



• 2026 LEGISLATIVE SESSION •

FISCAL DIGEST

A SUMMARY OF ENACTED FISCAL
PROVISIONS



HOUSE FISCAL ANALYSIS DEPARTMENT

OCTOBER 2026

MN House Fiscal Analysis

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Introduction

The 2026 Legislative Session Fiscal Digest summarizes major enacted fiscal provisions made by the 94th Legislature in the 2026 session.

Minnesota budgets on a biennial basis, enacting the budget in odd-numbered years for the next [biennium](#). During even-year sessions, the legislature can make changes to the budget that was set the previous year, also known as a [supplemental budget](#), which is the focus of this summary.

The 2026 session saw a continuation of a tied House of Representatives, with 67 Republican and 67 Democratic-Farmer-Labor (DFL) members. The Senate DFL held a slim majority of one vote, while Governor Walz (DFL) continued in the final year of his second four-year term. The narrow voting margins and need for negotiations across party lines as well as legislative and executive bodies resulted in many budget areas not having supplemental bills enacted in the 2026 session.

The 2026 Fiscal Digest begins with the [State Budget Overview](#), which is divided into the Budget Outlook and the Budget Summary. The Budget Outlook provides context for the fiscal conditions for the session, which includes data from the February 2026 [forecast](#) produced by Minnesota Management and Budget (MMB). The Budget Summary is a high-level analysis of the supplemental budget enacted by the 2026 Legislature.

This publication primarily focuses on the changes that were made to existing [appropriations](#) rather than the entire amount of funding that is designated for an agency or subject area. Changes to the enacted budget are known as changes to the [base](#). The 2026 session enacted most fiscal changes in [Fiscal Year \(FY\) 2027](#), the second year of the current biennium.

The following sections of this publication are divided into subject area summaries. These summaries provide detailed descriptions of the major enacted fiscal provisions by area and include tables of spending and revenue impacts for FY 2026-27 and FY 2028-29. The descriptions of these fiscal impacts, in most instances, are relative to the February 2026 forecast. In addition, where applicable, each summary contains a [general fund](#) table that shows the percentage change in general fund spending from the base. The percentage change is calculated by dividing enacted 2026 fiscal changes by the February 2026 forecast base.

Additional reference materials are contained in this publication. The [Appendix](#) contains a table describing all enacted session laws with fiscal impacts, and the [Glossary](#) contains definitions of the major terms used throughout this report as well as a list of [General Fiscal Acronyms](#). For more information, fiscal analysts are available to answer questions regarding this publication, as well as their subject areas in general. Please find their contact information in the [Staff Directory](#).

This publication would not be possible without the expertise of each fiscal analyst in the House Fiscal Analysis Department, whose contributions to this report ensure a comprehensive presentation of this subject matter. We would also like to extend our gratitude to House Public Information Services for the use of the cover photograph (copyright Minnesota House of Representatives). And finally, a huge debt of gratitude is owed to our tireless editors, Solveig Beckel and Katrina Heimark.

State Budget Overview

2026 Budget Outlook

The 2026 Legislature received news of a mixed economic outlook with the [November 2025 Budget and Economic Forecast](#). Minnesota Management and Budget (MMB) projected a positive budgetary balance of \$2.465 billion at the end of the FY 2026-27 biennium; however, the FY 2028-29 biennium deficit increased to \$2.96 billion. The nearly \$3 billion projected deficit included \$935.265 million of estimated inflation, but even with that removed, the estimated deficit was still projected to reach \$2.025 billion.

The [February 2026 forecast](#) brought a much-improved outlook for the state's finances. The balance at the end of the FY 2026-27 biennium increased to \$3.734 billion and the projection for the end of the FY 2028-29 biennium reversed from a deficit to a positive balance of \$377.323 million. If inflation were removed from this estimate, the balance would be \$1.416 billion.

The change between the two forecasts was largely a result of higher revenue projections and decreased spending projections. Tax revenues increased by \$1.111 billion in FY 2026-27 and by \$2.251 billion in FY 2028-29. The overall level of anticipated spending decreased by \$67.533 million in FY 2026-27 and grew by \$48.16 million in FY 2028-29.

Although the figures in the February 2026 forecast painted a healthier economic outlook for the state in a number of ways, the ongoing issue of the structural imbalance¹ in the FY 2028-29 biennium remained. The amount of the imbalance was reduced, year over year, however; where the February 2025 forecast had projected a \$3.98 billion structural imbalance for FY 2028-29, the February 2026 forecast portrayed a lessened structural imbalance of \$2.318 billion.

The amounts in [Table 1](#) provide additional details on the February 2026 forecast projections. The state sets aside funds in a budget reserve and a cash flow account annually. The cash flow account reserves \$350 million, which facilitates the availability of funds throughout the fiscal year. The budget reserve amount is determined as a percentage of non-dedicated general fund revenue. The amount set aside in the February 2026 forecast for the budget reserve was \$3.422 billion, which was an increase of \$244.394 million over the amount in the February 2025 forecast. The availability of \$3.772 billion in case of an emergency or an economic downturn contributes to Minnesota's AAA bond credit rating.

¹A structural imbalance occurs when estimated spending levels exceed estimated revenues. A structural balance is calculated by subtracting projected expenditures from projected revenues and does not include funds [carried forward](#) from the previous biennium (shown as Beginning Balance in [Table 1](#)).

Table 1: General Fund February 2026 Forecast Update

(Dollars in Thousands)

	FY2026-27	FY2028-29
Beginning Balance*	10,272,943	7,505,836
Revenue/Resources	67,463,917	70,007,174
Expenditures	70,231,024	72,324,952
Expenditures with Inflation	70,231,024	73,363,922
Balance Before Reserves	7,505,836	5,188,058
Budget Reserve	3,421,764	3,421,764
Cash Flow	350,000	350,000
Budgetary Balance	3,734,072	1,416,294
Budgetary Balance with Inflation	3,734,072	377,324

*For the budgetary balance lines, positive numbers indicate a state budgetary surplus, while negative numbers indicate a budgetary deficit.

2026 Budget Summary

As is tradition in even years, the legislative session started later, on February 17. The House assembled a supplemental budget using budget targets that were established in April, and joint targets between the House, Senate, and Executive Branch were ultimately agreed to less than a week before the May 18th adjournment.

The overall figures for the spending and revenue changes in the enacted budget can be seen in Table 2. The bulk of the spending changes occur in the FY 2026-27 biennium, with an overall increase in spending of \$891.196 million and an overall increase in revenue of \$210.041 million. Overall spending in FY 2028-29 is less significant, with an increase of \$80.97 million, while tax revenues have a more substantial change in FY 2028-29 with a projected increase of \$346.822 million. These amounts, along with an adjusted inflation estimate, leave a budgetary balance at the end of the FY 2028-29 biennium of negative \$54.711 million. If inflation is not included, the budgetary balance is a positive \$1.001 billion.

Table 2: 2026 General Fund Budget

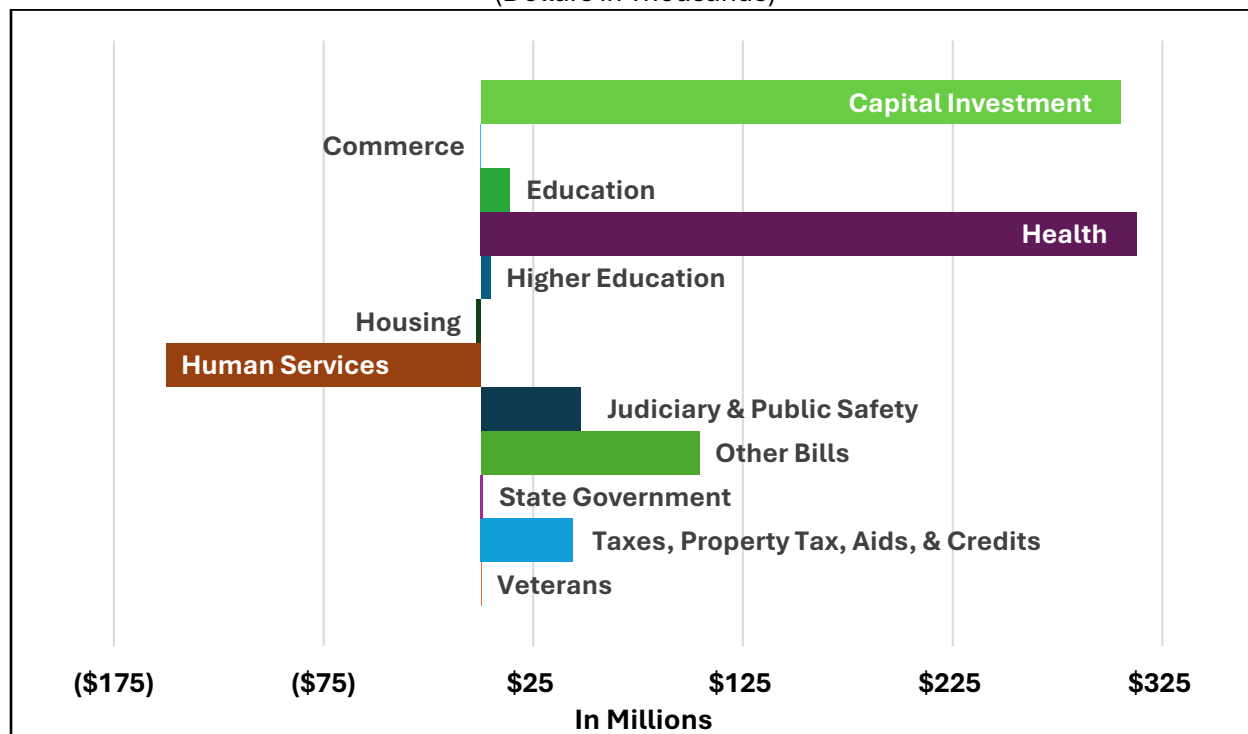
(Dollars in Thousands)

	FY2026-27	FY2028-29
Balance Available	3,734,072	(303,832)
<u>Expenditures*</u>		
Spending Change	891,196	80,970
Inflation Adjustments	0	16,731
<u>Revenue</u>		
Non-Tax Revenue Change	213,711	4,112
Tax Revenue Change	(3,670)	342,710
Net Change	681,155	(249,121)
Balance After Changes	3,052,917	(54,711)
Balance After Changes without Inflation	3,052,917	1,000,992

*In the balance lines, positive numbers indicate a surplus, and negative numbers (in parentheses) indicate a deficit. In the expenditures section, positive numbers indicate costs. In the revenue section, positive numbers indicate revenue gain, and negative numbers indicate revenue loss.

The additional \$681.155 million in net spending in FY 2026-27 is spread across the varying budget areas with the largest increases in health, capital investment, judiciary, civil law, and public safety, taxes, and the other bills category. Many policy areas did not have finance bills, as can happen in supplemental budget years, and had no fiscal changes. The 2026 Legislature enacted a notable net reduction in spending in the human services area and smaller net reductions in spending in the housing and commerce areas. Chart 1 shows the distribution of total net spending in the FY 2026-27 biennium among the House finance committees that had finance bills enacted in the 2026 session.

Chart 1: FY 2026-27 Net General Fund Changes by Finance Committee
(Dollars in Thousands)



[Table 3](#) shows additional detail on the net impact of the legislative changes in each of the finance committee areas. The end of session (EOS) columns show the impact of enacted legislation from the 2026 session in addition to the February 2026 forecast base budgets, and the change from base columns describe the difference between the EOS amount and the amounts in the February 2026 forecast. For more information and individual finance committee spreadsheets, please refer to the Minnesota House of Representatives [Fiscal Analysis Department: Legislative Session Tracking Sheets](#) page.

Table 3: All Subject Areas - Net General Fund Changes

(Dollars in Thousands)

	EOS 26 FY2026-27	Change from Base	EOS 26 FY2028-29	Change from Base
<u>Finance Committee</u>				
Agriculture	180,262	0	154,786	0
Capital Investment	(3,800)	(3,800)	(700)	(700)
Children & Families	2,199,287	0	2,229,338	0
Commerce	173,767	(7)	140,908	(26)
Education	26,150,841	14,000	27,588,414	1,000
Elections	9,516	0	22,713	0
Energy	66,111	0	50,328	0
Environment	683,962	0	443,524	0
Health	3,725,344	312,861	3,721,648	(38,917)
Higher Education	4,020,333	4,505	3,976,742	0
Housing	262,270	(2,000)	256,275	2,000
Human Services	19,727,428	(150,000)	21,132,080	(150,000)
Judiciary & Public Safety	3,688,423	47,443	3,525,570	20,259
State Government	1,590,556	1,011	1,397,267	8
Taxes, PTAC	4,867,067	44,012	4,717,781	(325,774)
Transportation	921,191	0	487,432	0
Veterans	394,040	230	371,066	178
Workforce, Labor, Economic Dev	566,818	0	289,266	0
Finance Committee Total	69,223,416	268,255	70,504,438	(491,972)
Debt Service	1,184,495	20,972	1,373,021	158,069
Capital Projects	499,140	287,800	212,591	0
Capital Investment Total	1,683,635	308,772	1,585,612	158,069
<u>Other Bills</u>				
Ch 92 OIG	7,124	7,124	24,775	24,775
Ch 105 Claims	5,105	5,105	0	0
Ch 106 Pensions	15,369	15,369	25,394	25,394
Ch 108 Crime of Grooming	1,451	1,451	2,883	2,883
Ch 120 IT Modernization	74,999	74,999	15,000	15,000
Ch 126 Legacy, AURI Legal Costs	80	80	0	0
Other Bills Total	104,128	104,128	68,052	68,052
Cancellations	(99,000)	0	(99,000)	0
Total Net Change	70,912,179	681,155	72,059,102	(265,851)

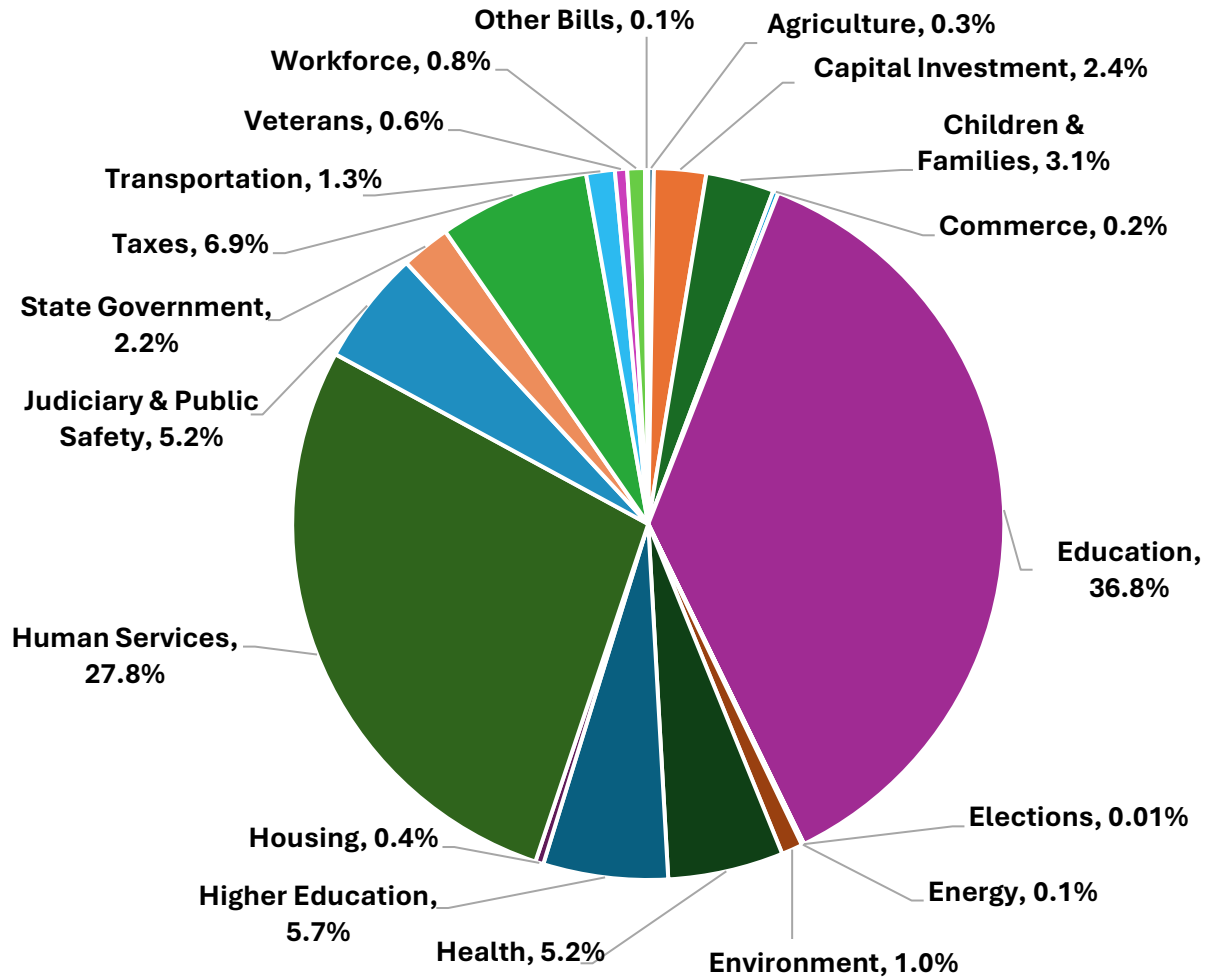
*Positive numbers indicate costs or revenue reductions, while negative numbers (in parentheses) indicate savings or revenue gain.

Abbreviations: EOS is End of Session; PTAC is property tax, aids, and credits; Dev is development; OIG is Office of the Inspector General; AURI is Agricultural Utilization Research Institute.

Chart 2 shows the distribution of total spending among the House finance committees in the FY 2026-27 biennium after accounting for 2026 legislative changes and without including [cancellations](#).

Chart 2: FY 2026-27 EOS General Fund Total by Committee

Total: \$71.011 Billion



2027 Legislative Session

As mentioned, the 2026 Legislature left a balance of \$1.001 billion at the end of FY 2028-29, but that turns into a projected deficit of \$54.711 million when including inflation. This is a result of the state's ongoing structural imbalance, in which projected spending outpaces projected revenue. Total revenues for FY 2028-29, not including funds carried forward from the previous surplus, are estimated to be \$70.354 billion. Meanwhile, estimated expenditures for FY 2028-29, not including inflation, are projected to be \$72.406 billion. This equation leaves a total structural imbalance of \$2.052 billion. Although this structural imbalance is an improvement over the \$2.318 billion structural imbalance from the February 2026 forecast, this will continue to be an issue for the state economy and future legislative budgeting decisions.

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Agriculture Finance

The Agriculture Finance and Policy Committee did not have a supplemental budget bill enacted in the 2026 legislative session. Agriculture finance provisions were enacted in other finance areas. Please see [chapter 126](#) in the Other Bills summary for additional information.

