

# Friday, February 20, 2026

## Hearing Summary

Ahna Minge, State Budget Director, from the Department of Management and Budget (MMB) testified and provided a federal funds update to the subcommittee. Director Minge provided detail about Minnesota's total state resources in FY 2026-27, the number of federal awards and the total amount of federal funds that Minnesota is anticipated to receive in FY 2026, and the federal funding that Minnesota receives to support state entitlement programs. Director Minge also discussed changes to Minnesota's federal awards since January 2025, as well as the changes and implementation timeline associated with HR. 1.

Director Minge concluded her testimony with several remarks related to the Minnesota state budget process. Specifically, she discussed the different ways that HR 1 could affect the state budget in the years ahead. She distinguished between automatic state budget effects, state funding required to implement federal changes from HR 1, and funding required to maintain state services that include federal funds. Director Minge concluded her remarks related to some of the uncertainty associated with the implementation of HR 1 and how federal implementation of the new law will change federal funds that the state receives.

## Overall Federal Funding

Director Minge provided a federal funds update and cited some general fiscal context for the state's all-funds budget.

- Minnesota's FY 2026-27 all funds revenues are anticipated to total \$133 billion, of which 36 percent is estimated to be federal funds.
- In FY 2026, Minnesota is anticipated to receive 650 separate federal awards, totaling \$23.5 billion.
- Of the federal funds that Minnesota budgeted for FY 2026, \$15.3 billion is for forecast programs that support state entitlement spending. Most of this funding supports entitlement spending in Minnesota Departments of Human Services, Health, and Education.

## Federal Law Changes

Director Minge provided a summary of HR. 1 and the changes in the recently-enacted federal law. She cited the following:

- HR 1 will significantly affect tax, health care, nutrition, and energy policy in the states, including Minnesota.
- The Congressional Budget Office estimated the HR 1 nationwide will reduce net tax collections by \$4.5 trillion over ten federal fiscal years (2025-2034) and reduce federal spending during the same period by \$1.1 trillion for a net \$3.4 trillion fiscal effect.
- Minnesota’s state agencies have been analyzing the effect of HR 1 on Minnesota law and federal funding in Minnesota. However, there remains uncertainty in many cases about how the administration of the new law will affect the state.
- Federal guidance is still being established, so there remain ongoing questions about the effect of the law.

Director Minge discussed various types of effects that HR 1 will have on health care and nutrition assistance. She identified several effects as follows:

- Health Care
  - Eligibility effects for individuals
    - Additional work requirements for adults without children
    - Changes to eligibility for legal non-citizens
  - Effects on Providers
    - Limits for retroactive coverage
    - Limits on directed payments
  - Effects on “Financial Stability”
    - Limits on provider taxes
    - Imposition of state penalties for eligibility errors
- Nutrition Assistance
  - Food Security. 440,000 SNAP beneficiaries will be affected by benefits or eligibility changes.
  - SNAP administration and benefits. Administration and benefits are assumed to be reduced by \$145 million per year in Minnesota’s federal funds.

Director Minge discussed the implementation timeline for various provisions of HR 1 including Medicaid work requirements, renewals for adults without children, the elimination of SNAP funding, elimination of various tax credits, etc. This timeline was made available to the subcommittee as part of the attached packet.

## Federal Funds Summary

Director Minge discussed the fiscal estimates of several different types of “lost” federal funding to state-administered programs due to HR 1. These estimates total \$327 million in FY 2026-27 and \$1.6 billion in the FY 2028-29 planning years. The testimony divided the lost federal funding into four separate categories.

- Federal funds that are forecasted and are directly lost to the state. (\$223 million in FY 2026-27; \$480 million in FY 2028-29)
- Costs that the state may need to take on through a law change to implement changes in federal law (\$12 million in FY 2026-27; \$195 million in FY 2028-29)
- Reduced federal grants (\$55 million in FY 2026-27; \$19 million in FY 2028-29)
- Reduced funding to other entities in Minnesota (\$37 million in FY 2026-27; \$909 million in FY 2028-29)
- The schedule of these reduced federal resources is dependent upon the implementation schedule of HR 1 which will affect FY 2028-29 more significantly than FY 2026-27.

