

# 2026 Governor's Supplemental Budget Recommendations

## All Funds by Agency

(Dollars in Thousands)

FY 2026-27

FY 2028-29

### E-12 Education

#### Education

##### School Support, Intervention, and Resources Team

The Governor recommends requiring school districts and charter schools to establish a Student Support, Intervention, and Resource Team (SSIRT) that provides comprehensive school safety and student support programming designed to create safe, inclusive, and supportive learning environments through integrated prevention, intervention, and response strategies. The Governor also recommends ongoing funding for one full-time equivalent (FTE) at the Minnesota Department of Education to provide expertise and support technical implementation of statewide SSIRTs.

General	Expenditures	\$186	\$372
---------	--------------	-------	-------

##### State Office of Inspector General Established

The Governor recommends establishing the State Office of Inspector General to investigate and prevent fraud and misuse of public funds across state programs. Responsibilities of this office would include: (1) conduct, review and oversee investigations, (2) consult on the selection of and establish standards for the work of agency Inspectors General, and (3) lead improved data sharing between agencies for improved detection and alerting of potentially fraudulent actors in programs that cross agency boundaries. Included in this recommendation are staff and resources for existing agencies to make necessary fundamental systems improvements that better enable key programs to proactively identify and stop potentially fraudulent actors, an office staff of approximately 50 FTE that includes investigation and data research teams, and a case management system.

General	Expenditures	\$589	\$1,570
---------	--------------	-------	---------

##### Task Force to Examine Minnesota's Testing and Assessments

The Governor recommends establishing a legislatively-named two-year task force to examine Minnesota's testing and assessments. The goal of the task force is to propose reforms to the current system so that it provides a more comprehensive, timely, and instructionally useful picture of student achievement while reducing the burden of high-stakes testing on students, educators, and families.

General	Expenditures	\$70	\$150
---------	--------------	------	-------

##### Strengthening Special Education Blue Ribbon Commission Requirements

The Governor recommends modifying the 2025 session law establishing the Special Education Blue Ribbon Commission (BRC) to clarify that the \$250 million reduction target, beginning in the 2028-2029 biennium, are eliminated costs and not spending that is shifted to other funding streams. This recommendation also includes increasing the BRC reduction target beginning in FY 2028-29 by \$50 million for a total of \$300 million. The BRC is charged with presenting the legislature and governor with an action plan for reducing special education expenditures by \$250 million starting in the 2028-2029 biennium. Per statute, if the legislature does not reach the current reduction, the commissioner of the Minnesota Department of Education must reduce the special education cross subsidy aid factor by an amount equal to the difference. This recommendation is intended to strengthen the ability of the BRC to address special education cost growth.

General	Expenditures	\$0	(\$50,000)
---------	--------------	-----	------------

##### Clarification and Permissions for Minnesota Department of Education Office of Inspector General

The Governor recommends updating Minnesota Statutes 2024, section 127A.21, subdivision 1 to add a definition of theft and modify the definitions of "abuse," "excluded," "fraud," "program participants," and "waste" in order to make changes to the Minnesota Department of Education's Office of Inspector General's ability to issue sanctions such as withholding payments. This recommendation is budget neutral.

General	Expenditures	\$0	\$0
---------	--------------	-----	-----

# 2026 Governor's Supplemental Budget Recommendations

## All Funds by Agency

(Dollars in Thousands)

FY 2026-27

FY 2028-29

### E-12 Education

#### Education

##### Authorities for Minnesota Department of Education Office of Inspector General under Chapter 13

The Governor recommends adding the Minnesota Department of Education's (MDE's) Office of the Inspector General (OIG) in the application of comprehensive law enforcement data requirements under Minnesota Statutes 13.82. The Governor also recommends adding statutory language to Minnesota Statute Chapter 13 to clarify MDE OIG data collection policies in order to maintain confidentiality and the preservation of evidence. This recommendation clarifies that data on persons is confidential, data is public when it's submitted to a court or when the investigation is no longer being actively pursued, and the existence of an investigation or withholding of payment may be disclosed if the Commissioner of MDE and OIG don't believe it would compromise an investigation. This recommendation also makes all OIG data criminal investigative data and establishes that confidential data and creates limited exceptions for disclosure.

General	Expenditures	\$0	\$0
---------	--------------	-----	-----

##### Program Participant Record Retention

The Governor recommends adding statutory language to Minnesota Statute 127A.21 regarding record retention policies under the Minnesota Department of Education's (MDE's) Office of the Inspector General (OIG). Record retention policies across MDE are currently inconsistent or nonexistent, which is a challenge for OIG investigations. This recommendation would provide consistent guidance on the maintenance of records related to external programs and individuals receiving funds from MDE.

General	Expenditures	\$0	\$0
---------	--------------	-----	-----

##### Paraprofessional Supports Specialist

The Governor recommends using existing administrative funds allocated to support implementation of paraprofessional training, per Minnesota Statute 121A.642, to fund 1.0 Full-Time Equivalent (FTE) at the Minnesota Department of Education. The paraprofessional supports specialist provides support and guidance on program implementation to the field and ensures statewide compliance. This recommendation is budget neutral.

General	Expenditures	\$0	\$0
---------	--------------	-----	-----

##### COMPASS Educational Technology and AI Language Update

The Governor recommends modifying Minnesota Statute 121A.201 to expand the allowable use of existing appropriations for the Collaborative Minnesota Partnerships to Advance Student Success (COMPASS) and the Minnesota Multi-tiered System of Supports (MTSS) to include educational technology and artificial intelligence (AI). This allows COMPASS and MTSS to provide support to school districts and charters related to educational technology and artificial intelligence with particular emphasis on leveraging AI for personalized learning, predictive analytics for early intervention, and data-driven decision making. This recommendation is budget neutral.

General	Expenditures	\$0	\$0
---------	--------------	-----	-----

##### Multi-tiered System of Supports Language Update

The Governor recommends changing the acronym of Multi-tiered System of Supports from "MTSS" to "MnTSS" in all relevant areas of Chapter 120, as well as other statutory locations. This recommendation is budget neutral.

General	Expenditures	\$0	\$0
---------	--------------	-----	-----

2026 Governor's Supplemental Budget Recommendations

All Funds by Agency

(Dollars in Thousands)

FY 2026-27

FY 2028-29

E-12 Education

Education

Timeline Correction to Attendance Pilot Appropriation

The Governor recommends modifying 2024 session law to extend the onetime appropriation for the attendance pilot money appropriated to the Minnesota Department of Education (MDE) to FY 2027. This recommendation would allow MDE to spend the attendance pilot money on the same timeline as the pilot schools, ensuring that MDE can fulfill its data support role for the totality of the pilot. Currently MDE must spend its appropriation by the end of FY 2026 but the school attendance pilots end in FY 2027. This recommendation is budget neutral.

Table with 4 columns: General, Expenditures, FY 2026-27, FY 2028-29. Values: General, Expenditures, \$0, \$0

Literacy Formula Aid Changes

The Governor recommends changing the formula for literacy aid allocations beginning in FY 2027. This recommendation revises MS 124D.98 to no longer use Minnesota Comprehensive Assessment (MCA) proficiency data and growth rates as the formula for distribution and instead use an English learner concentration factor and poverty concentration factor in the literacy aid formula. The intent of this recommendation is to increase student proficiency in reading by better directing literacy aid formula funding to schools and students with the highest need. This recommendation is budget neutral.

Table with 4 columns: General, Expenditures, FY 2026-27, FY 2028-29. Values: General, Expenditures, \$0, \$0

Revise Definitions for Use of Literacy Aid

The Governor recommends clarifying the required categories in the local literacy plan to support school district implementation of evidence-based literacy instruction using Literacy Aid funds. This is a technical revision that clarifies and aligns uses of Literacy Aid with existing statutes. This recommendation is budget neutral.

Table with 4 columns: General, Expenditures, FY 2026-27, FY 2028-29. Values: General, Expenditures, \$0, \$0

Read Act Technical Revisions

The Governor recommends technical and clarifying edits to the Read Act. For example, this recommendation capitalizes "regional literacy networks" to "Regional Literacy Network" since the entity operates as a single unit. This recommendation is budget neutral.

Table with 4 columns: General, Expenditures, FY 2026-27, FY 2028-29. Values: General, Expenditures, \$0, \$0

Simplify Alternative Education Program Eligibility

The Governor recommends technical corrections to Minnesota Statutes 124D.68, which covers the Graduation Incentives Program under the State Approved Alternative Program statutes (123A.05-123A.09). The purpose of the statute is to provide alternative education options for students and this recommendation would realign existing statutes for clarity. This recommendation is budget neutral.

Table with 4 columns: General, Expenditures, FY 2026-27, FY 2028-29. Values: General, Expenditures, \$0, \$0

# 2026 Governor's Supplemental Budget Recommendations

## All Funds by Agency

(Dollars in Thousands)

FY 2026-27

FY 2028-29

### E-12 Education

#### Education

##### Basic Skills Repeal

The Governor recommends repealing Minnesota Statute 126C.10, subdivision 4 and amending Minnesota Statute 126C.15 to account for enactment of the English Learner (EL) Cross Subsidy, which required the Minnesota Department of Education to create a separate revenue and expense reporting structure to track EL activity. With that additional reporting requirement, there is no longer a need to have a basic skills reporting structure that combines compensatory and EL. This recommendation also repeals any references to basic skills to reflect separate reporting. This recommendation is budget neutral.

General	Expenditures	\$0	\$0
---------	--------------	-----	-----

##### Eliminate Testing Distribution Database

The Governor recommends eliminating the requirement that the Minnesota Department of Education (MDE) maintain a testing disruptions database by repealing Minnesota Statute 120B.30, subdivision 15. The database is publicly available on MDE's website but has historically not been used and often results in confusion for the field. This recommendation is budget neutral.

General	Expenditures	\$0	\$0
---------	--------------	-----	-----

##### Graduation Requirements Records System Maintenance

The Governor recommends allowing remaining funds from reimbursing districts for the cost of one college entrance exam fee per student, per Minnesota Statutes 120B.30 subdivision 16 be used by the Minnesota Department of Education for Graduation Requirements Records System updates and maintenance. This recommendation is budget neutral.

General	Expenditures	\$0	\$0
---------	--------------	-----	-----

##### Student Support Personnel Aid Formula to Cooperatives

The Governor recommends revising the distribution of student support personnel aid directly to eligible cooperative units who serve students using the same total entitlement, resulting in a revenue neutral distribution change. This recommendation establishes initial cooperative unit aid attributable to each member district of each eligible cooperative unit at the greater of \$40,000 or the product of the adjusted pupil units of the member district and \$0.60 for fiscal year 2024, \$0.85 for fiscal year 2025, or \$2.44 for fiscal year 2026. This recommendation is budget neutral.

General	Expenditures	\$0	\$0
---------	--------------	-----	-----

##### Federal Voucher Opt in - Elimination of Nonpublic Pupil Aid and Nonpublic Pupil Transportation Aid

The Governor recommends that, if the state of Minnesota opts into a federal educational voucher program, nonpublic pupil aid and nonpublic transportation aid would be repealed. Savings from the repeal of these two aid programs would be redirected to the Voluntary Prekindergarten (VPK) program. This recommendation is budget neutral.

General	Expenditures	\$0	\$0
---------	--------------	-----	-----

# 2026 Governor's Supplemental Budget Recommendations

## All Funds by Agency

(Dollars in Thousands)

FY 2026-27

FY 2028-29

### E-12 Education

#### Education

##### Educator Tuition Assistance Program Technical Revision

The Governor recommends a technical change to the Educator Tuition Assistance Program (ETAP) to ensure grantees have access to funds for the four-years of availability established in statute. Funds appropriated for ETAP in the 2025 legislative session are only available through 2027, but grantees have four years to spend funds, per Minnesota Statutes, section 122A.635. This recommendation would amend the 2025 legislative session appropriation language to be consistent with program statute. This recommendation is budget neutral.

General	Expenditures	\$0	\$0
---------	--------------	-----	-----

##### Revise Date for Tier 3 Coursework Requirement

The Governor recommends a statutory change that addresses a timeline issue for new educators to receive training in structured literacy as required under the READ Act, Minnesota Statutes, section 120B.123, subdivision 5a. This recommendation would extend the deadline for new teachers from July 1, 2027, to July 1, 2028. By extending the deadline by one year, this recommendation allows for teacher preparation students to complete required READ Act coursework and obtain a Tier 3 license upon the completion of their teacher preparation program. This recommendation is budget neutral.

General	Expenditures	\$0	\$0
---------	--------------	-----	-----

##### Shift Funding to the Special Education Teacher Pathway Grant

The Governor recommends shifting funds from the special revenue account for Grow Your Own new teacher programs, under Minnesota Statutes, section 122A.73, to the special revenue account for the Special Education Teacher Pathway Program (SPED pathway) in FY 2027. The SPED pathway is the only source of direct funding to address the special education teacher shortage and does not have sufficient funds to meet demands. This proposal will allow for additional funding to develop trained, licensed Tier 3 or Tier 4 Special Education teachers. This recommendation is budget neutral.

Restrict Misc Special Revenue	Expenditures	\$0	\$0
-------------------------------	--------------	-----	-----

##### Full-Service Community Schools Strategy Grants Program

The Governor recommends modifying language in Minnesota Statutes 124D.231 for Full-Service Community Schools to eliminate outdated usage of educational terms and create a more data and strategy focused approach. The Governor also recommends increasing the percentage of the appropriation that the Minnesota Department of Education (MDE) may use for grant administration from two to five percent. This recommendation is budget neutral.