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Capital Investment

The legislature enacted two capital investment bills in the 2026 legislative session, chapter 129 (HF 2484), which includes projects financed with available general fund money, and chapter 130 (HF 719), which includes bond-financed projects and is the larger of the two capital investment bills. Chapter 130 authorizes a net total of \$1.199 billion in general obligation (GO) bonding, increasing the state's debt service by \$20.972 million in the first biennium and \$158.069 million in the second. Chapter 129 appropriates a net total of \$28.7 million from the general fund for capital projects in FY 2026-27. In addition to the spending for capital projects, chapter 130 includes a onetime \$254 million general fund appropriation in FY 2027 to offset a onetime motor vehicle registration tax change [described in more detail below](#).

Table 4 provides further detail on the capital investment general fund changes enacted in the 2026 legislative session. Please see [Table 5](#) for further detail on non-general fund changes.

Table 4: Capital Investment - Net General Fund Changes

(Dollars in Thousands)

	FY2026	FY2027	FY2026-27	FY2028	FY2029	FY2028-29
Expenditures*						
Ch 130 General Obligation Debt Service	0	20,972	20,972	60,874	97,195	158,069
Ch 130 Vehicle Registration Tax Change	0	254,000	254,000	0	0	0
Ch 130 Cloquet Bond Defeasance	0	1,300	1,300	0	0	0
Ch 129 General Fund Spending	0	46,465	46,465	0	0	0
Ch 129 Cancellations	0	(17,765)	(17,765)	0	0	0
Ch 129 MN Zoo	3,800	0	3,800	0	0	0
Subtotal	3,800	304,972	308,772	60,874	97,195	158,069
Revenue						
TR-IN from WDF for MN Zoo	3,800	0	3,800	0	0	0
Temporary Registration Tax Reduction - Income Tax Interaction	0	0	0	700	0	700
Subtotal	3,800	0	3,800	700	0	700
Total Net Changes	0	304,972	304,972	60,174	97,195	157,369
February 2026 Forecast Biennial Base			1,374,863			1,427,543
Percent Change from Base			22.182%			11.024%

*In the expenditures section, positive numbers indicate costs and negative numbers (in parentheses) indicate savings. In the revenue section, positive numbers indicate revenue gain, and negative numbers indicate revenue reduction.

Abbreviations: TR-IN is [transfer](#) in; WDF is the workforce development fund.

The following paragraphs provide information on some of the major funding items that were enacted in capital investment in the 2026 session but do not provide detail on all expenditures. For complete fiscal information, please refer to the Minnesota House of Representatives [Fiscal Analysis Department: Legislative Session Tracking Sheets](#) page.

Operating Adjustments

Capital investment bills do not increase funding for programmatic or state agency [operating](#) functions. While these capital investment bills will likely result in more employment because of construction or design, these costs are not tracked in fiscal notes and are not likely to increase state employee full-time equivalents.

Funded Projects and Capital Programs

The capital investment chapters include appropriations for 27 different state agencies and name specific state government building projects, asset preservation, and programmatic grants to local units of government. Projects specifically for state-owned facilities account for about 30 percent of the gross total capital spending in the two capital investment bills, or \$382.431 million. Asset preservation or demolition makes up about 80 percent, or \$312.144 million, of the state agency projects.

Of the three larger appropriations for standalone state government projects funded in chapter 130, the first is \$35 million for the first phase of the University of Minnesota St. Paul Campus Magrath Hall project. Second, chapter 130 includes \$10.7 million for the Faribault State Prison to build vocational training facilities. Third, chapter 130 includes amounts for the renovations of two veterans homes: \$17.2 million for renovations at the Minneapolis Veterans Home, and \$45.2 million for improvements at the Hastings Veterans Home. Funding for these projects is equal to the cancellation of a [2023 veterans homes appropriation](#) for a larger project at the Hastings Veterans Home that did not receive federal matching funds.

Programmatic grants to local units of government make up about 21 percent of both capital investment bills, or \$283.264 million. Close to half of that amount, \$137 million, is for grants administered by the Public Facilities Authority for drinking water, wastewater, lead, and emerging contaminant grants. Local road and bridge grants through the Department of Transportation (MnDOT) make up \$75 million of chapter 130 spending. Another large category of programmatic grants are for the Minnesota Housing Finance Agency's Public Housing Rehabilitation Program, for a total of \$17.5 million.

The capital investment bills contain appropriations for 174 named local government, non-profit, or for-profit capital projects totaling \$645.347 million. This makes up about half the gross capital spending in the two capital investment bills. About 44 percent of named project spending is for drinking or wastewater infrastructure. This category includes 69 projects, or \$282.612 million. Other major named project categories include local road projects administered through MnDOT, funded at \$99.316 million, and miscellaneous local projects administered through the Department of Employment and Economic Development (DEED), funded at \$143.959 million. Two of the DEED local project grants include \$40 million in GO bonding for the Roy Wilkins Auditorium and \$10 million in general fund appropriations for the design and potentially some construction of the Grand Casino Arena in downtown St. Paul.

For a complete list of projects and programs please see the [capital investment spreadsheet](#).

Motor Vehicle Registration Tax Change and Backfill

Chapter 130 includes a temporary change to the motor vehicle registration tax for calendar year 2027 only. The motor vehicle registration tax, assessed annually, is a calculation of \$10 plus a percentage of the manufacturer's suggested retail price (MSRP), the product of which is then devalued by varying percentages each year the vehicle ages. [Laws 2023, chapter 68](#) increased the initial percentage that the MSRP is multiplied by and changed the devaluation percentages, which increased revenue to the state. Chapter 130 lowers the MSRP value percentage from 1.54 percent to 1.25 percent for vehicles first registered before November 16, 2020, and from 1.575 percent to 1.285 percent for vehicles first registered after November 16, 2020. The MSRP percentage rates return to the rates set by the 2023 Legislature after calendar year 2027.

This tax reduction is estimated to lower registration tax revenue for calendar year 2027 by \$254 million. Chapter 130 includes a onetime general fund appropriation to the highway user tax distribution fund of the same amount to backfill the loss. In addition, a reduction in motor vehicle registration tax will decrease the personal property tax deduction amount for taxpayers who itemize on their income tax returns. This income tax interaction yields a onetime general fund savings of \$700,000 in FY 2027.

Table 5: Capital Investment – Net Non-General Fund Changes

(Dollars in Thousands)

Expenditures*	Fund	FY2026	FY2027	FY2026-27	FY2028	FY2029	FY2028-29
Ch 129 Duluth Airport Authority	AIR	0	2,000	2,000	2,000	0	2,000
Ch 129 Mankato Air Traffic Control Tower	AIR	0	1,265	1,265	0	0	0
Ch 130 Olmsted County - Interchange at CSAH 3, CSAH 5, & TH 14	THF	0	2,400	2,400	0	0	0
Ch 130 I-35 & CSAH 2 in Scott County	THF	0	1,200	1,200	0	0	0
Ch 129 TR-OUT to General Fund	WDF	3,800	0	3,800	0	0	0
Total Net Changes		3,800	6,865	10,665	2,000	0	2,000

*Positive numbers indicate costs.

Abbreviations: AIR is the state airports fund; CSAH is County State-Aid Highway; TH is Trunk Highway; THF is the trunk highway fund; TR-OUT means transfer out; WDF is the workforce development fund.

For More Detail

- [Laws 2026, Ch. 129 – Capital Investment General Fund Spending Language](#)
- [Laws 2026, Ch. 130 – Capital Investment General Obligation Borrowing and Registration Tax Change Language](#)
- [Laws 2026, Ch. 129 and Ch. 130 – Capital Investment Tracking Sheet](#)

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Children and Families Finance

The Children and Families Finance and Policy Committee did not have a supplemental budget bill enacted in the 2026 legislative session. Children and families finance provisions were enacted in other finance areas. For additional information, please see the [Health Finance](#) and [State Government Finance](#) summaries as well as the Other Bills summary, which describes [chapter 92](#), the Office of the Inspector General bill, and [chapter 120](#), the human services IT systems modernization bill.

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Commerce Finance

The commerce policy area had few general fund changes in the 2026 legislative session. Chapter 124 was largely a commerce policy bill with a few net zero fiscal changes, and chapter 123, the cannabis policy bill, included one relatively small fee change that serves as the only trackable general fund change in the commerce area. These changes reflect a 0.004 percent savings from the first biennium of the February 2026 forecast base and a 0.018 percent savings from the second. The Commerce Finance and Policy Committee jurisdiction includes the Department of Commerce and the Office of Cannabis Management (OCM).

Table 6 provides further detail on the commerce finance general fund changes enacted in the 2026 legislative session.

Table 6: Commerce Finance - Net General Fund Changes

(Dollars in Thousands)

	FY2026	FY2027	FY2026-27	FY2028	FY2029	FY2028-29
Expenditures						
Commerce	0	0	0	0	0	0
Office of Cannabis Management	0	0	0	0	0	0
Subtotal	0	0	0	0	0	0
Revenue						
Cannabis Event Fee Changes	0	7	7	13	13	26
Subtotal	0	7	7	13	13	26
Total Net Changes	0	(7)	(7)	(13)	(13)	(26)
February 2026 Forecast Biennial Base			173,774			140,934
Percent Change from Base			-0.004%			-0.018%

*In the expenditures section, positive numbers indicate costs and negative numbers indicate savings. In the revenue section, positive numbers indicate revenue gain. In the Total Net Changes line, negative numbers (in parentheses) indicate savings.

The following paragraphs provide information on some of the major funding items that were enacted in commerce finance in the 2026 session but do not provide detail on all expenditures and revenues. For complete fiscal information, please refer to the Minnesota House of Representatives [Fiscal Analysis Department: Legislative Session Tracking Sheets](#) page.

Operating Adjustments

Neither chapter 123 nor 124 include operating adjustments for either agency. The non-depository institutions licensing changes, discussed later in this summary, do result in lesser available operating funds for this specific program, but the change is fairly small and occurs in the special revenue fund.

Major Funding Changes

Cannabis Event Licensing Changes

Chapter 123, section 13 makes changes to current cannabis event organizer licensing fees and cannabis event application fees in order to streamline the application and review process. OCM estimates these changes will bring in an additional \$7,000 to the general fund in FY 2027, increasing to an additional \$13,000 per fiscal year thereafter.

Non-Depository Institutions Licensing Changes

Chapter 124, article 3, tightens licensing and regulatory language for entities who arrange payday loans and clarifies the lending authority of mortgage originators and servicers, which eliminates the current need for dual licensure. Commerce estimates that these changes will result in reduced revenues of \$6,000 per fiscal year to the special revenue fund beginning in FY 2028. Commerce plans to offset this reduction in revenue with an equal reduction in expenditures, ensuring a net zero impact.

Consumer Protection Restitution Account Changes

Created by [First Special Session Laws 2025, chapter 13](#), the consumer protection restitution account (CPRA) was established in the special revenue fund to provide a source of funds for victims of scams who have suffered financially. Individuals who have been scammed must go through a legal process called a “consumer enforcement action” to receive a “final order” from a judge entitling them to a specific amount of restitution that they have otherwise been unable to recover, also known as “unpaid consumer enforcement public compensation.”

Initially, fifty percent of all the money recovered by the attorney general in a consumer enforcement action that is payable to the state and not designated for a specific recipient, up to the first \$5 million each fiscal year, was set aside for CPRA, with the remaining fifty percent going to the general fund, where all of this money was deposited before the creation of CPRA. Funds were to be disbursed from the account on a first-come, first-served basis, until all funds were spent.

Chapter 124 makes changes to CPRA by increasing the account cap from \$5 million per fiscal year to \$10 million and by limiting the amount that recipients may receive from the account. Previously, there was no cap on the amount of funds one recipient could receive. Chapter 124 establishes a two-tier limit: 1) the full identified amount of unpaid consumer enforcement public compensation, up to \$50,000; plus 2) fifty percent of the identified amount of unpaid consumer enforcement public compensation over \$50,000, which is capped at a total of \$50,000. The maximum individual compensation under the two-tier limit totals \$100,000.

Typically, when funds are diverted from the general fund, this must be tracked as a revenue reduction. Minnesota Management and Budget does not track the consumer enforcement action revenue stream or include it in their Budget and Economic Forecasts. While these changes may impact the general fund, there is no measurable cost.

For More Detail

- [Laws 2026, Ch. 124 – Commerce Finance Language](#)
- [Laws 2026, Ch. 123 – Cannabis Policy Language](#)
- [Laws 2026, Ch. 124 and 123 – Commerce Finance Tracking Sheet](#)

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Education Finance

The 2026 legislative session ended with three finance bills under the purview of the Education Finance Committee. These were the budget bill, chapter 117; a bill proposing a constitutional amendment concerning the Permanent School Fund, chapter 114; and the forecast adjustment bill, chapter 109. Net general fund changes for all three chapters in the FY 2026-27 biennium total \$14 million, with net general fund changes in the FY 2028-29 biennium totaling \$1 million. These changes reflect a 0.054 percent increase from the first biennium of the February 2026 forecast base and a 0.004 percent increase from the second. The Education Finance Committee jurisdiction includes the Minnesota Department of Education (MDE), the Professional Educator Licensing and Standards Board (PELSB), the Minnesota State Academies for the Deaf and Blind, and the Perpich Center for Arts Education.

Table 7 provides further detail on the education finance general fund changes enacted in the 2026 legislative session.

Table 7: Education Finance - Net General Fund Changes

(Dollars in Thousands)

	FY2026	FY2027	FY2026-27	FY2028	FY2029	FY2028-29
Expenditures*						
MDE						
Compensatory Supplemental Aid	0	9,000	9,000	1,000	0	1,000
DPS						
Anonymous Threat Reporting	0	5,000	5,000	0	0	0
Total Net Changes	0	14,000	14,000	1,000	0	1,000
February 2026 Forecast Biennial Base			26,136,841			27,587,414
Percent Change from Base			0.054%			0.004%

*Positive numbers indicate costs.

Abbreviation: DPS is the Department of Public Safety.

The following paragraphs provide information on some of the major funding items that were enacted in education finance in the 2026 session but do not provide detail on all expenditures and revenues. For complete fiscal information, please refer to the Minnesota House of Representatives [Fiscal Analysis Department: Legislative Session Tracking Sheets](#) page.

Operating Adjustments

None of the three chapters include operating increases for MDE above the FY 2026-27 or FY 2028-29 biennial operating budgets. The Anonymous Threat Reporting package, primarily administered by DPS, includes \$1 million to the Bureau of Criminal Apprehension (BCA) for staffing and operating costs related to threat assessment and investigations. DPS estimates this onetime funding, available FY 2027 through FY 2029, is enough for two full-time equivalents (FTEs) and associated operating costs. This package also includes up to \$400,000 of total grant funds for the Homeland Security and Emergency Management (HSEM) division of DPS for administering the \$4 million Anonymous Threat Reporting Competitive Grant Program [described further below](#). HSEM is evaluating current need but could hire up to three FTEs for program administration with the available funding.

Major Funding Changes

Compensatory Supplemental Aid – Chapter 117

School districts around the state have been airing concerns about falling Compensatory Revenue Aid for a few years, particularly since the [2023 Legislature](#) enacted changes transitioning districts away from using traditional “paper forms” to establish compensatory eligibility and toward direct certification, which uses data from Medical Assistance, the Supplemental Nutrition Assistance Program (SNAP), the Minnesota Family Investment Program, and the Food Distribution Program on Indian Reservations. While some districts were relatively unaffected by this change, others saw significant declines in Compensatory Revenue, so the [2024](#) and [2025](#) Legislatures made adjustments to limit declines in revenue from year to year. The 2026 Legislature follows this trend by allowing districts to use the greatest of three calculation options for FY 2027 Compensatory Revenue. This has a cost to the state of \$9 million in FY 2026-27 and \$1 million in FY 2028-29.

Anonymous Threat Reporting – Chapter 117

Following the events of the summer of 2025, gun violence prevention was a major topic of discussion in the 2026 legislative session. The Education Finance Committee heard expert testimony from a number of sources, including data that the majority of mass shooters inform at least one person of their plans in advance. Working from this testimony and expert recommendations, the legislature negotiated an Anonymous Threat Reporting package 1) requiring school districts and charter schools to implement either a local Anonymous Threat Reporting System (ATRS) or use the DPS Statewide ATRS, 2) establishing minimum requirements that a local ATRS must meet, 3) requiring MDE to annually compile and submit a report on districts using a local or statewide ATRS, 4) establishing data practices that apply to an ATRS, and 5) creating a competitive grant program administered by DPS for grants to schools² for implementation of the new ATRS requirements. The grant program has a onetime FY 2027 cost of \$4 million and the BCA division of DPS receives the aforementioned \$1 million in operating costs in FY 2027 only.

Permanent School Fund Constitutional Amendment – Chapter 114

Chapter 114 requires that an amendment to the permanent school fund (PSF) language in the Minnesota Constitution be submitted to voters in the 2026 general election. The proposed amendment to Article XI, Section 8 would expand the annual disbursements to school districts³ beginning in FY 2028 by removing the restriction that only net interest and dividends arising from the fund may be distributed. In eliminating this safeguard that the principal of the fund must be “perpetual and inviolate forever,” the amendment replaces it with another, maintaining that the fund must be “managed as a perpetual financial resource” used for the sole purpose of supporting Minnesota schools, and that “[m]anagement of the fund shall be designed to provide annual distributions while preserving the purchasing power of the fund over time and balancing the needs of current and future beneficiaries.”⁴ What would no longer be prescribed in the Minnesota

² Here, as defined in chapter 117, “schools” includes school districts, charter schools, cooperative units that serve students, Tribal contract schools, and nonpublic schools.

³ For permanent school fund distributions, “school districts” includes common, independent, and special school districts, as well as charter schools. [Minnesota Statutes, section 123A.55](#)

⁴ [Laws 2026, chapter 114, section 1](#)

Constitution, however, would be the amount distributed each year. The proposed amendment leaves this new calculation to be established in law.

Under current constitutional and statutory language, interest and dividends (the amounts Minnesota public schools receive annually) for FY 2028 and FY 2029 are estimated to be \$65.333 million and \$65.531 million, respectively.⁵ This corresponds to roughly 2.62 percent of the average net asset value of the fund for each year.

Because the proposed amendment leaves the amount of the disbursement to school districts to be decided in law, chapter 114 addresses this issue by setting the new statutory annual distributable amount to 4.5 percent of the average net asset value of the permanent school fund as of the end of the preceding three fiscal years. Under this proposed 4.5 percent formula, the distributable amounts for FY 2028 and FY 2029 would be an estimated \$108.496 million and \$111.916 million.

Overall, if the proposed formula is adopted, school districts and charter schools across the state would share increased funding of roughly \$43.163 million in FY 2028 and \$46.385 million in FY 2029, with no impact to property taxes. On a per-pupil basis, using Adjusted Average Daily Membership (AADM)⁶ as a metric, this would increase the PSF per-pupil entitlement by \$51.19 in FY 2028 and by \$55.18 in FY 2029. Please see Table 8 for further detail on the proposed PSF changes.

