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2021 Legislative Session Summary

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2021 Session Summary

With the Governor's emergency powers in place longer than any other time in our state's history, Minnesota's Legislature met once a month for 17 months straight in 2020 and 2021. Governor Walz declared a peacetime emergency on March 13, 2020 due to the COVID pandemic, and emergency authority allows him the flexibility to make quick decisions regarding the safety of the state. Due to state statute, if not in regular session, the Governor must call the Legislature back so they can vote to end his emergency authority every 30 days. The Governor renewed his declaration on May 14 and so the Legislature will be called into special session no later than June 14, 2021.

The Legislature's unprecedented 2020 monthly special sessions were used not only to renew Governor Walz's emergency powers, but also served to give lawmakers time to complete unfinished work from the 2020 regular session. Prominent special session legislation included police and public safety reforms, a bonding bill and a COVID business relief package.

The results of the 2020 election also contributed to shaping this year's legislative session. Minnesota remains the only divided legislature in the country following the election. The House DFL maintained their majority, but lost 5 seats to Republican candidates, narrowing the balance of power to 70 Democrats, 59 Republicans, and 5 New House Republican members. In the Senate, the Republicans also maintained their majority, but only by one seat. A complicating factor was the formation of an Independent Caucus, which was started by two long-time Democratic Senators Tom Bakk (I-Cook) and David Tomassoni (I-Chisholm), who represent the Iron Range and have been in office since the 1990s. The balance of power in the Senate is now 34 Republicans, 31 Democrats, and 2 Independents.

The divided government dynamic proved too challenging for lawmakers to complete a balanced budget on time, notwithstanding an influx of \$2.8 billion dollars from the federal government. The Legislature adjourned without creating the state's 2022-2023 budget, without an agreement on how to allocate the \$2.8 billion in federal funds, or compromises on many other policy provisions such as whether or not to move forward with the Clean Cars Minnesota initiative or additional police and public safety reforms. Legislative leaders were able to reach agreement on budget targets the last day of the Regular Session and are expected to convene in Special Session on or before June 14, 2021 to finalize the two year budget.

Remote/Hybrid Hearings

Due to the pandemic, the House and Senate worked in an unprecedented format conducting committee hearings and meetings on Zoom. The DFL House majority and the Republican Senate majority had different perspectives on these meetings: the House held hearings entirely remotely through May and the Senate held hearings partially in person and partially online. Both bodies held hybrid floor sessions, with limited members participating in debate on the floor and various forms of remote voting for other members. The House reduced their total committees from 34 to 30 to ensure they'd be able to stream all committees, but the Senate increased their committees from 21 to 29 committees to make each committee smaller to allow proper distancing for in person hearings. The public's access to the Capitol was also limited to participation via zoom, letters, and phone calls to legislators and staff.

Session Goals

The 2021 Legislature began on January 5 with power dynamics and tension between the Executive and Legislative Branch due to COVID, new legislators beginning their first terms, and the difficulty of running a legislative session online. Three key objectives for this session included passing a state budget, addressing systemic racial inequities and disparities in the state, and the state's response to the needs of businesses, families and local governments following COVID and community unrest. Each of these priorities required a significant amount of discussion, collaboration, and funding and in the end proved too difficult to accomplish on time.

Session Goal 1: Pass a State Budget

Minnesota is required to operate under a balanced budget and the Legislature has to pass a state budget every two years. This year, the state is required to pass a budget for the 2022-2023 biennium, which begins on July 1, 2021.

In May 2020, Minnesota Department of Management and Budget forecasted a \$2.4 billion deficit for the 2020-2021 biennium due to the loss of revenue and additional expenditures caused by COVID. While legislators spent the summer gearing up for a session of budget cuts and belt-tightening, the November Forecast surprised everyone forecasting a surplus of \$641 million for the 2020-2021 biennium, an almost \$3 billion swing. The drastic change was due to decreased state spending in certain areas because of COVID, higher than anticipated revenues, and one-time federal money coming in from the CARES Act. The 2021 February Forecast added more good news by predicting a \$1.57 billion surplus for the 2022-2023 biennium, which was another swing of \$2.87 billion from a projected \$1.3 billion deficit. Agency officials warned that the bulk of this surplus is due to one-time resources. Additional news from the federal government in the final two weeks of session that \$2.8 billion dollars was heading to Minnesota, but without necessary guidance, further delayed the ability to reach a spending agreement. To further complicate matters, if the Legislature does not appropriate the federal funds the Governor and his administration can do so without Legislative approval.

Goal 2: Address Systemic Racism

Following the death of George Floyd and the election of a historic number of people of Color to the Minnesota legislature, addressing systemic racism was a top priority. The House named multiple committee chairs of Color who collectively noted each budget and policy committee would be viewed through a racial equity lens.

A Select Committee on Racial Justice formed last summer as part of a House resolution declaring racism a public health crisis in Minnesota. The Committee was charged with analyzing legislative efforts through an intersectional race and equity lens. The Select Committee, Co-Chaired by Representatives Rena Moran and Ruth Richardson, adopted a 45-page report documenting persistent racial disparities. The Select Committee's recommendations covered topics including economic development, housing, education, public safety, health and human services, and environmental justice. Many of the proposals in the report were introduced as legislation during the 2021 legislative session.

