



March 21, 2025

Rep. Lisa Demuth, Speaker of the House
2nd Floor, Centennial Office Building
St. Paul, MN 55155

Sen. Erin Murphy, Senate Majority Leader
3113 Minnesota Senate Building
St. Paul, MN 55155

Rep. Melissa Hortman, Speaker Emerita
5th Floor, Centennial Office Building
St. Paul, MN 55155

Sen. Mark Johnson, Senate Minority Leader
2401 Minnesota Senate Building
St. Paul, MN 55155

RE: Governor's FY 2026-27 Revised Biennial Budget Recommendations

Dear Senators and Representatives:

The purpose of this letter is to officially transmit revisions to Governor Walz's proposed budget for FY 2026-27. The changes today incorporate the impact of the February 2025 forecast and reflect the Governor's updated budget plan.

The Governor's general fund recommendations are based upon the *February 2025 Budget and Economic Forecast* that projects a \$456 million balance in the general fund, which is \$1.601 billion when adding the estimate of discretionary inflation available for the budget period. The Governor is proposing general fund budget changes, including updates to the 2025 Capital Budget also released today, that total a net improvement to the bottom line of \$725 million. After recommended changes, the remaining budgetary balance for the FY 2026-27 biennium is \$2.336 billion. The table below summarizes the revised recommendations relative to the original recommendations.

FY 2025-27 General Fund Recommendations
(\$ in millions)

	<i>January 16</i>	<i>March 21</i>
	<i>Rec.</i>	<i>Rec.</i>
Forecast Balance	\$616	\$456
<i>Discretionary Inflation for FY 2026-27 Budget</i>	926	1,145
Balance Plus Available Inflationary Estimate	1,542	1,601
 Tax and Revenue Change	404	424
Capital Budget Debt Service and Cash Capital Costs	0	10
Supplemental Budget Recommendations	<u>(170)</u>	<u>(310)</u>
<i>Total – Recommended Changes</i>	<i>(574)</i>	<i>(725)</i>
 Remaining Budgetary Balance	 \$2,116	 \$2,336

The Governor's recommendations impact the projected balance in the FY 2028-29 biennium. Expenditure reductions for the planning years total \$1.461 billion, while revenues under the Governor's revised budget recommendations would be \$525 million higher. These changes reduce the structural imbalance in the planning years by 50 percent.

These changes would leave a projected balance in the FY 2028-29 biennium of \$342 million without discretionary inflation. Fully funding discretionary inflationary cost pressures is estimated to add \$828 million of additional spending in the planning years.

Supplemental Budget Materials

Supporting material detailing the Governor's revised biennial budget recommendations are posted to the MMB website (mn.gov/mmb/budget/current-budget/governors-budget-recommendations/). Attached are fund balance comparisons showing recommended general fund revenues and expenditures compared to the February 2025 forecast for the current biennium, budget biennium, and the planning estimates. Also attached is a summary of changes in these recommendations, relative to the January 16 recommendations.

Agency commissioners and staff, as well as MMB executive budget officers, are prepared to answer any questions you may have on the recommendations.

Sincerely,

A handwritten signature in black ink that reads "Erin M. Campbell". The signature is written in a cursive, flowing style.

Erin Campbell
Commissioner

cc: Senator John Marty, Senate Finance Chair
Senator Eric Pratt, Senate Finance Lead
Representative Zack Stephenson, House Ways and Means Co-Chair
Representative Paul Torkelson, House Ways and Means Co-Chair
Eric Nauman, Senate Principal Fiscal Analyst
Emily Adriaens, House Chief Fiscal Analyst