Table 8: Education Finance: Proposed Changes to the Permanent School Fund
(Data Sources: SBI & MDE)

Fiscal Year	PSF Estimated Balance	3 Prior Year Average	Distributable Amount	Prior Year AADM	Per Pupil
<u>Current Constitution/Law</u>					
FY2025	\$2,266,569,397	NA	\$58,925,504	849,629	\$69.35
FY2026	\$2,479,467,772	NA	\$64,937,541	853,261	\$76.11
FY2027	\$2,487,017,343	NA	\$65,135,265	847,570	\$76.85
FY2028	\$2,494,566,913	NA	\$65,332,990	843,194	\$77.48
FY2029	\$2,502,116,484	NA	\$65,530,714	840,627	\$77.95
<u>New Amendment/Law*</u>					
FY2028	\$2,494,566,913	\$2,411,018,171	\$108,495,818	843,194	\$128.67
FY2029	\$2,458,953,656	\$2,487,017,343	\$111,915,780	840,627	\$133.13
<u>Difference, New - Current</u>					
FY2028	\$0	NA	\$43,162,828	NA	\$51.19
FY2029	-\$43,162,828^	NA	\$46,385,066	NA	\$55.18

*If approved by voters in the 2026 general election.

^Does not account for potential lost investment income due to lower principal.

A distinct but related provision to these PSF changes was also passed in chapter 109, article 1, section 2, contingent upon voters adopting the constitutional amendment proposed in chapter 114.

⁵ Minnesota State Board of Investment (SBI) projections.

⁶ AADM is the count of students in a school district who are served by the district. Each school district's pupil count is reduced by the number of students leaving the district for a charter school or through open enrollment and increased by the number of students entering the district from another district. AADM for one pupil cannot exceed 1.0 unless a student is part of an approved extended time program ([Minnesota Statutes, section 126C.05](#)).

If this amendment passes, chapter 109 creates a new Permanent School Fund Aid for Tribal contract schools, which requires that the annual per pupil amount distributed from the PSF in a given fiscal year must be multiplied by the AADM of each Tribal contract school for the prior fiscal year, and the resulting amount must be distributed to each Tribal contract school from the general fund. Early estimates for this contingent appropriation are about \$72,000 for FY 2028 and \$74,000 for FY 2029.

Forecast and Net Zero Changes – Chapter 109

Chapter 109 is the forecast bill for the education, human services, and transportation finance areas, bringing all forecast programs within these areas in line with the estimates in the February 2026 forecast.

Education forecast bills are generally passed as articles of larger bills or standalone bills each session and as a rule do not have costs or savings above or below base funding. Many revenue programs within the education area are entitlement-based, meaning that funding is legally guaranteed to entities based on specific eligibility criteria defined in law or statute, so funding amounts are flexible and prone to variation.

Each November and February forecast, Minnesota Management and Budget estimates the projected cost of each program, so these programs are also known as “forecast programs.” Forecast programs can undergo significant change between the time their budget is enacted (typically in the spring), and when the legislature may modify them a year later, as cost projections will have been recalculated twice. Accordingly, the legislature must update the appropriations for these programs to match the most current estimates provided by the most recent forecast. Because Minnesota uses the February forecast as the basis for its budgeting process, bringing appropriations in line with numbers in the February forecast has no costs or savings.

Chapter 109 also includes a few net zero changes, including expanding the uses allowed under [operating capital](#) to include utility service costs, extending the appropriation availability from [Laws 2023](#) and [Laws 2025](#) for the Gender Neutral Restroom Grant, and allowing two school districts to transfer funds from their building construction funds to their general funds without making a levy reduction.

Other Funding

Education spending changes were also enacted in other bills. For additional information, please see the [Taxes, Property Tax, Aids, and Credits](#) summary, the [Health Finance](#) summary, and the Other Bills summary, which describes [chapter 92](#), the Office of the Inspector General bill, [chapter 108](#), the anti-grooming bill, and [chapter 106](#), the pensions and retirement bill.

For More Detail

- [Laws 2026, Ch. 117 – Education Finance Language](#)
- [Laws 2026, Ch. 117 – Education Finance Tracking Sheet](#)
- [Laws 2026, Ch. 114 – Permanent School Fund Constitutional Amendment Language](#)
- [Laws 2026, Ch. 109 – Forecast Adjustment/ Government Aids Language](#)
- [Laws 2026, Ch. 109 – Forecast Adjustment/ Government Aids Tracking Sheet](#)

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Elections Finance and Government Operations

The Elections Finance and Government Operations Committee did not have a supplemental budget bill enacted in the 2026 legislative session.

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Energy Finance

The Energy Finance and Policy Committee did not have a supplemental budget bill enacted in the 2026 legislative session. Energy finance provisions were enacted in other finance areas. Please see the [Taxes, Property Tax, Aids, and Credits](#) summary, as well as [chapter 113](#) in the Other Bills summary for additional information.

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Environment and Natural Resources Finance

The Environment and Natural Resources Finance and Policy Committee did not have a supplemental budget bill enacted in the 2026 legislative session. Environment finance provisions were enacted in other finance areas. Please see the [Environment and Natural Resources Trust Fund](#) summary and [chapter 126](#) in the Other Bills summary for additional information.

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Environment and Natural Resources Trust Fund

Laws 2026, chapter 104 appropriates money from the environment and natural resources trust fund (ENRTF). The ENRTF was originally established through a constitutional amendment that was passed by voters in 1988. The fund is created with 40 percent of the net proceeds from any state-operated lottery, with up to 5.5 percent of the corpus of the fund available for appropriation in each fiscal year. For FY 2027, \$103.326 million was available and \$102.036 million is appropriated from the fund. Recommendations for the funding are made on an annual basis through the Legislative-Citizen Commission on Minnesota Resources (LCCMR). The legislature removed one project from the recommendations for FY 2027. There are 108 appropriations included in chapter 104.

In 2023, a constitutional ballot question was passed that extended the deposit of lottery proceeds to the trust fund by 25 years and increased the amount available annually from 5.5 percent to 7 percent. The additional 1.5 percent was intended to go to a new Community Grant Program administered by the Department of Natural Resources. The constitutional question passed in November 2024, which made the additional 1.5 percent available for appropriation starting in FY 2026. Laws 2026, chapter 104, sections 6-13 enact changes to the Community Grant Program, clarifying the potential uses of the program and creating several limitations and oversight requirements. For FY 2027, \$28.18 million was appropriated to the grant program. Table 9 provides a summary of the ENRTF appropriations enacted in the 2026 legislative session.

Table 9: Environment & Natural Resources Trust Fund - Net Changes

(Dollars in Thousands)

	FY2026	FY2027	FY2026-27
<u>Expenditures*</u>			
Resiliency	0	10,641	10,641
Water	0	17,014	17,014
Education & Outdoor Recreation	0	36,554	36,554
Fish & Wildlife	0	18,750	18,750
Energy	0	773	773
Land	0	17,964	17,964
Administration	0	340	340
Total Net Changes	0	102,036	102,036
Environment & Natural Resources Trust Fund Community Grant Program	0	28,180	28,180

*Positive numbers indicate costs.

For More Detail

- [Laws 2026, Ch. 104 – Environment and Natural Resources Trust Fund Language](#)
- [Laws 2026, Ch. 104 – Environment and Natural Resources Trust Fund Tracking Sheet](#)

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Health Finance

Laws 2026, chapter 127 appropriates money from the general fund to the Department of Health (MDH), Department of Human Services (DHS), Department of Children, Youth, and Families (DCYF), Office of the Attorney General (AGO), Minnesota Management and Budget (MMB), and Legislative Coordinating Commission (LCC). Health finance general fund appropriations in FY 2026-27 total \$312.861 million over base funding, a 9.168 percent increase. For FY 2028-29, chapter 127 enacts total savings of \$38.917 million relative to base funding, a reduction of 1.035 percent. The legislature also passed a Human Services IT Systems Modernization package, [chapter 120](#), which is described in additional detail in the Other Bills summary.

Table 10 provides further detail on the health finance general fund changes enacted in the 2026 legislative session.

Table 10: Health Finance - Net General Fund Changes
(Dollars in Thousands)

	FY2026	FY2027	FY2026-27	FY2028	FY2029	FY2028-29
<u>Expenditures*</u>						
Dept of Human Services	0	135,311	135,311	(9,370)	(37,710)	(47,080)
Dept of Health	50,000	87,258	137,258	0	0	0
Dept of Children, Youth, & Families	0	45,839	45,839	9,906	9,465	19,371
Attorney General's Office	0	1,230	1,230	1,230	1,230	2,460
Dept of Public Safety	0	0	0	0	544	544
Legislative Coordinating Commission	17	74	91	36	36	72
MN Management & Budget	0	193	193	0	0	0
Subtotal	50,017	269,905	319,922	1,802	(26,435)	(24,633)
<u>Federal Financial Participation</u>						
FFP Dept of Human Services	0	5,941	5,941	5,867	5,917	11,784
FFP Dept of Children, Youth, & Families	0	1,120	1,120	1,321	1,179	2,500
Subtotal FFP	0	7,061	7,061	7,188	7,096	14,284
Net of Expenditures	50,017	262,844	312,861	(5,386)	(33,531)	(38,917)
Total Net Changes	50,017	262,844	312,861	(5,386)	(33,531)	(38,917)
February 2026 Forecast Biennial Base			3,412,483			3,760,565
Percent Change from Base			9.168%			-1.035%

*In the expenditures section, positive numbers indicate costs and negative numbers (in parentheses) indicate savings. For the Federal Financial Participation section, positive numbers indicate savings.

Abbreviation: Dept is department.

The following paragraphs provide information on some of the major funding items that were enacted in health finance in the 2026 session but do not provide detail on all expenditures and revenues. For

complete fiscal information, please refer to the Minnesota House of Representatives [Fiscal Analysis Department: Legislative Session Tracking Sheets](#) page.

Operating Adjustments

Chapter 127 provides DHS with a net operating increase of \$13.942 million in FY 2027 and \$37.132 million in FY 2028-29. This includes an estimated 72 new full-time equivalents (FTEs) ongoing, beginning in FY 2027. Chapter 127 provides DCYF with a net operating increase of \$8.391 million in FY 2027 and \$16.195 million in FY 2028-29, which is for an estimated 21 new ongoing FTEs. Chapter 127 provides the AGO with an operating increase of \$1.23 million in FY 2027 and \$2.46 million in FY 2028-29. These funds are intended to pay the state's share of the costs to add 18 FTEs to the AGO Medicaid Fraud Control Unit. Chapter 127 includes an ongoing operating increase of \$544,000 for DPS starting in FY 2029. Chapter 127 also includes some onetime administrative funding for MDH and a small amount of ongoing funding for the LCC. Please see Table 11 for an overview of these operating adjustments.

Table 11: Health Finance - Operating Increases and New Ongoing FTEs
(Dollars in Millions)

Agency	FY2026-27 Net Operating Increase*	FY2028-29 Net Operating Increase	Estimated New Ongoing FTEs
DHS	\$13.942	\$37.132	71.0
DCYF	\$8.391	\$16.195	21.0
AGO	\$1.230	\$2.460	18.0
DPS	\$0.000	\$0.544	3.0
Total	\$23.563	\$56.331	113.0

*Numbers correspond to the state-paid portion of FTE costs. The federal government will pay 75 percent of the total cost for these new FTEs.

Abbreviations: DHS is Department of Human Services; DCYF is the Department of Children, Youth, and Families; AGO is the Attorney General's Office.

Major Funding Changes

Federal Conformity

The central focus and impact of chapter 127 is DHS administrative funding to implement compliance with Public Law 119-21, also known as HR1 and sometimes referred to as the One Big Beautiful Bill Act, which was passed by Congress in 2025. HR1 makes significant changes to Medicaid eligibility for states like Minnesota that expanded coverage to the adults without children population under the Affordable Care Act (ACA). HR1 requires this population to engage in work activities as a condition of Medicaid eligibility and to recertify their eligibility every 6 months versus every 12 months. The total estimated cost of all federal conformity provisions in this bill is \$9.476 million in FY 2026-27 and results in estimated savings of \$74.02 million in FY 2028-29. The savings starting in FY 2028 are driven by two primary factors: first, the narrowing of retroactive eligibility from three months to one month, and second, projections of individuals losing Medicaid coverage due to these changes. Chapter 127 provides DHS with funding for roughly 70 new ongoing FTEs to address these administrative changes.

In addition, the funding will be used for systems updates, contracts to access federal eligibility databases, coordination with county and Tribal partners, and enhancements to program integrity.

Hospital Stabilization

Chapter 127 provides significant funding for the Hennepin County Medical Center (HCMC) and other hospitals throughout the state that are experiencing acute financial challenges. HCMC receives a direct grant of \$104.95 million in FY 2026-2027. Another provision for HCMC directs DHS to make a onetime payment of \$100 million of the non-federal share of Medical Assistance (MA, Minnesota's name for Medicaid) to the Directed Payment Program in FY 2027. Other hospitals will receive a total of \$30 million in FY 2026-27 onetime as part of the Hospital Stabilization Grant Program.

Additionally, Minnesota Management and Budget (MMB) is directed to transfer \$354 million in FY 2027 and \$146 million in FY 2028 from the general fund budget reserve account to a new hospital stabilization reserve account within the general fund. Funds in the hospital stabilization reserve account may be used, upon positive review by the Legislative Advisory Commission, to support hospitals with documented needs for stabilization funds. These funds are available until June 30, 2031. Finally, \$2.506 million in FY 2027 and \$13.248 million in FY 2028-29 are for rate increases for critical access hospitals throughout the state.

Federal SNAP Changes

Chapter 127 provides \$10.728 million in onetime general fund appropriations in FY 2027 to counties for new Supplemental Nutrition Assistance Program (SNAP) administrative costs stemming from recent federal program changes requiring states to share administrative costs. It provides DCYF, the state agency that oversees SNAP, with new administrative funding for this purpose as well. DCYF will receive \$5.666 million in FY 2027 and \$14.501 million in FY 2028-29 in administrative funding related to these changes.

County Funding for Child Welfare

Chapter 127 provides onetime funding of \$15 million to counties for implementation of the Minnesota African American Family Preservation Child Welfare Disproportionality Act.

Onetime Grants

Chapter 127 provides general fund appropriations for several onetime grants in FY 2027. Two of these grants are administered by DHS: School-Linked Behavioral Health Grants and Mobile Crisis Grants, and they receive an additional \$12.5 million and \$3.8 million, respectively. The DCYF-administered Regional Food Bank and Food Shelf Grant Programs receive an additional \$5 million each. Finally, MDH will administer a \$200,000 grant to Helping Paws.

After the 2026 legislative session ended, MMB identified a technical issue with how two DHS appropriation cancellations were drafted in chapter 127. The language had intended to cancel a total of \$832,000 per fiscal year, starting in FY 2027, from two DHS grant programs: Child and Economic Support Grants and Fraud Prevention Grants. These specific budget activities did not contain appropriations, however, so the funds could not be canceled starting in FY 2027, as intended. As such, the final general fund appropriations (reflected in this summary) are \$832,000 higher than June 2026 legislative tracking indicates.

Child Care Licensing Implementation

Chapter 127 appropriates \$2.931 million in FY 2027 and allocates \$2.07 million in FY 2028-29 to DCYF for implementation of new child care licensing modernization provisions.

State Government Special Revenue Fund Changes

Chapter 127 also includes increases in net spending to the state government special revenue (SGSR) fund. Two MDH provisions total \$880,000 in FY 2026-27 and \$880,000 is allocated in FY 2028-29. One provision increases MDH spending authority for HMO regulatory activities by \$440,000 per year. The other provision increases both fee revenue and spending authority by an equal amount, \$187,000 in FY 2027 and \$524,000 in FY 2028-29, thus netting to zero overall.

Other Funding

Health finance related changes were also enacted in other bills. For additional information, please see the [Human Services Finance](#) summary and the Other Bills summary, which describes [chapter 92](#), the Office of the Inspector General bill, and [chapter 120](#), the human services IT systems modernization bill.

For More Detail

- [Laws 2026, Ch. 127 – Health Finance Language](#)
- [Laws 2026, Ch. 127 – Health Finance Tracking Sheet](#)

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Higher Education Finance

Laws 2026, chapter 116 appropriates money from the general fund to the Minnesota Office of Higher Education (OHE) and Minnesota State Colleges and Universities (Minn State). Total general fund appropriations for FY 2026-27 are \$4.015 billion, an increase of \$4.505 million over base funding, or 0.112 percent. Allocations for the FY 2028-29 biennium total \$3.976 billion and are unchanged in comparison to those enacted during the 2025 legislative session.

Table 12 provides further detail on the higher education general fund changes enacted in the 2026 legislative session. Additionally, [Table 13](#) describes non-general fund changes.

Table 12: Higher Education Finance - Net General Fund Changes

(Dollars in Thousands)

	FY2026	FY2027	FY2026-27	FY2028	FY2029	FY2028-29
Expenditures*						
OHE - Fostering Independence Grant	0	1,500	1,500	0	0	0
Minn State - BSU Tree Replacement	0	5	5	0	0	0
Minn State - Identity Fraud Software	0	3,000	3,000	0	0	0
Total Net Changes	0	4,505	4,505	0	0	0
February 2026 Forecast Biennial Base			4,015,828			3,976,742
Percent Change from Base			0.112%			0.000%

*Positive numbers indicate costs.

Abbreviation: BSU is Bemidji State University.

The following paragraphs provide information on some of the major funding items that were enacted in higher education finance in the 2026 session but do not provide detail on all expenditures and revenues. For complete fiscal information, please refer to the Minnesota House of Representatives [Fiscal Analysis Department: Legislative Session Tracking Sheets](#) page.

Operating Adjustments

No operating adjustments were enacted in the 2026 legislative session in higher education finance.

Major Funding Changes

Fostering Independence Grant

In [First Special Session Laws 2021, chapter 2](#), the legislature established the Fostering Independence Grant Program to assist students who had been enrolled in the state foster care system in paying for college. FY 2026-27 projections suggested that current appropriations would be insufficient to serve all applicants within the program if funding levels remained static for FY 2027. Chapter 116 appropriates an additional \$1.5 million from the general fund in FY 2027 to address this deficiency. The appropriation is onetime and will not impact the FY 2028-29 biennium. Additionally, \$570,000 is appropriated onetime from the workforce development fund for this program in FY 2026.

Unlike similar foster care programs that are forecasted on a yearly basis, the Fostering Independence Grant is funded with direct state appropriations from the general fund. OHE [submits an annual report to the legislature](#) that includes data on the number of program participants.

Bemidji State Tree Replacement and Identity Fraud Software

Minn State receives two onetime general fund appropriations in chapter 116. The first new appropriation is to address storm damage at Bemidji State University that occurred during the summer of 2025. Specifically, \$5,000 is appropriated in FY 2027 to acquire fast growing hybrid trees developed by the University of Minnesota to replace those that were destroyed during the storm. Bemidji State University is often referred to as the “college in the pines,” and has significant tree coverage on campus.