General	Expenditures	\$0	\$0
---------	--------------	-----	-----

##### Modify Timeline for Gender Neutral Restroom Grant

The Governor recommends adjusting the timeline for gender-neutral restroom grant to improve administration. This adjustment would make the appropriation available until June 30, 2031. If funds are not extended, much of the appropriation amount is expected to cancel on July 1, 2027. This recommendation gives grantees more time to spend the funds and reduces reporting requirements to once per biennium. Given the time required to complete construction projects, the limited time to appropriate and spend funds has created barriers for eligible entities. This recommendation is budget neutral.

General	Expenditures	\$0	\$0
---------	--------------	-----	-----

2026 Governor's Supplemental Budget Recommendations

All Funds by Agency

(Dollars in Thousands)

FY 2026-27

FY 2028-29

E-12 Education

Education

Online Learning Site Designation in Minnesota Automated Reporting Student System

The Governor recommends online learning sites in cooperatives or intermediates be designated in the Minnesota Department of Education's Minnesota Automated Reporting Student System (MARSS) and cannot enroll students outside of their member districts. This recommendation also creates statutory requirements that limit enrollment in MARSS to ensure non-district entities meet current requirements. This recommendation is budget neutral.

General	Expenditures	\$0	\$0
---------	--------------	-----	-----

Career and Technical Education Student Organization Clarification

The Governor recommends amending 2025 session language regarding Career and Technical Education Student Organizations appropriations to clarify the definition of student organization. This recommendation amends Minnesota 2025, chapter 10, article 2, section 24, subdivision 30 to define eligible entities as "student organizations," language which is consistent with previous law and state and federal guidelines. This recommendation is budget neutral.

General	Expenditures	\$0	\$0
---------	--------------	-----	-----

Innovation Research Zone Repeal

The Governor recommends repealing the Innovation Research Zones Pilot Program established during the 2017 legislative special session. The Minnesota Department of Education has not received any applications in recent years and there are no current program participants. There would be no impact on the student or educator experience since there is no additional funding or flexibility associated with the program. This recommendation is budget neutral.

General	Expenditures	\$0	\$0
---------	--------------	-----	-----

Technical Funding Adjustments

The Governor recommends technical changes at the Department of Education and the Department of Human Services to fully align funding sources with legislative intent during the establishment of the Department of Children, Youth and Families. Changes include: shifting funds from the Department of Human Services to the Minnesota food shelf program at the Department of Children, Youth, and Families; updating statute to clarify that administration of child protection grants from the opioid epidemic response fund is a responsibility of the Department of Children, Youth, and Families; separating preschool assessment funding from kindergarten assessment funding; and extending the availability of funding for the phase-in of the Minnesota African American Preservation and Child Welfare Disproportionality Act (MAAFPCWDA).

General	Expenditures	(\$562)	(\$562)
---------	--------------	---------	---------

**2026 Governor's Supplemental Budget Recommendations**  
**All Funds by Agency**  
(Dollars in Thousands)

FY 2026-27

FY 2028-29

**Higher Education**

**Higher Education, Office of**

**State Grant**

The Governor recommends modifying Minnesota Statutes, sections 136A.101, subdivision 5a, to set a minimum Student Aid Index (SAI) of \$0 when calculating state financial aid, and modifying Minnesota Statutes, sections 136A.121, subdivision 6, to set the tuition and fee cap for 4-year institutions at the average tuition and fees for a public 4-year institution.

General	Expenditures	\$0	\$0
---------	--------------	-----	-----

**Strengthening Protections for Student Aid Programs**

The Governor recommends modifying Minnesota Statutes, sections 136A, to remove a person’s eligibility for all student aid programs under Minnesota Statutes, sections 134A, if there is documentation that they have committed fraud in any program. This is a budget neutral proposal.

General	Expenditures	\$0	\$0
---------	--------------	-----	-----

**Licensing and Registration Litigation Response**

The Governor recommends amend Minnesota Statutes, sections 136A.61, through Minnesota Statutes, sections 136A.81 and amend Minnesota Statutes, sections 136A.82, through Minnesota Statutes, sections 136A.88 to change language to reduce the burden and eliminate content-based regulation in accordance with the determination of the Courts.

Other Misc Special Revenue	Revenues	\$184	\$368
Other Misc Special Revenue	Expenditures	\$84	\$168

**Amend 529 Account Statute**

The Governor recommends modifying Minnesota Statutes, sections 136G, to allow for targeted mailings to 529 plan account owners about financial aid programs administered by the Office of Higher Education. Additionally, the Governor recommends changes to statute conform to federal changes to 529 plans and provide clarification on how dormant accounts uncashed checks are handled. This is a budget neutral proposal.

General	Expenditures	\$0	\$0
---------	--------------	-----	-----

**Firearm Restrictions on Campus for Visitors**

The Governor recommends modifying Minnesota Statutes, sections 624.714, subdivision 18, to allow public postsecondary institutions to restrict the carry or possession of firearms by visitors on the institution’s property. A visitor who violates an institution’s firearm policy may be ordered to leave, and refusal to do so would result in a petty misdemeanor and a fine. This is a budget neutral proposal.

General	Revenues	\$0	\$0
---------	----------	-----	-----

**Amend Dual Training Grant Statute**

The Governor recommends modifying definitions in Minnesota Statutes, sections 136A.246, subdivision 1a to ensure more employers have access to grants to fund training that meets their needs and expands opportunities available to a grantee’s employees to participate in grant funded dual training programs. This is a budget neutral proposal.

General	Expenditures	\$0	\$0
---------	--------------	-----	-----

2026 Governor's Supplemental Budget Recommendations

All Funds by Agency

(Dollars in Thousands)

FY 2026-27

FY 2028-29

Higher Education

Higher Education, Office of

Amend Outdated Work Study Statutes

The Governor recommends modifying Minnesota Statutes, sections 136A.233, to eliminate outdated language and align statute to reflect current practice. Under Minnesota Statutes, sections 136A.233, subdivision 2(d), a disabled or person over 65 employing a student to provide personal services is removed as eligible employers. Prioritizing students based on enrollment level is removed from Minnesota Statutes, 136A. 233, subdivision 3(b), and employment outside the institution and percent awarded to graduate student requirements is removed from Minnesota Statutes 136A.233, subdivisions 3(f) and 3(g). This is a budget neutral proposal.

General

Expenditures

\$0

\$0

**2026 Governor's Supplemental Budget Recommendations**

**All Funds by Agency**

(Dollars in Thousands)

FY 2026-27

FY 2028-29

**Property Tax Aids and Credits**

**Tax Aids, Credits and Refunds**

**Lower Statewide Sales Tax Rate and Expand to Selected Professional Services**

The Governor recommends reducing the state general sales tax rate from 6.500% to 6.425% along with broadening the sales tax base by extending sales taxes on legal, accounting, brokerage and trust services, and some bank service charges for consumers while business to business sales remain exempt.

General	Revenues	\$78,680	\$242,870
Transit Assistance	Revenues	(\$250)	(\$800)
Transit Assistance	Expenditures	(\$250)	(\$800)
Restrict Misc Special Revenue	Revenues	\$1,380	\$3,190
Restrict Misc Special Revenue	Transfers Out	(\$220)	(\$1,620)
Restrict Misc Special Revenue	Expenditures	\$1,610	\$4,830
Other Misc Special Revenue	Transfers In	(\$174)	(\$1,280)
Other Misc Special Revenue	Expenditures	(\$174)	(\$1,280)
State Pks & Trls Lott In Lieu	Revenues	(\$160)	(\$500)
Game and Fish (Operations)	Revenues	(\$140)	(\$440)
Outdoor Heritage	Revenues	\$2,706	\$8,250
Arts & Cultural Heritage	Revenues	\$1,619	\$4,937
Clean Water	Revenues	\$2,706	\$8,250
Parks and Trails	Revenues	\$1,169	\$3,563
Housing Assistance	Revenues	\$3,200	\$10,100
Housing Assistance	Transfers Out	\$800	\$2,525
Housing Assistance	Expenditures	\$2,400	\$7,575
Municipal State Aid Street	Transfers In	(\$125)	(\$327)
Municipal State Aid Street	Expenditures	(\$125)	(\$327)
County State Aid Highway	Revenues	(\$250)	(\$800)
County State Aid Highway	Transfers In	(\$521)	(\$1,583)
County State Aid Highway	Expenditures	(\$771)	(\$2,383)
Trunk Highway	Transfers In	(\$860)	(\$2,250)
Highway User Tax Distribution	Revenues	(\$1,460)	(\$3,820)
Highway User Tax Distribution	Transfers Out	(\$1,460)	(\$3,820)
Housing Finance Agency	Transfers In	\$800	\$2,525
Housing Finance Agency	Expenditures	\$800	\$2,525

**2026 Governor's Supplemental Budget Recommendations**

**All Funds by Agency**

(Dollars in Thousands)

FY 2026-27

FY 2028-29

**Property Tax Aids and Credits**

**Tax Aids, Credits and Refunds**

**Child and Dependent Care Credit**

The Governor recommends expanding the Child and Dependent Care Credit by increasing the income threshold at which the credit begins to phaseout, increasing the percentage of expenses taken into account for the credit, and increasing the maximum amount of eligible expenses for a young child under the age of five by an additional \$3,000 for one young child and \$6,000 for families with more than one young child for taxable years 2026 through 2033. The expanded credit equals 50% of eligible expenses, reduced by one percentage point for each \$1,000 of AGI over \$120,000 (\$500 of AGI over \$60,000 for married filing separately). These recommendations will allow more taxpayers to qualify for the credit and will increase the amount of the credit. The Minnesota dependent care credit helps offset certain care expenses for children or other dependents under age 13. Credit is also available for dependents who are physically and mentally disabled over the age of 12 and for disabled spouses.

General	Revenues	(\$146,700)	(\$298,500)
---------	----------	-------------	-------------

**Federal Update**

The Governor recommends Minnesota respond to the 2025 Tax Budget and Reconciliation bill (Public Law 119-21; H.R. 1) by adopting most of the federal tax changes to provide simplicity and predictability for tax filing in Minnesota and ease of administration. The proposal separates our state tax system from the federal tax changes in a few areas to give Minnesota more control over the fairness of our taxes and the stability of our revenue. The recommendation includes individual income tax changes to deductions for qualified transportation fringe benefits, extension of limitation on deduction for moving expenses, 0.5% floor on charitable contributions for itemizers, extension and modification of limitation on wagering losses, changes to ABLE accounts, and changes to dependent care assistance programs. Changes are adopted that make permanent and expand favorable tax treatment for educational items. Business income changes include many of the federal depreciation and expensing provisions. Changes to foreign income are adopted and include a new Minnesota modification to retain the pre-H.R. 1 treatment of taxing extraordinary income of businesses that offshore their intellectual property overseas. The recommendations do not adopt changes to allow full expensing of domestic research and experimental expenditures or tax benefits for investments in newly designated Opportunity Zones. The new federal informational return thresholds are not adopted.

General	Revenues	(\$1,190)	\$268,420
---------	----------	-----------	-----------

**Social Media Tax: Preparing Minnesota's Economy for Artificial Intelligence**

The Governor recommends establishing a tax on social media platform businesses with more than 100,000 monthly consumers at a rate that scales with the number of consumers, maxing out at \$165,000 plus \$0.50 times the number of consumers over 1,000,000 consumers. Revenue generated by this tax is dedicated to a DEED account in the special revenue fund that supports workforce development initiatives targeted at workers who experience job loss due to artificial intelligence. Included in this recommendation is funding for the Department of Revenue to administer the social media tax.

Other Misc Special Revenue	Revenues	\$47,400	\$197,100
Other Misc Special Revenue	Expenditures	\$850	\$2,866

**Extension of Pass-Through Entity Tax and Technical Updates**

The Governor recommends repealing the sunset for Minnesota's pass-through entity (PTE) tax to maintain current practices and adapt to recent federal changes. This recommendation includes technical updates to Minnesota's PTE tax to improve clarity and understanding of its application.

General	Revenues	\$0	\$0
---------	----------	-----	-----

## 2026 Governor's Supplemental Budget Recommendations

### All Funds by Agency

(Dollars in Thousands)

FY 2026-27

FY 2028-29

#### Property Tax Aids and Credits

##### Tax Aids, Credits and Refunds

#### Firearm and Ammunition Tax

The Governor recommends establishing a new gross receipts tax of 10 percent on handguns and 11 percent on long guns (shotguns, rifles, etc.) and ammunition. Purchases made by law enforcement agencies would be exempt, consistent with the federal excise tax on firearms and ammunition. This recommendation assumes a ban on assault-style weapons. Included with this recommendation is funding for the Department of Revenue to administer the new gross receipts tax.

General	Revenues	\$9,300	\$28,500
General	Expenditures	\$91	\$340

#### New Corporate Franchise Tax Division Passthrough Audit Unit

The Governor recommends enhancing the Department of Revenue's capacity to audit and support compliance among the growing number of small and large businesses using complex structures and tax arrangements to pass income and tax benefits to individual taxpayers. This proposal would add an additional 13 FTEs to enhance the auditing of these pass-through entities. Auditing plays a crucial role in ensuring transparency, accountability, and efficiency in our tax system and supports voluntary compliance.

General	Revenues	\$0	\$4,309
General	Expenditures	\$885	\$3,666

#### Medical Cannabis Sales Tax Exemption Reciprocity

The Governor recommends expanding the medical cannabis exemption to include individuals enrolled in a tribal registry program who purchase medical cannabis off-reservation at a state-licensed medical dispensary. This would mirror the existing exemption from the 15% gross receipts tax that state registry patients purchasing medical cannabis at a state-licensed medical dispensary experience. The proposal also makes technical changes to align and clarify the cannabis statutes as used in sales tax statutes.

