officers, and the court systems for all direct appropriated funds. This will provide an effective incentive for agencies to identify efficiencies and cost savings as they would be able to redirect resources to both identified and unanticipated future costs – removing the constraint that the money be spent by year-end. In addition, agencies would be able to use this authority for long-term budget planning allowing carry-forward dollars to be used to defray operating cost increases.

Impact on Children and Families:

This proposal does not directly impact children and families.

Equity and Inclusion:

This proposal does not directly relate to reducing inequalities or inclusion.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☐ Yes
☒ No

Results:

This proposal is intended to extend carry-forward authority at the end of the biennium to all agencies, constitutional officers, and the court systems for all direct appropriated funds.

Statutory Change(s):

M.S. 16A.28

Minnesota Management and Budget Non-Operating

FY 2026-27 Biennial Budget Change Item

Change Item Title: One-time 0.25 Percent Employee Pension Contribution Holiday

Fiscal Impact (\$000s)	FY 2026	FY 2027	FY 2028	FY 2029
General Fund				
Expenditures	55,906	0	0	0
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	55,906	0	0	0
FTEs	0	0	0	0

Recommendation:

The Governor recommends a one-time, 0.25 percent reduction to employee contributions for active employees of the Minnesota State Retirement System (MSRS), Public Employees Retirement Association (PERA), Teachers Retirement Association (TRA), and St. Paul Teachers' Retirement Fund Association (SPTRFA). A one-time direct state aid to each of the retirement systems from the general fund will cover the estimated actuarial cost.

Rationale/Background:

Recommended funding is intended to temporarily increase the take-home pay of active employees covered by MSRS, PERA, TRA, and SPTRFA.

Under current law, active public employees and public employers contribute a percentage of payroll to the retirement systems to fund retirement and disability benefits. The specific contribution rates are fixed in law and differ between plans. By reducing active employee contribution rates for one year, covered employees will receive higher take-home pay for the one-year duration of this employee contribution holiday.

Proposal:

General fund resources will be transferred to MSRS, PERA, and TRA and paid to SPTRFA to cover the estimated actuarial cost of a one-time, 0.25 percent reduction to employee contributions in FY 2026. Active employees of these pension plans will contribute a lower percentage of pay from each paycheck for the duration of FY 2026 while still retaining and accruing their same benefits as prescribed under current law. Beginning in FY 2027, active employee contributions will return to their current law rate.

Dollars in Thousands

Net Impact by Fund	FY 25	FY 26	FY 27	FY 25-27	FY 28	FY 29	FY 28-29
General Fund	0	55,906	0	55,906	0	0	0
Total All Funds	0	55,906	0	55,906	0	0	0

Fund	Component Description	FY 25	FY 26	FY 27	FY 25-27	FY 28	FY 29	FY 28-29
7260	MSRS General	0	11,083	0	11,083	0	0	0
7230	MSRS Highway Patrol	0	307	0	307	0	0	0
7210	MSRS Correctional	0	904	0	904	0	0	0
7240	MSRS Judges	0	153	0	153	0	0	0
7250	MSRS Legislators	0	1	0	1	0	0	0
7100	PERA General	0	21,755	0	21,755	0	0	0

Fund	Component Description	FY 25	FY 26	FY 27	FY 25-27	FY 28	FY 29	FY 28-29
7110	PERA Police & Fire	0	3,403	0	3,403	0	0	0
7120	PERA Correctional	0	728	0	728	0	0	0
7300	TRA	0	16,740	0	16,740	0	0	0
N/A	SPTRFA	0	832	0	832	0	0	0

Results:

This proposal is intended to temporarily increase the take-home pay of active public employees covered by the MSRS, PERA, TRA, and SPTRFA retirement systems.

Statutory Change(s):

MS 352.04
MS 352B.02
MS 352.92
MS 490.123
MS 3A.03
MS 353.27
MS 353.65
MS 353E.03
MS 354.42
MS 354A.12

State Board of Investment

FY 2026-27 Biennial Budget Change Item

Change Item Title: Changes to SBI Cost Apportionment

Fiscal Impact (\$000s)	FY 2026	FY 2027	FY 2028	FY 2029
General Fund				
Expenditures	(139)	(139)	(139)	(139)
Revenues	(818)	(818)	(818)	(818)
Other Funds				
Expenditures	139	139	139	139
Revenues	818	818	818	818
Net Fiscal Impact = (Expenditures – Revenues)	0	0	0	0
FTEs	0	0	0	0

Recommendation:

The Governor recommends changes to the apportionment of SBI's expenses to the various funds it manages. This results in the elimination of the SBI's general fund appropriation and instead bills the general fund for its apportioned costs in a manner consistent with the other funds under management.

Rationale/Background:

Under current law, SBI receives a direct appropriation from the general fund and apportions its costs across the various funds it manages, less the charge to the general fund, based on each fund's weighted average assets under management. The general fund accounted for approximately 61 percent of invested treasurer's cash (ITC) assets managed by SBI in FY 2024.

The SBI seeks to better align the allocation of costs between general fund and non-general fund assets. This requires evaluating the amount of costs (systems, trading, staff) properly allocable to the general fund and ensuring that the general fund is allocated its proportional share of costs.

Proposal:

The SBI seeks to achieve an appropriate allocation of expenses between general fund and non-general fund ITC assets. The SBI provides internal investment management services to the state's general fund and is tasked with prudently investing the assets commensurate with the liquidity needs of the fund. The SBI works closely with Minnesota Management and Budget to ensure proper investment and administration of general fund assets.

This change would ensure that the general fund sufficiently covers its portion of expenses each year in a manner that is responsive to both SBI's costs and the amount of ITC assets in each fund.

