

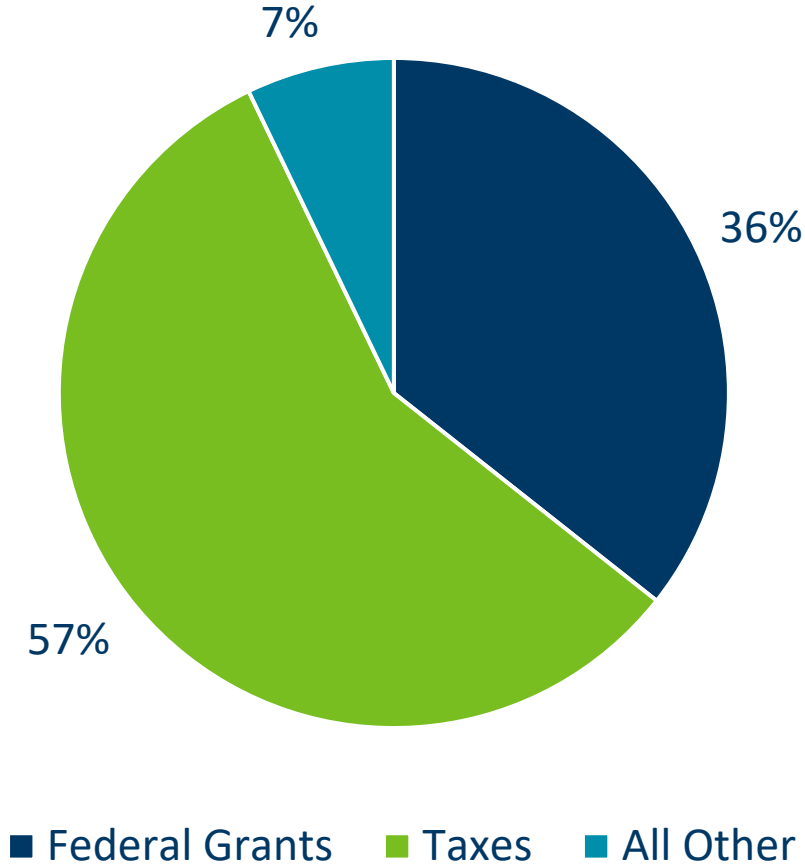


February 2026 Federal Funding Update

Ahna Minge, State Budget Director

Federal Funds Comprise One-Third of State Resources

FY 2026-27 Total Revenues: \$133 Billion



FY 2026 Federal Awards to State of Minnesota

650

Federal Awards in FY26

\$23.5B

Federal Funds Budgeted in FY26

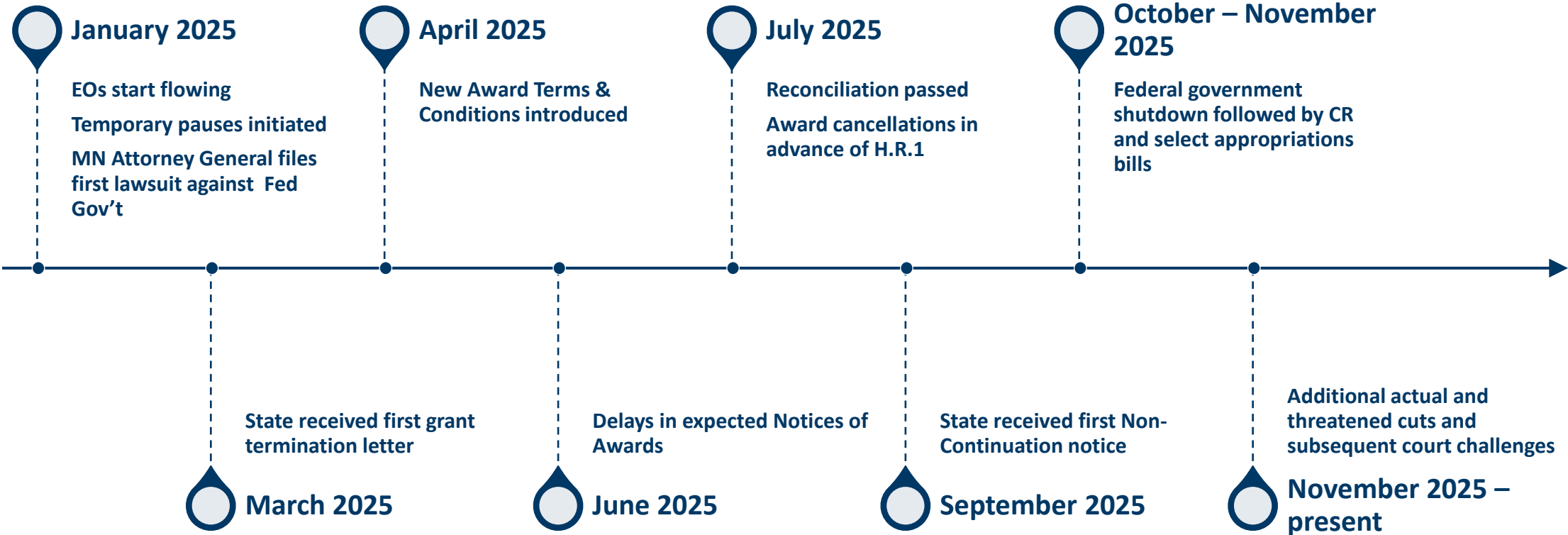
Federal Spending Supporting Entitlement Programs

