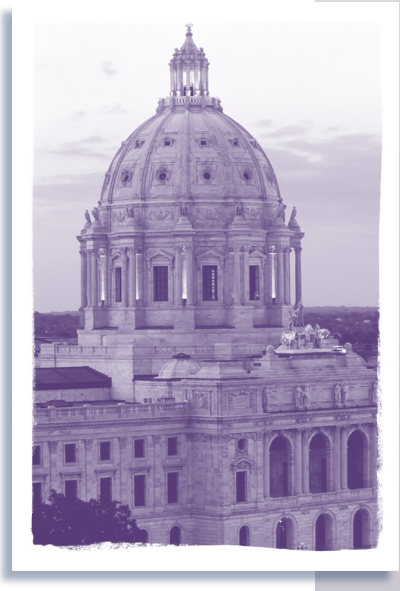
*Association of Minnesota Counties*

# Legislative Session Summary



# 2025





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# Overview

This session will go down in history as one of the most unique, eventful, and ultimately unfortunate years at the Minnesota Capitol—even if there were welcome signs of bipartisan agreement and work throughout. Even before session started, we had a slew of interesting developments. Early, post-election results pointed to GOP gains in the Minnesota House of Representatives taking a divot out of the DFL's universal control of state government the past two years and ultimately resulting in split control of the chamber: 67 DFL members and 67 GOP members, only the second time in the State's history for this to happen.

House leaders Melissa Hortman (DFL) and Lisa Demuth (GOP) worked alongside their caucuses to put forward an agreed upon framework to split committee leadership posts and committee structures equally, while keeping all partisan/non-partisan staff counts and sharing the gavel of the Chamber. All good, right? Not so fast!

An allegation—turned-lawsuit—that Representative-elect Curtis Johnson in House District 40B did not properly live at his residence in district was heard by the District Court and ultimately ruled in the GOP's favor, immediately setting the stage for a special election and a temporary change in party control of the House to 67 GOP seats and 66 DFL seats. Taking advantage of this new dynamic, House GOP leaders announced the deal was off and they would plan to gavel into the 94th legislative session and take control of house leadership posts and committee posts—even if the ultimate outcome after the special election would revert back to the necessity of getting 68 (and thus at least 1 DFL) votes to pass any bill off the House floor.

In addition, there were serious questions about what the GOP might do on a contested House District 54A seat which was narrowly won by Rep. Brad Tabke but also brought to court after a city election staffer accidentally threw out 20 ballots and secrecy envelopes. The mere suggestion of the GOP considering using their temporary power balance to not seat Representative-elect Brad Tabke—particularly after the court threw out attempts to reject his election victory—was enough for House DFL'ers to say they would be boycotting the Legislature until there was a commitment to seat Rep. Brad Tabke *and* return to the previously negotiated leadership agreement.

The House GOP responded by stating it was not their fault one of the DFL members hadn't properly lived in their district and stated their intent to start session as normal and proceed with or without DFL participation. As such, the table was set for an awkward, shaky start whereby the House GOP gaveled into session on January14, 2025 only for the Secretary of State to declare a quorum of the body was not present and therefore no session began.

The House GOP disagreed with the Secretary of State stating that in their opinion a quorum of the body was of those present, not on entire membership, and continued on with floor sessions, bill introductions, and committee hearings while the House DFL held near-daily press conferences and initiated a lawsuit claiming the session was not constitutional. On January 24th, the Minnesota Supreme Court agreed—although bemoaned the Legislature for putting them in the position to even have to weigh in—stating that a quorum of the body was, in fact, 68 and *not* just a majority of those present. This result brought both party leaderships to a negotiated settlement that—in the end—very much mirrored the November agreement except for the change that House GOP leader Lisa Demuth would act as the Speaker of the House while Rep. Melissa Hortman would be Speaker Emerita.

Once the session started—for real this time—on March 17, all lights were green and committees proceeded to act with pace, and general competency. Co-chairs worked collegially to schedule meetings, hear bills, and largely limit focus to items that had a chance at gaining the bipartisan support needed to become law. Now, instead of a game of political chairs, all eyes were on the state's looming budget crisis. When Gov. Tim Walz released his proposed budget in late February, the Legislature responded in near universal discontent, expressing concern over proposed cost shifts in addition to cuts in services. County commissioners rallied to testify in front of multiple committees to talk about specific county levy impact hypotheticals while members from the disability community and service providers talked about the impact on clients, family members, and loved ones.