The Governor recommends eliminating the \$139 thousand annual general fund appropriation to the SBI and instead bill the general fund for its portion of ITC costs. This would result in reduced investment income in the general fund, as the general fund's share of expenses would be deducted from net investment income earned to the general fund. Investment income in other funds would increase by an equal amount. Spending in the special revenue fund would increase by \$139 thousand to account for the operating expenses SBI would no longer pay from its general fund appropriation. This recommendation is budget neutral across all funds.

Dollars in Thousands

Net Impact by Fund	FY 25	FY 26	FY 27	FY 25-27	FY 28	FY 29	FY 28-29
General Fund		679	679	1,358	679	679	1,358
Other Funds		(679)	(679)	(1,358)	(679)	(679)	(1,358)
Total All Funds		0	0	0	0	0	0

Fund	Component Description	FY 25	FY 26	FY 27	FY 25-27	FY 28	FY 29	FY 28-29
1000	SBI Appropriation		(139)	(139)	(278)	(139)	(139)	(278)
1000	Investment Income		(818)	(818)	(1,636)	(818)	(818)	(1,636)
Other	Expenditures		139	139	278	139	139	278
Other	Investment Income		818	818	1,636	818	818	1,636

Results:

This change item will better align the allocation of costs between general fund and non-general fund assets.

Statutory Change(s):

Minn. Stat. §11A.04

Minn. Stat. §11A.07

Minnesota Management and Budget Non-Operating

FY 2026-27 Biennial Budget Change Item

Change Item Title: Debt Service and Cash Impact for Capital Investments

Fiscal Impact (\$000s)	FY 2026	FY 2027	FY 2028	FY 2029
General Fund				
Expenditures	10,000	0	0	0
Revenues	0	0	0	0
Trunk Highway Fund				
Expenditures	48,513	48,513	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	58,513	48,513	0	0
FTEs	0	0	0	0

Recommendation

The Governor recommends \$10 million in FY 2026 from the general fund and \$97.026 million in FY 2026-27 from the trunk highway fund to support recommended capital investments for the 2025 Legislative Session.

\$10 million in FY 2026 is for one-time cash capital appropriations in the Governor's Revised Capital Budget Recommendations. In addition, the debt service required to finance the general obligation bonds in the Governor's Revised Capital Budget Recommendations are equal to the February Debt Capacity Forecast. The February Forecast holds the necessary amount of general fund cash required to finance the debt service for \$700 million in new general obligation bonds.

\$97.026 million in FY 2026-27 is counted in the Department of Public Safety's change item in the Governor's proposed biennial budget for the State Patrol Metro Headquarters Building project.

Rationale/Background:

The amounts included in this change item reflect the general fund cash and trunk highway funds needed to finance projects included in the Governor's Revised 2025 Capital Budget Recommendations.

The Governor's Revised 2025 Capital Budget Recommendations will be published in the "Current Capital Budget" section of MMB's capital budget website: <https://mn.gov/mmb/budget/capital-budget/current/>.

Dollars in Thousands

Net Impact by Fund	FY 25	FY 26	FY 27	FY 25-27	FY 28	FY 29	FY 28-29
General Fund	0	10,000	0	10,000	0	0	0
Trunk Highway Fund	0	48,513	48,513	97,026	0	0	0

Impact on Children and Families:

The Governor's Revised 2025 Capital Budget Recommendations include funding for projects and programs across the state that benefit children and families, including funds for early childhood facilities.

Equity and Inclusion:

The Governor's Revised 2025 Capital Budget Recommendations includes investments across the state ensuring state facilities are well-maintained and communities thrive.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☐ Yes
☒ No

Results:

This recommendation impacts several investments each with a unique scope.

Minnesota Management and Budget Non-Operating

Federal Funds Summary

(Dollars in Thousands)

Federal Agency and ALN	Federal Grant Name Brief Purpose	FY 2024 Actual	FY 2025 Revised	FY 2026 Revised	FY 2027 Revised	Required State Match or MOE?	FTEs
US Dept of Forestry 10.665	Schools and Roads - Grants to States - Federal funds are received from the US Forest Services for payments in lieu of taxes to local units of government where the Chippewa National forest is located.	\$ 733	\$ 650	\$ 650	\$ 650	No	-
US Dept of Forestry 10.665	Schools and Roads - Grants to States - Federal funds are received from the US Forest Services for payments in lieu of taxes to local units of government where the Superior National forest is located.	\$ 1,511	\$ 1,500	\$ 1,500	\$ 1,500	No	-
US Dept of Forestry 10.665	Schools and Roads - Grants to States - Federal funds are received from the US Forest Services for payments in lieu of taxes to local units of government where the Superior National forest is located.	\$ 5,799	\$ 5,799	\$ 5,799	\$ 5,799	No	-
Federal Flood Control 12.112	Flood Plain Management Services - Federal funds are received from the US Army Corps of Engineers for receipts from leases of land acquired for flood control, navigation and allied purposes.	\$ 4	\$ 92	\$ 88	\$ 88	No	-
Federal Fund – Agency Total		\$ 8,047	\$ 8,041	\$ 8,037	\$ 8,037		-

Narrative

1. Federal funds are received from the US Forest Services for payments in lieu of taxes to local units of government where the Chippewa and Superior National forests are located. The federal fund basis for estimates is a comparison of prior year actuals, 5 year average, and an estimated increase factor. The federal funding does not have flexibility in how the funds are spent and is specifically earmarked for local units of government.
2. Federal funds are received from the US Army Corps of Engineers for receipts from leases of land acquired for flood control, navigation and allied purposes. The federal fund basis for estimates is a comparison of prior year actuals, 5 year average, and an estimated increase factor. The federal funding does not have flexibility in how the funds are spent and is specifically earmarked for local units of government.