The House and Senate People of Color and Indigenous (POCI) Caucus maintained an active role in pushing policy makers to confront additional police reforms following the trial and conviction of

former police officer Derek Chauvin and the death of 20-year-old Daunte Wright following a traffic stop in Brooklyn Center.

Goal 3: Continue to Address the State's COVID-19 Needs

The federal government has been working since the start of the pandemic to develop, manufacture, and distribute safe and effective COVID-19 vaccines. On December 11, 2020 the FDA issued the first of three emergency use authorizations, and the first vaccine shipment arrived in Minnesota the week of December 14. To date, the FDA has approved the following vaccines for emergency use: Pfizer-BioNTech, Moderna, and Johnson & Johnson.

After authorization, the CDC sent guidance to states on prioritization of vaccines while supplies were limited. This included multiple phases and tiers, beginning with health care personnel and residents of long-term care facilities (Phase 1a). On March 30, Minnesota entered Phase 2 of vaccine prioritization, expanding COVID-19 vaccination to all residents 16 and older.

On May 6, Governor Walz announced a timeline to lifting a majority of COVID restrictions on businesses and events, with a goal to lift the mask mandate by July 1 if 70% of adults could be vaccinated. However, on May 13, the CDC announced that fully vaccinated Americans no longer had to wear masks, which prompted the Governor to lift the statewide mask mandate early. Local governments and businesses now have the option of enforcing a mask mandate if they wish. This is a significant step in returning to a more normal way of life, and legislative leaders are starting to plan more in-person meetings with additional capacity for the public to watch legislative proceedings. It is likely the mid-June special session will allow all lawmakers and the public to return to the Capitol grounds.

End of Session

The Governor, House leadership, and Senate leadership announced on the final day of session that they had reached a compromise on joint budget targets for conference committees, ensuring that a special session would be needed prior to June 30 to avoid a government shutdown. Without joint House/Senate targets leading up to May 17, there was little urgency to get work done in the last weeks of session. The Legislature adjourned without creating the state's 2022-2023 budget, without an agreement on how to allocate the \$2.8 billion in federal funds, and without agreements on many other key policy items of interest.

Looking Ahead

With budget targets agreed to and announced, the real work will now start. Legislative leaders instructed conference committees (which will now act in work groups) to iron out all financial issues in their respective areas by May 28; they also instructed those same groups to finalize policy matters and final bill language by June 4. The budget agreement is clear that anything not resolved by subject area work groups will be decided by legislative leaders. The agreement

framework does not contain any resolution to more controversial policy matters, leaving those decisions to work groups or ultimately in the hands of leadership. The budget agreement is as follows:

<i>*\$ in millions</i>	<u>House/Senate/Gov Agreement</u>		
	<u>21-23</u>	<u>24-25</u>	<u>ARPA SFRF FY 21-23</u>
1. February Forecast Balance*	1,664	707	2,883
2.			
3.			
4. Net Targets	<u>21-23</u>	<u>24-25</u>	<u>ARPA SFRF FY 21-23</u>
5. E-12 Education	525	675	0
6. Higher Education	100	100	0
7. HHS	100	100	0
8. Environment	30	10	0
9. Ag/Broadband	10	10	0
10. Housing	10	12	0
11. Transportation	200	15	0
12. Public Safety	105	110	0
13. Labor/Workforce**	125	17	0
14. Energy/Commerce	16	8	0
15. State Gov	67	63	0
16. Capital	TBD	TBD	0
17. COVID Flexible Fund	0	0	500
18.			
19. Net Spending in Targets	<u>1,298</u>	<u>1,127</u>	<u>500</u>
20.			
21.			
22.			
23. SFRF Revenue Replacement	550	550	1,100
24.			
25.			
26. Net Tax Bill Target	<u>(754)</u>	<u>(180)</u>	
27.			
28. Balance in each Biennium	<u>162</u>	<u>(50)</u>	
29. Budgetary Balance		<u>112</u>	
30.			
31.			
32. Total ARPA SFRF Spend	1,050	550	
33. Total ARPA SFRF Spend FY 21-25		1,600	
34.			
35. ARPA SFRF Remaining		1,233	

*Adjusted for \$7.8 million appropriations in Ch. 13

**Assumes \$44 million cancellation in this budget area

Global Agreement and Working Group Framework – May 17, 2021

1. The Governor, Speaker of the House and Senate Majority Leader agree to global targets for budget and tax bills as outlined in the May 16 11:58 signed spreadsheet.
2. The COVID Flexible Fund will fund the following specific proposals:
 - a. \$75 million for Summer Learning
 - b. \$7 million for state government for operating deficiency and remote work; and
 - c. \$12 million for continued operations of the Minnesota Zoo
3. Housing target includes debt service \$100 million for Housing Infrastructure Bonds
4. \$70 million for broadband funding source and bill to be determined
5. The remaining ARPA SFRF of \$1.233 billion will be jointly agreed to in the 2022 Legislative Session.
6. The Governor, Speaker of the House and the Senate Majority Leader agree to increase the budget reserve level in M.S 16A.152, subdivision 2, paragraph (a) from \$1,596,522,000 to \$2,377,319,000. This change will be included in the taxes omnibus bill
7. Any policy and finance provisions included in a final omnibus bill must be agreed upon by the Governor, Speaker of the House, and the Senate Majority Leader
8. The Governor, Speaker of the House and Senate Majority Leader agree the appropriate commissioners shall work cooperatively to reach agreement within the target for conference committee reports.
9. To ensure a timely conclusion, working group members and commissioners must complete their finance spreadsheets by 5:00 pm on Friday, May 28, 2021. Language will be agreed to by June 4th.
10. The global budget targets agreement reached by the Governor, Speaker of the House and Senate Majority Leader does not ensure approval of any omnibus bills.