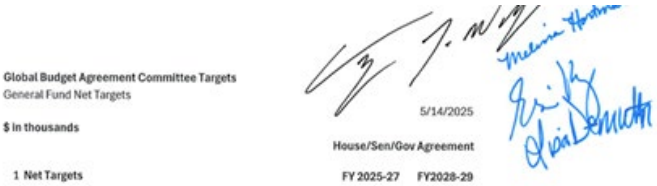
| House Committees | HOUSE | | Senate Committee | SENATE | |
|---|---|---|---|---|---|
| | FY 2026-27 | FY 2028-29 | | FY 2026-27 | FY 2028-29 |
| Agriculture | $17,000 | $17,000 | Ag, Broadband, and Rural Development | -$313 | $2,928 |
| Capital Investment | $10,000 | $0 | "Capital Projects" | $0 | $0 |
| Children and Families | $25,000 | -$15,000 | | | |
| Commerce | $3,000 | -$10,000 | Commerce and Consumer Protection | $1,614 | $2,578 |
| Education | $40,000 | $0 | Education Finance | $0 | -$687,400 |
| Elections | -$1,824 | $106 | ElectionS | -$1,064 | -$15,146 |
| Energy | $0 | $0 | Energy, Utlilities, Environment, & Climate | -$4,000 | -$4,000 |
| Environment | -$10,000 | $0 | Environment, Climate, and Legacy | -$1,000 | $2,000 |
| Health | -$50,000 | -$175,000 | Health and Human Services | -$261,811 | -$336,860 |
| Higher Education | $0 | $0 | Higher Education | $100,000 | $25,000 |
| Housing | $75,000 | $7,600 | Housing and Homelessness Prevention | $3,000 | $1,000 |
| Human Services | -$300,000 | -$1,000,000 | Human Services | -$272,000 | -$430,000 |
| Judiciary | $30,000 | $30,000 | Judiciary and Public Safety | $106,230 | $114,394 |
| Public Safety | $50,000 | $50,000 | | | |
| State Government | $45,000 | $45,000 | State and Local Government | $45,298 | $55,761 |
| Veterans and Military Affairs | $5,000 | $5,000 | Veterans and Military Affairs | $40,958 | $53,744 |
| Taxes | -$40,000 | -$40,000 | Taxes | -$365,000 | -$370,000 |
| Transportation | $0 | $0 | Transportation and Public Safety | -$226,990 | -$132,382 |
| Workforce, Labor/Economic Dev. | -$50,000 | -$50,000 | Jobs and Economic Development | $8,649 | $4,546 |
| | | | Labor | $357 | $798 |
| | | | Debt Service | $27,048 | -$25,719 |
| **Others** | | | | | |
| Pension target | $124,000 | $124,000 | Pension target | $45,000 | $0 |
| Other bills | $13,341 | | | | |
| **Net cuts/budget spending changes** | **-$14,483** | **-$1,011,294** | **Net cuts/budget spending changes** | **-$754,024** | **-$1,738,758** |
| **Inflation fun/accounting changes | -$1,145,305 | -$1,597,465 | | | |
| **General Fund Change** | **-$1,159,788** | **-$2,608,759** | **General Fund Change** | **-$754,024** | **-$1,738,758** |

***Above: A snapshot of House vs. Senate budget targets (note size of HHS-related cuts).***

***Below: Final targets/agreement between House, Senate, and Governor's Office.***

As with all policy items, money matters and the fact that the state budget deficit totaled nearly $6 billion in the out biennium meant that legislators were very much in a "no new spending" mind frame particularly since any revenue raisers were immediately off the table given the split party dynamics. The effect of this meant the governor's initial budget proposal—once viewed hesitantly by all sides early upon its release—became more real as session continued, giving legislators a blueprint to look to during the last few weeks of session as they were scrambling to meet targets.

To counties' misfortune, that meant significant and historic cost shifts in the health and human services realm became seriously considered in both the House and Senate to differing levels, each chamber putting some portion of the governor's proposal into place and resulting in AMC dialing up pressure. Counties united at the Capitol, in their districts, and through the media to underscore the seriousness of the proposed shifts, the inability of the state to seriously talk about service delivery sustainability, and highlight the ultimate impacts on county budgets and property taxes. Legislators listened and thanks to county engagement and the help of Senators Jim Abeler and John Hoffman, made changes to delay the largest shift proposals as the state and counties continue meeting to discuss viable alternative options.



