

FY2024-2025 Biennium Budget Close Report

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FY 2024-25 Biennium Close Adds \$941 Million to Current Biennium

The FY 2024-25 biennium ended with a general fund balance \$941 million higher than estimated at the end of the 2025 special legislative session in June. Final revenue, including taxes, other revenue, and accounting adjustments from prior fiscal years, for the biennium closed \$1.313 billion (2.1 percent) higher than estimates. General fund spending for the closed biennium, after reporting adjustments, was \$364 million (0.5 percent) higher than prior estimates.

The difference between the estimated and actual ending balance, \$941 million, will be added to the projected balance for the FY 2026-27 biennium, which was estimated to be \$1.886 billion when enacted in May and June. At the close of a biennium, any unrestricted balance carries into the next biennium and is available for appropriation. When the budget was enacted in May and June 2025, it was estimated that \$3.937 billion would carry forward from the FY 2024-25 biennium into the FY 2026-27 biennium; with this report that amount is now known to be \$4.878 billion. The full November *Budget and Economic Forecast* will be released in early December, and the estimated balance for the current biennium, including the addition of \$941 million from the previous biennium, will be revised at that time.

FY 2024-25 Biennium: Actual Close vs. End of 2025 Session Estimates

(\$ in millions)	End of 2025 Special Session	Actual Close	\$ Difference	% Difference
Beginning Balance	\$16,516	\$16,516	\$0	0.0%
Revenue	61,729	63,042	1,313	2.1
Net Spending	70,780	71,143	364	0.5
<i>Total Spending</i>	<i>70,780</i>	<i>69,285</i>	<i>(1,495)</i>	<i>(2.1)</i>
<i>Appropriations Carried Forward</i>	<i>0</i>	<i>1,859</i>	<i>1,859</i>	-
Budget Reserve	3,177	3,186	9	-
Cash Flow Account	350	350	0	-
Budgetary Balance	\$3,937	\$4,878¹	\$941	

Total Revenues Close \$1.313 Billion Above Estimates

Final FY 2024-25 general fund revenues totaled \$63.042 billion, \$1.313 billion (2.1 percent) higher than prior estimates for the biennium. On October 10, 2025 the quarterly [Revenue and Economic Update](#) was released and

¹ The actual closing balance of \$4.878 billion carries into the FY 2026-27 biennium and is a portion of the available resources for that biennium. A majority of these resources have already been appropriated to be spent in the FY 2026-27 biennium. When the FY 2026-27 biennial budget was appropriated in May and June 2025, it was assumed that \$3.937 billion would be available from the FY 2024-25 biennium, but that only \$1.886 billion would remain at the end of the FY 2026-27 biennium. The improvement in this report is added to the projected ending balance for the current biennium.

included final reporting on final FY 2025 tax and non-tax revenue, including a \$914 million variance from prior estimates.² That \$914 million variance is included in the final close variance in this report.

FY 2024-25 Revenue: Actual Close vs. End of 2025 Session Estimates

(\$ in millions)	End of 2025 Special Session	Actual Close	\$ Difference	% Difference
Tax Revenue	\$58,088	\$58,927	\$839	1.4%
Non-Tax Revenue	3,288	3,362	74	2.3
Prior Year Adjustments	211	580	369	174.9
All Other Resources	142	172	30	20.8
Total Revenues	\$61,729	\$63,042	\$1,313	2.1%

The remaining variance, \$399 million, is largely attributable to accounting adjustments related to prior fiscal years. These adjustments include reduced expenditures and encumbrances that were adjusted after the close of a previous fiscal year and revenue that was deposited during FY 2025 but is attributable to an earlier year. The forecast included an estimate of \$211 million in prior year adjustments for FY 2024-25, but actual experience resulted in \$580 million in resources due to these adjustments, \$369 million more than estimated. Total cancellations of encumbrances held at the close of prior years was \$315 million, \$280 million more than forecast. The remaining variance, \$89 million, is primarily revenue corrections that impacted prior fiscal years.

The table below identifies state agencies with more than \$5 million in FY 2025 prior period encumbrance releases, representing 83 percent of the total. By nature, the released encumbrances from prior years represent over-reported spending at the close of those fiscal years. Depending on timing and authority, these either cancel to the bottom line, carried forward into FY 2025 and were then spent, or carried forward into the current fiscal year and are available for spending. Instances where funds were later spent or carried forward are neutral to the bottom line of the general fund.

² The quarterly *Revenue and Economic Update* is posted on the Minnesota Management and Budget website <https://mn.gov/mmb-stat/000/az/forecast/2025/revenue-and-economic-update/october.pdf>.