If a budget deal is not reached by June 30, the state will go into a government shutdown. Both sides of the aisle feel pressure to pass the budget by that date to show that compromise can be made in the only divided legislature in the nation ahead of a much anticipated election year in 2022, when all legislators will be in the ballot with new lines from redistricting and a likely hotly contested Gubernatorial election.

The 2022 legislative session will begin on January 31, 2022. The primary focus of this session will be passage of a bonding bill, policy matters, drawing new legislative districts, and allocating federal American Rescue Plan money that the Governor and legislative leaders agreed to set aside as part of this year's budget agreement.

Bills that Passed

HHS Policy Provisions

[HF 2128](#) Representative Liebling/Senator Benson
View the Conference Committee Summary [here](#)

Health and Human Services is often the longest of all of the omnibus bills, and this year was no different with the initial House bill exceeding 800 pages. Without Joint Budget Targets however, the leaders of the Health and Human Services Conference Committee spent their time in the last weeks of session working to find a compromise on the key policy provisions of the bill. On the last day of session the Health and Human Services Omnibus Policy Bill passed on a bipartisan basis and included some 60 provisions.

The bill has almost no fiscal impact. The bill defines “provider credentialing” and creates a timeline for the provider credentialing process to expand access to care. The bill expands the medical use cannabis program to allow terminally ill patients to use cannabis flower which was previously excluded. The bill expands the number of patients that designated caregivers can be registered as the designated caregiver from one patient to up to six.

Omnibus Pensions Bill

[SF 1712](#) Senator Rosen/Representative Nelson
View the Senate Research Summary [Here](#)

The Legislative Commission on Pensions and Retirement met six times during the session and considered 17 bills. Thirteen of the bills and several amendments approved by the Commission became the Commission’s 2021 omnibus pension and retirement bill that was approved by the Commission, the relevant Senate and House Committees and passed both bodies the final weekend of session.

The following provisions are included in the bill:

- MSRS and PERA noncontroversial and technical provisions, federal compliance eligibility for certain visa holders
- PERA and Statewide Volunteer Firefighter Plan changes
- St. Paul Teachers Fund changes
- Volunteer Firefighter Relief Associations changes
- Creates a workgroup for 911 telecommunicators and supplemental state aid
- Session laws for individual pensioners
- Adds a November 1st deadline for Pension Fund requests to Commission staff to conform to other state agency timelines for bill drafting to the Revisor
- The bill reduces the postretirement adjustment rate, or COLA, for retirees in the Judges Retirement Plan from the current rate of 1.75% per year to the new rate of 1.5% per year. The section also removes automatic funding triggers that, under current law, would automatically increase the annual postretirement adjustment rate to 2% when the plan

achieves a funded ratio of 70% in two consecutive years and to 2.5% when the plan achieves a funded ratio of 90% in two consecutive years

Energy Conservation and Optimization (ECO) Act of 2021

[HF 164](#) Representative Stephenson/Senator Rarick

View the House Research Summary [Here](#)

The ECO Act has been debated for nearly two years and represents one of the few bipartisan agreements of the 2021 session. The Act updates and clarifies the state's Conservation Improvement Program for investor-owned and consumer-owned utilities. The changes are intended to increase the amount of funds that utilities spend on energy conservation while allowing more freedom on what types of energy are used for conservation.

- It requires that investor-owned and consumer-owned utilities increase the percentages of their annual gross operating revenues that are required to go towards energy savings. However, most investor-owned companies already put more than the required 1.75% of their revenue towards these goals, but this percentage has not yet been standardized across the state.
- Companies are allowed the opportunity to provide fuel-switching between natural gas and electricity to conserve energy, which would be of particular benefit to rural Minnesotans
- The bill also expands the type of services that utilities can spend their Conservation Improvement funds on. When installing energy-conserving technology in a low-income house, CIP money can also be spent on structural upgrades like adding insulation or repairing leaky windows to ensure the homes reap the benefits of energy conservation.

Omnibus State Government Policy Bill

[HF 1952](#) Representative Nelson/Senator Kiffmeyer

View a summary of provisions passed [here](#)

On the last day of Session, the Legislature passed a package of State Government policy provisions that were mutually agreed upon. The bill was small in scope and included minor election law changes, and the creation of a Department of Information Technology. The bill passed out of both chambers on a bipartisan basis. Provisions included:

- Election law changes: special election ballots must include space for a write-in candidate; election judges can assume sealed pre-packaged blank ballots contain the amount stated on the packaging, and special elections cannot be held on or during the four days before or after a holiday.
- Campaign Finance law changes: Campaigns can spend \$3,000 annually for security-related expenses for a candidate.
- Reorganizing and renaming the Office of MN.IT to become the Department of Information Technology Services.