FY 2026 Federal Funding Supporting State
Forecast Programs



- \$15.3 billion (65%) of 2025 federal awards support state entitlement spending
- A loss of federal funding will result in increased costs for the state government to provide services required under state law
- Most of these entitlements are in Health and Human Services and Education

Changes to Federal Awards since January 2025



State Agencies engage in ongoing appeals, communications with federal agencies, etc.

Reconciliation: H.R. 1

- On July 4, 2025, President Trump signed into law HR1, which will significantly impact tax, health care, nutrition, and energy policy, among other areas.
- At the time of passage, the Congressional Budget Office estimated the bill will cost \$3.4 trillion from FFY 2025-2034, with \$4.5 trillion in net tax cuts offset by \$1.1 trillion in net spending reductions.
- Since the passage of the law, state agencies have been analyzing impacts of the law to Minnesota and federally funded programs.
- Current estimates will be refined over time as additional guidance is received.

HR 1 Impacts: Health Care



Impacts on eligibility

Examples:

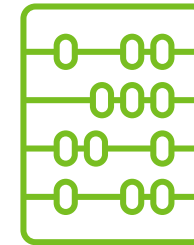
- *Work reporting requirements for adults without children*
- *Changes to eligibility for legal non-citizens*



Impacts on providers

Example:

- *Limits on retroactive coverage*
- *Limits on directed payments*



Impacts on financial stability

Examples:

- *Limits on provider taxes*
- *Imposes state penalties for eligibility errors*

HR1 Impacts: Nutrition Assistance



Impacts food security for
440,000 SNAP
participants through
benefits and eligibility



\$145 million per year in
lost federal funding for
SNAP administration and
benefits



Effective between
October 1, 2025 and
October 1, 2027

Implementation Timeline by Provision: H.R.1

Provision	Enactment	FFY26	FFY27	FFY28	FFY29	FFY30	FFY31	FFY32
Medicaid work requirements								
Six month renewals for adults without children								
Retroactive Coverage Limits								
1 year payment prohibition for providers primarily engaging in abortion/family planning services								
Reduced FMAP for Emergency MA								
Removing good faith waiver for payment errors								
Provider Tax Safe Harbor Reductions								
Rural Health Transformation Fund								
Increase match cost share based on payment error rates								
Increased admin cost share								
Expanded work requirements								
Thrifty food plan changes								
Eliminate SNAP-Ed funding								
Rapid elimination of clean energy tax credits								
Eliminates various electric vehicle credits								
Reduces Clean Hydrogen Production credit availability								

Medicaid	Health & Human Svc	SNAP	Clean Energy
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Ramifications of HR1 for State Budget