The second new appropriation provides \$3 million in FY 2027 from the general fund to Minn State to acquire identity fraud software. The software will be used to confirm the identity of students registering for courses and address concerns with financial aid fraud. Language in the provision allows for extended availability of the funds through the FY 2028-29 biennium.

Licensing and Registration Litigation Response

Due to litigation related to the registration of certain career and technical schools by OHE, chapter 116 amends various sections of [Minnesota Statutes, chapter 136A](#). These changes would expand the number and types of schools that would be required to register with OHE and be subject to oversight by the agency. Registration fees are deposited in the special revenue fund and have a net impact of \$100,000 in additional revenue beginning in FY 2027. The agency is projected to spend an additional \$84,000 each fiscal year from the special revenue fund, beginning in FY 2027, for administration and compliance.

Table 13: Higher Education Finance - Net Non-General Fund Changes
(Dollars in Thousands)

	Fund	FY2026	FY2027	FY2026-27	FY2028	FY2029	FY2028-29
Expenditures*							
OHE - Fostering Independence Grant	WDF	570	0	570	0	0	0
Licensing Litigation Response	SR	0	84	84	84	84	168
Subtotal		570	84	654	84	84	168
Revenue							
Licensing Litigation Response	SR	0	184	184	184	184	368
Subtotal		0	184	184	184	184	368
Total Net Changes		570	(100)	470	(100)	(100)	(200)

*In the expenditures section, positive numbers indicate costs. In the revenue section, positive numbers indicate revenue gain. In the Total Net Changes line, negative numbers (in parentheses) indicate savings.

Abbreviations: WDF is the workforce development fund; SR is the special revenue fund.

For More Detail

- [Laws 2026, Ch. 166 – Higher Education Language](#)
- [Laws 2026, Ch. 116 – Higher Education Tracking Sheet](#)

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Housing Finance

Laws 2026, chapter 100, as modified by chapter 128, appropriates money from the general fund and the housing development fund (HDF) to the Minnesota Housing Finance Agency (MHFA) and to Minnesota Management and Budget (MMB) for housing-related purposes. Total general fund appropriations in FY 2026-27 are a net savings of \$2 million, or a 1.087 percent reduction from base. Chapter 100 also allocates an estimated \$2 million in general fund debt service payments in FY 2028-29 for \$100 million in housing infrastructure bonds (HIBs), an increase of 2.278 percent over prior estimates of FY 2028-29 debt service payments. This legislation also enacts considerable fiscal and policy changes to the HDF, including reallocating \$25 million in investment earnings from unspent legislative appropriations.

Table 14 provides further detail on the housing finance general fund changes enacted in the 2026 legislative session. [Table 15](#) summarizes changes to the HDF.

Table 14: Housing Finance - Net General Fund Changes

(Dollars in Thousands)

	FY2026	FY2027	FY2026-27	FY2028	FY2029	FY2028-29
Expenditures*						
FHPAP Onetime Increase	38,000	0	38,000	0	0	0
Housing Infrastructure Bonds	0	0	0	0	2,000	2,000
Subtotal	38,000	0	38,000	0	2,000	2,000
Revenue						
Cancellation - Tyler Settlement Funds^	40,000	0	40,000	0	0	0
Subtotal	40,000	0	40,000	0	0	0
Total Net Changes	(2,000)	0	(2,000)	0	2,000	2,000
February 2026 Forecast Biennial Base, no HIBs			183,946			166,496
Percent Change from Base			-1.087%			0.000%
February 2026 Forecast Biennial Base HIBs Biennial Debt Service			80,324			87,779
Percent Change from Base			0.000%			2.278%

*Positive numbers indicate costs and negative numbers (in parentheses) indicate savings.

^[Laws 2024, chapter 113](#) appropriated \$109 million for the settlement of property tax forfeiture claims. Although chapter 100 cancels these appropriated funds, the tracking shows this cancellation as non-tax revenue, matching MMB's [2026 End of Session General Fund Balance Analysis](#). Cancellation estimates of these funds were unknown and therefore not included in the February 2026 forecast. For more information, see the [Tyler Settlement Cancellation section](#).

Abbreviations: FHPAP is the Family Homeless Prevention and Assistance Program; HIBs is housing infrastructure bonds.

The following paragraphs provide information on some of the major funding items that were enacted in housing finance in the 2026 session but do not provide detail on all expenditures and revenues.

For complete fiscal information, please refer to the Minnesota House of Representatives [Fiscal Analysis Department: Legislative Session Tracking Sheets](#) page.

Operating Adjustments

Legislative appropriations to MHFA rarely include designated amounts for operating costs or full-time equivalents (FTEs). MHFA has typically funded FTEs and operating expenses through their statutorily authorized banking activities and supplemented this funding with investment income earned from state appropriations that have yet to be expended.⁷ According to the agency, investment earnings on state appropriations are used solely to fund state program operations. Most recent spending data from MHFA's [annual financial reports](#) show expenditures of \$5.707 million in FY 2023, \$14.588 million in FY 2024 and \$19.756 million in FY 2025 for the administration of state programs.

Prior to the enactment of chapter 100, MHFA cited [Minnesota Statutes, section 462A.21, subdivision 10](#) as authorization to retain funds from legislative appropriations for state program operating costs. MHFA started this practice in FY 2024, and between FY 2024 and FY 2026, the agency retained \$20.78 million for administrative expenses from \$535.557 million in program appropriations. Prior to the end of the 2026 session, MHFA returned all but \$5.627 million of those retained funds to programs. Chapter 100 specifies that MHFA may not engage in this practice unless investment income from legislative appropriations is insufficient to cover the cost to administer state programs. This limitation sunsets at the end of FY 2028.

Chapter 100 does not provide any additional funding for FTEs. According to [MMB's Full-Time Equivalent Reports](#), in the first quarter of FY 2026, 328.4 FTEs were employed across the entire agency, covering federal, state, and agency programs. At this time, there is no publicly available data on the number of FTEs that work exclusively on state-appropriated programs.

Chapter 100 also modifies MHFA's [statutorily required operating costs report](#) to include specific details differentiating the cost to administer state appropriated programs and other agency activities. Details now required in the report include costs related to FTEs, the amount of earnings from the investment of state appropriations that were used for operating costs, and projected biennial administrative costs for all agency activities.

Major Policy Changes with Fiscal Implications

State Appropriation Investment Income

Chapter 100 enacts several provisions that limit the ways that MHFA may use investment income and gives the agency additional direction for spending this income. Prior to enactment of this chapter, MHFA had the broad authority to use earnings from these investments on any program authorized under [Minnesota Statutes, chapter 462A](#), which could also include programs the agency finances with revenues from its lending activities. Chapter 100 limits that authority to programs funded through state appropriations.

In addition to broad authority regarding how to spend investment earnings, MHFA also had discretion on when, how much, and how often to disburse state appropriation investment income. Chapter 100

⁷ State appropriation dollars that are not encumbered may be invested, per [Minnesota Statutes, section 11A.20](#). MHFA is required by [Minnesota Statutes, section 462A.20, subdivision 3](#) to establish a separate bookkeeping account to record the receipt of any income from the investment of state appropriations.

instructs the agency to disburse investment income every biennium to programs that align with the purpose of the original appropriation. This gives the agency flexibility in distributing funds, especially when that income stems from onetime programs that are unlikely to receive further funding to launch additional requests for proposals (RFPs). Due to historically large appropriations to the agency in [Laws 2023, chapter 37](#), the agency accrued nearly \$150 million in investment income from FY 2023 to FY 2026, with over half remaining unspent at the close of FY 2026. Starting in September 2027, MHFA must determine the cost of administering state programs in the upcoming biennium and subtract that from available investment income in the HDF. The agency must then distribute 25 percent of the remainder to state-appropriated programs.

Housing Development Fund

Chapter 100 modifies statute to specify that monies within the HDF may only be used for the purposes of that fund (described in [Minnesota Statutes, section 462A.21](#)). It also requires the agency to notify the chairs and ranking members of the Housing Finance and Policy committees when the agency plans to transfer balances within the fund from one appropriated account to another.

Chapter 100 also seeks additional transparency by requiring the agency to produce a report providing legislative staff with access to their accounting subsystem, as MHFA has typically used the state accounting system differently than other agencies.

Housing Development Fund Report

In addition to the updates to the operating costs report, detailed in the [Operating Adjustments](#) section, chapter 100 requires MHFA to include information in its annual report regarding the actual amount of earnings from the investment of state appropriations in the prior calendar year. In addition, MHFA must disclose the total unencumbered balance of state appropriations in the HDF and provide explanations for why funds remain unspent.

Major Funding Changes

Tyler Settlement Cancellation

[Laws 2024, chapter 127, article 70](#) enacted changes to Minnesota's property tax forfeiture law due to the US Supreme Court ruling, *Tyler vs. Hennepin County*, which found the state's practice of retaining funds that exceeded the tax debt to be a violation of the [Takings Clause of the US Constitution](#). After the Supreme Court ruling, the state faced two class-action lawsuits by property owners who experienced forfeiture and whose counties retained value in excess of their tax debt. [Laws 2024, chapter 113](#) appropriated \$109 million for the settlement of these claims. Any amount of this appropriation that was not paid to claimants would cancel to the general fund on June 30, 2026.

Chapter 100, as modified by chapter 128⁸, cancels \$40 million of this appropriation on June 29, 2026, ensuring these funds will cancel to the general fund in FY 2026 and, due to the lack of inclusion in the MMB forecast, generating savings to the general fund. A similar cancellation of \$7 million was enacted in chapter 121. Please see the [Human Services Finance](#) summary for information on this cancellation.

⁸ Chapter 128 amends chapter 100 by specifying that the cancellation amount is exactly \$40 million in FY 2026.

Table 15: Housing Finance - Net Housing Development Fund Changes

(Dollars in Thousands)

	FY2026	FY2027	FY2026-27
Expenditures*			
Greater MN Workforce Housing Development	0	14,275	14,275
Supportive Housing	0	4,000	4,000
Manufactured Home Park Infrastructure Grants	0	4,000	4,000
FHPAP	0	2,000	2,000
Tenant Hotline	0	425	425
HECAT	0	150	150
MN Nice Home Share Pilot Program	0	150	150
Reallocation - Appropriation Interest Earnings	0	(25,000)	(25,000)
Total Net Changes	0	0	0

*Positive numbers indicate costs and negative numbers indicate savings.

Abbreviations: FHPAP is the Family Homeless Prevention and Assistance Program; HECAT is the Homeownership Education, Counseling, and Training Program.

Legislative Appropriation Interest Earnings Reallocation

Chapter 100 reallocates \$25 million from the aggregated earnings from investment of state appropriations to be used as outlined in Table 15. Prior to the enactment of chapter 100, MHFA had earned \$149.58 million in investment revenues since FY 2023, of which \$83.008 million remained unexpended.

Family Homeless Prevention and Assistance Program

The Family Homeless Prevention and Assistance Program (FHPAP) was created in the [1993 legislative session](#) to assist families at risk of homelessness or those currently homeless. Chapter 100, as modified by chapter 128⁹, appropriates onetime funds of \$38 million in FY 2026 from the general fund and \$2 million in FY 2027 from state appropriation investment earnings in the HDF. These funds are to be allocated and spent no later than December 31, 2026. MHFA is required to prioritize community need, grantee capacity, and geographic distribution in the awarding of these funds and may award grants to existing grantees. The general fund base for this program is unchanged at \$21.438 million in the FY 2028-29 biennium.

Greater Minnesota Workforce Housing Development Program

This legislation also makes a onetime appropriation of \$14.275 million in FY 2027 to the Greater Minnesota Workforce Housing Development Program using reallocated investment earnings from the HDF. Created in the [2017 legislative session](#), this program awards grants or deferred loans to cities outside the 7-county metro area, federally recognized Tribes, and areas served by joint county-city economic development authorities. These awards may be used for expenses related to market rate residential rental properties, including acquisition, improvement, financing, and public infrastructure costs, among others. The general fund base for this program, unchanged in chapter 100, is \$4 million in the FY 2028-29 biennium.

⁹ Chapter 128 amends the open appropriation in chapter 100 to an appropriation of exactly \$38 million and also changes the fiscal year of the appropriation to FY 2026.

Manufactured Home Park Infrastructure Grants

Chapter 100 appropriates \$4 million in FY 2027 only from investment earnings in the HDF for Manufactured Home Park Infrastructure Grants. This program, created in the [2001 special session](#), provides grants for the acquisition of and improvements to manufactured home parks, as well as their infrastructure and community facilities. The general fund base for this program is \$2 million in the FY 2028-29 biennium.

Minnesota Nice Home Share Pilot Program

Chapter 100 establishes the Minnesota Nice Home Share Pilot Program, which is a grant program in Lake, St. Louis, and Washington counties that aims to reduce housing costs for senior homeowners with spare rooms by matching them with adults in need of affordable housing. St. Louis county, as the grant manager, receives a onetime appropriation of \$150,000 in FY 2027 from the reallocated investment earnings within the HDF.

Supportive Housing

The federal Department of Housing and Urban Development (HUD) administers the Continuum of Care Program (CoC), which provides funding for housing and supportive services. Typically, HUD has reserved a significant portion of funding for CoC grantees for grant renewals and permanent housing efforts. However, in late 2025, HUD announced that it would no longer prioritize funding for prior grantees, capping the total allocation for permanent supportive housing at 30 percent of all CoC funding. While HUD's 2025 decision was challenged in court¹⁰, supportive housing providers continue to face uncertainty, leading the 2026 Legislature to enact chapter 43. This chapter allocates \$9 million from a prior [2023 general fund appropriation](#) for a supportive housing program that had not yet launched at the time of enactment. The \$9 million appropriation in chapter 43 is for eligible CoC grantees whose contracts have expired or will expire before December 31, 2026, or CoC grantees who will experience funding gaps. Chapter 100 also allocates an additional \$4 million from aggregated investment income in the HDF in FY 2027 for this purpose and extends grantee eligibility to December 31, 2027. This program does not have a general fund base.

Housing Infrastructure Bonds

Chapter 100 authorizes MHFA to issue up to \$100 million in housing infrastructure bonds (HIBs). HIBs proceeds can generally be used to finance construction, acquisition, improvement, and rehabilitation of affordable housing, including supportive housing, multi-family rental housing, manufactured home parks, and single-family housing.

MMB transfers HIBs debt service payments to MHFA via general fund appropriations. The additional \$100 million authorization is estimated to have a general fund fiscal impact of \$2 million in debt service in FY 2029, \$5.6 million in FY 2030, and \$8 million starting in FY 2031 and for the life of the bonds (expected to be 20 years). Due to this legislation, the base for HIBs debt service will be \$89.779 million in FY 2028-29. Since 2008, MHFA has received authorizations to issue up to \$605 million in HIBs and \$36 million in nonprofit housing bonds; of these, MHFA has issued 98.5 percent of HIBs and 97.3 percent of nonprofit housing bonds.

¹⁰ The [June 2026 US district court ruling](#) in this case found that HUD's actions violated the Administrative Procedures Act.

Other Funding

Chapter 128 modifies provisions in chapter 100 related to housing finance that were enacted before the end of session. For additional information about chapter 128, please see the [Taxes, Property Tax, Aids, and Credits](#) summary.

For More Detail

- [Laws 2026, Ch. 43 – Supportive Housing Language](#)
- [Laws 2026, Ch. 100 – Housing Finance Language](#)
- [Laws 2026, Ch. 128, art. 8, subd. 10 – Tax Act Language modifying Ch. 100](#)
- [Laws 2026, Ch. 100 as modified by Ch. 128 – Housing Finance Tracking Sheet](#)

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Human Services Finance

Laws 2026, chapter 121 includes appropriations and other finance changes for the Human Services Finance and Policy Committee. This includes funding items at the Department of Human Services (DHS), Department of Children, Youth, and Families (DCYF), Minnesota Department of Health (MDH), Department of Employment and Economic Development (DEED), and Minnesota Management and Budget (MMB). In total, chapter 121 has a net general fund impact of a savings of \$150 million in FY 2026-2027 (a 0.755 percent reduction from base) and a savings of \$150 million in FY 2028-29 (a 0.705 percent reduction from base).

Table 16 provides further detail on the human services general fund changes enacted in the 2026 legislative session.

Table 16: Human Services Finance - Net General Fund Changes

(Dollars in Thousands)

	FY2026	FY2027	FY2026-27	FY2028	FY2029	FY2028-29
<u>Expenditures*</u>						
DHS	(10,098)	(50,711)	(60,809)	(27,642)	(70,623)	(98,265)
DCYF	0	5,924	5,924	4,555	4,503	9,058
MDH	0	805	805	630	630	1,260
DEED	0	1,000	1,000	0	0	0
Subtotal	(10,098)	(42,982)	(53,080)	(22,457)	(65,490)	(87,947)
<u>Federal Financial Participation</u>						
DHS	0	14,746	14,746	25,707	28,802	54,509
DCYF	0	1,488	1,488	917	969	1,886
Subtotal FFP	0	16,234	16,234	26,624	29,771	56,395
Net of Expenditures	(10,098)	(59,216)	(69,314)	(49,081)	(95,261)	(144,342)
<u>Revenue</u>						
DHS	73,667	19	73,686	5,639	19	5,658
MMB	7,000	0	7,000	0	0	0
Subtotal	80,667	19	80,686	5,639	19	5,658
Total Net Changes	(90,765)	(59,235)	(150,000)	(54,720)	(95,280)	(150,000)
February 2026 Forecast Biennial Base			19,877,428			21,282,079
Percent Change from Base			-0.755%			-0.705%

*In the expenditures section, positive numbers indicate costs and negative numbers (in parentheses) indicate savings. For the Federal Financial Participation section, positive numbers indicate savings. In the revenue section, positive numbers indicate revenue gain.

The following paragraphs provide information on some of the major funding items that were enacted in human services finance during the 2026 session but do not provide detail on all expenditures and

revenues. For complete fiscal information, please refer to the Minnesota House of Representatives [Fiscal Analysis Department: Legislative Session Tracking Sheets](#) page.

Operating Adjustments

Chapter 121 appropriates a net general fund operating increase of \$51.535 million in FY 2026-27 to support an estimated 101.4 new full-time equivalents (FTEs) and allocates \$157.161 million in new net general fund central funds in FY 2028-29 for the DHS central office. The FY 2028-29 adjustments will support an estimated 132 new FTEs in FY 2028 and 131 in FY 2029.¹¹ Chapter 121 also appropriates new operating funds to DCYF of \$4.436 million in FY 2026-27. These funds will support an estimated 13.8 new FTEs. For FY 2028-29 at DCYF, chapter 121 designates new net general fund operating increases of \$5.566 million, supporting an estimated 16 new FTEs in FY 2028 and 16 FTEs in FY 2029.