Bills that Did Not Pass

Omnibus Capital Investment Bill

Representative Lee [HF 337](#)

Senator Bakk [SF 287](#)

View the House bill summary [here](#)

View the Senate bill summary [here](#)

Early in session, the Governor, House and Senate all expressed interest in passing a Capital Investment Bill though their timelines and priorities differed. The Governor released his \$518 million Bonding Bill proposal in February, even though it was not a bonding year and the Governor is not statutorily required to put a bonding bill forward. His proposal included \$240 million in General Obligation (GO) Funds (mostly for asset preservation in state agencies); \$150 million in Appropriation Bonds to rebuild after the civil unrest in Minneapolis and St. Paul; and \$15 million in General Fund dollars for equity bonding (capital projects mostly requested by nonprofits serving marginalized communities).

The House passed a \$1 billion bonding bill (HF 337 - Lee) through committee in April. The House bill included significant investments in asset preservation, \$300 million in Appropriation Bonds for Minneapolis and St. Paul; and \$15 million in General Fund dollars for Equity Bonding.

With one week left in the legislative session, the Senate put forward a minor bonding bill (SF 287 – Bakk) that did not allocate new funding but fixed errors in the 2020 Bonding Bill. The Senate noted that Bonding Bills must originate in the House and they were awaiting a House File to pass to the Senate. When Legislative Leaders announced budget targets on the last day of the Legislative Session, they noted that they needed input from the Minority Parties in each body to pass a bonding bill; therefore, the fate of a bonding bill in Special Session remains unclear.

Legalization of Marijuana (Omnibus Cannabis Bill)

Representative Winkler [HF 600](#)

Senator Franzen [SF 757](#)

View the House Bill Summary [here](#)

While the 2021 bill to legalize marijuana gained no traction in the Senate, the bill in the House received hearings in 12 different committees before being heard on the House Floor May 13. Legislators passed the bill on a bi-partisan vote of 72-62, with 6 Republicans voting in favor of legalization and 4 Democrats voting against.

The bill would allow Minnesotans to carry small amounts of cannabis, erase all marijuana-related non-violent misdemeanor convictions, and set up a Cannabis Management Board, to be appointed by the Governor. The Board would review serious breaches of the cannabis law, and would have the authority to allow unmarked law enforcement vehicles to be used for searches and seizures of illegal amounts of marijuana. The Board would also be in charge of regulating license applications from those who wish to sell cannabis.

The language calls for a 10% gross receipts tax on marijuana on top of any state and local sales taxes. The tax does not apply to medical cannabis. The tax revenue would be used for several purposes. Some will be appropriated to the new Office of Social Equity to provide intervention and prevention services in communities that have experienced disproportionately negative outcomes from marijuana possession. The additional revenue would be used for tax relief.

Education Omnibus Bill

Representative Davnie [HF 1065](#)

Senator Chamberlain [SF 960](#)

View the House bill summary [here](#)

View the Senate bill summary [here](#)

When the House and Senate education conferees came together to discuss the education budget, their bills differed by \$620.5 million. The House bill's total budget was \$20.8 billion for the next biennium, with an increase of \$772.6 million over the previous year. Republicans opposed the bill, stating that it had too many new mandates, which doesn't help teachers assist their students in catching up in their learning post-pandemic. The bill passed off of the House floor on a vote of 73-60. In the Senate, the bill had a slightly smaller budget of \$20.6 billion, with an increase of \$152.1 million for the next biennium, and passed on a vote of 37-29. Democrats stated that this bill's funding amount was not sufficient to meet the current needs of schools recovering from the pandemic.

There were two provisions that the House and Senate mostly agreed on: an increase in funding for school districts with large geographic areas for transporting students, and in increasing the number of teachers of color and indigenous teachers in Minnesota Schools.

The House and Senate disagreed on almost all other education priorities. The House included \$70.1 million in funding to decrease special education cross-subsidies for school districts, the deletion of a cap on compensatory education revenue for schools with a high percentage of low-income students, and an extension of 4,000 voluntary prekindergarten program seats that are set to sunset this year. The Senate prioritized \$16.4 million in funding for Safe Schools Aid, a prohibition from allowing male students from participating in female student sporting events, and \$11.5 million for Education Savings Accounts, which would allow families to save money for public school alternatives.

On the final day of session, the agreed-upon budget target for the Education Omnibus bill was announced at \$525 million in 2022-2023, and \$675 million in 2024-2025.

Higher Education Omnibus Bill

Representative Bernardy [HF 993](#)

Senator Tomassoni [SF 975](#)

View the House bill summary [here](#)

View the Senate bill summary [here](#)

The House Higher Education Omnibus Bill had a total budget of \$3.5 billion to fund Minnesota's public institutions, and passed the House Floor 74-59. The bill focused on three priorities: \$114 million to implement a tuition freeze, \$8.5 million improving secondary education equity, and

enacting accountability provisions from negligent for-profit colleges following the Argosy University closure 2019. House Republicans felt the bill's budget was too large since the state would be receiving \$2.7 billion from the federal government in COVID funding.

The Senate companion bill passed the Floor 38-29, and had a budget of \$3.36 billion to fund MNSCU, Mayo, and the University of Minnesota. It focused on replacing Minnesota State's outdated data system, establishing programs to reduce tuition costs and increasing student aids and scholarships, and funded the Office of Higher Education's state grant program by \$8 million more than the House bill.

