

Legislature Passes State Budget; Special Session Concludes

On Monday, the Senate and House met in a special session and adopted 14 budget bills to pass a state budget, including a tax bill and capital investment bill. The Governor and legislative leaders had set parameters calling for a one-day session to begin at 10:00 am Monday and conclude by 7:00 am Tuesday. The House adjourned before midnight Monday and the Senate around 2:00 am this morning, after adopting the budget bills.

Capital Investment Bill

[HF 18](#) (Franson/Pappas), the general obligation bonding bill, was passed Monday. The bill prioritizes maintenance of state assets and does not include direct appropriations for local projects. The bill has a net GO impact of \$699.7 million. The bill includes \$15 million for inflow-infiltration mitigation assistance for metropolitan cities, a Metro Cities initiative.

Items of note contained in the bill include:

- \$6 million to the MPCA for Statewide Drinking Water – Contamination Mitigation
- \$5 million to the Board of Water and Soil Resources for the Local Road Wetlands Replacement Program
- \$11 million for the Major Local Bridge Replacement Program
- \$1 million for Highway Railroad Grade Crossings
- \$20 million for the Local Bridge Replacement Program
- \$42 million for the Local Road Improvement Program
- \$15 million for the Metropolitan Council's Inflow and Infiltration Grant Program
- \$1 million to the Metropolitan Council for Tree Planting Grants
- \$1.5 million for the Dept. of Employment and Economic Development's Transportation Economic Development Infrastructure program
- \$176 million in total for the Public Facilities Authority's water infrastructure programs, including \$18 million for their Emerging Contaminants Grant Program

Click [HERE](#) to view the general obligation capital budget spreadsheet.

[HF 17](#) (Lee, F./Pappas), the general fund cash bonding bill was also passed. The bill has a net general fund spend of approximately \$6.5 million. An amendment was adopted on the House floor to address a project in Minneapolis. Click [HERE](#) to view the general fund capital budget spreadsheet.

Data Centers

[HF 16](#) (Davids/Rest), a standalone bill on the regulation of data centers, passed both bodies. The bill defines data centers, with a focus on large-scale facilities, and sets out rules and regulations for their establishment and operation in the state of Minnesota. The bill contains language regarding the water appropriation process for data centers, establishes a fee schedule for qualified large-scale data centers, and protections for other rate payers from cost shifts due to the energy consumption of these facilities. The Tax bill, (HF 9), repeals the electricity sales tax exemption for qualified data centers.

Environment and Natural Resources

[SF 3](#) (Hawj/Heintzeman), the omnibus Environment and Natural Resources budget and policy bill was passed. Some items of note for cities include funding for the MPCA to employ a municipal liaison to assist municipalities with water quality standards and NPDES/SDS permitting processes, funding for community tree-planting grants (both for the metropolitan area and statewide programs), and funding for the metropolitan regional parks and trails system. The bill also increases water-use permit fees and water appropriation permit fees, in part to help backfill general fund cuts. Click [HERE](#) for a summary of the bill and [HERE](#) for the budget spreadsheet.

Contact Mike Lund at michael@metrocitiesmn.org or 651-215-4003 with any questions.

Jobs, Labor, Economic Development

[SF 17](#) (Champion/Pinto), the Jobs, Labor, Economic Development budget and policy bill was passed. The bill maintains base funding for the Minnesota Investment Fund and the Jobs Skills Partnership program. The bill cuts the Redevelopment Grant program by \$2M in FY26-27 and \$2M in FY28-29. The bill also cuts the Contaminated Site Cleanup Fund by \$1.5M in FY28-29, as well as the Job Creation Fund by \$6.091M in FY26-27 and \$4.8M in FY28-29. Additionally, the bill creates a Task Force on Workforce Development System Reform to examine how the state forms strategies, sets goals, and allocates funds to meet Minnesota's workforce development needs. Click [HERE](#) for the final bill language, and [HERE](#) for the budget spreadsheet.

Contact Ania McDonnell at ania@metrocitiesmn.org with any questions.

Taxes

[HF 9](#) (Davids/Rest), the Omnibus Taxes bill was passed. The final bill is a fairly slim tax bill, with items of note for cities that were included as well as not included in the bill.

The final bill does not make cuts to local government aid. The bill repeals the local cannabis aid program that was put into law when adult-use cannabis was legalized in 2023. The bill does not include changes to local sales tax laws that were included in the Senate tax bill, that would have allowed cities to impose local sales taxes without special legislation under certain conditions.

The bill contains some tax increment financing changes. It clarifies that transferred increment under the 2021 transfer authorization must be spent by December 31, 2025, or December 31, 2026 if authorized through a spending plan. The bill also extends the date by which construction must begin for a year.

The bill includes special TIF law changes for the metropolitan cities of Ramsey, Maplewood, Maple Grove, St Paul, Bloomington, Brooklyn Center, Brooklyn Park, Eden Prairie, Edina, Minnetonka, Oakdale, and Plymouth.

Click [HERE](#) for a summary of the bill.

Questions? Contact Patricia Nauman at 652-215-4002 or patricia@metrocitiesmn.org

Transportation

[HF 14](#) (Koegel/Dibble), the omnibus Transportation budget and policy bill was passed. The bill has a net general fund cut of \$115 million in FY 2025-2027 and a cut of \$133 million in FY 2028-2029. The bill cuts general fund appropriations for metropolitan area transit and cuts to the state's active transportation account. The bill includes \$3 million for the Local Road Wetland Replacement program administered by the Board of Water and Soil Resources. The bill appears to split the funding source for improvements to the Washington Ave bridge on the UMN Twin Cities campus

between the regional sales tax (\$2 million) and Hennepin County (\$6 million). A controversial provision redirecting regional transportation sales tax revenue away from the seven counties to the Metropolitan Council was removed before this bill was introduced for the special session.

Some provisions of note for cities include: changes to the greenhouse gas assessment implementation, increases to surcharges for electric vehicles, a provision that would establish a tax on electricity for charging EVs, payments to deputy registrars for no-fee transactions they complete, changes to Metropolitan Council reporting requirements, a study to analyze shifting the Blue Line extension project to bus rapid transit instead of rail, and changes to the Corridors of Commerce program.

Click [HERE](#) to view a summary of the bill and [HERE](#) to view the spreadsheet.

Contact Mike Lund at michael@metrocitiesmn.org or 651-215-4003 with any questions.

List of all Special Session Bills

- [SF 1](#): *Higher Education*
- [SF 2](#): *Energy*
- [SF 3](#): *Environment and Natural Resources*
- [SF 17](#): *Jobs, Labor, & Economic Development*
- [SF 9](#): *Revisors/Corrections Bill*
- [HF 1](#): *Minnesota Care Coverage Eligibility Modification*
- [SF 6](#): *Health/Children and Families*
- [HF 4](#): *Commerce*
- [HF 14](#): *Transportation*
- [HF 3](#): *Human Services*
- [HF 5](#): *Education*
- [HF 16](#): *Data Centers*
- [HF 9](#): *Taxes*
- [HF 17](#): *Omnibus Capital Investment appropriations*
- [HF 18](#): *Capital Investment bonds issued*

Click [HERE](#) to view the Regular Session Recap newsletter piece for outcomes in other budget and policy areas.

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