FY 2025 Prior Period Encumbrance Releases Above \$5 Million

(\$ in millions)	\$ Amount
Education Department	\$68
Human Services Dept	54
Employment & Economic Development	37
Administration Department	23
Health Dept	22
Natural Resources Dept	12
Public Safety	8
Office of Higher Education	8
All Other	83
Total Prior Period Encumbrance Releases	\$315

Final Spending \$364 Million Above Estimates, Driven by Prior Year Accounting Adjustments

Final FY 2024-25 spending totaled \$69.285 billion, \$1.495 billion (2.1 percent) lower than estimates. However, this variance is more than offset by \$1.859 billion in unspent appropriations allowed to carry forward for spending in the next biennium. These appropriations are legally allowed to be spent in the current biennium and thus do not fall to the bottom line because they are not available to be appropriated for other purposes. After adjusting for appropriation carryforward, total spending was \$364 million (0.5 percent) higher than projected at the end of the 2025 special session. Much of this \$364 million is the spending of encumbrances released and carried forward from prior fiscal years, resulting in no net effect to the general fund.

FY 2024-25 Spending: Actual Close vs. End of 2025 Session Estimates

(\$ in millions)	End of 2025 Session	Actual	\$ Difference	% Difference
E-12 Education	\$24,544	\$24,565	\$21	0.1%
Health and Human Services	21,209	20,951	(258)	(1.2)
All Other	25,027	23,769	(1,258)	(5.0)
Appropriation Carryforward	0	1,859	1,859	-
Total Net Spending	\$70,780	\$71,144	\$364	(0.5)%

The \$1.859 billion appropriation carryforward is uncharacteristically large for the end of a biennium. The majority of the carryforward is related to one-time appropriations for grants and capital projects appropriated in the 2023 and 2024 legislative sessions, which were provided extended timelines to be spent. This carryforward total comes in the context of the 2023 legislative session having appropriated significant funding for one-time initiatives. In many cases, agencies were given four or more years to spend these in recognition of the significant size of the appropriation and the time required to implement a program. The bulk of these appropriations fall across several key categories, which are outlined in the table below. Many of these appropriations fund infrastructure, such as transportation and transit, lead service lines, and improvements to state outdoor recreation facilities. Some appropriations supported major technology improvements, while others were grants within the health and human services area, which received one-time appropriations to be spent over several

years. End of session estimates assumed all of these dollars would be spent in the FY 2024-25 biennium. However, this and future statements will reflect unspent dollars as committed for spending in future biennia.

FY 2025 General Fund Appropriation Carryforward by Category

(\$ in millions)	<u>\$ Amount</u>
Transportation and Transit Projects	\$509
Operating	
<i>State Agencies</i>	260
<i>Legislative Branch</i>	55
<i>Judicial Branch</i>	23
Environment Programs and Projects	222
Lead Line Replacement	197
DHS Grant Programs	184
IT Projects	103
Great Start and DCYF Grants	85
Workforce and Economic Development	63
All Other Carryforward	158
Total General Fund Carryforward	\$1,859

E-12 education spending for the FY 2024-25 biennium closed \$21 million (0.1 percent) above end of session estimates. The largest contributor, outside of prior period adjustments and carry forward, is higher-than-projected spending in general education due to actual students exceeding projections in the 2024-25 school year by approximately 1,800 (0.2 percent). The primary factors driving the increase in students are kindergarten participation and Postsecondary Enrollment Options (PSEO) course enrollment resulting in a \$21 million (0.1 percent) increase in general education.

Special education also closed \$11 million (0.2 percent) higher than end of session estimates due to an increase in local education agency program expenditures. Increases in general education and special education funding were offset by the School Lunch and Breakfast programs, which came in \$12 million (2 percent) lower than forecast.

Health and Human Services (HHS) spending closed \$258 million (1.2 percent) below end of session estimates for the FY 2024-25 biennium. This is primarily explained by administrative and grant appropriations not being spent in the current biennium that have legal authority to be spent in the next biennium. Health and Human Services agencies carried forward \$403 million at the close of the FY 2024-25 biennium into FY 2026. After adjusting for carryforward and interagency transfers, Health and Human Services spending is \$135 million (0.8 percent) above end of session estimates. This is explained by several factors.

First, spending in forecast programs at the Department of Human Services (DHS) was \$73 million (0.9 percent) above end of session estimates. Spending in medical assistance was \$86 million (0.7 percent) above end of session estimates. This was due to higher-than-expected costs for basic health care services that were offset partially by lower-than-expected spending on long term care services.

Second, federal reimbursement to DHS for administrative spending was \$31 million (35 percent) below end of session estimates. Because this reimbursement offsets DHS spending, lower federal funding results in higher general fund spending.

Finally, adjustments to prior fiscal years result in higher spending in FY 2025 and higher carryforward into the next biennium. During FY 2024, around \$31 million in planned spending in prior fiscal years ultimately did not occur and became available to be used in FY 2025. These prior period adjustments appear as higher spending and carryforward in FY 2025, but they are neutral to the general fund as there is a corresponding adjustment to available resources.

Reserve Balances \$9 Million Higher at Close

The general fund budget reserve closed the biennium with a balance of \$3.186 billion, a \$9 million increase compared to prior estimates. The increase is due to a statutory allocation to the budget reserve from excess surplus in the Minnesota Workers' Compensation Assigned Risk Plan. The cash flow account balance of \$350 million was unchanged from prior estimates.