General	Revenues	(\$30)	(\$90)
---------	----------	--------	--------

#### Sustainable Aviation Fuel Tax Credit Funding and Policy Package

The Governor recommends expanding the existing income tax credit to support Sustainable Aviation Fuel (SAF) production in Minnesota. A supplemental tax credit rate would be available for SAF that achieves a lifecycle greenhouse gas reduction rate of greater than 50 percent. The maximum credit allocation is increased by \$5.3 million in each of FY2027 and FY 2028, and by \$2.1 million in FY 2029. This credit helps accelerate and scale SAF production in the state to produce cleaner aviation fuels developed with agricultural products.

General	Revenues	(\$5,300)	(\$7,400)
---------	----------	-----------	-----------

#### Lifting 3-year timeline for Historic Tax Credit Projects

The Governor recommends moving the three-year timeline for Historic Structure Rehabilitation Tax Credit from when an allocation certificate is issued to when the project is placed in service. No additional cost is expected but it extends the availability of when a tax credit will be issued and will align the completion timeline with federal requirements. This recommendation is budget neutral.

General	Revenues	\$0	\$0
---------	----------	-----	-----

# 2026 Governor's Supplemental Budget Recommendations

## All Funds by Agency

(Dollars in Thousands)

FY 2026-27

FY 2028-29

### Health and Human Services

#### Human Services

##### Enhancing Program Integrity in Medical Assistance

The Governor recommends strengthening program integrity in Minnesota's public health care programs through improvements to provider enrollment, provider revalidation, background studies for high-risk providers, and oversight of Managed Care Organizations. The recommendation enhances the Department of Human Services' authority to assess and mitigate provider risk, modernizes screening processes, and clarifies requirements for communication related to withholding and recovering funds from providers. The Governor also recommends funding for phase two of a comprehensive evaluation of the Department of Human Services to advance organizational reforms that improve program integrity and reduce fraud.

General	Expenditures	\$24,330	\$46,632
---------	--------------	----------	----------

##### Enhancing Program Integrity in Integrated Community Supports (ICS) Services

The Governor recommends reforms to strengthen oversight of Integrated Community Supports. This includes adding a 15-minute billing unit for ICS services, enforcing limits within the rate methodology to align with a person's acuity, ensuring funding streams for housing and waiver services are distinct, and implementing a license moratorium for new ICS providers. These reforms intend to ensure services are delivered as authorized, rates are aligned with service delivery, and the provider network remains sustainable to meet the needs of people receiving services.

General	Expenditures	\$2,387	(\$3,944)
---------	--------------	---------	-----------

##### Response to Federal Surge: Increase for Human Services Response Fund

The Governor recommends a one-time increase to the Human Services Contingency Account. This funding is available for the Commissioner of Human Services to deploy in addressing emerging needs not met by other human services programs or for which insufficient funding is currently available.

General	Expenditures	\$10,000	\$0
---------	--------------	----------	-----

##### Transforming the Human Services System

The Governor recommends transforming the administration of Minnesota's human services system to streamline program operations and improve consistency and access to care statewide. The recommendation transitions the Medicaid program from multiple managed care organizations to a single statewide administrative service organization and shifts several financial eligibility responsibilities from counties and Tribal Nations to the state by July 1, 2028 and establishes an assessment and implementation work plan for future transfer of functions to DHS by December 31, 2032. It adds a state-based MnCHOICES assessment team to address county assessment backlogs, develop assessor prioritization and policy guidance, and evaluate system-wide assessment reforms to inform how the state could assume full responsibility in the future. The recommendation further reforms waiver case management by phasing out contracted case management by July 1, 2031, and funding a study to guide future case management improvements. The recommendation also provides funding for studies to evaluate the remaining roles of counties, Tribal Nations, and the state in administering human services and children, youth, and services programs and would recommend changes to the legislature in the 2029 legislative session.

General	Expenditures	\$14,282	\$53,272
---------	--------------	----------	----------

2026 Governor's Supplemental Budget Recommendations

All Funds by Agency

(Dollars in Thousands)

FY 2026-27

FY 2028-29

Health and Human Services

Human Services

State Office of Inspector General Established

The Governor recommends establishing the State Office of Inspector General to investigate and prevent fraud and misuse of public funds across state programs. Responsibilities of this office would include: (1) conduct, review and oversee investigations, (2) consult on the selection of and establish standards for the work of agency Inspectors General, and (3) lead improved data sharing between agencies for improved detection and alerting of potentially fraudulent actors in programs that cross agency boundaries. Included in this recommendation are staff and resources for existing agencies to make necessary fundamental systems improvements that better enable key programs to proactively identify and stop potentially fraudulent actors, an office staff of approximately 50 FTE that includes investigation and data research teams, and a case management system.

Table with 4 columns: General, Expenditures, \$2,055, \$4,850

Addressing Legacy Systems: Phased Roadmap to Modernized Eligibility

The Governor recommends addressing issues with the legacy IT systems used by county workers across social service programs with three investments. First, \$25 million in FY 2027 and \$5 million in FY 2028-29 to address MAXIS issues and create time saving efficiencies for county workers. The state will leverage a federal match to invest \$45.5 million in total across three years. Second, \$4 million in FY 2027 for the state portion of costs to complete a comprehensive study that will establish a phased roadmap to develop modernized program eligibility policies, processes, and technology with the ultimate goal of achieving a modernized cross-agency, universal eligibility determination capability. Third, \$690 thousand in FY 2027 and \$3 million in FY 2028-29 to increase staff capacity at the Department of Children, Youth, and Families as well as the Department of Human Services to provide coordination, strategic planning, and leadership for cross-agency systems modernization work.

Table with 4 columns: General, Expenditures, \$246, \$984

Uniform Service Standards Implementation

The Governor recommends completing the implementation of the Mental Health Uniform Service Standards (USS). The funding is for the administration of new licensing standards for four mental health services that will be transitioning from a certification model.

Table with 4 columns: General, Expenditures, \$262, \$400; State Government Special Rev, Revenues, \$714, \$3,646; State Government Special Rev, Expenditures, \$2,013, \$4,704

Increasing Mental Health Supports: Coordinated Specialty Care Medicaid Benefit

The Governor recommends funding the development of a new Medical Assistance (MA) benefit for Coordinated Specialty Care (CSC). The funding is for the treatment model for individuals experiencing First Episode of Psychosis and for new full-time equivalents at the Department of Human Services (DHS) to develop and administer the benefit.

Table with 4 columns: General, Expenditures, \$332, \$8,630

## 2026 Governor's Supplemental Budget Recommendations

### All Funds by Agency

(Dollars in Thousands)

FY 2026-27

FY 2028-29

## Health and Human Services

### Human Services

#### Federal Compliance: Access to Services for Incarcerated Individuals

The Governor recommends funding a new Medical Assistance benefit of targeted case management (TCM) services for incarcerated adults and youth. The funding is for TCM services which support individuals with complex behavioral and physical health needs transitioning out of carceral settings and aligns with work currently underway to implement the 1115 reentry demonstration waiver.

General	Expenditures	\$178	\$3,023
---------	--------------	-------	---------

#### Federal Compliance: Household Members Background Study FBI Compliance

The Governor recommends removing the requirement for FBI checks for household members connected to adult day services and adult foster care to comply with federal regulations. This change removes the requirement and authority to conduct FBI criminal history checks for household members connected to adult day services and adult foster care. Under the National Child Protection Act/Volunteer for Children Act the FBI checks criminal history for covered individuals, defined as owners, operators, employees, or volunteers. Household members do not fit any of those categories.

General	Expenditures	\$49	\$0
---------	--------------	------	-----

#### Federal Compliance: Medicaid Access Rule

The Governor recommends investments required to comply with the federal Medicaid Access Rule. These improvements increase transparency and accountability, standardize data and monitoring, and create opportunities for states to promote active beneficiary engagement in their Medicaid programs, with the goal of improving access to care. This proposal codifies the federal requirements and provides administrative funding to implement the changes.

General	Expenditures	\$1,400	\$2,268
---------	--------------	---------	---------

#### Federal Compliance: Medical Assistance Eligibility Changes Due to HR 1

The Governor recommends statutory changes and funding to ensure Minnesota complies with new federal Medicaid eligibility requirements established in H.R. 1, Public Law 119-21. The recommendation updates state law to reflect new federal standards including limiting retroactive Medical Assistance (MA) coverage, obtaining enrollee address verification, conducting six-month eligibility renewals for certain MA enrollees, and implementing work and community engagement requirements for MA Adults without Children. The Governor also recommends aligning state law with new federal restrictions on full MA coverage for certain legal noncitizens. These changes allow Minnesota to maintain federal compliance while updating program processes and eligibility standards.

General	Expenditures	\$124	(\$36,463)
---------	--------------	-------	------------

#### Federal Compliance: HR 1 Financing Related Response

The Governor recommends statutory changes and funding to ensure Minnesota complies with new federal financial provisions established in H.R. 1, Public Law 119-21. The recommendation includes a technical change to the way the MinnesotaCare Provider Tax revenue percentage is established, establishes federally required Medical Assistance cost sharing for adults without children, and puts a ceiling on permissible home equity for long-term care eligibility to conform with federal law. The recommendation adds resources to strengthen oversight and support for counties and Tribal nations' audit readiness and accuracy in response to a federal change that could lead to recoupment as measured through federal reviews such as the Payment Error Rate Measurement (PERM) audit, as well as state conducted Medicaid Eligibility Quality Control (MEQC) audits.

General	Revenues	\$0	\$411
General	Expenditures	\$1,334	\$2,080

# 2026 Governor's Supplemental Budget Recommendations

## All Funds by Agency

(Dollars in Thousands)

FY 2026-27

FY 2028-29

### Health and Human Services

#### Human Services

##### Modernizing Program and Payment Integrity Safeguards

The Governor recommends investments to modernize program integrity systems in Minnesota's public health care programs and reduce fraudulent, wasteful, or abusive billing. The recommendation enhances technology and data-driven processes that support Medical Assistance by strengthening prepayment review, post-payment analysis, and continuous fraud detection. It also links licensing, enrollment, claims review, and auditing into a unified oversight framework that improves accountability and protects taxpayer resources. The recommendation further builds a modern analytics and data infrastructure, along with necessary workforce capacity, to ensure systems can adapt to emerging fraud risks and support timely, data-informed decision-making. These updates allow Minnesota to proactively identify risks, prevent improper payments, and ensure that public dollars support Minnesotans who rely on critical health care services.

General	Expenditures	(\$167,873)	(\$3,985)
---------	--------------	-------------	-----------

##### Billing and Payment Oversight for Disability, Older Adult, and Behavioral Health Services

The Governor recommends multiple strategies to improve oversight and reduce costs in disability, older adult, and behavioral health services. These strategies include establishing or modifying billing limits; extending electronic visit verification, which documents service delivery, to more services; expanding the agency's authority to request service documentation directly from providers; and limiting the use of remote services. The recommendation also updates billing rules that require actual staffing and service delivery align with the staffing rate methodology and moves up the sunset of the Disproportionate Share Program. This recommendation increases accountability for providers seeking reimbursement from the state and federal government and ensures that payments reflect services rendered.

General	Expenditures	(\$10,568)	(\$282,135)
---------	--------------	------------	-------------

##### Market and Receipt-Based Rate Reform for Disability and Older Adults Services

The Governor recommends capping administrative fees for certain services within the Disability Waiver Rate System and programs serving older adults, including Alternative Care, Essential Community Supports, and Elderly Waiver, at 6 percent. Currently, there is no limit on administrative fees an enrolled provider or approved vendor may charge for arranging or delivering a market-rate service. This can lead to some providers billing for the maximum allowable rate, regardless of the actual cost. The Governor also proposes one-time funding to study and recommend rate methods for market-based services to ensure appropriate payment rates.

General	Expenditures	(\$504)	(\$4,536)
---------	--------------	---------	-----------

##### Earlier Effective Date for Improving Supportive Housing Options

The Governor recommends expediting the phaseout of freestanding room and board from July 1, 2027 to December 31, 2026. The Governor also recommends expediting the date for recovery residences to begin obtaining certification by the Department of Human Services (DHS) from July 1, 2027 to July 1, 2026 and the date DHS is authorized to enter into Housing Support agreements directly with eligible certified recovery residences from January 1, 2027 to July 1, 2026.

General	Expenditures	(\$9,163)	(\$1,784)
---------	--------------	-----------	-----------

##### Behavioral Health Fund County Share to 50%

The Governor recommends increasing the county share for behavioral health fund (BHF) coverage of substance use disorder (SUD) services from 22.95% to 50%.

General	Expenditures	(\$7,022)	(\$13,018)
---------	--------------	-----------	------------

**2026 Governor's Supplemental Budget Recommendations**  
**All Funds by Agency**  
(Dollars in Thousands)

FY 2026-27

FY 2028-29

**Health and Human Services**

**Human Services**

**Reduce Disability Grants**

The Governor recommends reducing spending in disability grants. This includes a one-time reduction of \$71 million from the Long-Term Services and Supports Loan Program and eliminating several grant programs that are no longer necessary or are supported through other funding sources. These changes streamline the aging and disability services system and reduce unnecessary spending.

General	Transfers In	\$70,854	\$0
General	Expenditures	(\$2,892)	(\$5,762)
Other Misc Special Revenue	Transfers Out	\$70,854	\$0
Other Misc Special Revenue	Expenditures	(\$70,854)	\$0

**Modify Nursing Facility Level of Care Eligibility for CADI/BI**

The Governor recommends modifying the nursing facility level of care criteria for the Brain Injury (BI) and Community Access Disability Inclusion (CADI) waivers by specifying that being at risk of becoming homeless or living alone is not sufficient to meet the level of care, and that some other criteria must also be met. The categories of need are: criteria related to cognitive or behavioral needs, activities of daily living (ADLs), critical ADLs, clinician monitoring, and living arrangement and risk.