The two bills sit \$208.8 million apart from one another. The biggest difference between the two bills is regarding MNSCU tuition rates: The Senate plans to decrease MNSCU tuition by 5% over the next 4 years by using federal funds to cover costs, while the House bill requires a tuition freeze over the next four years instead. With a joint budget target of only a \$100 million increase in 2022-2023 and \$100 million in 2024-2025, the conference committee has plenty of work to do to find a compromise.

Energy and Commerce Omnibus Bill

Representative Stephenson [HF 1031](#)

Senator Dahms [SF 972](#)

View the House Summary [here](#)

View the Senate Summary [here](#)

The Energy and Commerce Omnibus Bill was a combination of two powerful committees, and while it was led by the Commerce Committee, much of the bill was drafted by the Chairs of the House and Senate Energy Committees. The House's bill proposed spending \$362.3 million while the Senate proposed spending \$355 million. The House emphasized cultivating renewable energy sources, while the Senate focused on extending the state's health reinsurance program and retiring a solar energy incentive program.

The House bill focused on consumer protection, renewable resources and energy efficiency. The climate and energy portion of the bill would put Minnesota on a path to 100 percent clean energy in the electricity sector by 2030, change energy efficiency goals, and spend money that would support electric vehicle infrastructure. The commerce portion of the bill aimed to reduce drug prices by establishing a Prescription Drug Affordability Board. Additional provisions include a statewide catalytic converter theft prevention program and a cap to payday lending interest rates.

In the Senate, the biggest priority for the Energy and Commerce bill was the extension of the state's health reinsurance program, which supports the Minnesota health insurance market where people under 65 who are self-employed or lack health coverage at their jobs can buy coverage. This would cost the State around \$150 million in the fiscal year 2023. The Senate also opted to retire the obligations of the State's solar energy production incentive program, costing \$21.2 million. Notably on the policy side, the Senate abolished the current moratorium on developing new nuclear power sources in Minnesota, which has been one of the most controversial energy policy debates in Minnesota for decades.

Unlike some conference committees, the Energy and Commerce Conference Committee did not pass a policy-only bill on the last day of the session so all provisions in both bills remain

unresolved. The global budget agreement for FY21-23 was a \$16 million increase for the Energy and Commerce Committee. While targets from both houses were not far off from each other, the differences in spending priorities including reinsurance extension for the Senate and renewable energy sources for the House will mean both sides will likely get less than they propose.

Omnibus Environment and Natural Resources Bill

Representative Hansen [HF 1076](#)

Senator Ingebrigtsen [SF 959](#)

View the House Bill Summary [here](#)

View the Senate Bill Summary [here](#)

The Senate's Regular Session Environment and Natural Resources Omnibus bill passed with a vote of 37-29 and held General Fund spending at base levels, appropriating \$317 million. The House version of the bill passed by a vote of 70-53, and would increase General Fund spending, appropriating \$371.9 million from the General Fund.

The House and Senate spent several conference committee meetings debating the many differences in the bills. One of the most contentious issues was whether to stop or delay the Minnesota Pollution Control Agency's Clear Cars Rule. The Senate opposed the MPCA's rule while the House wanted to let the rule proceed. At one point, the Senate Chair noted he didn't see a path to passing the Environment Budget without some changes to the Rule.

The global budget agreement announced on the last day of session included a \$30 million increase in FY21-23 for the Environment Committee. The Clean Cars Rule is likely to continue to be one of the major areas of discussion in the Special Session.

Health and Human Services Omnibus Bill

Representative Liebling [HF 2128](#)

Senator Benson [SF 2360](#)

View the House Summary [here](#)

View the Senate Summary [here](#)

The HHS omnibus bill is one of the most complex budget areas for the State of Minnesota. The Conference Committee decided to adopt policies that both sides could agree on over the past few weeks, and on the last day of the session the House and Senate both passed these provisions. With targets released on May 17th, the committee wasn't able to adopt any of the budget provisions into their committee report which will have to be taken up in the June special session.

One area of interest both the House and Senate have prioritized and will likely be in the final Health and Human Services budget bill will be an expansion of telehealth, a form of health access and delivery that gained significant utilization during the COVID-19 pandemic. Other provisions likely to be considered in the final bill include an extension of Medical Assistance postpartum coverage to 6 months, expansion of Dental Medical Assistance to include non-surgical treatment for periodontal disease, a change in foster care background checks and increased funding in personal care assistant services.

This workgroup will have a significant challenge ahead to reach a final budget bill. Significant differences were evident in spending priorities with the Senate bill funding its departments at their base level while the House wanted to spend \$348 million over base by tapping into some of the state's surplus.

The final budget agreement between the Governor and Legislative leaders landed at \$100 million over base, meaning the House will have to work hard to prioritize their proposed spending to end up with \$250 million less of an increase than they proposed.