Director Minge distinguished between the temporary disruption and permanent cancellation of federal awards. Based on the information that is currently available Director Minge’s testimony identified:

- Six disrupted awards in Minnesota that are temporary
  - 4 public health awards
  - 2 clean energy and climate awards
  - These six disruptions could range in size from \$150,000 and \$490 million.
  - MMB testified that \$490.8 million in funds are at risk from “temporary disruptions.”
- 13 separate Minnesota awards were cancelled permanently
  - 4 clean energy and climate awards
  - 2 education awards
  - 2 food assistance awards
  - 2 violence prevention awards
  - 1 broadband award

- 2 other awards
  - These 13 awards range in size from \$385,000 to \$62 million
  - MMB testified that \$157.2 million in federal funds have been cancelled.
- In addition to these awards, Director Minge testified that in the first week of February 2026 the MN Department of Health received notice of two additional grant terminations, as well as the federal government’s intention to cancel three more grants in the second week of February.
    - These grants included public health infrastructure, core state injury prevention program, preventative HHS block grant, strengthening STD grant, and HIV prevention activities.
    - The largest of these grants is the public health infrastructure grant which was a \$65 million federal award.
    - According to Director Minge, these terminations reduce funding for local public health, tribal health, STD and HIV prevention services, and employees at the Minnesota Department of Health.
    - On February 12, 2026 a temporary restraining order paused federal implementation of public health terminations in several states, including Minnesota.
- Director Minge testified that the federal Administration for Children and Families placed several grant programs under “temporary administrative review”. A temporary injunction is in place which prevents the federal government from withholding funds under this review, but the funds in question include:
    - Child Care Development Fund
      - \$33 million in federal funds remaining for the current fiscal year, the state general fund would backfill this loss of federal funds. (\$127 million is estimated for FY 2027)
      - \$30 million in other grants and administration for the current fiscal year, without automatic backfill from the state’s general fund. (\$166 million is estimated for FY 2027.)
    - Temporary Assistance for Needy Families (TANF) block grant
      - \$52 million in anticipated funding for MFIP. The loss of these funds would put the state general fund at risk. (\$127 million is estimated for FY 2027.)
      - \$78 million in other grants and administration for the current fiscal year, without automatic backfill from the state’s general fund. (\$119 million is estimated for FY 2027.)

- Social Services Block Grant
  - \$19 million is anticipated for funding for grants and program administration for the current fiscal year, without automatic backfill from the state’s general fund. (\$32 million is estimated for FY 2027.)
- Director Minge testified that the Centers for Medicare and Medicaid Services (CMS) notified MN’s DHS that it intended to withhold \$515 million in future federal funding per fiscal quarter from 14 “high risk” Minnesota programs. CMS notified MN DHS of this reduction on January 6, 2026, but it has not yet begun.
  - The funds withheld are related to fraud allegations in Minnesota’s Medicaid state plan.
  - The federal funding may be returned once the federal government is satisfied with the state’s corrective action plan and that the MN DHS is able to demonstrate that the claims in the programs are valid and not fraudulent.
  - MN DHS has submitted an administrative appeal. The appeal is currently pending.
  - There may be a permanent loss of federal funds associated with this CMS notification based on audits and reviews, but the amount of the loss is unknown.
  - MN DHS does not know when the federal government will begin disallowing funds and when it could end.
- Director Minge testified that CMS has notified Minnesota of additional reviews of prior-year claims that have already been reimbursed which could result in a deferral of additional federal funds. Director Minge stated that the scope, timing, and resolution of this review is unknown.
- Director Minge concluded her testimony with several remarks to provide context about the about the overall Minnesota state budget. She stated that for most Minnesota forecasted programs which include federal and state funding, reductions to the federal funds components will trigger automatic increases in state spending. Reduced federal funds for non-forecasted programs will create a loss in services. When services of this type are lost, there is additional budget pressure, but they do not include automatic increases to state spending. Instead, they will be managed by policymaker decisions in the future.
- Director Minge stated that there remains much uncertainty about how much federal funding Minnesota will lose and when the losses will occur. Therefore, offering

precise answers about how reduced federal funds will be managed is not currently possible, according to her testimony.

- Director Minge emphasized that there will be a challenge for policymakers to decide where the cuts will occur. Director Minge did offer that the state's Medicaid program (Medical Assistance) will probably receive much of the attention, but other programs will not be held harmless.
- Director Minge discussed the state's general fund in the context of the November 2025 forecast. She stated that the general fund is projected to have a budgetary balance of \$2.5 billion at the conclusion of FY 2026-27, but that the budgetary balance in FY 2028-29 is projected to drop to -\$3 billion, including inflation, and -\$2 billion without inflation.
  - Several federal-state forecasted social services programs, including MA, MFIP, and CCAP will feel acute pressure. Reductions to these programs will trigger increases in state spending.
  - If losses of federal programs that are forecasted exceed \$2.5 billion in FY 2026-27, there would need to be reductions to spending in the current biennium.
  - Any losses to federal programs that are forecasted will also worsen the projected general fund's balance in FY 2028-29 and beyond.