General	Expenditures	(\$2,612)	(\$42,649)
---------	--------------	-----------	------------

**Sustaining Disability Services Access through Efficiency Measures**

The Governor recommends growth reduction strategies to mitigate rising expenditures in disability waiver services. This proposal includes limiting billing for residential services to 351 days and changing the absence and utilization factor for day services. These two components were previously recommended by the Blue Ribbon Commission on Health and Human Services, which was assembled to identify strategies to build better efficiencies and savings. The Governor also recommends reversing the rate tier increases for Family Residential and Life Sharing Services and updating the residential overnight rate factor in community residential services to be set at the asleep staffing rate, to align rates with the intensity of service.

General	Expenditures	(\$2,268)	(\$92,058)
---------	--------------	-----------	------------

**Limit Inflationary Adjustments in the Disability Waiver Rate System and Value-Based Reimbursement**

The Governor recommends limiting inflationary adjustments to two percent per year for disability waiver services in the disability waiver rate system and the value-based reimbursement system for nursing homes. These limits slow the growth of escalating costs in disability waivers and nursing homes.

General	Expenditures	(\$923)	(\$26,619)
---------	--------------	---------	------------

**2026 Governor's Supplemental Budget Recommendations**  
**All Funds by Agency**  
(Dollars in Thousands)

FY 2026-27

FY 2028-29

**Health and Human Services**

**Human Services**

**Reinstating Parental Fees for Incomes Over 675% of Federal Poverty Guidelines**

The Governor recommends reinstating parental fees for families with incomes of 675 percent of federal poverty guidelines or higher when Medical Assistance (MA) eligibility for their child with a disability is determined without regard to parental income. Prior to July 2023, a monthly parental fee was required and determined on a sliding scale according to household income. The child’s MA eligibility under Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) was unaffected if the parent did not cooperate with parental fee requirements. In 2023, legislation was passed that eliminated all parental fees for parents whose child had MA under the TEFRA option or whose child received services under a Home and Community Based (HCBS) waiver. This proposal reinstates parental fees for families with incomes of 675 percent of federal poverty guidelines or higher and whose child has MA eligibility under the TEFRA option or receives HCBS waiver services.

General	Revenues	\$4,051	\$7,247
General	Expenditures	(\$1,122)	(\$29,804)

**Enhancing Program Integrity and Quality in Nursing Home Rates**

The Governor recommends making changes to nursing facility payments to enhance program integrity in rates paid to nursing facilities and to enhance quality of care provided to Minnesotans. This recommendation includes the following changes: end the Planned Closure Rate Adjustment program; place maximum limits to reimbursement for employee health insurance costs; end the Performance-based Incentive Program; and modify the formula used to establish the quality based care related operating limits to align reimbursement of care-related costs with individual nursing facilities quality performance.

General	Expenditures	(\$14,937)	(\$56,800)
---------	--------------	------------	------------

**Office of Inspector General Increased Fines and Licensor Safety**

The Governor recommends increasing fines for Department of Human Services (DHS) issued licenses for providers who violate health, safety, supervision, or background studies regulations. The Governor also recommends creating a new fine type for license holders who threaten, intimidate, or are violent towards DHS staff performing oversight work.

General	Revenues	\$19	\$38
---------	----------	------	------

**Department of Human Services Technical Changes**

The Governor recommends enacting technical changes and corrections to session law and statute for the Department of Human Services (DHS). The changes would shift funds between budget activities at DHS to more appropriately align with the agency’s budget structure, convert two Tribal payments to direct payments, extend the funding for the Pediatric Hospital-to-Home Pilot from June 30, 2027 to June 30, 2028, and enable carryforward for the gambling treatment program. Other changes include technical corrections to substance use disorder (SUD) modeled rates, rounding practices for General Assistance (GA) payments, and the scope of withdrawal management start-up and capacity building grants. Also included in the changes is the shifting of funds from DHS for the regional coordination and statewide crisis phone services program to the Minnesota Department of Health (MDH). The net of changes included in this recommendation is budget neutral.

General	Expenditures	(\$1,125)	(\$2,250)
---------	--------------	-----------	-----------

# 2026 Governor's Supplemental Budget Recommendations

## All Funds by Agency

(Dollars in Thousands)

FY 2026-27

FY 2028-29

### Health and Human Services

#### Human Services

##### Technical Funding Adjustments

The Governor recommends technical changes at the Department of Education and the Department of Human Services to fully align funding sources with legislative intent during the establishment of the Department of Children, Youth and Families. Changes include: shifting funds from the Department of Human Services to the Minnesota food shelf program at the Department of Children, Youth, and Families; updating statute to clarify that administration of child protection grants from the opioid epidemic response fund is a responsibility of the Department of Children, Youth, and Families; separating preschool assessment funding from kindergarten assessment funding; and extending the availability of funding for the phase-in of the Minnesota African American Preservation and Child Welfare Disproportionality Act (MAAFPCWDA).

General	Expenditures	(\$1,664)	(\$1,664)
Opiate Epidemic Response	Expenditures	(\$642)	(\$642)

##### Housing Stabilization Services (HSS) Termination

The Governor recommends codifying the termination of the Housing Stabilization Services (HSS) program by repealing state statute related to the program. The fiscal impact of terminating HSS was captured in the November forecast. This recommendation is budget neutral.

General	Expenditures	\$0	\$0
---------	--------------	-----	-----

##### Program Integrity Returning and Cleanup

The Governor recommends amending and expanding program integrity provisions passed by the 2025 legislature. The changes include expanding the Department of Human Services' (DHS) ability to issue a payment withhold, exempting DHS from statutory provisions governing the length of payment withholds and the right of appeal, and clarify DHS's authority to conduct prepayment reviews of Medical Assistance (MA) claims. This recommendation is budget neutral.

General	Expenditures	\$0	\$0
---------	--------------	-----	-----

##### Department of Human Services Licensing Policy Clean-Up

The Governor recommends enacting statutory updates for several Department of Human Services (DHS) licensed programs to clarify agency authority, program requirements, and the fee schedules for Early Intensive Developmental and Behavioral Intervention (EIDBI) and Home and Community Based Services (HCBS). This recommendation is budget neutral.

General	Expenditures	\$0	\$0
---------	--------------	-----	-----

##### Agency Affiliation Limitations for Qualified Professionals and Progress Note Signatures

The Governor recommends enacting statutory changes to enhance programmatic oversight and provider accountability for mental health qualified professionals (QPs). The changes would require QPs to sign a progress note after every mental health service treatment and would cap the number of organizations a QP could be affiliated with. This recommendation is budget neutral.

General	Expenditures	\$0	\$0
---------	--------------	-----	-----

# 2026 Governor's Supplemental Budget Recommendations

## All Funds by Agency

(Dollars in Thousands)

FY 2026-27

FY 2028-29

### Health and Human Services

#### Human Services

##### MnCHOICES Efficiencies

The Governor recommends policy and system changes to the MnCHOICES assessment process to improve efficiency and reduce burdens on lead agencies. The recommendation streamlines nursing facility level of care determinations by allowing the Pre Admission Screening (PAS) process to establish level of care for all individuals entering nursing facilities. It also removes the requirement for OBRA Level I screenings during annual MnCHOICES assessments. Instead, OBRA I will only be required at the time of nursing home admission. Finally, the recommendation standardizes assessment validity so that all MnCHOICES assessments remain valid for 365 days regardless of setting. These changes reduce unnecessary referrals, simplify workflows, and support more sustainable workloads by lead agencies. This recommendation is budget neutral.

General	Expenditures	\$0	\$0
---------	--------------	-----	-----

##### Federal Compliance with Certified Public Expenditures for Targeted Case Management

The Governor recommends bringing Minnesota's targeted case management (TCM) services into compliance with federal Medicaid payment requirements by establishing a new cost-based rate methodology and reconciliation process. The Department of Human Services (DHS) has been developing the updated methodology for several years and this recommendation will make the necessary state-law changes. This recommendation is budget neutral.

General	Expenditures	\$0	\$0
---------	--------------	-----	-----

##### Sunset Supplemental Payment for Hennepin County Mental Health Clinic

The Governor recommends sunsetting the authority to make a supplemental payment to the Hennepin County mental health clinic. The supplemental payment was authorized to cover the difference between the costs of fee-for-service rate and the clinic's actual costs for providing services to Medicaid patients. The clinic has transitioned to be a certified community behavioral health clinic and the supplemental payment is no longer made. This recommendation is budget neutral.

General	Expenditures	\$0	\$0
---------	--------------	-----	-----

##### Modifying the Definition of Residency for Non-Title IV-E Foster Children

The Governor recommends allowing children placed in a Minnesota family foster home by another state, who are not eligible for Title IV E foster care, to be considered Minnesota residents for the purpose of Medical Assistance eligibility. This change removes barriers to health care access for foster children who currently rely on out of state Medicaid coverage that is difficult for Minnesota providers to accept. The recommendation clarifies state residency rules so these children can receive timely care without placement disruptions. This recommendation is budget neutral due to the small number of children affected.

General	Expenditures	\$0	\$0
---------	--------------	-----	-----

# 2026 Governor's Supplemental Budget Recommendations

## All Funds by Agency

(Dollars in Thousands)

FY 2026-27

FY 2028-29

### Health and Human Services

#### Human Services

##### Updates to Hospital Directed Payment Program

The Governor recommends technical changes to the statewide hospital directed payment program to align statute with legislative intent from the 2025 legislative session and with H.R. 1, Public Law 119-21. The recommendation allows Hennepin Healthcare, the large safety net hospital located in Hennepin County, another opportunity to opt into the statewide directed payment arrangement and clarifies that hospitals not participating in the arrangement are not subject to the assessment that funds the program. In response to uncertainty created by H.R. 1, the recommendation also grants the Commissioner of Human Services the flexibility to determine whether any disproportionate share hospital payments made to hospitals receiving state directed payments must be converted to regular rate payments to maintain fee-for-service payment levels. This recommendation is budget neutral.

General	Expenditures	\$0	\$0
---------	--------------	-----	-----

##### Economic Assistance Program Reforms

The Governor recommends a policy change to increase the period that applicants for Minnesota Supplemental Aid can apply to other benefits, from 30 days to 90 days. This recommendation is budget neutral.

General	Expenditures	\$0	\$0
---------	--------------	-----	-----

##### Rural Emergency Hospitals

The Governor recommends establishing a Medical Assistance rate methodology for critical access hospitals (CAHs) that convert to rural emergency hospitals (REHs) to ensure they continue receiving cost-based reimbursement for outpatient services. This change allows hospitals that elect the new federal REH designation to maintain their existing cost-based rate, which is essential for sustaining access to care in rural communities. The recommendation preserves current payment methods so facilities with limited Medicaid volume are not financially disadvantaged by the transition. This recommendation is budget neutral.

General	Expenditures	\$0	\$0
---------	--------------	-----	-----

##### Include DHS in State Medical Review Team in Medical Records Fee Waiver Statute

The Governor recommends amending statute to include limitation of fees or waiving of retrieval fees for medical records for the State Medical Review Team (SMRT) for the purpose of a disability determination. This change will support efficient processing and reduce administrative workloads. This recommendation is budget neutral.

General	Expenditures	\$0	\$0
---------	--------------	-----	-----

#### Direct Care and Treatment

##### Direct Care and Treatment County Correctional Facility Pilot Program Extension

The Governor recommends extending the availability of the funding for the current Direct Care and Treatment (DCT) County Correctional Facility Support Pilot Program from June 30, 2026 to June 30, 2027. The pilot program was funded by the 2024 legislature at the recommendation of the Priority Admissions Task Force to build local capacity for timely and appropriate mental health interventions in county correctional facilities. This recommendation is budget neutral.

General	Expenditures	\$0	\$0
---------	--------------	-----	-----

2026 Governor's Supplemental Budget Recommendations

All Funds by Agency

(Dollars in Thousands)

FY 2026-27

FY 2028-29

Health and Human Services

Direct Care and Treatment

Direct Care and Treatment Authority to Accept Gifts for Patients

The Governor recommends replacing the Commissioner of Human Services with the Direct Care and Treatment (DCT) executive board in Minnesota Statutes 15.43, subdivision 3, to authorize the executive board to create procedures to accept gifts on behalf of patients under the jurisdiction of DCT. This statutory update was overlooked in prior updates relating to the separation of DCT from the Department of Human Services. This recommendation is budget neutral.

Table with 4 columns: General, Expenditures, FY 2026-27, FY 2028-29. Values: General, Expenditures, \$0, \$0

Adding Direct Care and Treatment Facilities to Exemption from Security X-Ray Machine Requirements

The Governor recommends adding Direct Care and Treatment (DCT) to a statutory exemption permitting certain state agencies to operate security x-ray screening systems. This change would primarily impact DCT's Forensic Services facilities and Minnesota Sex Offender Program (MSOP) facilities. This recommendation is budget neutral.

Table with 4 columns: General, Expenditures, FY 2026-27, FY 2028-29. Values: General, Expenditures, \$0, \$0

Children, Youth and Families

Supplemental Nutrition Assistance Program; Addressing Federal Changes

The Governor recommends funding to enhance the oversight, training, and administration of the Supplemental Nutrition Assistance Program (SNAP) to address payment accuracy and avoid fiscal penalties established under HR 1. Funds will improve MAXIS, streamline income verifications, add capacity to the SNAP policy team and establish a quality assurance case review team, expand training capacity and establish a "train-the-trainer" team, and consolidate policy manuals and search capabilities for county workers. Additionally, funding covers reduced SNAP administrative systems reimbursement and the establishment of a forecast program for the state share of SNAP benefits required under HR1.