Housing Omnibus Bill

Representative Hausman [HF 1077](#)

Senator Draheim [SF 969](#)

View the House bill summary [here](#)

The House Housing Omnibus bill had a total budget of \$145.6 million and passed with a vote of 69-62. The bill invests in ending housing disparities and funds homeownership development programs. Republican opponents argued that the bill doesn't get to the root cause of Minnesota's housing problem and increases burdensome regulations. Notable provisions included:

- \$6.5 million for preserving naturally occurring affordable housing
- \$3 million for local housing trust fund grants
- \$1.5 million in funding to provide housing assistance to low-income individuals with mental illness
- Requiring landlords to give 14-day notice before evicting renters

The Senate Housing Omnibus bill had a smaller budget of \$115 million that decreased the agency's spending by 4%. The bill which focused on affordable housing, and includes a decrease of funding to the Housing Challenge Program by \$6 million. The bill does, however, offer \$1.6 million for the Workforce Homeownership Program for grants for developing affordable homeownership projects and a \$150,000 increase to the Home Ownership Education, Counseling, and Training (HECAT) Program to help close the homeownership gap between families of color and white families. The bill also included several notable policy provisions:

- A phase-out of the eviction moratorium (the House is moving a similar provision separately) that also included a foreclosure moratorium
- Prohibition of cities from requiring a Planned Unit Development (PUD) if the residential development already complies with current city zoning requirements. Prohibits PUDs from adding aesthetic mandates.
- Prohibits cities from enacting rent control

The joint budget targets for the Housing Finance Agency was only set to \$10 million in 2022-2023 and \$12 million in 2024-2025. In addition to the fiscal decisions, the House, Senate, and Governor have said passing an off-ramp for the eviction moratorium is key to allowing the Governor's emergency powers to expire. When conferees pick up the bill in special session, they will need to find ways to balance protections for renters and landlords alike as the housing market tries to recover post-pandemic.

Omnibus Legacy Bill

Representative Lillie [HF 1079](#)

Senator Ruud [SF 971](#)

View the House Bill Summary [here](#)

The House and Senate Legacy Conference Committee did not need a budget target from Legislative Leaders to complete their work. The Legacy Committee allocates funding from the Legacy Amendment sales tax and the committee knew they had approximately \$380 million to spend well ahead of the end of session. Despite the ability to make decisions separate from the global budget targets process, the Legacy Conference Committee was not able to come to agreement during the regular session. One of the main sticking points for the Conference Committee was whether to earmark funding for equity projects, which the House supported but the Senate did not.

The House and Senate aligned closely on other items, such as the Outdoor Heritage Fund spending. Both the House and Senate mostly accepted the Lessard-Sams Outdoor Heritage Council recommendations.

Parks and trails receive 14.25% of the Legacy funds and the funds are typically divided 40% to DNR, 40% to Met Council and 20% to Greater Minnesota regional parks and trails. The House and Senate followed this precedent.

In the area of Clean Water, the House and Senate had different priorities, the Senate put additional money for Conservation Reserve Enhancement Program and grants to watersheds. The House prioritized wetland restoration easements, enhancing landowner adoption of cover crops, and three different soil health practice initiatives related to protection of groundwater.

In the area of Arts and Cultural Heritage, the House provided \$1.5 million more than the Senate and earmarked the funds for several equity projects. The Senate opposed direct earmarks and preferred the funding flow through the Minnesota Humanities Center. The earmarks in the Arts and Cultural Heritage fund proved to be one of the most difficult sticking points and the House and Senate will continue discussions in Special Session.

Omnibus Public Safety and Judiciary Bill

Representative Mariani [HF 1030](#)

Senator Limmer [SF 970](#)

View the House bill summary [here](#)

View the Senate bill summary [here](#)

After the death of George Floyd in May of 2020, Minnesota became the center of a national conversation around race and policing. Minnesota Democrats sensed urgency to pass a number of changes to reform police practices and the criminal justice system and ended the June 2020 special session enacting several use of force and training requirements. In 2021, while legislators were debating additional reforms, another tragic death at the hands of law enforcement renewed the call by Governor Walz and House and Senate DFL legislators to enact stronger reforms. Senate Republicans noted the historic bipartisan reforms passed in 2020 and brought forward a bill that dealt principally with budget matters. Though Senate Majority Leader Gazelka noted

police accountability conversations would take place in the conference committee, no agreements have been reached.

The House Public Safety bill was focused on funding the necessary state agency and judicial branch budgets, along with many policy provisions related to police accountability. Some of the most notable provisions included restricting no-knock warrants, expanding sentencing alternatives for veterans, expanding categories of crimes motivated by bias and changing criminal sexual assault statutes based on findings from a working group. The House also included a provision that would restrict traffic stops for expired license tabs and equipment issues.

The House Judiciary bill included funding for the judicial branch and contained a number of provisions such as reforming civil asset forfeiture laws, pay raises for judges, permitting judges to waive fines and fees due to inability to pay, and establishing disclosure and data collection requirements for jailhouse informants. A provision following the death of Daunte Wright that would create sign and release warrants, allowing most non-felony warrant to not require an arrest with an agreement that the defendant would appear in court, was passed by the House and is expected to be discussed in conference committee.

The Senate Public Safety and Judiciary Bill received a lower target than the House and contained only a few policy provisions that were directly linked to finance provisions. Some of the provisions included in the bill are health insurance increases for state employees, pay raises for judges, fentanyl law changes, community service increases for probation funding and establishing the crime of child torture. The Senate also includes the changes to the criminal sexual assault statutes based on findings from the CSC workgroup, and the elimination of the statute of limitations for certain CSC offenses.

On the last day of session, the committee received their target of \$105 million and will work to adopt an agreement for the Special Session in June. The House target was \$131 million and the Senate target was \$71 million which means the compromised target landed right in the middle. The work group will have to work hard to resolve their differences between the two bills and many of the DFL policy proposals will face an uphill battle in the final weeks of negotiations.