Automatic state budget impact



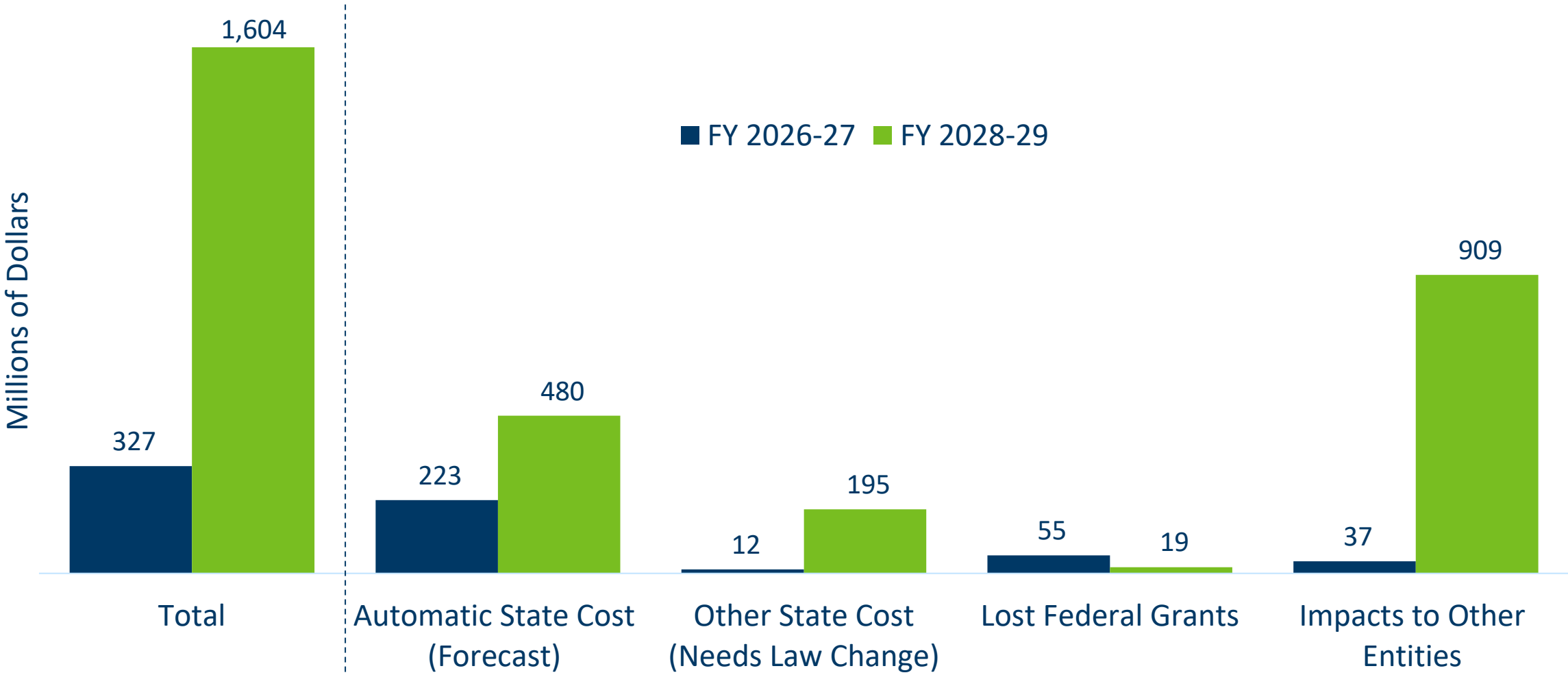
Resources to make required changes



Funding pressures to maintain services

Fiscal Estimates of Lost Federal Funding to State-Administered Programs from HR1

(Lost federal funds in millions of dollars)



Confirmed Pauses and Cancellations

Temporary Disruptions



Total Funds At Risk:
\$490,848,584

6 Disrupted Awards:

- 4 Public Health
- 2 Clean Energy & Climate

Range in size from
\$150K to \$490M

Permanent Cancellations



Total Funds Cancelled:
\$157,195,889

13 Cancelled Awards:

- 4 Clean Energy & Climate
- 2 Education
- 2 Food Assistance
- 2 Violence Prevention
- 1 Broadband
- 2 other

Range in size from \$385K to
\$62M

These are tracked at <https://mn.gov/mmb/budget/federal-investments/data-and-reporting/>

Recent Public Health Terminations

- Last week, the Minnesota Department of Health received notice of termination of two CDC grants and intent to cancel three more this week.
- The largest of these grants is the Public Health Infrastructure Grant, a \$65 million award.
- These terminations would cut local public health, tribal health, funds to monitor and prevent HIV and STD infections, and funding for employees at MDH.
- On February 12, a multistate lawsuit resulted in a 14-day temporary restraining order pausing terminations, which was extended this Wednesday to March 12.

Recent Social Services Disruptions

- The Administration for Children and Families (ACF) placed several grant programs under “Temporary Administrative Review” earlier this year.
- A preliminary injunction is currently in place, preventing the federal government from withholding funds.

Federal Grant	State Use	FY 2026 (remaining)	FY 2027	Automatic GF Impact
Child Care Development Fund	MFIP Child Care Assistance Program	\$33 million	\$123 million	Yes
	Basic Sliding Fee, Grants, Admin	\$30 million	\$166 million	No
TANF Block Grant	Minnesota Family Investment Program	\$52 million	\$127 million	Yes
	Grants and Program Administration	\$78 million	\$119 million	No
Social Services Block Grant	Grants and Program Administration	\$19 million	\$32 million	No

Threatened Reduction: CMS Letter

- On January 6, CMS indicated they intend to withhold \$515 million per quarter in future federal funding, their estimate of the federal share of 14 high risk services.
 - The State does not know when the federal government will begin withholding and when it will stop.
 - This federal funding may be returned once the federal government is satisfied with the corrective action plan and DHS demonstrates that the claims are valid.
 - DHS has submitted an administrative appeal, which is currently pending.
- CMS indicated it will also undertake a review of recent claims already reimbursed, which may result in a deferral of additional federal funds. The scope, timing, and resolution of the review is unknown.

Impact Relative to Current Forecast

- For most federal-state funded forecast programs, reductions in federal funding trigger increases in state spending.
- Losses for non-forecast programs create losses in services, creating additional budget pressures, but do not automatically increase state spending.
- As of the November 2025 forecast, the general fund has a projected balance of \$2.465 billion this biennium, but a negative balance of \$2.96 billion in the next.
- Due to uncertainty around how much money we will lose and when it will happen, we cannot say with precision how losses will be managed.
 - Federal funding losses for forecast programs above \$2.465B this biennium would require near term action.
 - Any reduction will worsen FY 2028-29 shortfall.

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