Table with 4 columns: General, Expenditures, FY 2026-27, FY 2028-29. Values: General, Expenditures, \$10,107, \$194,124

Child Care Assistance Program: Program Integrity Updates

The Governor recommends funding to strengthen program integrity in the Child Care Assistance Program (CCAP). This funding will expand county capacity to investigate fraud through fraud prevention investigation (FPI) grants, increase the number of Office of Inspector General investigators to make more proactive and random site visits, and expand data analytical opportunities and capacity. Additionally, funding will enhance program compliance by requiring all providers who receive Child Care Assistance Program grants to take training on attendance records, proper billing, compliance, etc.

Table with 4 columns: General, Expenditures, FY 2026-27, FY 2028-29. Values: General, Expenditures, \$3,324, \$5,663

Technical Funding Adjustments

The Governor recommends technical changes at the Department of Education and the Department of Human Services to fully align funding sources with legislative intent during the establishment of the Department of Children, Youth and Families. Changes include: shifting funds from the Department of Human Services to the Minnesota food shelf program at the Department of Children, Youth, and Families; updating statute to clarify that administration of child protection grants from the opioid epidemic response fund is a responsibility of the Department of Children, Youth, and Families; separating preschool assessment funding from kindergarten assessment funding at the Department of Education; and extending the availability of funding for the phase-in of the Minnesota African American Preservation and Child Welfare Disproportionality Act (MAAFPCWDA).

Table with 4 columns: General, Expenditures, FY 2026-27, FY 2028-29. Values: General, Expenditures, \$2,226, \$2,226; Opiate Epidemic Response, Expenditures, \$642, \$642

# 2026 Governor's Supplemental Budget Recommendations

## All Funds by Agency

(Dollars in Thousands)

FY 2026-27

FY 2028-29

### Health and Human Services

#### Children, Youth and Families

##### Addressing Legacy Systems: Phased Roadmap to Modernized Eligibility

The Governor recommends addressing issues with the legacy IT systems used by county workers across social service programs with three investments. First, \$25 million in FY 2027 and \$5 million in FY 2028-29 to address MAXIS issues and create time saving efficiencies for county workers. The state will leverage a federal match to invest \$45.5 million in total across three years. Second, \$4 million in FY 2027 for the state portion of costs to complete a comprehensive study that will establish a phased roadmap to develop modernized program eligibility policies, processes, and technology with the ultimate goal of achieving a modernized cross-agency, universal eligibility determination capability. Third, \$690 thousand in FY 2027 and \$3 million in FY 2028-29 to increase staff capacity at the Department of Children, Youth, and Families as well as the Department of Human Services to provide coordination, strategic planning, and leadership for cross-agency systems modernization work.

General	Expenditures	\$28,094	\$6,776
---------	--------------	----------	---------

##### State Office of Inspector General Established

The Governor recommends establishing the State Office of Inspector General to investigate and prevent fraud and misuse of public funds across state programs. Responsibilities of this office would include: (1) conduct, review and oversee investigations, (2) consult on the selection of and establish standards for the work of agency Inspectors General, and (3) lead improved data sharing between agencies for improved detection and alerting of potentially fraudulent actors in programs that cross agency boundaries. Included in this recommendation are staff and resources for existing agencies to make necessary fundamental systems improvements that better enable key programs to proactively identify and stop potentially fraudulent actors, an office staff of approximately 50 FTE that includes investigation and data research teams, and a case management system.

General	Expenditures	\$465	\$1,240
---------	--------------	-------	---------

##### Transforming the Human Services System

The Governor recommends transforming the administration of Minnesota's human services system to streamline program operations and improve consistency and access to care statewide. The recommendation transitions the Medicaid program from multiple managed care organizations to a single statewide administrative service organization and shifts several financial eligibility responsibilities from counties and Tribal Nations to the state by July 1, 2028 and establishes an assessment and implementation work plan for future transfer of functions to DHS by December 31, 2032. It adds a state-based MnCHOICES assessment team to address county assessment backlogs, develop assessor prioritization and policy guidance, and evaluate system-wide assessment reforms to inform how the state could assume full responsibility in the future. The recommendation further reforms waiver case management by phasing out contracted case management by July 1, 2031, and funding a study to guide future case management improvements. The recommendation also provides funding for studies to evaluate the remaining roles of counties, Tribal Nations, and the state in administering human services and children, youth, and services programs and would recommend changes to the legislature in the 2029 legislative session.

General	Expenditures	\$2,246	\$1,296
---------	--------------	---------	---------

# 2026 Governor's Supplemental Budget Recommendations

## All Funds by Agency

(Dollars in Thousands)

FY 2026-27

FY 2028-29

### Health and Human Services

#### Health

##### Minnesota All Payer Claims Database Fee Schedule

The Governor recommends establishing a fee schedule to support the ongoing operating costs of providing external researchers access to the Minnesota All Payer Claims Database. The recommendation creates statutory authority for the Department of Health to collect fees and establishes an annual appropriation supported by the State Government Special Revenue fund. It also authorizes the department to grant full or partial fee waivers when appropriate and creates a research advisory committee to review applications and waiver requests. These changes ensure the department can sustainably manage external data requests while supporting research that advances health equity and improves care for Minnesotans.

State Government Special Rev	Revenues	\$187	\$526
State Government Special Rev	Expenditures	\$187	\$526

##### HMO Fees Appropriation

The Governor recommends providing a corresponding appropriation from the state government special revenue fund to support the increased workload associated with Health Maintenance Organization licensure and regulation. The recommendation authorizes the Department of Health to spend additional fee revenue generated by the higher HMO application and renewal fees enacted in the 2025 legislative session. It ensures that the department can fund needed staffing and contracting costs to meet modern regulatory expectations as HMO oversight has grown more complex. This proposal supports effective regulatory oversight and aligns spending authority with the fee increases already approved by the legislature.

State Government Special Rev	Expenditures	\$880	\$880
------------------------------	--------------	-------	-------

##### Health Care Loan Forgiveness Fund Extension

The Governor recommends amending statutes governing the Health Care Loan Forgiveness program and the Home and Community-Based Services Employee Scholarship and Loan Forgiveness programs to ensure that appropriations remain available until expended. The recommendation removes current language requiring funds to cancel at the end of the biennium and instead allows them to support multiyear award cycles and varying contract start dates. These changes strengthen the programs' ability to recruit and retain health care workers in high need areas, serving children and families by ensuring full use of appropriated funds. This recommendation is budget neutral.

Health Care Access	Expenditures	\$0	\$0
--------------------	--------------	-----	-----

##### Newborn Screening Fee Exemption

The Governor recommends amending Minnesota Statute, 144.125 Subdivision 1 to define the criteria under which fees may be waived for newborn screening to ensure families without insurance or experiencing financial hardship can still access this service. The recommendation codifies the fee-exemption process in statute to create transparency and ensure consistent use of exemptions across all birth providers. It also clarifies that fee exemptions should only be used when insurance billing is attempted and not reimbursed, and requires proof of non-reimbursement. These changes ensure that no family is denied newborn screening due to inability to pay and that providers use the fee-exemption process appropriately. This recommendation is budget neutral.

State Government Special Rev	Expenditures	\$0	\$0
------------------------------	--------------	-----	-----

**2026 Governor's Supplemental Budget Recommendations**

**All Funds by Agency**

(Dollars in Thousands)

FY 2026-27

FY 2028-29

**Health and Human Services**

**Health**

**Rural Clinical Training Modifications to Existing Statute**

The Governor recommends modifying several statutes governing health care workforce grant programs to ensure they more clearly fulfill their intended purposes. The recommendation distinguishes the Health Professionals Clinical Training Expansion program from the Rural and Underserved Clinical Rotations program and clarifies that physician training programs include both medical schools and residency programs. It also broadens eligibility in the Primary Care Residency Training Grant Program by updating the definition of “rural” and allowing grants for developing new clinical training sites. The recommendation further strengthens the International Medical Graduate Assistance Program by allowing funds to carry forward until expended and aligning the service commitment with the multi-year IMG pathway. This recommendation is budget neutral.

General	Expenditures	\$0	\$0
---------	--------------	-----	-----

**Substance Use Disorder (SUD) Admin Language Correction**

The Governor recommends to re-rider the Substance Use Treatment, Recovery, and Prevention Grants appropriations to include administrative costs under Minnesota Statutes, section 16B.98. The change allows the Minnesota Department of Health to use 10 percent, or \$300 thousand, of the existing \$3 million appropriation for administrative costs. This recommendation is budget neutral.

General	Expenditures	\$0	\$0
---------	--------------	-----	-----

**Department of Human Services Technical Changes**

The Governor recommends enacting technical changes and corrections to session law and statute for the Department of Human Services (DHS). The changes would shift funds between budget activities at DHS to more appropriately align with the agency’s budget structure, convert two Tribal payments to direct payments, extend the funding for the Pediatric Hospital-to-Home Pilot from June 30, 2027 to June 30, 2028, and enable carryforward for the gambling treatment program. Other changes include technical corrections to substance use disorder (SUD) modeled rates, rounding practices for General Assistance (GA) payments, and the scope of withdrawal management start-up and capacity building grants. Also included in the changes is the shifting of funds from DHS for the regional coordination and statewide crisis phone services program to the Minnesota Department of Health (MDH). This recommendation is budget neutral.

General	Expenditures	\$1,125	\$2,250
---------	--------------	---------	---------

**Enhanced Health Plan Regulatory Alignment**

The Governor recommends that regulatory oversight of health plans be aligned under the Department of Commerce. Under current law, the Minnesota Department of Health (MDH) regulates Health Maintenance Organizations (HMOs) and county-based purchasers (CBP) while Commerce regulates other types of health insurers. This proposal amends statute so that Commerce, not MDH, regulates HMOs and CBPs. The proposal increases Commerce's general fund appropriations to facilitate the transfer of regulatory responsibilities and fifteen positions from MDH to Commerce. This appropriation increase is offset by a reduction in general fund appropriations to MDH. The proposal also amends statute so that existing HMO fees (currently deposited in the state government special revenue fund) are deposited in the special revenue fund, where they are available to support regulatory activities by Commerce. This proposal is budget neutral across both agencies.

General	Expenditures	(\$1,750)	(\$3,500)
State Government Special Rev	Revenues	(\$1,836)	(\$3,672)
State Government Special Rev	Expenditures	(\$1,836)	(\$3,672)

# 2026 Governor's Supplemental Budget Recommendations

## All Funds by Agency

(Dollars in Thousands)

FY 2026-27

FY 2028-29

### Health and Human Services

#### MNsure

##### IT Modernization and Flexibility

The Governor recommends repurposing \$2.33 million previously appropriated to MNsure during the 2024 session for system upgrades related to new federal requirements for Deferred Action for Childhood Arrivals (DACA) recipients. This recommendation authorizes MNsure to use the existing funds for broader technology and operational needs as requirements evolve. The funding supports information technology enhancements, system readiness, consumer communications, and operational adjustments to maintain service continuity and improve the consumer experience. This recommendation is budget neutral.

General

Expenditures

\$0

\$0

2026 Governor's Supplemental Budget Recommendations

All Funds by Agency

(Dollars in Thousands)

FY 2026-27

FY 2028-29

Public Safety and Judiciary

Supreme Court

Judicial Security

The Governor recommends funding for a dedicated protection detail to accompany the Chief Justice to, from, and at events they attend in their official capacity. The Governor also recommends funding to expand the Minnesota Judicial Branch Security Unit from one to three positions to increase their capacity to conduct threat assessments, coordinate with law enforcement, and provide training and emergency planning.

General	Expenditures	\$413	\$826
---------	--------------	-------	-------

Safe and Secure Courthouse Initiative

The Governor recommends funding for the Supreme Court to implement a competitive grant program to fund safety and security improvements at county courthouses. The provided matching grants for counties will support measures such as security assessments, equipment purchases, access control improvements, courtroom security modifications, and security training.

General	Expenditures	\$1,000	\$0
---------	--------------	---------	-----

Corrections

Gun Violence Prevention Package Bed Costs

The Governor recommends funding for prison bed costs for the Department of Corrections (DOC) that will be a result of enforcement of the recommendation to amend provisions in Minnesota Statute, section 624 to create criminal penalties for transferring, owning, or possessing banned semiautomatic military-style assault weapons and high-capacity magazines. The Governor also recommends that the DOC absorb costs related to penalties for violating new requirements for safe and secure storage of firearms.

General	Expenditures	\$89	\$575
---------	--------------	------	-------

Theft of Public Funds Penalty Increase Bed Costs

The Governor recommends creating a new statute that creates criminal penalties for theft of public funds to prevent fraud against state funds. The Governor also recommends that the Department of Corrections (DOC) absorb prison bed costs of \$13 thousand in FY 2027 and \$77 thousand in FY 2028-29.

General	Expenditures	\$0	\$0
---------	--------------	-----	-----

Impersonating a Peace Officer Penalty Increase Bed Costs

The Governor recommends amending Minnesota Statute, section 609.4751, subdivision 2, to increase the penalty of impersonating a peace officer to a felony. The Governor also recommends the Department of Corrections absorb prison bed costs of \$34 thousand in FY 2028-29.