Major Funding Changes

DHS Program Integrity and Fraud Prevention

Chapter 121 includes several funding changes around program integrity and fraud prevention. Major finance items include general fund appropriations of \$4.463 million in FY 2027 with a base of \$11.175 million in FY 2028-29 for a study of Minnesota's human services delivery system. This study is tasked with determining if the current division of functions between the state and the counties is the most effective way to administer human services programs. Because many functions that used to be at DHS are now housed at DCYF, there is an additional appropriation to DCYF for their portion of the study (for more information see the [DCYF Program Integrity and Fraud Prevention section](#)). The law also appropriates \$1.174 million from the general fund in FY 2027 to implement enhanced home and community-based services colocation prohibitions in certain settings. This item has anticipated general fund costs of \$2.162 million in FY 2028-29 (see the [Other Items](#) section for a discussion of the MDH impact).

Newly established billing limits in chapter 121 on many Medical Assistance (MA, Minnesota's name for Medicaid) services have a savings of \$96.953 million to the general fund in FY 2027 and a savings of \$242.658 million in FY 2028-29.

An initiative to modernize program and payment integrity controls creates additional savings to the general fund of \$85.572 million in FY 2027 and increases general fund spending by \$8.875 million in FY 2028-29. A related provision enhancing program integrity in MA appropriates \$3.39 million from the general fund in FY 2027, with anticipated costs of \$46.632 million in FY 2028-29. Chapter 121 appropriates \$2.14 million from the general fund in FY 2027 for a provision to improve program integrity in Integrated Community Support Services. This initiative has anticipated savings to the general fund of \$4.235 million in the FY 2028-29 biennium.

Chapter 121 also establishes a new compliance training initiative for high-risk providers. A \$6.284 million general fund appropriation in FY 2027 is for the implementation of this training with anticipated costs to the general fund of \$14.005 million in FY 2028-29.

¹¹ Annual FTE estimates are only for the referenced fiscal year and are not cumulative. In other words, total new FTEs for the DHS central office are estimated to be 131 at the end of FY 2029, not 263.

Finally, chapter 121 appropriates \$3.597 million from the general fund in FY 2027 with a base of \$7.852 million in FY 2028-29 to establish a continuity of care team at DHS. The purpose of the team is to ensure that if fraud prevention efforts close or sanction MA or other providers, individuals receiving services are not suddenly left without a provider.

Other DHS Initiatives

Chapter 121 does include several initiatives that are not related to program integrity or fraud. In FY 2027, \$11.548 million is appropriated from the general fund for a onetime pay increase for nursing facility workers. A general fund appropriation of \$1.4 million in FY 2027 with a base of \$2.268 million in FY 2028-29 is for compliance with the federal Medicaid access rule, which states must implement by 2031. A peer recovery support grant to Todd County receives a \$300,000 appropriation from the general fund in FY 2027, with the same amount allocated each fiscal year thereafter. A nonprofit organization serving Somali and East African women receives a \$250,000 appropriation from the general fund in FY 2027. The base for this appropriation is \$500,000 per year beginning in FY 2028.

There are several initiatives for which chapter 121 does not appropriate funding in the current biennium but establishes base spending in FY 2028-29. Base spending of \$462,000 in FY 2028-29 from the general fund is to complete an ongoing project to establish uniform service standards in the behavioral health program area. This provision will also generate \$1.4 million in revenue in the FY 2028-29 biennium in the state government special revenue fund. Finally, a general fund base of \$1.3 million is established in FY 2029 for staffing related to IT modernization. The 2026 Legislature also passed a separate human services IT modernization bill, [chapter 120](#), which is described in the Other Bills summary.

DCYF Program Integrity and Fraud Prevention

Chapter 121 includes two program integrity related items at DCYF. The first is part of the major study on redesigning the structure of the human services delivery system described in the [DHS Program Integrity and Fraud Prevention section above](#). Chapter 121 appropriates \$2.247 million from the general fund in FY 2027 and allocates \$1.296 million in FY 2028-29 to extend that redesign study to programs at DCYF that were formerly housed at DHS.

The second item is a \$2.189 million appropriation from the general fund in FY 2027 with base spending of \$5.876 million in FY 2028-29 for a new program integrity/fraud prevention initiative in the state Child Care Assistance Program (CCAP).

Other Items

Chapter 121 includes general fund appropriations to MDH of \$805,000 in FY 2027 and allocations of \$1.26 million in FY 2028-29 for two program changes. The first item is related to the new home and community-based setting colocation prohibitions in certain licensed residential programs. This is the MDH portion of this initiative, also mentioned in the [DHS Program Integrity and Fraud Prevention section above](#). The second change creates a group to examine a new licensure class for small assisted living facilities.

Chapter 121 also appropriates \$1 million from the general fund to DEED in FY 2027, onetime, for an ADA (Americans with Disabilities Act) compliance grant to a nonprofit.

Cancellations and Grant Reductions

Chapter 121 includes general fund savings from cancellations or transfers of \$85.985 million in FY 2026-27 and \$11.382 million in FY 2028-29. Of this amount, savings of \$73.776 million in FY 2026 are from the repeal of the Long-Term Services and Supports Loan Program and the transfer of the remaining balance and administrative funds to the general fund. The remaining savings of \$12.209 million in FY 2026-27 and all the savings in the [tails](#) are from the cancellation or reduction of 24 grants or projects.

Finally, chapter 121 cancels \$7 million to the general fund in FY 2026 of funds related to the Tyler property tax legal settlement payment, which was authorized by the [2024 Legislature](#). A similar cancellation is made in chapter 100; see the [Housing Finance](#) summary for more information.

Other Funding

Human services finance provisions were enacted in other chapters. For additional information, please see the [Education Finance](#), [Health Finance](#) and [State Government Finance](#) summaries, and the Other Bills summary which describes [chapter 92](#), the Office of the Inspector General bill, and [chapter 120](#), the human services IT systems modernization bill.

For More Detail

- [Laws 2026, Ch. 121 – Human Services Finance Language](#)
- [Laws 2026, Ch. 121 – Human Services Finance Tracking Sheet](#)

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Judiciary, Civil Law, and Public Safety Finance

Laws 2026, chapter 118 contains funding provisions for the issue areas of judiciary, civil law, and public safety, as well as additional measures to increase security at the state capitol and for elected officials. The funding package includes original proposals contained in HF 3230 and HF 1082, which add \$47.443 million in general fund spending to the FY 2026-27 biennium, increasing total spending in the area of judiciary, civil law, and public safety by 1.303 percent. Net spending in FY 2028-29 increased by \$20.259 million, a change of 0.578 percent.

Table 17 provides further detail on the judiciary, civil law, and public safety finance general fund changes enacted in the 2026 legislative session.

Table 17: Judiciary, Civil Law, & Public Safety Finance - Net General Fund Changes

(Dollars in Thousands)

	FY2026	FY2027	FY2026-27	FY2028	FY2029	FY2028-29
Expenditures*						
Supreme Court	0	6,062	6,062	1,467	1,467	2,934
Appeals Court	0	60	60	110	110	220
District Courts	0	843	843	(425)	(425)	(850)
Public Safety/Capitol Security	5,876	10,911	16,787	7,548	6,618	14,166
Legislature/Senate	1,169	2,466	3,635	1,039	1,069	2,108
Legislature/House	938	3,375	4,313	711	711	1,422
Secretary of State	0	100	100	0	0	0
State Auditor	0	100	100	0	0	0
Attorney General	0	100	100	0	0	0
Public Safety/Justice Programs	0	1,314	1,314	0	0	0
Corrections	0	13	13	48	63	111
Peace Officer Standards	1,058	1,058	2,116	0	0	0
Transfer Out/Victims of Crime	0	12,000	12,000	148	0	148
Total Net Changes	9,041	38,402	47,443	10,646	9,613	20,259
February 2026 Forecast Biennial Base^			3,640,980			3,505,311
Percent Change from Base			1.303%			0.578%

*Positive numbers indicate costs and negative numbers (in parentheses) indicate savings.

^February 2026 forecast base numbers show the combined base for the Judiciary Finance and Civil Law Committee and the Public Safety Finance and Policy Committee.

The following paragraphs provide information on some of the major funding items that were enacted in public safety and judiciary finance in the 2026 session but do not provide detail on all expenditures and revenues. For complete fiscal information, please refer to the Minnesota House of Representatives [Fiscal Analysis Department: Legislative Session Tracking Sheets](#) page.

Operating Adjustments

Chapter 118 includes additional operating funds in the judiciary, civil law, and public safety portions of the state budget. However, the majority of additional spending is directed toward additional security measures at the state capitol and for elected officials; a full two-thirds of the appropriations contained in the law are directed at security-related provisions. Up to 12 additional full-time

equivalents are funded to provide additional security personnel for judicial officials, legislators, and overall security staffing levels on the capitol grounds.

Major Funding Changes

Capitol Security and Legislative Protection

The Department of Public Safety (DPS) receives \$16.787 million in the FY 2026-27 biennium to increase security at the capitol and to provide additional security for legislative members. Of the total, \$7.319 million is allocated for additional screening of people entering the capitol and increased 24-hour coverage. In addition, \$4.7 million is appropriated in FY 2027 for additional physical barriers, cameras, and equipment in the capitol complex.

The legislation also provides funds for the assessment of security threats by the Bureau of Criminal Apprehension, increased protection for legislators who have an existing credible threat, and a task force to determine future policies for security needs into the future.

In addition to funds provided to DPS, appropriations are increased for the Legislature; \$7.948 million is added to the FY 2026-27 biennium for increased security for legislative hearings, day-to-day activities, and personal protection needs of elected members experiencing credible threats from members of the public.

Funding for the Judiciary

Chapter 118 includes \$6.965 million in additional funds for the Judicial Branch, all of which are appropriated in FY 2027. All funding is dedicated to additional security at courthouses and for judicial officials.

Safe and Secure Courthouse Grants receive appropriations of \$4 million, for grants for upgrades to security-related equipment at courthouses throughout the state. The other \$2.965 million is directed toward the personal security of judges at the district, appeals, and supreme courts in the state.

Provisions for Public Safety Finance, HF 1082

The finance bill that would eventually become chapter 118 was the merging of two bills that passed the House. One of those finance packages was HF 1082, which contained financing provisions originating in the House Public Safety Finance and Policy committee, with \$15.443 million in spending in FY 2026-27.

The largest provision included is a transfer of \$12 million in FY 2027 from the general fund into the victims of crime account. The account exists to provide funding for programs that primarily support victims of domestic violence and abuse.

The Department of Corrections budget receives a small increase to fund additional prison beds for increased penalties for three crimes. These include impersonating a police officer, assault on medical personnel, and thefts from vulnerable adults. The increased bed impacts are small and only projected to require funds that would increase to \$63,000 per year by FY 2029.

And finally, the legislation provided an increase of \$2.116 million in FY 2026-27 to the Peace Officer Standards and Training Board to fund training reimbursements to local communities. These additional dollars will flow through the Philando Castile Memorial training fund.

Other Funding

Judiciary, civil law, and public safety finance provisions were enacted in other chapters. For additional information, please see the [Education Finance](#) and [Health Finance](#) summaries, and the Other Bills summary, which describes [chapter 105](#), the claims bill, and [chapter 106](#), the pensions and retirement bill.

For More Detail

- [Laws 2026, Ch. 118 – Judiciary, Civil Law, and Public Safety Finance Language](#)
- [Laws 2026, Ch. 118 – Judiciary, Civil Law, and Public Safety Finance Tracking Sheet](#)

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Legacy Finance

The Legacy Finance Committee did not have a supplemental budget bill enacted in the 2026 legislative session. Legacy finance provisions were enacted in [chapter 126](#), which is described in further detail in the Other Bills summary.

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State Government Finance

Laws 2026, chapter 119 provides supplemental funding for some of the agencies under the jurisdiction of the State Government Finance and Policy Committee. The total net new general fund spending is \$1.011 million in FY 2026-27, a 0.064 percent increase over base. The net change in FY 2028-29 is \$8,000 from two changes to occupational licensing fees, an increase of 0.001 percent from base. Chapter 119 also modifies some agency appropriations and adds additional funding by amending chapter 92, which passed earlier in session and establishes a new statewide Office of the Inspector General (OIG). All OIG related appropriations are discussed in the Other Bills summary of [chapter 92](#).

Table 18 provides further detail on the state government finance general fund changes enacted in the 2026 legislative session.

Table 18: State Government Finance - Net General Fund Changes

(Dollars in Thousands)

	FY2026	FY2027	FY2026-27	FY2028	FY2029	FY2028-29
<u>Expenditures*</u>						
Capitol Area State Park Working Group	0	86	86	0	0	0
Public Television Grants	1,825	0	1,825	0	0	0
AMPERS Grants	0	100	100	0	0	0
MMB: Cancel Unused DCYF Funding	(1,000)	0	(1,000)	0	0	0
Subtotal	825	186	1,011	0	0	0
<u>Revenue</u>						
Barbers Licensing Modifications	0	1	1	1	1	2
Cosmetologist Licensing Changes	0	(1)	(1)	(3)	(7)	(10)
Subtotal	0	0	0	(2)	(6)	(8)
Total Net Changes	825	186	1,011	2	6	8
February 2026 Forecast Biennial Base			1,589,545			1,397,259
Percent Change from Base			0.064%			0.001%

*In the expenditures section, positive numbers indicate costs and negative numbers (in parentheses) indicate savings. In the revenue section, positive numbers indicate revenue gain, and negative numbers indicate revenue reduction.

Abbreviations: AMPERS is the Association of Minnesota Public Educational Radio Stations; MMB is Minnesota Management and Budget; DCYF is the Department of Children, Youth, and Families.

The following paragraphs provide information on some of the major funding items that were enacted in state government finance in the 2026 session but do not provide detail on all expenditures and revenues. For complete fiscal information, please refer to the Minnesota House of Representatives [Fiscal Analysis Department: Legislative Session Tracking Sheets](#) page.

Operating Adjustments

No operating adjustments were enacted in the 2026 legislative session in state government finance.

Major Funding Changes

Capitol Area State Park Working Group

Chapter 119 establishes a working group to study the creation of a Melissa and Mark Hortman Memorial State Park in the capitol area, which must make recommendations on the administrative roles of state agencies related to the park by February 1, 2027. The Legislative Coordinating Commission receives an appropriation of \$86,000 in FY 2027 for the administrative costs of the working group. This is a onetime appropriation.

Public Broadcasting Onetime Grants

Two onetime grants are provided through the Department of Administration to help mitigate the impact of federal funding cuts to public broadcasting entities. A number of public television stations receive in total \$1.825 million in FY 2026 for onetime grants: \$332,000 is for a grant to Pioneer PBS; \$450,000 is for a grant to Lakeland PBS; \$616,000 is for a grant to KSMQ; \$237,000 is for a grant to PBS North; and \$190,000 is for a grant to Prairie Public Television. Chapter 119 also restricts eligibility for public television block grants to stations that were certified in 2024 as eligible for community service grants through the Corporation for Public Broadcasting.

The Association of Minnesota Public Educational Radio Stations (AMPERS) receives an appropriation of \$100,000 in FY 2027 to provide resources, software, training, and assistance to help its member stations consolidate resources and expenses.

Cancellation of Unused DCYF Implementation Funding

Chapter 119 reduces a [2023 session law](#) appropriation to Minnesota Management and Budget (MMB) for establishment costs of the Department of Children, Youth, and Families (DCYF). MMB's FY 2025 appropriation is reduced by \$1 million for a new total of \$1.066 million.

Barbers and Cosmetologist Boards Licensing Changes

Various fees set by the Board of Barber Examiners and the Board of Cosmetologist Examiners are modified, resulting in a net general fund loss of \$8,000 in FY 2028-29.

Other Funding

State government finance provisions were enacted in other chapters. For additional information, please see the [Health Finance](#), [Judiciary, Civil Law, and Public Safety Finance](#), and [Taxes, Property Tax, Aids, and Credits](#) summaries, and the Other Bills summary, which describes [chapter 92](#), the Office of the Inspector General bill, and [chapter 120](#), the human services IT systems modernization bill.

For More Detail

- [Laws 2026, Ch. 119 – State Government Finance Language](#)
- [Laws 2026, Ch. 119 – State Government Finance Tracking Sheet](#)

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Taxes, Property Tax, Aids, and Credits

The 2026 Legislature enacted changes to tax revenue and property tax, aids, and credits (PTAC) in Laws 2026, chapter 128. Chapter 128 changes cost the general fund \$44.012 million in the FY 2026-27 biennium but increase general fund revenue by \$325.774 million in the FY 2028-29 biennium.

Table 19 provides further detail on the tax revenue, policy, and PTAC general fund changes enacted in the 2026 legislative session.

Table 19: Taxes, Property Tax, Aids, & Credits - Net General Fund Changes

(Dollars in Thousands)

	FY2026	FY2027	FY2026-27	FY2028	FY2029	FY2028-29
<u>Expenditures*</u>						
Homestead Credit Refund Onetime Increase	0	125,000	125,000	0	0	0
School District Seasonal Tax Base Replacement Aid	0	2,542	2,542	4,710	5,296	10,006
Nuclear Energy Study	0	500	500	0	0	0
Direct Free Filing System of Individual Income Tax Returns	0	2,300	2,300	3,500	3,500	7,000
Other PTAC Items (including interactions)	0	0	0	(390)	(380)	(770)
Total Net PTAC Changes	0	130,342	130,342	7,820	8,416	16,236
February 2026 Forecast Biennial Base Percent Change from Base			4,823,055 2.702%			5,043,555 0.322%
<u>Revenue</u>						
Net Federal Conformity	0	3,070	3,070	145,760	205,440	351,200
Other Tax Revenue (including interactions)	0	(6,740)	(6,740)	(5,260)	(3,930)	(9,190)
TR-IN from Non-General Funds	0	90,000	90,000	0	0	0
Total Net Tax Revenue Changes	0	86,330	86,330	140,500	201,510	342,010
February 2026 Forecast Biennial Base Percent Change from Base			67,047,185 0.129%			70,219,099 0.487%
Total Net Changes			44,012			(325,774)

*In the expenditures section, positive numbers indicate costs and negative numbers (in parentheses) indicate savings. In the revenue section, positive numbers indicate revenue gain, and negative numbers indicate revenue reduction. For the total net changes line, positive numbers indicate costs or revenue reductions, and negative numbers indicate savings or revenue increases.

The following paragraphs provide information on some of the major funding items that were enacted in tax policy and property tax expenditure, aids, and credits provisions in the 2026 session but do not provide detail on all expenditures and revenues. For complete fiscal information, please refer to the

Operating Adjustments

The Minnesota Department of Revenue (DOR) receives additional operating funds of \$2.3 million in FY 2027 and \$3.5 million each year thereafter for the [Direct Free Filing of Individual Income Tax Returns System](#), discussed in greater detail later in this summary.