Omnibus State Government Finance Bill

Representative Nelson [HF 1952](#)

Senator Kiffmeyer [SF 1831](#)

View the House Bill Summary [here](#)

View the Senate Bill Summary [here](#)

The House passed their Omnibus State Government Finance Omnibus bill with a vote 68-62 during the Regular Session. The House proposal appropriates nearly \$1.22 billion for the 2022-2023 biennium, which is \$96.4 million below the Senate version of the bill. The Senate's Omnibus State Government Finance Omnibus bill passed by a vote of 38-28. The bills have different budgetary priorities: the House version provides small operating adjustments for many state agencies, boards and councils, while the Senate reduces base appropriations for most agencies and keeps board and council funding at current levels. Both bills contained elections provisions but the provisions differed significantly.

House-only elections provisions include:

- Establishing automatic voter registration when a person applies for a driver's license, instruction permit or state identification card;
- Restoring of the right to vote when a felon is released from incarceration;
- Creating civil and criminal remedies for voter intimidation and deceptive practices;
- Prohibiting compensation for an individual collecting absentee ballot applications; and
- Recognizing a medical bill as proof of residency for Election Day voter registration.

Senate-only elections provisions include:

- Requiring provisional ballots for voters who register on Election Day;
- Prohibiting ranked-choice voting; and
- Prohibiting on public officials spending funds to promote or defeat a ballot questions.

Tax Omnibus Bill

Representative Marquart [HF 991](#)

Senator Nelson [SF 961](#)

View the House bill summary [here](#)

View the Senate bill summary [here](#)

The Regular Session House and Senate Omnibus Tax Bills reflected differing viewpoints of how best to help Minnesota's economy recover after COVID-19. The House Tax Bill raised significant new revenue (over \$1 billion in FY22-23) and used the revenue for targeted tax reductions and increases in aids and tax credits. Overall, the House Tax Bill was revenue neutral with a \$0 General Fund Budget Target. The Senate Bill did not raise new revenue and instead used \$681 million of General Fund dollars to provide tax relief.

The House Tax bill, which passed by a narrow margin of 68-66, included the creation of a 5th income tax bracket, an increase in taxes on corporations with foreign income, and an expansion of the tobacco tax to include electronic vapor devices.

The House Tax Bill used \$150 million from the state's reserve account and \$100 million from the stadium reserve account. Democrats touted the bill as a way to stand up for low-income Minnesotans recovering from COVID, but Republicans argued that the bill would create an unfriendly financial climate for business.

The Senate Tax Bill provided \$681 million in tax relief, and passed off the Floor on a vote of 39-26. The Republicans touted the bill as providing relief without raising taxes. The bill looks much different than the House companion, and while Democrats offered an amendment to include the creation of a fifth tier tax bracket, the Senate majority Republicans voted down the amendment.

Exempting the Payroll Protection Program (PPP) loans and Unemployment Insurance payments from state taxes was a top priority for both the House and Senate. The Senate passed a Tax bill early in session with broad, bipartisan support that fully exempted PPP loans. Republicans in both bodies pushed throughout the session to have that bill passed prior to the tax-filing deadline so businesses would have certainty before filing. The House Democrats chose to include their PPP

loan provision, which exempted PPP loans of under \$350,000, in the Omnibus Tax Bill and keep it a part of the global budget negotiations.

Other shared priorities put into in both bills include: extending the Historic Tax Credit, boosting the Angel Investment Credit, providing a property tax break for businesses, allowing assessments for energy improvements and exempting construction sales tax materials used to build fire and police station. Both bills also contained provisions providing for a new manner of auditing partnerships in Minnesota, a priority issue for many in the business community that has been debated for a number of sessions

The House Bill also funded the Film Production Credit, provided TIF flexibility for cities, and created Tourism Improvements Districts.

The Senate Bill included a Housing Tax Credit, a Qualified Brewers and Retailers Tax Credit, Child Care Property Tax Credits, Fire Protection and Emergency Medical Services Special Taxing Districts, a requirement the Department of Revenue provide Private Letter Rulings, and reductions in the 4d property tax class rate.

Omnibus Transportation Bill

Representative Hornstein [HF 1684](#)

Senator Newman [SF 1159](#)

View the House bill summary [here](#)

View the Senate bill summary [here](#)

Both the House and Senate proposed new revenue for transportation during the Regular Session, though they took divergent approaches. The Senate increased the portion of revenues generated from the auto parts sales tax that is dedicated to transportation from a flat dollar amount to 60 percent. This approach transfers General Fund spending to transportation rather than increasing new revenues overall. The House increased transportation related taxes such as tab fees, the gas tax, motor vehicle sales tax and the metro area sales tax. The House increased General Fund spending as well but by a much smaller amount than the Senate.

The House Transportation Finance Omnibus Bill had a target of \$39 million in increased General Fund spending and increased transportation-related taxes and fees by \$618 million in FY22-23 and \$1B in FY24-25. The Senate had a target of \$220 million in increased General Fund spending for FY22-23 and \$102 million for FY 24-25.

The Governor did not propose any significant new funding for transportation, though he did propose a controversial plan that would have pushed most of the cost of guideways to counties. After significant pushback from counties, the Governor retracted this proposal; however, the Senate still included it in their Omnibus Transportation Bill. Another area of controversy is the treatment of electric vehicles (EVs). The House bill contained some funding to increase the EV infrastructure in Minnesota, while the Senate bill increased EV registration fees in order to compensate for the fact that EV users do not pay a gas tax.