General	Expenditures	\$0	\$0
---------	--------------	-----	-----

# 2026 Governor's Supplemental Budget Recommendations

## All Funds by Agency

(Dollars in Thousands)

FY 2026-27

FY 2028-29

### Public Safety and Judiciary

#### Public Safety - Public Safety

##### Gun Violence Prevention Package

The Governor recommends funding for a comprehensive gun violence prevention package. This includes funding for the Department of Public Safety (DPS) to conduct a public awareness campaign for Extreme Risk Protection Orders (ERPOs). The recommendation also includes a ban on military-style assault weapons which adds funding for the Bureau of Criminal Apprehension (BCA) to implement a certification system for owners of assault weapons. The Governor recommends that DPS absorb \$638 thousand for costs related to rulemaking and staff to manage the certification system. The recommendation also includes a ban on high-capacity magazines holding more than 10 rounds of ammunition, re-passing the binary trigger ban, a ban on firearms without serial numbers, the requirement of safe and secure storage of firearms, the requirement to report lost or stolen firearms, creating legal cause of action against gun manufacturers, and repealing local preemption of firearms restrictions.

General	Expenditures	\$950	\$292
---------	--------------	-------	-------

##### School Safety Center Resources and School Safety Grant Program

The Governor recommends funding for a new School Safety Grant Program in the Minnesota School Safety Center (MnSSC) within the Department of Public Safety (DPS), Homeland Security and Emergency Management (HSEM) division. The program will provide competitive grants for safety and security measures at schools including physical infrastructure upgrades, training for school staff and first responders, safety equipment and technology, and enhanced visitor screening systems. Funds may also be used for staff to administer the grant program and to expand operational capacity at the MnSSC.

General	Expenditures	\$5,000	\$10,000
---------	--------------	---------	----------

##### Expansion of Behavior Threat Assessment and Management Team

The Governor recommends funding for additional staff for the Department of Public Safety (DPS) Bureau of Criminal Apprehension's (BCA) Behavioral Threat Assessment and Management Team (BTAM). BTAM is a multidisciplinary team that takes a proactive and holistic approach to identify and investigate persons of concern that threaten safety and security of Minnesotans. This funding includes additional special agents and criminal intelligence analysts as well as funding new mental health and social work experts. Funds will also be used for related operating costs such as radios, phones, and computers.

General	Expenditures	\$2,084	\$4,168
---------	--------------	---------	---------

##### Expansion of Financial Crimes and Fraud Section

The Governor recommends funding for eight additional special agents and criminal intelligence analysts in the Department of Public Safety (DPS) Bureau of Criminal Apprehension's (BCA) Financial Crimes and Fraud Section (FCFS) to support fraud investigations. The additional specialized positions will address increasingly large and complex fraud schemes targeting state-funded programs. Funds will also be used for related operating costs such as radios, phones, and computers.

General	Expenditures	\$1,531	\$3,062
---------	--------------	---------	---------

## 2026 Governor's Supplemental Budget Recommendations

### All Funds by Agency

(Dollars in Thousands)

FY 2026-27

FY 2028-29

#### Transportation

##### Transportation

#### Transfer Authority for Air Transportation Services Account

The Governor recommends a onetime transfer from the aircraft capital account to the air transportation services account, both of which are within the air transportation revolving fund which is a subset of the state airports fund. Funds in the services account are available for air service operating costs, including maintenance on the Minnesota Department of Transportation (MnDOT) aircraft used by MnDOT staff, other state employees, and constitutional officers. The transfer increases resources available for near term operations and maintenance needs.

Air Transportation Revolving	Transfers In	\$550	\$0
Air Transportation Revolving	Transfers Out	\$550	\$0
Air Transportation Revolving	Expenditures	\$550	\$0

#### Travel Demand Modeling Extension

The Governor recommends extending from June 30, 2026 to June 30, 2029 the availability of a Laws 2024, Chapter 127 trunk highway fund appropriation of \$3 million for implementation and development of statewide and regional travel demand modeling. Absent an extension, it is estimated that about \$2.75 million will cancel. This recommendation is budget neutral.

Trunk Highway	Expenditures	\$0	\$0
---------------	--------------	-----	-----

##### Metropolitan Council - Transportation

#### Reduce Transit System Operations Appropriation

The Governor recommends reducing the general fund appropriation for transit system operations at the Metropolitan Council. The Council would instead rely on other sources of funding for transit operations, such as the regional transportation sales tax or reserves.

General	Expenditures	(\$1,751)	(\$40,028)
---------	--------------	-----------	------------

##### Public Safety - Transportation

#### State Patrol Deficiency

The Governor recommends onetime funding for the State Patrol to address a FY 2026 general fund deficiency. Exceptional circumstances have increased overtime and related costs, including supplemental executive, legislative, and judicial security; a mutual aid request related to the Annunciation school shooting; and the deployment of the Mobile Response Team (MRT) in response to requested local assistance to keep Minnesotans safe during the federal immigration enforcement surge. Funding will sustain current service levels for the public and allied agencies.

General	Expenditures	\$1,920	\$0
---------	--------------	---------	-----

#### Capitol Security Enhancements

The Governor recommends funding for the State Patrol to implement security enhancements across the Capitol complex. Onetime costs include vehicle gates at intersections on the Capitol complex, portable vehicle barricades, security kiosks, camera trailers, and related equipment. Ongoing costs support operations and staffing, including a 911 call center at the Capitol Security dispatch center, training and development capacity, a dedicated technology team, an additional explosive-detection canine team, and more. This recommendation funds 12 new staff.

General	Expenditures	\$10,834	\$5,418
---------	--------------	----------	---------

## 2026 Governor's Supplemental Budget Recommendations

### All Funds by Agency

(Dollars in Thousands)

FY 2026-27

FY 2028-29

#### Transportation

##### Public Safety - Transportation

##### Capitol Security Screening

The Governor recommends funding to implement permanent, year-round weapons screening in the Minnesota State Capitol. Costs include staffing, equipment, training, and operations, with near-term reliance on overtime that transitions to full-time staffing as personnel are hired and trained. This recommendation adds 42 new full-time positions (14 State Patrol Troopers and 28 Capitol Security Officers). This recommendation front-loads certain overtime costs for appropriation in FY 2027 and provides extended availability so that long-term program costs are reflected in the FY 2028-2029 biennium.

General	Expenditures	\$12,155	\$13,459
---------	--------------	----------	----------

##### DVS Credential Integrity

The Governor recommends creating a centralized fraud-prevention and investigation capability for the Driver and Vehicle Services (DVS) division to improve the integrity of driver's licenses and identification cards. This recommendation funds eight new staff and operating costs. It also provides statutory authority for DVS to use federal verification systems to electronically validate passports and citizenship documents submitted with standard driver's license and identification card applications, aligning practices with those used for REAL ID and Enhanced Driver's Licenses.

Restrict Misc Special Revenue	Expenditures	\$962	\$1,924
-------------------------------	--------------	-------	---------

##### DVS Technology Account Transfer

The Governor recommends a onetime transfer from the driver and vehicle services operating account to the driver and vehicles services technology account ("technology account"). The technology account funds the MNDRIVE system through a technology surcharge on most driver and vehicle transactions as well as a portion of vehicle transaction filing fees. The technology account is estimated to be insolvent by FY 2029. This recommendation would extend the account's solvency without raising fees.

Restrict Misc Special Revenue	Transfers In	\$15,000	\$0
Restrict Misc Special Revenue	Transfers Out	\$15,000	\$0
Restrict Misc Special Revenue	Expenditures	\$15,000	\$0

##### Repeal of System Review and Reporting Requirement

The Governor recommends repealing the biennial audit requirement in Minnesota Statutes, section 171.12, subdivision 1a, paragraph (d) related to data classification, use, and security of the driver and vehicle information system. The requirement predates the MNDRIVE system and is redundant to existing safeguards. Repeal would result in savings of \$156 thousand each biennium, displayed as savings of \$78 thousand per year for ease of implementation.

Restrict Misc Special Revenue	Expenditures	(\$156)	(\$156)
-------------------------------	--------------	---------	---------

##### Replace License Plates at Time of Vehicle Transfer

The Governor recommends that the Department of Public Safety (DPS), Driver and Vehicle Services (DVS) division require removal of existing license plates when a vehicle is sold and that those plates be replaced with new plates purchased and issued to the buyer when a title change occurs in Minnesota. The recommendation establishes a plate-replacement transaction at the point of sale, generating filing fees, plate fees, and technology surcharges under current law. The recommendation also increases plate production costs.

General	Revenues	\$51	\$204
Restrict Misc Special Revenue	Revenues	\$2,114	\$8,456
Restrict Misc Special Revenue	Expenditures	\$1,666	\$6,662

**2026 Governor's Supplemental Budget Recommendations**  
**All Funds by Agency**  
(Dollars in Thousands)

FY 2026-27

FY 2028-29

**Transportation**

**Public Safety - Transportation**

**Minnesota as a Lienholder State for Vehicle Titles**

The Governor recommends designating the financial institution as the title holder for vehicles with liens, replacing the current practice of the owner holding the title. The proposal also moves lien services to a more electronic process, reducing lost paperwork and delays. This recommendation includes one new staff person, but those costs are more than offset in FY 2028 and beyond by a \$268 thousand per year reduction in printing and mailing costs, since lien release cards would no longer need to be sent. The Governor also recommends that DVS absorb \$45 thousand in FY 2027 to update the MNDRIVE system using existing resources.

Restrict Misc Special Revenue	Expenditures	\$98	(\$346)
-------------------------------	--------------	------	---------

**Audit Assessment Payment Plan for Motor Carriers**

The Governor recommends allowing audited motor carriers with inadequate records to pay required assessments over two years rather than in a single payment. The records are intended to demonstrate that carriers are paying fuel and registration taxes properly across states. This recommendation adds one staff person funded by the driver and vehicle services operating account (DVSOA) to administer the payment plan. Participating motor carriers would pay a \$50 set up fee, generating a small amount of revenue to the DVSOA. The change is expected to improve payment compliance and increase revenues to the highway user tax distribution (HUTD), which are distributed to various transportation funds as required by the Constitution.

Restrict Misc Special Revenue	Revenues	\$0	\$12
Restrict Misc Special Revenue	Expenditures	\$106	\$212
Municipal State Aid Street	Transfers In	\$0	\$50
Municipal State Aid Street	Expenditures	\$0	\$50
County State Aid Highway	Transfers In	\$0	\$191
County State Aid Highway	Expenditures	\$0	\$191
Trunk Highway	Transfers In	\$0	\$346
Highway User Tax Distribution	Revenues	\$0	\$587
Highway User Tax Distribution	Transfers Out	\$0	\$587

**Mobile ID**

The Governor recommends authorizing an electronic mobile digital driver's license and identification (Mobile ID) option that allows Minnesotans to store and transmit driver's license or ID data from a phone or tablet without unnecessarily divulging personally identifiable information. This recommendation funds five staff in the Driver and Vehicle Services (DVS) division, rulemaking, business processes updates, and a public information campaign. The Governor also recommends that DVS absorb \$681 thousand in FY 2027 to update the MNDRIVE system using existing resources.

Restrict Misc Special Revenue	Expenditures	\$903	\$1,133
-------------------------------	--------------	-------	---------

**Driver's License Same-Day Issuance Pilot Sunset**

The Governor recommends repealing the pilot program in Laws 2021, First Special Session, Chapter 5 that authorizes same-day issuance of driver's licenses and identification cards at two locations. Both sites have ceased over-the-counter same-day issuance. This recommendation repeals the session law and reduces the driver services appropriation by \$155 thousand per year, which is the amount from the Laws 2021 appropriation that is currently in the base driver services appropriation for this purpose.

Restrict Misc Special Revenue	Expenditures	(\$155)	(\$310)
-------------------------------	--------------	---------	---------

2026 Governor's Supplemental Budget Recommendations

All Funds by Agency

(Dollars in Thousands)

FY 2026-27

FY 2028-29

Transportation

Public Safety - Transportation

Public Safety Officer Death Benefit Eligibility Modifications

The Governor recommends expanding eligibility for public safety officer line-of-duty death benefits to include deaths caused by exposure to specific infectious diseases, including COVID-19. The change applies retroactively to February 1, 2020. This recommendation also expands the benefit to apply to part-time fire fighters. These changes are expected to increase expenditures by about \$1.3 million one time, but the existing appropriation is estimated to be able to support this expansion. This recommendation is budget neutral.

General	Expenditures	\$0	\$0
---------	--------------	-----	-----

Elected Official Notification System

The Governor recommends requiring state elected officials to submit and annually update contact information with the Department of Public Safety (DPS) to allow for more efficient safety communication to these officials. DPS may disclose this information only to ensure the safety and security of elected officials or their immediate family members or for law enforcement purposes when needed for protecting public safety. Submitted information will be classified as private. Constitutional officers, members of the legislature, Supreme Court justices, and members of the state's federal congressional delegation are covered by this recommendation. This recommendation is budget neutral.

General	Expenditures	\$0	\$0
---------	--------------	-----	-----

**2026 Governor's Supplemental Budget Recommendations**

**All Funds by Agency**

(Dollars in Thousands)

FY 2026-27

FY 2028-29

**Environment and Energy**

**Pollution Control**

**Electronic Product Stewardship Program**

The Governor recommends repealing existing electronics recycling laws under M.S. 115A.1310-115A.1330 and replacing them with a new stewardship program for the collection and management of electronic product waste (e-waste). A third party stewardship organization will be responsible for running a collection program and recycling or otherwise responsibly managing e-waste, which will be free for consumers and funded by fees paid by manufacturers. This will reduce costs for local government waste collection facilities and increase the number of products reused and materials recovered via recycling.