Major Property Tax, Aids, and Credits Changes

Excluding revenues, PTAC change provisions in chapter 128 increase total general fund spending by \$130.342 million in FY 2026-27, a 2.702 percent increase over base. General fund spending in the FY 2028-29 biennium is significantly smaller at \$16.236 million, a 0.322 percent increase over base. The largest expenditure in the PTAC area corresponds to a onetime increase in the Homestead Credit Refund in FY 2027.

Homestead Credit Refund – Onetime Increase

In order to provide additional property tax relief, the Homestead Credit Refund receives a onetime FY 2027 increase of \$125 million, or a 14.88 percent increase over the FY 2027 base estimate. The Homestead Credit Refund is paid to homeowners as a refund for property taxes paid on their primary residence. Payment amounts vary based on filers' income and the amount of taxes paid. For claims made in 2026, approximately 588,000 homesteads are forecast to apply for this credit, with the average claim increasing by \$213 to \$1,642.

School District Seasonal Tax Base Replacement Aid

Chapter 128 establishes a new school district Seasonal Tax Base Replacement Aid. This measure will provide aid to school districts with higher concentrations of seasonal recreational property (class 4c(12)) in order to reduce the per-household cost of voter-approved operating referendum levies. Chapter 128 creates onetime funding for this program of \$2.542 million in FY 2027, and then the program is made permanent starting in FY 2028. Total aid distributions are estimated to be \$10.006 million in the FY 2028-29 biennium. Aid payments are based on a formula that examines the total referendum market value tax base for each school district and the amount of seasonal recreational property in the district.

Minerals Taxes Provisions

With the first new mine in Minnesota in nearly fifty years scheduled to finalize construction in 2026, chapter 128, article 5 establishes changes to the distributions of production tax revenues as well as changes to several non-general funds and accounts. Mesabi Metallica is slated to open a taconite mine and pellet plant on the footprint of the Butler Taconite Mine in Nashwauk, which opened in 1967 and operated until 1985. Plans to revive the mine by Essar Group started in 2008 but failed by 2016. Mesabi Metallica, a subsidiary of Essar Group, has since [invested significant funds](#) into launching the new mine.

Since it is unknown how much taconite Mesabi Metallica will produce once active, the fiscal impacts of the changes to taconite production tax distributions in chapter 128 are also largely unknown. None of the changes in chapter 128 will impact the general fund; however, these changes will impact 12 non-general funds and accounts, with distributions of production taxes increasing for some funds

and decreasing for others due to shifts in revenue among these funds. Chapter 128 also establishes guaranteed minimum distributions for the first two years of production to certain cities and school districts, using the Douglas J. Johnson economic protection trust fund if production levels are insufficient. School districts that will receive new or additional distributions under these changes are Ely, Chisholm, Grand Rapids, Greenway, and Nashwauk-Keewatin. The changes to the distribution of production tax revenues related to the Mesabi Metallica mine will take effect the year after the year the mine is first subject to production tax.

In addition to changes to Mesabi Metallica production tax distributions, chapter 128 makes unorganized townships eligible for distributions from the mining effects fund. It also allows funds from the iron range schools and community development account to be used for community development purposes. The cities of Orr, Winton, Cook, and Two Harbors also will receive new or additional distributions of production tax revenue once production at Mesabi Metallica is subject to tax.

Direct Free Filing of Individual Income Tax Returns System

Most tax provisions are administered by DOR. Chapter 128 establishes the Direct Free Filing System, which requires DOR to develop a free electronic filing system for individual income tax returns. The new system must include at least six commonly used tax credits for eligible taxpayers to claim and must be available on DOR's website for taxpayers to file tax year (TY) 2027 returns. A general fund base appropriation of \$2.3 million in FY 2027 and \$3.5 million each year thereafter is directed to DOR to develop this system. These appropriations are in addition to the \$5 million in the tax filing modernization account, which was enacted in [Laws 2023, chapter 64](#). Funds in the tax filing modernization account will be available until June 30, 2029 before canceling to the general fund.

Nuclear Energy Generation Facility Study

Chapter 128 appropriates \$500,000 in FY 2027 for the Department of Commerce to contract with the Great Plains Institute for a study on the potential impact of a new nuclear generation facility. The study must identify the potential impacts on energy affordability, reliability, environmental protection, and public health. It must also estimate the full life cycle cost of a new facility using historical evidence, and it must identify a series of social, economic, environmental, and political factors that will impact the long-term feasibility of a new facility. The study must be submitted to the chairs and ranking minority members of the legislative committees with jurisdiction over energy policy and finance no later than February 1, 2027.

Major Tax Revenue and Non-Tax Revenue Changes

In the February 2026 forecast, a general fund structural imbalance¹² was projected for both biennia despite a slightly improved economic outlook driven by higher revenue. Chapter 128, the 2026 tax bill, was enacted within this budgetary landscape. The legislature enacted a mix of tax and non-tax law changes that are expected to both increase and decrease general fund tax revenues, but on net, the changes are estimated to yield a general fund revenue gain relative to current law. In the FY 2026-27 biennium, general fund revenue is estimated to increase by \$86.33 million (0.129 percent base

¹² A structural imbalance occurs when estimated spending levels exceed estimated revenues. A structural balance is calculated by subtracting projected expenditures from projected revenues and does not include funds carried forward from the previous biennium.

increase) and by \$342.01 million (0.487 percent base increase) in the planning years. The general fund revenue gain in the FY 2026-27 biennium comes mainly from onetime transfers, but the tax revenue gain in the FY 2028-29 biennium is driven by tax revenue growth from federal conformity changes.

Table 20 provides further detail on the total general fund revenue and non-tax revenue changes enacted in chapter 128 during the 2026 legislative session.

Table 20: Revenue & Non-Tax Revenue Detail - Net General Fund Changes

(Dollars in Thousands)

	FY2026	FY2027	FY2026-27	FY2028	FY2029	FY2028-29
<u>Revenue*</u>						
Net Federal Conformity Changes	0	3,070	3,070	145,760	205,440	351,200
SAF Tax Credit Changes	0	(5,300)	(5,300)	(5,300)	(2,100)	(7,400)
Beginning Farmer's Tax Credit Changes	0	(1,400)	(1,400)	0	0	0
PGA Tax Exemption Established	0	(40)	(40)	(40)	(1,910)	(1,950)
100% Gross Receipts Tax on Fraud	0	Unknown	Unknown	Unknown	Unknown	Unknown
Interaction: Seasonal Tax Base Repl Aid	0	0	0	80	80	160
Subtotal	0	(3,670)	(3,670)	140,500	201,510	342,010
<u>Non-Tax Revenue</u>						
TR-IN from DVS Account	0	75,000	75,000	0	0	0
TR-IN from Forward Fund	0	15,000	15,000	0	0	0
Subtotal	0	90,000	90,000	0	0	0
Total Net Changes	0	86,330	86,330	140,500	201,510	342,010
February 2026 Forecast Biennial Base			67,047,185			70,219,099
Percent Change from Base			0.129%			0.487%

*Positive numbers indicate revenue gain, and negative numbers indicate revenue reduction.

Abbreviations: SAF is sustainable aviation fuel; PGA is the Professional Golfers' Association; Repl is replacement; TR-IN is transfer in; DVS is Driver and Vehicle Services.

The following paragraphs provide a summary of major revenue items that were enacted in chapter 128. Major changes included in this summary are: 1) federal conformity, 2) other tax law changes, and 3) non-tax revenue changes.

Federal Conformity

Federal Conformity Public Law 119-21, commonly known as the One Big Beautiful Bill Act or HR1, extends several tax provisions enacted in the 2017 federal Tax Cuts and Jobs Act (TCJA) that expired on December 31, 2025. As a static or fixed-conformity state, Minnesota must legislatively update its internal revenue code conformity to May 1, 2026 to include most HR1 provisions affecting individual income tax and corporate franchise tax returns. The adopted provisions either increase or decrease taxpayer liability, but on net, these provisions are estimated to increase general fund tax revenue by \$3.07 million in the FY 2026-27 biennium and \$351.2 million in the FY 2028-29 biennium. Much of the

general fund tax revenue growth in the FY 2028-29 biennium is driven by the adoption of permanent federal conformity tax changes.

Major Federal Conformity Provisions that Raise State Revenue

Chapter 128 conformity changes are estimated to raise general fund tax revenue by a total of \$225.3 million and \$503.86 million in the FY 2026-27 biennium and FY 2028-29 biennium, respectively.

For individual income taxes, the adoption of the federal conformity provision for charitable contributions is estimated to increase tax liability and is one of the largest revenue raisers. Under prior law, individual income tax filers who itemize their deductions could deduct the full value of their charitable contributions with some limitations. This deduction was scaled back with the passage of HR1, which imposes a floor on charitable contributions equal to 0.5 percent of a taxpayer's adjusted gross income (AGI). Effective TY 2026, Minnesota conforms to this provision but enacts a higher deduction floor for charitable contribution amounts in excess of one percent of AGI. This provision is estimated to yield \$32.5 million and \$70.8 million in increased revenue in the FY 2026-27 and FY 2028-29 biennia, respectively. The floor does not apply to taxpayers that do not itemize their deductions.

Businesses that file individual income and corporate franchise returns may also have increased tax liability with the adoption of federal conformity provisions. The largest federal conformity revenue raiser in chapter 128 that affects business returns is the Employer-Provided Child Care Credit. HR1 increased this credit from \$150,000 to \$500,000. However, conformity to this provision is estimated to raise revenue at the state level because businesses cannot claim both the credit and the deduction for the same expenses, meaning businesses lose the ability to deduct a portion of their expenses. This disallowance of a double deduction at the state level is estimated to save the general fund an estimated \$131.8 million in the FY 2026-27 biennium and \$241.8 million in the FY 2028-29 biennium. Please refer to [Table 21](#) for a more detailed list of federal conformity revenue-raising provisions.

Major Federal Conformity Provisions that Reduce State Revenue

Major federal conformity provisions are estimated to reduce general fund tax revenue by a total of \$222.26 million in the FY 2026-27 biennium and \$152.66 million in the FY 2028-29 biennium.

One of the largest cost provisions in chapter 128 for individuals is conformity to the federal Dependent Care Assistance Program. HR1 increased the amount of dependent care assistance that can be excluded from AGI from \$5,000 for married filing jointly tax returns to \$7,500. Conformity to HR1 increases the amount of dependent care assistance that can be excluded from AGI for individual income taxpayers, resulting in a revenue reduction to the state of \$5 million in the FY 2026-27 biennium and \$11.2 million in the FY 2028-29 biennium.

The largest federal conformity cost provision in chapter 128 that will reduce tax liability for business returns is the business interest limitation deduction. Adoption of this provision will reduce tax liabilities by increasing the amount of business interest that can be deducted on business returns. Conformity to this provision is estimated to reduce revenue to the general fund by \$109.4 million in the FY 2026-27 biennium and \$55.9 million in the FY 2028-29 biennium. This is a permanent provision.

Chapter 128 also conforms to an increased deduction for qualified production property (QPP), which is nonresidential property used directly in manufacturing and other types of production. This change

as enacted provides a 100 percent deduction. However, legislative intent was to conform to this deduction over six years with a 20 percent deduction in the first year and an 80 percent addback of the deduction over five years. Conformity to this deduction, with no required addbacks, is estimated to reduce general fund tax revenue by \$35.1 million and \$49.6 million in the FY 2026-27 biennium and FY 2028-29 biennium, respectively. The QPP federal conformity deduction is temporary for TY 2025 to TY 2029. A more complete list of federal conformity provisions that reduce revenue is in Table 21.

Table 21: Federal Conformity to HR 1 - Major Provisions in Chapter 128

(Dollars in Thousands)

	FY2026-27	% Share of Total	FY2028-29	% Share of Total
<u>Tax Revenue Increase Provisions*</u>				
Charitable Contribution Floor for Itemizers, 1%	32,500	14.42%	70,800	14.05%
Extension of Moving Expense Limitations	9,800	4.35%	23,600	4.68%
Enhancement of Employer Provided Child Care Credit	131,800	58.49%	241,800	47.99%
Bonus Depreciation, 80% addback, 5-year recovery	26,400	11.72%	73,500	14.59%
Charitable Contribution Floor for Itemizers, 1%	0	0.00%	22,200	4.41%
Modification to Pro Rate Rules	7,600	3.37%	18,000	3.57%
Excess Employee Remuneration from Controlled Group Members/Allocation of Deduction	8,200	3.64%	16,000	3.18%
Repeal of Election, One Month Deferral, Taxable Year Determination - Specified Foreign Corps	3,400	1.51%	0	0.00%
Other Federal Conformity Provisions	5,630	2.50%	37,960	7.53%
Subtotal	225,330	100.00%	503,860	100.00%
<u>Tax Revenue Reduction Provisions</u>				
Enhancement of Dependent Care Tax Credit	(5,000)	2.25%	(11,200)	7.34%
530A Accounts & Contribution Pilot Program	(Negli)	0.00%	(200)	0.13%
Extensions/Rollover, Qualified Tuition Program to ABLE Accounts	(Negli)	0.00%	(20)	0.01%
Section 174A Full Expensing, Domestic Research & Experimental Expenditures	(27,400)	12.33%	(1,600)	1.05%
Restoration of REIT Subsidiary Asset Test	(700)	0.31%	(1,700)	1.11%
Limitation of Business Interest, Modified	(109,400)	49.22%	(55,900)	36.62%
Section 179 Expensing, Increased Deduction/Phase-out Amounts	(36,200)	16.29%	(22,700)	14.87%
Qualified Production Property, 100% Deduction	(35,100)	15.79%	(49,600)	32.49%
Exception to Accounting Percentage, Certain Residential Construction	(7,000)	3.15%	(6,700)	4.39%
Other Federal Conformity Provisions	(1,460)	0.66%	(3,040)	1.99%
Subtotal	(222,260)	100.00%	(152,660)	100.00%
Total Net Changes	3,070		351,200	

*Positive numbers indicate revenue gain, and negative numbers indicate revenue reduction.

Abbreviations: Negli is negligible fiscal impact (plus or minus \$5,000); ABLE is Achieving a Better Life; REIT is Real Estate Investment Trust.

Other Tax Law Changes

In addition to federal conformity changes, other tax law changes contained in chapter 128 include: 1) the imposition of a new tax, 2) the revival and reenactment of a tax, and 3) tax expenditure changes.

New Gross Receipts Tax on Fraud

Effective for fraud convictions made after December 31, 2025, chapter 128 imposes a new tax and penalty equal to 100 percent of amounts attributable to fraud. The tax is imposed on the “program fraud amount,” which is defined as the amount acquired directly or indirectly by “fraud of a public program.” Revenue collected from this tax is deposited into a tax relief account in the special revenue fund. Every year after the November forecast but before December 15, the commissioner of DOR must identify if the amount available in the account is enough for a tax rate reduction to the [individual income tax first tier rate](#). Total collections for this new tax on fraud are estimated to have a positive but unknown fiscal impact, as the recovery of revenue from fraud, according to DOR, is often a long process subject to legal challenges.

Revival and Reenactment of the Pass-Through Entity Tax Credit

The Pass-Through Entity (PTE) Tax Credit, enacted in [First Special Session Laws 2021, chapter 14](#), expired at the end of 2025. Chapter 128 reenacts and extends the tax credit for two tax years (TY 2026 and TY 2027). In prior years, this provision had a net zero fiscal impact to the general fund; it is also estimated to have a net zero general fund fiscal impact with the two-year extension.

Tax Expenditures

State taxes in Minnesota contain exemptions, deductions, and credits to incentivize certain behavior, generally known as tax expenditures. Tax expenditures reduce the amount collected from state taxes.

A new tax expenditure was enacted for sales and use tax purchases for admission to Professional Golfers’ Association (PGA) tournaments effective after June 30, 2026. Most of the fiscal impact for this new tax expenditure is attributed to FY 2029, when the Ryder Cup is scheduled to take place in Minnesota. This enacted change is estimated to reduce general fund tax revenue by \$40,000 in the FY 2026-27 biennium and \$1.96 million in the planning years, along with additional tax revenue reductions from fiscal interactions with other non-general fund accounts. This tax expenditure is temporary and is scheduled to sunset after June 30, 2030.

The 2026 Legislature modified the sustainable aviation fuel (SAF) tax expenditure. The SAF Tax Credit provides a refundable tax credit for sustainable aviation fuel that is blended or produced in Minnesota and sold to a purchaser with aircraft departing from a Minnesota airport. Prior to the enacted changes in chapter 128, \$11.6 million in credits were available for TY 2025 to TY 2027.

Chapter 128 expands the tax credit in two ways. First, it authorizes a supplemental tax credit for SAF that meets a greenhouse gas reduction target threshold. Second, it increases the dollar allocation of the tax credit in a taxable year and also extends the sunset of the credit from 2027 to 2035. With the latter changes, the total fiscal impact of this credit in all tax years is estimated to increase from \$11.6 million in FY 2027 to \$36.9 million by FY 2035, an increase of \$25.3 million. Within the budget forecast window, however, the fiscal impact is estimated to reduce general fund tax revenue by \$5.3 million in the FY 2026-27 biennium and \$7.4 million in the FY 2028-29 biennium. Changes to this credit have the largest fiscal impact in chapter 128 aside from spending on federal conformity changes.

The 2026 Legislature also modified tax expenditures for the Beginning Farmer Tax Credit, a nonrefundable credit to landlords or sellers that rent or sell agricultural assets to qualifying farmers. [Prior law](#) capped the amount of tax credits that could be allocated at \$6.5 million in TY 2023 and \$4 million in TY 2024 through TY 2030. For TY 2026 (FY 2027) only, chapter 128 removes the funding cap for the tax credit. Removing the cap for one tax year is estimated to reduce general fund tax revenue by \$1.4 million in FY 2027. No changes were made to the existing sunset for this provision, which is scheduled for the taxable year after December 31, 2030.

Non-Tax Revenue Changes

Chapter 128 also includes two onetime transfers to the general fund of non-tax revenue that provide a temporary increase in the FY 2026-27 revenue base.

The largest transfer is a \$75 million transfer from the Driver and Vehicle Services (DVS) account in the special revenue fund to the general fund in FY 2027. Receipts from fees paid on driver's license and vehicle title transactions as well as registration renewals are deposited into the DVS account. The legislature makes appropriations from the DVS account to fund the operations for the Driver and Vehicle Services division of the Department of Public Safety.

The projected positive balance of \$85.7 million in the DVS account in FY 2027 exceeded amounts needed for both operations and the reserve. The popularity of the special blackout license plates authorized in [Laws 2023, chapter 68](#) is part of the reason for the buildup of a structural surplus in the DVS account. After the \$75 million transfer to the general fund, the DVS account is projected to remain structurally balanced during the budget forecast window.

Chapter 128 also includes the cancellation and transfer of \$15 million from the forward fund to the general fund. The purpose of the forward fund ([Minnesota Statutes, section 116J.8752](#)) is to increase the state's competitiveness by facilitating private investment through negotiating incentives for business retention, expansion, and attraction, and leveraging federal funds matching requirements for economic development opportunities. A total of \$15 million was canceled from a \$250 million appropriation in [Laws 2023, chapter 53](#) that provides state matching funds required for entities to leverage federal funds in the Chips and Science Act, Public Law 117-167.

