

GOVERNOR WALZ'S 2026 SUPPLEMENTAL BUDGET

Governor Walz's 2026 Supplemental Budget protects programs and services that improve peoples' lives while making responsible cuts to continue Minnesota's record of balanced budgets for years to come. The Governor's 2026 supplemental budget prioritizes lowering costs for middle class families, helping Minnesotans through workforce disruptions caused by Artificial Intelligence, and responding to Operation Metro Surge.

Lowering Costs for Families

The Governor's budget prioritizes lowering costs for middle class families on everything from child care, to housing, to sales taxes.

- **Child Care Refunds** – The Governor's budget would expand tax refunds for families to offset child and dependent care expenses. Expanded Dependent Care Credits would benefit 104,800 families with young and school aged children and increase the maximum allowable expenses by \$3,000 for one child and \$6,000 for two or more children under five years old.
- **Affordable Housing** – The Governor's budget would benefit renters and homebuyers with \$34 million for first-time homebuyer downpayment assistance, \$33 million for permanent supportive housing, and \$33 million to assist renters who are being impacted by the economy with emergency rental assistance.
- **Lowering Sales Taxes** – The Governor's proposal cuts the statewide sales tax by .075%, which would be the first sales tax cut in state history. He also proposes closing loopholes by expanding the sales tax base to services provided to individuals by investors, bankers, and lawyers, making the tax system fairer for middle class families.

Supporting Workers Impacted by Artificial Intelligence and Making Tech Companies Pay Their Fair Share

Artificial intelligence (AI) is rapidly transforming industries, business practices, and jobs. As tech companies see record profits while workers bear the costs, the Governor is proposing proactive steps to ensure that its workers and businesses are prepared to compete and succeed in this changing economic landscape.

- Implementing a social media tax on tech companies with over 100,000 monthly users. Revenue generated by this tax will be dedicated to workforce and economic development initiatives designed to prepare Minnesota's workforce and businesses for increased AI adoption and other emerging technologies.
- Creating a council on the future AI economy that would help provide guidance on how funds should be invested to ensure Minnesota remains a leader in innovation while ensuring Minnesotans benefit from technological change.

Operation Metro Surge Response

Operation Metro Surge had significant financial and societal impacts on Minnesota families, children, schools, businesses, and the economy. The Governor's supplemental budget would help Minnesota recover from Operation Metro Surge with:

- Rental support for 9,150 Minnesota renters through the Family Homelessness Prevention and Assistance Program.
- Partially forgivable small business loans ranging from \$2,500 to \$25,000
- \$10 million for the Human Services Response fund at the Department of Human Services to allow the state to respond to ongoing impacts.

Gun Violence Prevention, Safety, and Security

Gun violence has inflicted immense heartbreak and loss in Minnesota. The Governor is proposing to build on previous gun violence prevention measures taken in Minnesota by:

- Banning military-style assault rifles and high-capacity magazines;
- Creating requirements for safe storage and reporting lost or stolen firearms;
- Closing the ghost gun loophole;
- Requiring firearm insurance;
- Establishing a firearm and ammunition tax;
- Creating and expanding early intervention resources, including mental health and school resources;
- Increasing penalties for impersonating a police officer;
- Enhancing Capitol security

Fraud Prevention and Financial Integrity

Governor Walz and state leaders have taken extensive action to protect taxpayer dollars and strengthen program integrity across state government. The supplemental budget builds on these actions by:

- Increasing detection and oversight
- Strengthening investigative and enforcement authority
- Increasing criminal penalties
- Establishing a Statewide Office of Inspector General
- Prohibiting legislatively named grants and requiring competitive processes
- Adding capacity for fraud prevention at the Attorney General's Medicaid Fraud Unit
- Strengthening program integrity at Managed Care Organizations
- Transforming human services
- Updating Minnesota's legacy IT systems