Restrict Misc Special Revenue	Revenues	\$418	\$1,740
Restrict Misc Special Revenue	Expenditures	\$418	\$1,740

**Loose Battery Product Stewardship Program**

The Governor recommends repealing parts of Minnesota's rechargeable batteries and products laws under M.S. 115A and M.S. 325E and replacing them with a new stewardship program for the collection and management of loose batteries. A third-party stewardship organization will be responsible for running a statewide loose battery collection and recycling program that will be free for consumers and funded by fees paid by battery producers. This program will reduce the strain and costs on local government waste collection facilities that are unable to properly process loose batteries and increase the amount of materials recovered via battery recycling.

Restrict Misc Special Revenue	Revenues	\$330	\$1,390
Restrict Misc Special Revenue	Expenditures	\$330	\$1,390

**Air Compliance Monitoring Equipment**

The Governor recommends ongoing funding for the Minnesota Pollution Control Agency (MPCA) to maintain air monitoring equipment purchased with previous one-time funding. Maintaining the equipment, including annual software license renewals, allows the MPCA to independently determine facility compliance while onsite during an inspection or in response to a complaint.

Environmental	Expenditures	\$50	\$100
---------------	--------------	------	-------

**Close Loopholes in Emergency Spill Response Statutes**

The Governor recommends closing loopholes to allow MPCA to recover expenses for responding to spills in certain situations. While MPCA is able to recover costs from responsible parties in most cases, current statute does not allow for cost recovery in cases when the material spilled is non-hazardous or a petroleum product from a saddle or tow tank. This proposal will close these loopholes and result in savings for the remediation fund.

Remediation	Revenues	\$200	\$400
-------------	----------	-------	-------

**Natural Resources**

**Law Enforcement Response Costs**

The Governor recommends one-time funding to reimburse the Department of Natural Resources (DNR) for public safety response efforts in FY26. This includes responding to the Annunciation Church shooting in August 2025 and to protests against Immigration and Customs Enforcement activities during Operation Metro Surge in January and February 2026.

General	Expenditures	\$1,500	\$0
---------	--------------	---------	-----

**2026 Governor's Supplemental Budget Recommendations**

**All Funds by Agency**

(Dollars in Thousands)

FY 2026-27

FY 2028-29

**Environment and Energy**

**Natural Resources**

**Lands Bill**

The Governor recommends undertaking specific land sales and acquisitions that require legislative authorization. Proceeds from the sales will be deposited in the Land Acquisition Account in the Natural Resources Fund to be reinvested in other lands that meet the DNR's natural resource goals. This recommendation also includes statutory changes that will make land management and transactions more efficient.

Land Acquisition	Revenues	\$0	\$0
Land Acquisition	Expenditures	\$0	\$0

**Metropolitan Council - Environment**

**Change Passthrough Agency for Local Project Funding from DEED to Metropolitan Council**

The Governor recommends changing the state agency that administers a Laws 2024 appropriation that provides funding to the Minneapolis Park and Recreation Board for design, development, and construction of the new Cedar Riverside Recreation Center. Instead of funds being appropriated to the Department of Employment and Economic Development (DEED), they would be appropriated to the Metropolitan Council, which was previously appropriated funds for this same purpose. This recommendation shows a reduction of \$5 million at DEED and an increase of \$5 million at the Metropolitan Council, but it is budget neutral overall.

General	Expenditures	\$5,000	\$0
---------	--------------	---------	-----

**Tree Planting Grant Appropriation Extension**

The Governor recommends extending the availability of two appropriations from Laws 2024, Chapter 116 for tree planting grants from June 30, 2026 to June 30, 2028. All funds from the \$3.2 million general fund appropriation and \$1.4 million natural resources fund appropriation are expected to be committed in grant agreements by June 30, 2026, so no funds are expected to cancel, but this extension will ensure funds can be expended from those grant agreements over multiple years. This recommendation is budget neutral.

General	Expenditures	\$0	\$0
---------	--------------	-----	-----

**Minnesota Zoological Garden**

**Operating Deficiency**

The Governor recommends one-time supplemental funding for the Minnesota Zoo to address an operating deficiency. This funding will help cover the Zoo's projected operating shortfall.

General	Expenditures	\$3,800	\$0
---------	--------------	---------	-----

**Climate Innovation Finance Authority**

**Minnesota Climate Innovation Finance Authority (MnCIFA) Financing Tools**

The Governor recommends expanding the statutory authorities of the Minnesota Climate Innovation Finance Authority (MnCIFA) to include the authority to accept loans and to securitize loans. This recommendation is budget neutral.

Climate Innovation Finance Aut	Revenues	\$0	\$0
Climate Innovation Finance Aut	Expenditures	\$0	\$0

# 2026 Governor's Supplemental Budget Recommendations

## All Funds by Agency

(Dollars in Thousands)

FY 2026-27

FY 2028-29

### Jobs, Commerce, Ag and Housing

#### Agriculture

##### Rural Finance Authority Agroforestry Update

The Governor recommends expanding the practices that Minnesota farmers can finance through the Agroforestry Loan Program. The Agroforestry Loan Program provides low-interest financing to farmers, and expanding eligibility for loans will allow more farmers access to loans and help increase program utilization. This recommendation is budget neutral.

General	Expenditures	\$0	\$0
---------	--------------	-----	-----

##### Sustainable Aviation Fuel Updates

The Governor recommends several updates and technical changes to the Sustainable Aviation Fuel (SAF) Tax Credit program. This recommendation clarifies eligible SAF feedstocks, creates a supplemental tax credit for ultra-low carbon SAF, and adds environmental safeguards. This recommendation is budget neutral.

General	Expenditures	\$0	\$0
---------	--------------	-----	-----

##### Seed Potato Statute Changes

The Governor recommends making changes to the Department of Agriculture's seed potato statutes. The recommendation includes updating seed potato certification processes and enforcement requirements, as well as permitting the use of the agency's general fund appropriations if necessary to support the program. This recommendation is budget neutral.

Agriculture	Revenues	(\$10)	(\$20)
Agriculture	Expenditures	(\$10)	(\$20)

##### Hemp Statute Changes

The Governor recommends updating Minnesota's Industrial Hemp Development Act to align statute with changes made by the passage of Minnesota's cannabis legislation in 2023 and the establishment of the Office of Cannabis Management. This recommendation makes changes to hemp license structures and regulatory practices, and aligns statute with recent state and federal changes. This recommendation is budget neutral.

Agriculture	Revenues	(\$15)	(\$30)
Agriculture	Expenditures	(\$15)	(\$30)

##### Appropriations Technical Changes

The Governor recommends making technical changes to prior legislative session appropriations to align the Department of Agriculture's funding structure with its current organizational structure and operations. This recommendation is budget neutral.

General	Expenditures	\$0	\$0
---------	--------------	-----	-----

##### Agriculture Marketing Development Efficiency Proposal

The Governor recommends increasing agency efficiency by combining and reducing legislative reports. This change combines the separate annual reports for the Food Retailer Improvement and Development program, the Bioincentive programs, and the Biofuels Infrastructure Financial Assistance program into the annual AGRI report, and reduces the Dairy Development and Profitability Enhancement report requirement from annual to biennial reporting. This recommendation is budget neutral.

General	Expenditures	\$0	\$0
---------	--------------	-----	-----

**2026 Governor's Supplemental Budget Recommendations**

**All Funds by Agency**

(Dollars in Thousands)

FY 2026-27

FY 2028-29

**Jobs, Commerce, Ag and Housing**

**Housing Finance**

**First-Time Homebuyer Downpayment Assistance**

The Governor recommends a one-time increase to the first time homebuyer downpayment assistance program. Homeownership is the primary driver for building wealth for low- and moderate-income households. The program provides loans for some of the upfront funds needed to purchase a home. Many households have sufficient income to make monthly mortgage payments but lack the wealth necessary for a downpayment and closing costs. This recommendation aims to create 2,150 new first-time homebuyers.

General	Transfers Out	\$34,000	\$0
Housing Finance Agency	Transfers In	\$34,000	\$0
Housing Finance Agency	Expenditures	\$34,000	\$0

**Family Homelessness Prevention and Assistance Program (FHPAP)**

The Governor recommends a one-time funding increase for the Family Homeless Prevention and Assistance Program. The program goals are to prevent homelessness, minimize periods of homelessness, and eliminate repeat episodes of homelessness. The additional resources will prioritize direct assistance such as emergency rental assistance and eviction prevention funding and the resources are paid from the program administrator to the housing provider. The additional resources will increase grant awards to existing administrators, allowing the funds to reach communities quickly to help address more of the urgent local needs.

General	Transfers Out	\$33,000	\$0
Housing Finance Agency	Transfers In	\$33,000	\$0
Housing Finance Agency	Expenditures	\$33,000	\$0

**Permanent Supportive Housing**

The Governor recommends one-time funding to support permanent supportive housing providers and help stabilize properties. Funding will prioritize permanent supportive housing, while also assisting providers facing funding gaps and uncertainty due to changes in federal funding through the federal Continuum of Care program. Permanent supportive housing is a key component of the state’s strategy to reduce homelessness. However, several essential operating costs—such as front desk staffing and building security—lack a consistent or coordinated funding source. This gap creates challenges for developing and sustaining permanent supportive housing. In addition, the funding will support partnerships with the health care sector to demonstrate more sustainable approaches to delivering services for supportive housing residents. These partnerships aim to improve access to services and health care to reduce reliance on costly emergency and institutional care.

General	Transfers Out	\$33,000	\$0
Housing Finance Agency	Transfers In	\$33,000	\$0
Housing Finance Agency	Expenditures	\$33,000	\$0

**2026 Governor's Supplemental Budget Recommendations**  
**All Funds by Agency**  
(Dollars in Thousands)

FY 2026-27

FY 2028-29

**Jobs, Commerce, Ag and Housing**

**Commerce**

**Enhanced Health Plan Regulatory Alignment**

The Governor recommends that regulatory oversight of health plans be aligned under the Department of Commerce. Under current law, the Minnesota Department of Health (MDH) regulates Health Maintenance Organizations (HMOs) and county-based purchasers (CBP) while Commerce regulates other types of health insurers. This proposal amends statute so that Commerce, not MDH, regulates HMOs and CBPs. The proposal increases Commerce's general fund appropriations to facilitate the transfer of regulatory responsibilities and fifteen positions from MDH to Commerce. This appropriation increase is offset by a reduction in general fund appropriations to MDH. The proposal also amends statute so that existing HMO fees (currently deposited in the state government special revenue fund) are deposited in the special revenue fund, where they are available to support regulatory activities by Commerce. This recommendation is budget neutral across both agencies.

General	Expenditures	\$1,750	\$3,500
Restrict Misc Special Revenue	Revenues	\$1,836	\$3,672
Restrict Misc Special Revenue	Expenditures	\$1,836	\$3,672

**Energy Provisions**

The Governor recommends amending statutes under Chapter 216C: Energy Planning and Conversation to do the following: 1.) authorize the Department of Commerce to reimburse State Competitiveness Fund awardees for the state share of costs incurred prior to the execution of a contract between the awardee and the State of Minnesota, but after the start of a federal grant agreement; 2.) extend the application deadline for the Solar on Public Buildings program; 3.) authorize Commerce to develop and maintain a state energy security plan; and 4.) align the documentation, eligibility, and installation requirements of the Minnesota Residential Heat Pump Rebate program to federal law. This recommendation is budget neutral.

General	Expenditures	\$0	\$0
Climate and Economic Dev	Expenditures	\$0	\$0

**Non-Depository Institution Licensing Provisions**

The Governor recommends closing a licensing loophole for entities who arrange payday loans. The Governor also recommends clarifying the lending authority of mortgage originators and servicers to eliminate the need for dual licensure. Taken together, these changes result in a \$6,000/year reduction in state revenues starting in FY 2028. This reduction in revenues is offset by a reduction in expenditures.

Restrict Misc Special Revenue	Revenues	\$0	(\$12)
Restrict Misc Special Revenue	Expenditures	\$0	(\$12)

**Technical and Date Adjustments to Reinsurance Compromise**

The Governor recommends technical and date adjustments to the Minnesota Premium Security Plan (MPSP), also known as the reinsurance program. The recommendation updates statutory language governing the administration of the reinsurance program, including timelines for reinsurance payments and for a one-time 2028 assessment on group health carriers. It also clarifies that the 2028 assessment on group health carriers must be paid to the Commissioner of Commerce rather than the Minnesota Comprehensive Health Association (MCHA) and that carriers are no longer liable to MCHA for the 2028 assessment. This recommendation is budget neutral.

General	Expenditures	\$0	\$0
---------	--------------	-----	-----

**2026 Governor's Supplemental Budget Recommendations**

**All Funds by Agency**

(Dollars in Thousands)

FY 2026-27

FY 2028-29

**Jobs, Commerce, Ag and Housing**

**Commerce**

**Prescription Drug Affordability Advisory Council Repeal**

The Governor recommends repealing the Prescription Drug Affordability Advisory Council (PDAAC). This recommendation is budget neutral.

General	Expenditures	\$0	\$0
---------	--------------	-----	-----

**Employment and Economic Development**

**Change Passthrough Agency for Local Project Funding from DEED to Metropolitan Council**

The Governor recommends changing the state agency that administers a Laws 2024 appropriation that provides funding to the Minneapolis Park and Recreation Board for design, development, and construction of the new Cedar Riverside Recreation Center. Instead of funds being appropriated to the Department of Employment and Economic Development (DEED), they would be appropriated to the Metropolitan Council, which was previously appropriated funds for this same purpose. This recommendation shows a reduction of \$5 million at DEED and an increase of \$5 million at the Metropolitan Council, but it is budget neutral overall.