Other Funding

Tax revenues, property tax, aids, and credits changes were also enacted in other bills. For additional information, please see the [Capital Investment](#) and [Human Services Finance](#) summaries.

For More Detail

- [Laws 2026, Ch. 128 – Tax Act Language](#)
- [Laws 2026, Ch. 128 – Tax Act Tracking Sheet](#)

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Transportation Finance

The Transportation Finance and Policy Committee did not have a supplemental budget bill enacted in the 2026 legislative session. Transportation finance provisions were enacted in other finance areas. For additional information, please see the [Capital Investment](#); [Education Finance](#); [Judiciary, Civil Law, and Public Safety Finance](#); [Taxes, Property Tax, Aids, and Credits](#); and [Veterans and Military Affairs](#) summaries, and, in the Other Bills summary, [chapter 106](#), the pensions and retirement bill.

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Veterans and Military Affairs

Laws 2026, chapter 96 appropriates supplemental funding to the Department of Veterans Affairs (MDVA) and the Department of Military Affairs (DMA). Total general fund change for FY 2026-27 is \$230,000, an increase of 0.058 percent over base. Planning estimates for FY 2028-29 include increases of \$89,000 each year, an increase of 0.048 percent over base.

Table 22 provides further detail on the veterans and military affairs general fund changes enacted in the 2026 legislative session.

Table 22: Veterans & Military Affairs - Net General Fund Changes

(Dollars in Thousands)

	FY2026	FY2027	FY2026-27	FY2028	FY2029	FY2028-29
Expenditures*						
Veterans Affairs						
Secret War Veteran Benefits	0	59	59	59	59	118
Secret War Veteran ID Cards	0	141	141	0	0	0
Military Affairs						
Increase National Guard Duty Pay	0	30	30	30	30	60
Total Net Changes	0	230	230	89	89	178
February 2026 Forecast Biennial Base			393,810			370,888
Percent Change from Base			0.058%			0.048%

*Positive numbers indicate costs.

The following paragraphs provide information on some of the major funding items that were enacted in veterans and military affairs in the 2026 session but do not provide detail on all expenditures and revenues. For complete fiscal information, please refer to the Minnesota House of Representatives [Fiscal Analysis Department: Legislative Session Tracking Sheets](#) page.

Operating Adjustments

Funding for a 0.5 full-time equivalent (FTE) position starting in FY 2027, totaling \$59,000, is for benefit eligibility processes related to the Special Guerilla Unit (SGU) benefits as described in the following section.

Major Funding Changes

Secret War in Laos – Special Guerilla Unit Benefits

The 2025 Legislature created a task force to establish criteria and a protocol for determining which Minnesotans served in the SGU or with irregular forces in Laos.

Chapter 96 establishes the eligibility determination process for SGU veterans and specifies benefits for eligible veterans. The benefits include a SGU veterans' designation on a state driver's license or identification card and burial in state veterans cemeteries. Onetime funding of \$141,000 is provided to the Department of Public Safety in FY 2027 to cover programming costs for the additional

designation on state licenses. In addition, beginning in FY 2027, \$59,000 is appropriated annually to MDVA for a part-time position to assist with the benefit eligibility process.

State Veterans Cemeteries Burial Eligibility

Eligibility for burial in the four state veterans cemeteries is expanded to include honorably discharged members of the National Guard. Cost for burials not covered by the federal burial allotment will be covered by fees charged to families of the veterans.

National Guard State Active-Duty Basic Pay Increase

The minimum pay rate for National Guard members on state active service is tied to the base pay rate for an E-5 sergeant. The cost of this change is estimated at \$30,000 per fiscal year, beginning in FY 2027, and will be included in the forecast for DMA's open appropriation for emergency services, which is used to fund the expenses of National Guard when called to state duty by the governor.

Table 23: Veterans and Military Affairs - Net Special Revenue Fund Changes
(Dollars in Thousands)

	FY2026	FY2027	FY2026-27	FY2028	FY2029	FY2028-29
<u>Expenditures*</u>						
Veterans Affairs						
Secret War Veteran Burial Costs	0	12	12	12	12	24
State Cemeteries Burial Eligibility	0	595	595	1,229	1,270	2,499
Subtotal	0	607	607	1,241	1,282	2,523
<u>Revenue</u>						
Secret War Veteran Burial Costs	0	12	12	12	12	24
State Cemeteries Burial Eligibility	0	595	595	1,229	1,270	2,499
Subtotal	0	607	607	1,241	1,282	2,523
Total Net Changes	0	0	0	0	0	0

*In the expenditures section, positive numbers indicate costs. In the revenue section, positive numbers indicate revenue gain.

For More Detail

- [Laws 2026, Ch. 96 – Veterans and Military Affairs Language](#)
- [Laws 2026, Ch. 96 – Veterans and Military Affairs Tracking Sheet](#)

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Workforce, Labor, and Economic Development Finance

The Workforce, Labor, and Economic Development Finance and Policy Committee did not have a supplemental budget bill enacted in the 2026 legislative session. Workforce finance provisions were enacted in other chapters. For additional information, please see the [Capital Investment](#) and [Taxes, Property Tax, Aids, and Credits](#) summaries, as well as [chapter 126](#) in the Other Bills summary and the [human services chapter 121 detailed spreadsheet](#).

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Other Bills

The 2026 Legislature also enacted other fiscal bills that affect state agencies, state agency programs, and local government entities. These bills and their fiscal impacts are discussed below.

Chapter 92 – Office of the Inspector General Established

Laws 2026, chapter 92 creates an independent, executive branch Office of the Inspector General (OIG) that would report directly to the governor. The OIG is authorized to oversee the work of existing state agency inspector generals and to investigate credible allegations of fraud and misuse of public funds in state programs.

Funding is provided to organize and establish the office effective January 2027, with full operation required by September 2027. Funding is also provided to several state agencies to coordinate with the new OIG.

The supplemental state government finance bill, chapter 119, amends some of the appropriations initially passed in chapter 92. Chapter 119 also adds appropriations to the Minnesota Department of Education (MDE) and to Minnesota IT Services (MNIT) for operations to support data sharing among state agencies. [Table 24](#) shows the final appropriation amounts for all agencies included in chapter 92 and chapter 119.

Table 24: Office of the Inspector General Established - Net General Fund Changes

(Dollars in Thousands)

	FY2026	FY2027	FY2026-27	FY2028	FY2029	FY2028-29
Expenditures*						
Office of the Inspector General (OIG)	0	2,139	2,139	6,562	6,562	13,124
Admin: Establish Office	0	892	892	891	0	891
DCYF: Coordinate with OIG	0	465	465	620	620	1,240
MDE: Data Sharing	0	262	262	348	348	696
MDE: Staff Transfer to OIG	0	0	0	2,218	2,218	4,436
MDH: Coordinate with OIG	0	499	499	499	499	998
DHS: Coordinate with OIG	0	3,075	3,075	3,591	3,591	7,182
MNIT: Agency Data Sharing	0	561	561	1,272	1,272	2,544
Legislature: Advisory Commission	0	29	29	7	7	14
Subtotal	0	7,922	7,922	16,008	15,117	31,125
Federal Financial Participation						
DHS: Coordinate with OIG FFP	0	798	798	957	957	1,914
Net of Expenditures	0	7,124	7,124	15,051	14,160	29,211
Revenue						
TR-IN OIG Staff from MDE	0	0	0	2,218	2,218	4,436
Subtotal	0	0	0	2,218	2,218	4,436
Total Net Changes	0	7,124	7,124	12,833	11,942	24,775

*In the expenditures section, positive numbers indicate costs. For the Federal Financial Participation section, positive numbers indicate savings. In the revenue section, positive numbers indicate revenue gain.

Abbreviations: Admin is the Department of Administration; DCYF is the Department of Children and Families; MDE is the Minnesota Department of Education; MDH is the Minnesota Department of Health; DHS is the Department of Human Services; MNIT is Minnesota IT Services; TR-IN is transfer in.

New Full-Time Equivalents

The new OIG is authorized to hire and manage staff for the office as needed, within the provided funding. Estimated new full-time equivalents (FTEs) for the office range between 44 to 49 based on the [SF 856 fiscal note](#), in addition to analysis provided by Minnesota Management and Budget.

The law requires the OIG to employ at least one attorney to advise the office on legal issues. Chapter 92 also authorizes but does not require the OIG to establish a law enforcement bureau and appoint peace officers. The bureau would conduct investigations and make statewide arrests for crimes within the OIG's jurisdiction.

In addition to the new FTEs for the OIG office, other state agencies are expected to hire new staff to coordinate with OIG activities and investigations.

Major Funding Changes

OIG Operations and MDE Staff Transfer and Data Sharing

An appropriation of \$2.139 million in FY 2027 and a base of \$6.652 million each year starting in FY 2028 are for the operations of the new OIG office. MDE's existing OIG duties are transferred to the statewide OIG office when the new OIG assumes responsibility for the work. MDE estimates that the transfer will impact 13 FTEs and \$2.218 million in general fund resources, beginning in FY 2028. This brings the total resources for the office to \$8.78 million in the tails.

The bill also provides direct funding to MDE for data sharing preparation and coordination. MDE receives \$262,000 in FY 2027 and \$348,000 each year thereafter for these activities.

Department of Human Services Coordination

The Department of Human Services (DHS) has the largest single agency impact related to the new OIG office due to estimated staffing activities to coordinate and respond to OIG activities. The commissioner of DHS maintains the primary authority to investigate Medicaid Program fraud, but the OIG has the ability to conduct independent investigations of the Medicaid Program.

Chapter 92 enacts appropriations to DHS of \$3.075 million in FY 2027 for these needs and sets the base for FY 2028-29 at \$3.591 million each year. Federal financial participation (FFP) will partially offset the general fund impact of these appropriations.

Other Agency Funding

Three other state agencies (the Department of Children, Youth, and Families; the Department of Health; and MNIT) receive direct appropriations for anticipated needs to coordinate with the OIG through data sharing and other responsibilities. These appropriations total \$1.525 million in FY 2027 and a base of \$2.391 million each year in the tails.

Department of Administration

The Department of Administration receives \$892,000 in FY 2027 and \$891,000 onetime in FY 2028 to support the establishment of the OIG, including providing or leasing office space.

New Legislative Advisory Commission

A new Legislative Inspector General Advisory Commission is established to identify and recommend candidates for the Inspector General to the governor. The commission is also authorized to conduct hearings to review the work of the OIG to ensure the office is impartial and effective. The commission receives \$29,000 in FY 2027 for the first year of the commission, with ongoing funding of \$7,000 each year thereafter.

For More Detail

- [Laws 2026, Ch. 92 – Office of the Inspector General Language](#)
- [Laws 2026, Ch. 119, Art. 1, Sec. 2-5 – State Government Finance Language, Amending Office of the Inspector General Appropriations](#)
- [Laws 2026, Ch. 92 as amended by Ch. 119 – Office of the Inspector General Tracking Sheet](#)

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Chapter 105 - Claims

Laws 2026, chapter 105 is what is known as the Claims Bill; this legislation is used by the legislature to settle civil damage claims against state agencies. Settlements are agreed to by both the state and the aggrieved parties without use of the courts. The legislation contains four claims to be paid by the state; all claims were against the Department of Corrections. Settlements to be paid under this bill total \$5.105 million.

Three claims were settled under provisions of the Imprisonment and Exoneration Remedies Act, which is found in [Minnesota Statutes, chapter 611](#). These claims were paid to three previously convicted individuals whose convictions were vacated by state courts. Claims under Minnesota Statutes, chapter 611 are approved by a state appointed compensation panel and totaled \$5.1 million in FY 2027.

The final claim fell under [Minnesota Statutes, section 3.738](#), which directs settlements for incidents of personal injury to inmates under the care of the Department of Corrections. The sole claim under this section was settled for \$4,570.40.

Table 25: Claims - Net General Fund Changes

(Dollars in Thousands)

	FY2026	FY2027	FY2026-27
Expenditures*			
MMB - Exoneration Award 1	0	250	250
MMB - Exoneration Award 2	0	350	350
MMB - Exoneration Award 3	0	4,500	4,500
DOC - Permanent Injuries	0	5	5
Total Net Changes	0	5,105	5,105

*Positive numbers indicate costs.

Abbreviations: MMB is Minnesota Management and Budget; DOC is the Department of Corrections.

For More Detail

- [Laws 2026, Ch. 105 – Claims Language](#)

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Chapter 106 - Pensions and Retirement

Laws 2026, chapter 106, the supplemental pensions and retirement bill, increases net general fund spending by \$15.369 million in FY 2027 and \$12.697 million each year starting in FY 2028 for a FY 2028-29 biennial total of \$25.394 million.

Table 26 provides further detail on the pensions and retirement general fund changes enacted in the 2026 legislative session.

Table 26: Pensions & Retirement - Net General Fund Changes

(Dollars in Thousands)

	FY2026	FY2027	FY2026-27	FY2028	FY2029	FY2028-29
<u>Expenditures*</u>						
SBI Expense Reallocation	0	(139)	(139)	(139)	(139)	(278)
PERA P&F: Remove COLA Delay	0	8,000	8,000	8,000	8,000	16,000
Probation / Telecomm New Subplan						
Agency Employer Contributions	0	326	326	654	654	1,308
MSRS - Employee Cont. Reduction	0	390	390	0	0	0
PERA - Employee Cont. Reduction	0	2,610	2,610	0	0	0
St. Paul Teachers Benefit Increase	0	3,400	3,400	3,400	3,400	6,800
Subtotal	0	14,587	14,587	11,915	11,915	23,830
<u>Revenue</u>						
SBI Expense Reallocation	0	(782)	(782)	(782)	(782)	(1,564)
Subtotal	0	(782)	(782)	(782)	(782)	(1,564)
Total Net Changes	0	15,369	15,369	12,697	12,697	25,394

*In the expenditures section, positive numbers indicate costs and negative numbers (in parentheses) indicate savings. In the revenue section, negative numbers indicate revenue reduction.

Abbreviations: SBI is the State Board of Investment; PERA is the Public Employees Retirement Association; P&F is Police and Fire; COLA is Cost of Living Adjustment; and MSRS is the Minnesota State Retirement System.

Major Funding Changes

The following paragraphs provide information on some of the major funding items that were enacted concerning pensions and retirement in the 2026 session but do not provide detail on all expenditures and revenues. For complete fiscal information, please refer to the Minnesota House of Representatives [Fiscal Analysis Department: Legislative Session Tracking Sheets](#) page.

PERA Police and Fire: Remove COLA Delay

The one year waiting period for cost of living adjustment (COLA) increases is eliminated for the Public Employees Retirement Association (PERA) Police and Fire Plan. This change has an actuarial cost to the plan that is covered by a new direct general fund aid of \$8 million each year, starting in FY 2027.

St. Paul Teachers Retirement Association Benefit Improvement

The employee contribution for the St. Paul teachers plan is reduced from nine percent to eight percent of pay. Additional state aid of \$3.4 million each year is established to cover the actuarial cost of the contribution reduction. Total annual aid to the St. Paul Teachers Retirement Association is \$18.227 million after this change, beginning in FY 2027.

Probation and Telecommunications Retirement Plans: MSRS and PERA

A new subplan for probation and telecommunication officers is created in the Minnesota State Retirement System (MSRS) general retirement plan, and a similar local government plan is created for the Public Employees Retirement Association (PERA). The new plans, which include full retirement at age 60, are paid for through increased employee and employer contributions. The increased employer contributions impact three state agencies (the Department of Corrections, the Department of Public Safety, and the Metropolitan Council) and are covered by new general fund appropriations of \$326,000 in FY 2027 and a base of \$654,000 starting in FY 2028.

The increased employee contributions for the new plans are temporarily reduced for 20 months. The actuarial costs to the retirement plans for the temporary reduction are covered through a onetime general fund transfer of \$390,000 to MSRS in FY 2027.

State Board of Investment Expense Reapportionment

Chapter 106 changes the process used to apportion expenses for the State Board of Investment (SBI) by allowing the general fund to be charged for its proportional share of costs consistent with other invested funds. Prior to this change, the cost of investing the general fund was covered through a direct general fund appropriation of \$131,000. Chapter 106 repeals this appropriation.

This change results in a loss of invested treasurer's cash estimated at \$782,000 each year starting in FY 2027. The net impact of these two changes is a revenue reduction of \$643,000 each year.

For More Detail

- [Laws 2026, Ch. 106 – Pensions and Retirement Language](#)
- [Laws 2026, Ch. 106 – Pensions and Retirement Tracking Sheet](#)
- [Legislative Commission on Pensions and Retirement – 2026 Bill Summary](#)

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Chapter 108 – Grooming as a Criminal Offense

Minnesota joined a growing list of states around the country¹³ criminalizing grooming with Laws 2026, chapter 108. This chapter makes a number of changes to current statute. First, it establishes grooming as a felony and defines it as follows:

A person 18 years of age or older... (1) express[ing] to a child the desire or intent to engage in sexual conduct with that child; and (2) engag[ing] in a deliberate pattern of conduct to methodically develop a false trusting relationship with the child that is intended to strategically manipulate the child to engage in sexual conduct with the person at a future time, regardless of whether any sexual conduct occurs.

Further clarifying related offenses, chapter 108 also establishes two additional related felonies: “violations by persons in positions of authority” and “school violations.” The former occurs if the person is in a current or recent position of authority over the victim, is more than 36 months older than the victim, and the victim is a minor. The latter occurs if the person is employed by an elementary, middle, or secondary school and the victim, regardless of age, is enrolled as a student at the school. The penalty for each of these felonies is up to five years in prison, a fine of up to \$10,000, or both.

Second, chapter 108 makes changes to teacher and administrator licensure requirements. The language adds grooming to the list of offenses¹⁴ in [Minnesota Statutes, section 122A.20, subdivision 1](#), that the Professional Educator Licensing and Standards Board (PELSB) or the Board of School Administrators (BOSA) may use as grounds for license revocation, suspension, or denial. It also requires police departments and county sheriffs to notify PELSB and/or BOSA when a teacher or administrator is convicted of any of the offenses in the aforementioned list.

Third, chapter 108 requires the Department of Children, Youth, and Families to consult with the Minnesota Department of Education (MDE) to update existing mandated reporter training to include 1) the requirement to report allegations of maltreatment of students and 2) information on identifying grooming and recognizing circumstances that present an increased risk of grooming.

Fourth, the language prohibits the commissioner of MDE from setting guidelines that restrict grooming investigation cases to those that occurred less than three years prior to the date of the report.