**Global Budget Agreement Committee Targets**
General Fund Net Targets

5/14/2025

**$ in thousands**

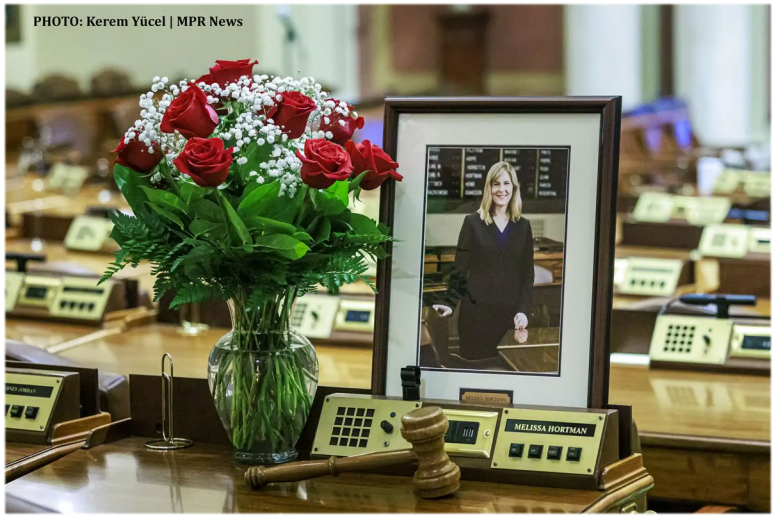
| | | House/Sen/Gov Agreement | |
|---|---|---|---|
| 1 | **Net Targets** | **FY 2025-27** | **FY2028-29** |
| 2 | *Areas Within Omnibus Bills* | | |
| 3 | K-12 Education | - | (420,000) |
| 4 | Health and Human Services | (97,680) | (297,878) |
| 5 | *Health* | 20,000 | (70,000) |
| 6 | *HCAF Balance Financing* | (115,000) | (120,000) |
| 7 | *Provider Tax Gross Revenue Definition & HCAF Financing* | (23,900) | (30,100) |
| 8 | *Other DHS* | 38,000 | 42,000 |
| 9 | *NEMT* | (22,780) | (104,778) |
| 10 | *Children and Families* | 6,000 | (15,000) |
| 11 | Human Services | (270,000) | (820,000) |
| 12 | Higher Education | 22,000 | 4,500 |
| 13 | Agriculture, Broadband and Rural Development | 9,000 | 3,000 |
| 14 | Housing and Homelessness Prevention | 15,000 | 3,800 |
| 15 | Environment, Climate, and Legacy | (6,500) | 2,500 |
| 16 | Energy, Utilities, Environment & Climate | (4,000) | (4,000) |
| 17 | Commerce and Consumer Protection | (3,000) | (12,000) |
| 18 | Workforce, Labor, and Economic Development | (28,000) | (38,800) |
| 19 | *Jobs and Economic Development* | (30,000) | (40,000) |
| 20 | *Labor* | 2,000 | 1,200 |
| 21 | State Government | 45,000 | 50,000 |
| 22 | Veterans and Military Affairs | 50,508 | 54,538 |
| 23 | Elections | (1,064) | 106 |
| 24 | Transportation | (115,000) | (133,000) |
| 25 | Judiciary and Public Safety | 107,423 | 112,079 |
| 26 | *Judiciary* | 19,163 | 54,822 |
| 27 | *Public Safety* | 88,260 | 57,257 |
| 28 | Debt Service and Capital Projects | (10,907) | (168,028) |
| 29 | Taxes and Local Aids | (118,000) | (190,000) |
| 30 | | | |
| 31 | *Other Items* | | |
| 32 | Pensions | 80,000 | 80,000 |
| 33 | Executive Branch Carryforward | 30,000 | 15,000 |
| 34 | Lead Lines | 3,000 | - |
| 35 | Other Items | 9,164 | (47,400) |
| 36 | **Total GF Impact** | **(283,056)** | **(1,805,583)** |
| 37 | | | |
| 38 | **Remaining balance excluding inflation** | **1,884,138** | **(290,472)** |
| 39 | **Structural balance excluding inflation** | **-** | **(2,174,610)** |
| 40 | *Percent reduction in structural imbalance* | | *45%* |

In addition, counties successfully unified over no cuts to County Program Aid (CPA) and the dire need to invest in child protection IT systems that have been so neglected they have resulted in staffing crises and universal, bipartisan discontent. In the end, counties' passionate leadership on this issue secured $40 million in new spending to update the SSIS system, all in a session where new funding was near impossible to secure.