General	Expenditures	(\$5,000)	\$0
---------	--------------	-----------	-----

**IBDPI Program Modification**

The Governor recommends a 10-year sunset of development restrictions at locations improved through the Innovative Business Development Public Infrastructure (IBDPI) grant program. The IBDPI program funds public infrastructure needed to support innovative business projects as defined in Minnesota Statute 116J.435. This recommendation allows IBDPI funded infrastructure to support projects not meeting the definition of an eligible project under MS 116J.435 if an eligible project is not developed in the 10 years following an IBDPI award. This recommendation is budget neutral.

General	Expenditures	\$0	\$0
---------	--------------	-----	-----

**Pathways to Prosperity Codification**

The Governor recommends the Pathways to Prosperity program be codified in statute. Pathways to Prosperity is a competitive grant program that supports economically disadvantaged adults seeking to enhance their employability and/or improve their skills or credentials in a high demand industry. Pathways to Prosperity has received annual funding in session law since 2016. This recommendation is budget neutral.

General	Expenditures	\$0	\$0
Workforce Development	Expenditures	\$0	\$0

**Drive for Five Codification**

The Governor recommends the Drive for Five program be codified in statute. The Drive for Five program was created in 2023 session law to provide workforce training grants in five high-demand occupational categories: the caring professions, education, manufacturing, technology, and the trades. This recommendation is budget neutral.

General	Expenditures	\$0	\$0
---------	--------------	-----	-----

# 2026 Governor's Supplemental Budget Recommendations

## All Funds by Agency

(Dollars in Thousands)

FY 2026-27

FY 2028-29

### Jobs, Commerce, Ag and Housing

#### Employment and Economic Development

##### Preparing Minnesota's Economy for Artificial Intelligence

The Governor recommends establishing a tax on social media platform businesses with more than 100,000 monthly consumers at a rate that scales with the number of consumers, maxing out at \$165,000 plus \$0.50 times the number of consumers over 1,000,000 consumers. Revenue generated by this tax is dedicated to an account in the special revenue fund that supports workforce and economic development initiatives that would prepare Minnesota's economy and workforce for increased artificial intelligence utilization. Funding is to be allocated by a newly established Governor's Council on the Future AI Economy and may be transferred to the Minnesota Forward Fund. Of this allocation, up to 5 percent per year may be used by the Department of Employment and Economic Development to administer the fund and \$849 thousand in FY 2027 and \$2.866 million in FY 2028-29 will be retained by the Department of Revenue to administer the new tax on social media platform businesses.

Other Misc Special Revenue	Expenditures	\$46,550	\$194,234
----------------------------	--------------	----------	-----------

##### Response to Federal Surge: Partially Forgivable Business Loans

The Governor recommends funding to provide zero percent, partially forgivable loans to businesses that were impacted by the federal government's Operation Metro Surge. This funding is available to businesses that can demonstrate substantial revenue loss between December 1, 2025 and February 28, 2026. Up to 50 percent of the loans issued under this recommendation may be forgiven after eighteen consecutive payments. Loans range between \$2,500 and \$25,000 depending on business revenue.

General	Expenditures	\$10,000	\$0
---------	--------------	----------	-----

##### Service to Success Initiative

The Governor recommends one-time funding for the Service to Success program. The Service to Success program was created during the 2025 session to coordinate and expand public service opportunities in Minnesota. This recommendation increases grant funding to organizations that provide public service opportunities in priority workforce areas.

Workforce Development	Expenditures	\$3,500	\$0
-----------------------	--------------	---------	-----

#### Labor and Industry

##### Construction Codes and Licensing Provisions

The Governor recommends amending statutes under Chapter 326B: Construction Codes and Licensing to do the following: 1.) Eliminate the issuance of new class B installer licenses; 2.) lower the threshold for applying the \$165 electrical inspection fee so that it applies when there are 14 or more feeders or circuits, instead of the current threshold of 15 or more; 3.) make a conforming change to the electrical inspection fee referenced in 326B.37 subd. 6 to align with the fee provided elsewhere in statute; and 4.) cross reference the fee schedules that must be paid in the event electrical work is performed without inspection. Lowering the electrical inspection fee threshold is expected to result in a nominal, non-trackable loss in revenue to the construction code fund. The other provisions in this recommendation are budget neutral.

Construction Code	Revenues	\$0	\$0
-------------------	----------	-----	-----

2026 Governor's Supplemental Budget Recommendations

All Funds by Agency

(Dollars in Thousands)

FY 2026-27

FY 2028-29

State Government and Veterans

Legislature

State Office of Inspector General Established

The Governor recommends establishing the State Office of Inspector General to investigate and prevent fraud and misuse of public funds across state programs. Responsibilities of this office will include: (1) conduct, review and oversee investigations, (2) consult on the selection of and establish standards for the work of agency Inspectors General, and (3) lead improved data sharing between agencies for improved detection and alerting of potentially fraudulent actors in programs that cross agency boundaries. Included in this recommendation are staff and resources for existing agencies to make necessary fundamental systems improvements that better enable key programs to proactively identify and stop potentially fraudulent actors, an office staff of approximately 50 FTE that includes investigation and data research teams, and a case management system.

Table with 4 columns: General, Expenditures, \$21, \$14

Attorney General

Medicaid Fraud Unit Expansion

The Governor recommends increasing the state's Medicaid Fraud Control Unit in the Attorney General's Office by 18 FTE. This increase funds more Assistant Attorney Generals, investigators, and support staff to investigate and prosecute Medicaid Fraud. This recommendation leverages available federal matching funds.

Table with 4 columns: General, Expenditures, \$1,231, \$2,462

Administration

State Office of Inspector General Established

The Governor recommends establishing the State Office of Inspector General to investigate and prevent fraud and misuse of public funds across state programs. Responsibilities of this office would include: (1) conduct, review and oversee investigations, (2) consult on the selection of and establish standards for the work of agency Inspectors General, and (3) lead improved data sharing between agencies for improved detection and alerting of potentially fraudulent actors in programs that cross agency boundaries. Included in this recommendation are staff and resources for existing agencies to make necessary fundamental systems improvements that better enable key programs to proactively identify and stop potentially fraudulent actors, an office staff of approximately 50 FTE that includes investigation and data research teams, and a case management system.

Table with 4 columns: General, Expenditures, \$892, \$892

Strengthening State Contracts and Grants

The Governor recommends expanding efforts to strengthen statewide grant and contract security. The funding is for 1 FTE and other supporting expenses to expand responsible contractor law from state and local construction projects to contractors and subcontractors for all state and local procurement contracts. It also adds fraud crimes to the list of disqualifications for entities bidding for contracts in addition to codifying the reinstatement process for disbarred vendors currently in rule.

Table with 4 columns: General, Expenditures, \$172, \$344

# 2026 Governor's Supplemental Budget Recommendations

## All Funds by Agency

(Dollars in Thousands)

FY 2026-27

FY 2028-29

### State Government and Veterans

#### Administration

##### Legislatively Named Grants Prohibition

The Governor recommends that all state-funded grants be awarded through a competitive process, prohibiting the appropriation of funds for named and sole-source grants. There are exemptions to this prohibition for capital project grants, legacy or environment fund grants, and grants to Tribes or government entities. The change impacts grants beginning in the FY 2028-29 biennium and does not affect currently appropriated grants. This recommendation is budget neutral.

General	Expenditures	\$0	\$0
---------	--------------	-----	-----

##### Lifting 3-year timeline for Historic Tax Credit Projects

The Governor recommends moving the three-year timeline for Historic Structure Rehabilitation Tax Credit from when an allocation certificate is issued to when the project is placed in service. No additional cost is expected but it extends the availability of when a tax credit will be issued and will align the completion timeline with federal requirements. This recommendation is budget neutral.

General	Expenditures	\$0	\$0
---------	--------------	-----	-----

#### Management and Budget

##### Enterprise Internal Audit Staffing Increase

The Governor recommends increasing statewide internal accountability efforts by adding 15 FTEs. These new staff will expand statewide internal controls and accountability work, conduct statewide internal audits, and address audit findings to facilitate the implementation of recommendations. This funding more than doubles the agency's capacity for conducting statewide internal audits and monitoring subsequent corrective actions.

General	Expenditures	\$1,726	\$4,602
---------	--------------	---------	---------

##### Health Care Safety Net Stability Study

The Governor recommends funding for the Health Subcabinet to collaborate with its member agencies and others to safeguard the long-term stability of critical safety net providers across Minnesota, including Hennepin Healthcare. This investment will support engagement with external partners, environmental and financial analyses, and the development of strategic recommendations. Together, these efforts will strengthen Minnesota's healthcare safety net and ensure that high-quality, essential care remains accessible to all who rely on it, particularly as the state expects less federal investment in health care and an increase in uninsurance and uncompensated care in the coming years.

General	Expenditures	\$250	\$0
---------	--------------	-------	-----

##### Penny Shortage

The Governor recommends allowing agencies to round either the transaction price or any applicable refund to a five-cent increment for cash-based transactions due to the penny shortage resulting from the ceasing of new penny production. The cost to the state to round cash transactions to the nearest 5 cents as well as IT related costs to reflect these changes are expected to be minimal and agencies will absorb these costs.

General	Expenditures	\$0	\$0
---------	--------------	-----	-----

**2026 Governor's Supplemental Budget Recommendations**

**All Funds by Agency**

(Dollars in Thousands)

FY 2026-27

FY 2028-29

**State Government and Veterans**

**Management and Budget**

**Option Not to Provide High Deductible Health Plan**

The Governor recommends changing statute from saying "must" include a high-deductible health plan (HDHP) option for eligible employees to "may". Currently less than 1 percent of State Employee Group Insurance Program (SEGIP) members are enrolled in the SEGIP's high-deductible plan. This recommendation is budget neutral.

General	Expenditures	\$0	\$0
---------	--------------	-----	-----

**Department of Children, Youth, and Families Unused Funds Cancellation**

The Governor recommends cancelling \$1 million in unspent funds in FY 2026 that were appropriated for the Implementation Office for the Department of Children, Youth, and Families (DCYF) and will not be used.

General	Expenditures	(\$1,000)	\$0
---------	--------------	-----------	-----

**Revenue**

**Fraud Prevention and Enforcement Expansion**

The Governor recommends expanding Minnesota's fraud prevention and enforcement capacity at the Department of Revenue. This proposal funds 10.5 additional FTE in the Criminal Investigation Division and supporting roles in the Internal Audit Division. Together, these investments will strengthen the State's ability to prevent, detect, and prosecute tax fraud; protect taxpayer dollars; uphold a fair and accountable tax system; and advance fiscal accountability statewide.

General	Expenditures	\$927	\$3,700
---------	--------------	-------	---------

**Administering the 2026 Tax Bill**

The Governor recommends funding for the Department of Revenue to administer the provisions recommended in the Governor's tax bill.

General	Expenditures	\$912	\$1,811
---------	--------------	-------	---------

**Military Affairs**

**Increase to Minimum State Active Duty Basic Pay**

The Governor recommends changing the minimum base pay for activated National Guard members, setting the minimum benchmark at an E-5 pay grade. This minimum pay has not been adjusted in nearly thirty years. The change allows the minimum pay to progress as the Department of War pay charts are updated on an annual basis, ensuring that all service members are adequately compensated for these short-notice emergency missions. This change impacts an open appropriation.

General	Expenditures	\$30	\$60
---------	--------------	------	------

**2026 Governor's Supplemental Budget Recommendations**

**All Funds by Agency**

(Dollars in Thousands)

FY 2026-27

FY 2028-29

**State Government and Veterans**

**MMB Non-operating**

**Governor's 2026 Capital Budget**

The Governor recommends the cash capital, debt service, and other costs associated with the recommendations in the Governor's 2026 capital budget. The Governor's recommendations include \$907 million in capital investments. This includes \$700 million in general obligation (GO) bonds, \$50 million in user-financed GO bonds, \$50 million in appropriation bonds, \$50 million in trunk highway bonds, \$12 million in trunk highway cash, and \$45 million in general fund cash. The 2025 Legislature enacted a provision removing debt service costs of future bonding bills from the general fund forecast.

General	Transfers Out	\$57,234	\$93,207
Trunk Highway	Expenditures	\$13,379	\$7,544
General Projects	Transfers In	\$45,000	\$0
General Projects	Expenditures	\$45,000	\$0
Debt Service	Transfers In	\$12,234	\$92,207
Debt Service	Expenditures	\$12,234	\$92,207
Housing Finance Agency	Transfers In	\$0	\$1,000
Housing Finance Agency	Expenditures	\$0	\$1,000

**Tyler Settlement Balance Transfer**

The Governor recommends returning to the general fund the unused and remaining balance not paid from the Tyler Settlement. In 2023, the Supreme Court ruled that Minnesota counties violated the Constitution when it kept surplus proceeds from tax-forfeited property sales instead of returning them to the property owner. During the 2024 legislative session, \$109 million was appropriated from the general fund to pay claims under the settlement. The settlement funds are available until June 30, 2026. It is anticipated a portion of those funds will not be claimed by the deadline.

General	Revenues	\$40,000	\$0
---------	----------	----------	-----

**State Office of Inspector General**

**State Office of Inspector General Established**

The Governor recommends establishing the State Office of Inspector General to investigate and prevent fraud and misuse of public funds across state programs. Responsibilities of this office would include: (1) conduct, review and oversee investigations, (2) consult on the selection of and establish standards for the work of agency Inspectors General, and (3) lead improved data sharing between agencies for improved detection and alerting of potentially fraudulent actors in programs that cross agency boundaries. Included in this recommendation are staff and resources for existing agencies to make necessary fundamental systems improvements that better enable key programs to proactively identify and stop potentially fraudulent actors, an office staff of approximately 50 FTE that includes investigation and data research teams, and a case management system.

General	Expenditures	\$17,936	\$17,919
---------	--------------	----------	----------