The global budget agreement announced on the last day of session include \$200 million in FY21-23 for the Transportation Committee.

Key provisions in the Regular Session Omnibus House Transportation Bill:

- \$400M in Trunk Highway Bonds
- Indexing the gas tax
- Reducing amount of sales tax on motor vehicle parts going into the HUTDF
- Half cent metro sales tax for transit
- Increasing the motor vehicle sales tax, from 6.5 percent to 6.875 percent.
- Changes to the vehicle registration tax depreciation schedule to charge more for expensive, newer vehicles
- Allow people without proof of legal presence in the U.S. to obtain a driver's license or Minnesota identification card
- Establishing a statewide goal to reduce vehicle miles driven by 20% by the year 2050.

Key provisions in the Regular Session Senate Transportation Bill:

- Corridors of Commerce Funding: appropriates \$334M in FY22-23. The base amounts in FY 24 and FY25 contain one-time increases of \$102.5 million each year.
- Amends current law, which dedicates a specific amount of general sales tax on vehicle repair and replacement parts to the HUTDF, to instead dedicate a percentage (60%).
- Pushes the cost of guideways to counties.

Omnibus Workforce and Jobs Bill

Senator Pratt [SF 1098](#)

Representative Noor [HF 1342](#)

View the Senate Summary [here](#)

View the House Summary [here](#)

The Jobs Bill was one of the areas where the Senate committee was given a higher General Fund spending target than the corresponding House committee. The Senate Jobs Bill spent \$102 million in the FY22-23 biennium compared to a House General Fund spending target of \$51 million.

Both bills focused large portions of their spending to help small businesses hit by the pandemic, a top priority for the Legislature during the 2021 legislative session. The House, Senate, and Governor also made cuts to the Minnesota Investment Fund (MIF) in response to higher balances in the MIF account due to the economic downturn during the pandemic. The House-only provisions related to labor law changes generated some heated conference committee debate.

House labor law changes included:

- Paid Family Medical Leave: Up to 24 weeks of a paid family and medical leave paid for through a new 0.6% payroll tax to create a new state-run insurance program.
- Earned Sick and Safe: Up to 80 hours of a statewide paid sick and safe time that employers must offer fully paid time off in a specific format, for an expanded set of familial persons, for an expanded list of qualifying events.
- Emergency paid sick leave for essential workers: Up to 160 hours of emergency paid sick leave for certain essential workers - retroactive to March 13, 2020 and through September 31, 2021.
- Emergency rehire and retention protections on certain employers by requiring them to offer employees who were laid-off due to the pandemic information about available job positions for

No agreement was reached on the Omnibus Jobs Bill during Regular session; however, the global budget deal announced on the last day of session included an agreement to increase spending in the Jobs Committee by \$125 million. The final bill with spending details is expected to pass in an upcoming Special Session.

Paycheck Protection Program (PPP) and Unemployment Insurance Tax Conformity

Representative Marquart [HF 501](#)

Senator Bakk [SF 263](#)

On March 11, the Senate passed SF 263 (Bakk), the PPP and Unemployment Insurance (UI) Conformity Bill. The bill passed the Senate on a bi-partisan vote of 55-12. The bill fully exempted PPP loans from state taxes; reduced state taxes for UI recipients, clarified a Section 179 carryforward provision and included a new election for pass-through entities to pay taxes at the entity level (SALT cap issue). House and Senate Republicans continued to push House Democrats the last two months of session to pass a stand-alone PPP bill ahead of the May 17th tax filing deadline so tax filers would have clarity on their tax liability.

The House did not pass the companion bill but did include PPP conformity for loans up to \$350,000 and a tax exemption for a portion of unemployment insurance income in the House Omnibus Tax Bill. No agreement was reached on the Omnibus Tax Bill during Regular session; however, the global budget deal announced on the last day of session included an agreement to fully exempt PPP loans and exempt \$10,200 of Unemployment Insurance from state taxes. The Legislature is expected to pass the agreed upon Tax Provisions during the upcoming Special Session.

Redistricting

Every 10 years, following the census, the Minnesota Legislature is required to redraw district lines. In preparation for the upcoming 2022 elections, the Legislature must finish this task by February 22, 2022 to meet the deadline.

Due to the pandemic in 2020, last year's census process was delayed. Statewide population data that was expected in late 2020 arrived at the end of April. And the more detailed numbers needed for redistricting, which were to arrive in March, are now expected to arrive in September.

With the only divided Legislature in the country, it is anticipated the courts may need to step in to make the final determination on a new map. A lawsuit filed in February 2021 began the state down that path, claiming that current lines are unconstitutional because of their unequal populations and asking the court to begin the process of drawing new ones.

Both the House and Senate established Redistricting Committees at the start of the 2021 Legislative Session. Representative Mary Murphy (DFL- Hermantown) chairs the House Committee and Senator Mark Johnson (R – East Grand Forks) chairs the Senate Committee.

The committees each held meetings during this session and they are expected to meet regularly during the interim and begin collecting input to draw maps. Several redistricting bills have been introduced in the House and Senate and will receive additional attention in the months ahead. The Legislature will convene earlier in 2022 than is typical in a non-budget year (January 31) in part to give themselves time to pass new maps.