

## **Budget Forecast Released by Minnesota Management & Budget**

The Minnesota budget forecast, recently released by Minnesota Management and Budget (MMB) on December 4, provides an updated outlook for the state's finances. While Minnesota is expected to have a surplus of \$616 million for the 2026-2027 biennium, there is a \$5.1 billion deficit brewing for fiscal years 2028-2029 unless the legislature takes measures to prevent it. This surplus is a \$1.1 billion decrease from the prior estimate made in February 2024. MMB Commissioner Erin Campbell praised the state for forecasting four years into the future as it gives "ample time to take action and change the trajectory" and hopes lawmakers will "make thoughtful and deliberate budget and policy decisions that maintain our state's strong financial footing."

The forecast assumes moderate economic growth, though it acknowledges some risks, including inflationary pressures, potential global disruptions and federal policy changes. Economic uncertainties, particularly around interest rates and consumer spending, are a key factor that could influence future revenue projections. There are growing costs in several areas, particularly for long-term care, special education and disability waivers. Other pressures include inflation-related cost increases in public services and government operations.

The state faces budget challenges related to demographic shifts (such as an aging population) and the long-term sustainability of programs like Medicaid and other health-related services. These issues will require careful management and difficult policy decisions in the coming years.

Governor Walz and caucus leaders spoke in response to the MMB presentation, and answered questions from the press. Gov. Walz and DFL leaders painted a picture of resiliency and optimism. They strongly believe the policies enacted over the past two years were the right decisions, and Speaker Designate Melissa Hortman said their "pro-worker policies" will be benefiting Minnesotans for years to come. Senate Majority Leader Erin Murphy said they will balance the state budget with "our core values in mind" even while facing difficult decisions.

GOP leaders responded with words of caution and some exasperation over the other party's positive outlook. Speaker Designate Lisa Demuth expressed her frustration and said this forecast was "exactly what [the GOP] had been warning everyone about, a looming deficit." Both Demuth and Senator Eric Pratt believe that lawmakers need to focus on waste, fraud, and abuse of government spending when they return to the state capitol in January.