Finally, chapter 108 appropriates additional funding starting in FY 2027 to MDE for the Student Maltreatment Program (SMP) for the additional anticipated costs of administering these changes. In the fiscal note for HF 3489, SMP anticipated that case reporting would increase by over 100 cases per year and become more complex, so they estimated a need for 7.5 new full-time equivalents (FTEs), as well as staff development and technology costs. Chapter 108 appropriates funding to meet this level of staffing, expanding SMP’s current program from 10 FTEs to 17.5 FTEs. Although the

¹³ Please see the [Grooming Children for Sexual Abuse Website produced by the nonprofit Enough Abuse](#) for detailed information on grooming laws across the United States of America.

¹⁴ This list includes child abuse, sex trafficking, sexual abuse, solicitation of children or communication of sexually explicit materials to children, interference with privacy, harassment or stalking of minors, using minors in a sexual performance, possessing pornographic works involving a minor, or any other offense that requires the person to register as a predatory offender.

Department of Corrections (DOC) also identified costs in the fiscal note for HF 3489, agreements were later made that these potential costs could be absorbed, and no funds were appropriated to the DOC in chapter 108.

Table 27 shows these enacted changes and includes as reference the Education Finance Committee jurisdiction's February 2026 forecast base.

Table 27: Grooming - Net General Fund Changes

(Dollars in Thousands)

	FY2026	FY2027	FY2026-27	FY2028	FY2029	FY2028-29
Expenditures*						
MDE	0	1,451	1,451	1,441	1,442	2,883
DOC [absorbed]	0	0	0	[13]	[35]	[48]
Total Net Changes	0	1,451	1,451	1,441	1,442	2,883
February 2026 Forecast Biennial Base			26,136,841			27,587,414
Percent Change from Base			0.006%			0.010%

*Positive numbers indicate costs.

Abbreviations: MDE is Minnesota Department of Education; DOC is the Department of Corrections.

For More Detail

- [Laws 2026, Ch. 108 – Grooming as a Criminal Offense Language](#)
- [HF 3489 Fiscal Note](#)

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Chapter 113 – Petroleum Storage Tank System Reimbursement Program Modification

Laws 2026, chapter 113 allows the petroleum tank release cleanup fund (petro fund) in [Minnesota Statutes, section 115C.08](#) to annually spend up to \$4 million to reimburse owners of underground storage tanks for 50 percent of the cost, up to \$100,000 per eligible location, of replacing pressurized single-walled steel piping and related materials with piping and equipment that meets all current state and federal standards. The owner must obtain at least two bids and select the bid with the lowest total cost. This provision expires June 30, 2037.

The existing fee under [Minnesota Statutes, section 115C.08](#) is imposed when the unencumbered balance of the fund falls below \$4 million. The fee is assessed on certain petroleum product distributors for a period of four calendar months, at a rate of \$20 per 1,000 gallons of petroleum products. With the passage of this legislation and the increased fund expenditures, it is anticipated that the imposition of the fee will occur more frequently, thereby increasing the revenue to the petroleum tank release cleanup fund. The average annual increase in fund revenue is estimated to be \$5.6 million; however, revenue will fluctuate annually based on the frequency of the assessment of the fee.

Table 28: Petroleum Tank Release Cleanup Fund - Net Changes

(Dollars in Thousands)

	FY2026	FY2027	FY2026-27	FY2028	FY2029	FY2028-29
<u>Expenditures*</u>						
Commerce - Petroleum Tank Release Compensation Board	0	4,258	4,258	4,203	4,203	8,406
Subtotal	0	4,258	4,258	4,203	4,203	8,406
<u>Revenue</u>						
Commerce - Petroleum Tank Release Compensation Board	0	5,600	5,600	5,600	5,600	11,200
Subtotal	0	5,600	5,600	5,600	5,600	11,200
Total Net Changes	0	(1,342)	(1,342)	(1,397)	(1,397)	(2,794)
February 2026 Forecast Biennial Base^			65,910			63,278
Percent Change from Base			-2.036%			-4.415%

*In the expenditures section, positive numbers indicate costs. In the revenue section, positive numbers indicate revenue gain. In the total net changes line, negative numbers (in parentheses) indicate savings.

^The biennial base for this table was retrieved from the Petroleum Tank Release Cleanup Fund page of the [February 2026 Consolidated Fund Statement](#).

Operating Adjustments

This program modification requires an increase of 1.1 new full-time equivalents (FTEs) each year starting in FY 2027 to process and evaluate applications for reimbursement and provide quality control and engineering expertise. The Petroleum Tank Release Compensation Board has existing statutory authority to spend petro fund dollars on related administrative costs, which is reflected in the dollar amounts in excess of the \$4 million program cap per fiscal year in Table 28.

For More Detail

- [Laws 2026, Ch. 113 – Petroleum Storage Tank System Reimbursement Program Modification Language](#)

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Chapter 120 - Human Services IT Systems Modernization

Laws 2026, chapter 120 appropriates money from the general fund and the new human services systems modernization (HSSM) fund to the Department of Human Services (DHS), Department of Children, Youth, and Families (DCYF), Minnesota IT Services (MNIT) and the Legislative Coordinating Commission (LCC) for comprehensive IT systems upgrades across health and human services programs.

Chapter 120 provides a onetime general fund appropriation of \$25 million in FY 2027 and establishes the HSSM fund. The bill then appropriates \$49.999 million in FY 2027 and allocates \$15 million in FY 2028-29 from the HSSM fund.

Tables 29 and 30 provide further detail on these changes enacted in the 2026 legislative session.

Table 29: Human Services Systems Modernization - Net General Fund Changes
(Dollars in Thousands)

	FY2026	FY2027	FY2026-27	FY2028	FY2029	FY2028-29
<u>Expenditures*</u>						
MNIT	0	25,000	25,000	0	0	0
TR-OUT to HSSM Fund	0	49,999	49,999	8,536	6,464	15,000
Total Net Changes	0	74,999	74,999	8,536	6,464	15,000

*Positive numbers indicate costs.

Table 30: Human Services Systems Modernization (HSSM) Fund - Net Changes
(Dollars in Thousands)

	FY2026	FY2027	FY2026-27	FY2028	FY2029	FY2028-29
<u>Expenditures*</u>						
DHS	0	11,470	11,470	0	0	0
MNIT	0	15,313	15,313	0	0	0
DCYF	0	27,941	27,941	10,388	7,792	18,180
LCC	0	559	559	0	0	0
Subtotal	0	55,283	55,283	10,388	7,792	18,180
<u>Federal Financial Participation</u>						
FFP DHS	0	1,667	1,667	0	0	0
FFP DCYF	0	3,617	3,617	1,852	1,328	3,180
Subtotal	0	5,284	5,284	1,852	1,328	3,180
Total Net Changes	0	49,999	49,999	8,536	6,464	15,000

*In the expenditures section, positive numbers indicate costs. For the Federal Financial Participation section, positive numbers indicate savings.

Operating Adjustments

Chapter 120 funds various upgrades for the computer systems MAXIS and NETS as well as other foundational systems that deliver social services benefits to Minnesotans. Approximately 83 new full-time equivalents (FTEs) are projected to be hired in FY 2027 as a result of this legislation across DHS, DCYF, and MNIT, with the bulk of ongoing FTEs in FY 2028-29 (roughly 25) being housed at DCYF.

Fraud Prevention

Chapter 120 provides a onetime general fund appropriation of \$15 million in FY 2027 to MNIT for IT projects that advance fraud prevention and detection as well as improve data sharing among DHS, DCYF, and Minnesota counties.

County IT Priorities

Chapter 120 provides a onetime general fund appropriation through MNIT of \$10 million in FY 2027 for grants to counties for IT priorities related to social services.

MAXIS, NETS, and other IT System Modernization

Chapter 120 provides a mix of onetime and ongoing HSSM allocations totaling a net \$30.676 million in FY 2027 and a net \$15 million in FY 2028-29. Of the FY 2026-27 appropriation, a net \$22.104 million is for DCYF and a net \$8.572 million is for DHS. All funding in the second biennium is allocated to DCYF. These funds are for the financing of systems enhancements to MAXIS, NETS, and income verification technologies, as well as the development of a secure applicant portal and a study of eligibility system modernization.

Human Services Modernization Advisory Council

The Human Services Systems Modernization Advisory Council will be housed and supported at MNIT through a onetime HSSM fund appropriation of \$3.9 million in FY 2027. Chapter 120 also provides a onetime HSSM fund appropriation of \$11.413 million to MNIT in FY 2027 for IT projects approved by the council.

Interagency Governance

Chapter 120 provides a onetime HSSM fund net appropriation of \$3.451 million in FY 2027 to DCYF and DHS to coordinate IT modernization work across human services entities, including counties. Of this amount, a net \$2.22 million goes to DCYF and a net \$1.231 million goes to DHS.

Legislative Advisory Council

Chapter 120 provides a onetime HSSM fund appropriation of \$559,000 in FY 2027 to support the Legislative Commission on Human Services Systems, whose purpose is to provide oversight, monitoring, and recommendations regarding human services systems modernizations. This council will also receive reports from the Human Services Modernization Advisory Council.

For More Detail

- [Laws 2026, Ch. 120 – Human Services IT Systems Modernization Language](#)
- [Laws 2026, Ch. 120 – Human Services IT Systems Modernization Tracking Sheet](#)

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Chapter 126 – Legacy Finance, State Lands, Agriculture Utilization Research Institute, and Mining Unemployment Insurance

Outdoor Heritage Fund

The clean water fund, parks and trails fund, and arts and cultural heritage fund all received biennial appropriations in the [2025 session](#). Laws 2026, chapter 126, article 1 appropriates \$191.081 million to 54 different projects in FY 2027. The appropriations maintained the statutory five percent reserve required of the fund. All 54 projects recommended by the Lessard-Sams Outdoor Heritage Council were enacted into law. These 54 projects are separated into five categories: 1) the prairies section of the bill includes 11 projects totaling \$36.378 million, 2) the forests section includes four projects totaling \$36.939 million, 3) the wetlands section includes eight projects totaling \$33.188 million, 4) the habitats section typically receives the highest funding and has the most projects; in FY 2027 there are 27 projects totaling \$82.408 million, and 5) the administration budget includes four projects totaling \$2.159 million.

State Lands

Chapter 126, article 4, contains provisions relating to state lands. These provisions are typically in the jurisdiction of the Environment and Natural Resources Finance and Policy Committee. Although there are numerous provisions in the article, only two contain land sales that would result in revenues. These include a public land sale in Becker County that is estimated to total \$223,000 and a private sale to a federally recognized Indian Tribe in Mille Lacs County estimated at \$251,000.

Agricultural Utilization Research Institute

Chapter 126, article 5 includes one appropriation to the Agriculture Utilization Research Institute (AURI). Appropriations to AURI are typically in the Agriculture Finance and Policy Committee jurisdiction. A onetime general fund appropriation in FY 2026 of \$80,000 is for unanticipated legal costs that AURI has incurred due to a name and likeness dispute.

Unemployment Insurance

Chapter 126, article 6 provides 26 weeks of additional unemployment benefits to individuals laid off from an iron mining industry employer that laid off at least 40 percent of its workforce between November 1, 2025 and March 15, 2026 and to individuals laid off from an employer in the explosive manufacturing industry that provides goods or services to such an iron mining industry employer. This article also contains technical provisions and eligibility requirements related to receiving additional unemployment benefits. The fiscal impact to Minnesota's account in the unemployment trust fund (UTF) in the United States Treasury for the benefits extension is estimated in the [fiscal note for HF 3393](#) to be \$1.577 million in FY 2027 and will affect the experience rating for these employers in tax year 2027.

Table 31: Chapter 126 - Net Non-General Fund Changes

(Dollars in Thousands)

	Fund	FY2026	FY2027	FY2026-27	FY2028	FY2029	FY2028-29
<u>Expenditures*</u>							
Outdoor Heritage Fund	OHF	0	191,081	191,081	0	0	0
Unemployment Insurance Extensions	UTF	0	1,577	1,577	0	0	0
Subtotal		0	192,683	192,683	0	0	0
<u>Revenue</u>							
State Lands Bill	NR	0	474	474	0	0	0
Subtotal		0	474	474	0	0	0
Total Net Changes		0	192,209	192,209	0	0	0

*In the expenditures section, positive numbers indicate costs. In the revenue section, positive numbers indicate revenue gain.

Abbreviations: OHF is the outdoor heritage fund; UTF is the unemployment trust fund; NR is the natural resources fund.

For More Detail

- [Laws 2026, Ch. 126 – Language](#)
- [Laws 2026, Ch. 126 – Tracking Sheet](#)

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Glossary

This is an abbreviated glossary of common terms used throughout this publication. For more extensive information on additional terms, please see the [Glossary of Fiscal Terms and Acronyms](#).

Appropriation

Authorization by the legislature to spend money from the state treasury for purposes established in law. Appropriation language typically states: "\$XXX in fiscal year 2027 is appropriated from the general fund to a state agency for a certain purpose." The Minnesota Constitution prohibits payment of money out of the treasury unless authorized by an appropriation.

Direct Appropriation: An appropriation for a specific amount of money, for use only during a specific time period. Most appropriations in omnibus bills are direct appropriations. Appropriations are usually for each year of the biennium; however, legislation occasionally makes single year appropriations available in either year of the biennium.

Statutory Appropriation: An appropriation made in statute (instead of session law) authorizing the ongoing payment out of the treasury for a program. In contrast to direct appropriations, statutory appropriations need not be renewed every biennium for funding to continue.

Base

The base level of an appropriation for a budget period is defined in law ([Minnesota Statutes, section 16A.11, subdivision 3, paragraph b](#)) as the amount appropriated for the program in the second year of the previous biennium (for example, the base for FY 2028 is the amount appropriated for FY 2027). A different base may be specified in law.

Biennium

Minnesota has a two-year (biennial) budget period. For example, the FY 2026-27 biennium begins at 12:01 am on July 1, 2025, and ends at midnight June 30, 2027. The legislature appropriates the major portion of the biennial budget in the odd-numbered year session and makes adjustments as needed during the even-numbered years.

Cancellations

Money appropriated but unspent and unencumbered at the end of a biennium or end of the period of time for which the appropriation was made. Such amounts are canceled or added back to the fund from which they were appropriated.

Carryforward

Money appropriated but unspent that is allowed to continue to be spent in the following biennium or fiscal year and not subject to cancellation. Unless otherwise authorized in statute, carryforward must be authorized by the legislature. The [2025 Budget Rules](#) changed fiscal tracking of carryforward to indicate that these funds would have otherwise canceled without additional legislative action.

Fiscal Year

The 12-month period on which a budget is based. For the state of Minnesota the fiscal year runs from July 1 to June 30 (state fiscal year 2026 began on July 1, 2025). School district fiscal years are the same as the state fiscal year. Minnesota county and city fiscal years are the same as the calendar year. The federal fiscal year runs from October 1 to September 30 (federal fiscal year 2026 began on October 1, 2025).

Forecast

Each year in November and February, Minnesota Management and Budget (MMB) is required to project state revenues and expenditures based on current law ([Minnesota Statutes, section 16A.103](#)). This prediction is the “forecast” upon which the governor and the legislature base their budget proposals. The state economist uses both national economic forecasting data and Minnesota-specific data. Within the forecast process, the Department of Revenue is required to forecast revenues to be received by school districts, counties, and towns. MMB is also required to submit a debt capacity forecast at the same time as the revenue and expenditure forecast.

General Fund

The largest fund in the state treasury, into which receipts from most major taxes are deposited (e.g., individual and corporate income, sales, cigarette and liquor, etc.). Most of the money in the general fund is not earmarked for specific purposes. The general fund is the major source of funding for education, health care and human services, and other major functions of state government ([Minnesota Statutes, section 16A.54](#)).

Operating Budget and Operating Adjustments

To carry out their functions, agencies incur costs, such as salary and compensation, employer-paid health care and other contributions, information technology, legal services, rent, as well as other expenditures. Many state agencies have these operating budget costs financed through legislative appropriations. When the legislature enacts changes to operating budgets, these are often referred to as operating adjustments, which can be either increases or decreases.

Supplemental Budget

Refers to either (1) adjustments to the biennial budget considered in even-numbered years, or (2) changes to the original budget documents submitted by the governor (usually based on revised estimates of forecasted revenues and expenditures).

Tails

Refers to either (1) the future budget effects of any appropriation or revenue provision, or (2) an appropriation, funding formula, or tax expenditure that takes effect in, or carries forward to, a future biennium.

Transfers

(1) A transfer may refer to the legislatively directed movement of money from one fund or account to another. The [2025 Budget Rules](#) clarify that transfers are authorizations to move money from accounts or funds; transfers do not automatically authorize money to leave the state treasury, rather, appropriations are required if transferred funds are to be expended. To reflect this change to the budget rules, fiscal tracking documents are required to show transfers and appropriations on separate lines.

(2) [Minnesota Statutes, section 16A.285](#), allows agencies to transfer operating funds between programs within the same fund, consistent with legislative intent. Agencies must notify the commissioner of MMB of the transfer, who must in turn notify the chairs of the House Ways and Means Committee and the Senate Finance Committee. Agencies may transfer funds within programs without notifying the legislature, unless language in statute or law prohibits a specific transfer.

Table 32: General Fiscal Acronyms

Acronym	Full Name
EOS	End of Session
FFY	Federal Fiscal Year
FTE	Full-Time Equivalent
FY	Fiscal Year
GF	General Fund
HF	House File
MMB	Minnesota Management and Budget
SF	Senate File
SR	Special Revenue Fund
TR-IN	Transfer In
TR-OUT	Transfer Out

Appendix

Table 33: 2026 Session Laws - Major Finance & Revenue Bills

Chapter	Bill	Companion File Number	Fiscal Bill
43	HF 3425	SF 3595	Supportive Housing
92	SF 856	HF 1338	Office of the Inspector General
96	HF 3522	SF 3955	Veterans & Military Affairs
100	HF 1141	SF 203	Housing Finance
104	HF 3426	SF 3857	Environment & Natural Resources Trust Fund
105	HF 5074	SF 5202	Claims
106	HF 4074	SF 4276	Pensions & Retirement
108	HF 3489	SF 3969	Grooming
109	SF 4282	HF 4213	Forecast Adjustments
113	HF 3298	SF 3477	Petroleum Storage Tank System Reimbursement Program Modification
114	HF 3900	SF 3593	Permanent School Fund Constitutional Amendment
116	HF 4252	SF 3943	Higher Education Finance
117	HF 2433	SF 2255	Education Finance
118	SF 3432	HF 3230	Judiciary, Civil Law, & Public Safety Finance
119	HF 4591	SF 4889	State Government Finance
120	SF 334	HF 744	Human Services IT Systems Modernization
121	SF 4476	HF 4338	Human Services Finance
123	SF 4401	HF 4203	Cannabis Finance Policy
124	HF 4188	SF 4365	Commerce Finance
126	SF 2077	HF 4239	Legacy, State Lands, AURI, Mining Unemployment Insurance
127	SF 4612	HF 4466	Health Finance
128	HF 2438	SF 2082	Taxes, Property Tax, Aids, & Credits
129	HF 2484	SF 2827	Capital Investment – General Fund Spending
130	HF 719	SF 390	Capital Investment – General Obligation Bonding