***County commissioners and staff unite in a late, spontaneous "One last push!" at the Capitol in early May, spending the day talking to legislators about cost shift impacts.***

As staff put the finishing touches on our 2025 session summary, it's impossible not to think of the recent tragedy of the murders of House Speaker Emerita Melissa Hortman and her husband Mark, and the shooting of State Senator John Hoffman and his wife Yvette—who are thankfully on the path to recovery. These horrendous events—unthinkable and impossible to process—have put a definite and lasting stain on the Capitol environment and one that will be with the entire legislative community and state for the foreseeable future. In this moment of grief, sadness, total astonishment, and universal rebuke, it's more important than ever to hold gratitude for individuals who step up to serve their community in a selfless manner by sacrificing their time, jobs, family interactions, and most unfortunately comfort and safety, to fulfill a vital public role—whether that be an elected office or one of countlessly difficult county occupations that come with stress, hazards, and risk. Democracy cannot function without confidence in government and citizens who are willing to step up and run for office and serve in government. We thank you—all county commissioners and staff—for your willingness to answer that call and serve our communities (Minnesota) so passionately.




Highlights of some AMC content throughout session:

- **County Cost Shift Handout**
- **County Letter to Leadership**
- **AMC District 10 Letter to Leadership**
- **Dumping costs on to local property taxpayers is a shifty way to balance the state budget** *Minnesota Reformer*
- **Opinion: The great Minnesota funding burden — coming to a county near you** *Star Tribune*

# Environment & Natural Resources

For additional information on this section, please contact Brian Martinson, Policy Analyst, at 651-789-4322 or bmartinson@mncounties.org.

## OVERVIEW

Legislators completed their budget work making reductions in most areas of state government and environment-related budgets were no exception. The omnibus environment bill (**Special Session Chapter 1**, **spreadsheet**, and **summary**) reduced general fund spending by $6.5 million but addressed some funding requests of state agencies with increased fees or shifting costs to special revenue accounts. Counties will be impacted by a return to past funding levels for the county feedlot program, $1.959 million per year [the last two years counties received a onetime increase of an additional $1 million per year. We had hoped to see that built into the ongoing base funding but that did not happen]; and a reduction to the Natural Resources Block Grant that supports shoreland, wetland conservation and water management work—this program had received a one-time increase of $1.25 million/year in the last biennium but will be returning to previous funding levels. The bill also included permitting reform, such as a requirement that petitioners for a discretionary environmental review must be from the county where the project is located, or from an adjoining county while clarifying that a county may review a feedlot application while environmental review is underway, and providing a deadline extension for collection of data for Wetland Conservation Act determinations.

The Environment Budget bill also includes the DNR Lands bill, funding from the Environment and Natural Resources Trust Fund as well as some policy items like permitting reforms, deletion of a drainage authority buffer report and elimination of the shotgun zone. Counties can by ordinance continue the rifle restriction during the deer season.

There were items of interest in several of the other budget bills that are addressed in this session review: 1) a 50% reduction (starting in FY28) to the Aquatic Invasive Species Aid Program in the tax bill and 2) a new appropriation of $500K/each of the next two years for county ag inspector work – after numerous years of advocating for state support and highlighting the important work county ag inspectors do. The E-waste and Battery Stewardship Law failed to pass despite significant coalition work that had strong AMC involvement. The underlying legislation had a challenging path in a closely divided Legislature that was operating with limited committee time especially in the House. Safety issues due to fires caused by batteries and the significant cost of e-waste management are driving forces behind this legislation. We made progress in the Senate and have plans to work with stakeholders over the interim and bring this back next year. The interest in addressing these issues is growing and industry is engaging with us; our biggest hurdles are going to be figuring out the operations details and the scope of products covered.

If you have any questions or would like to discuss legislation from the 2025 session, please feel free to reach out to me at bmartinson@mncounties.org.

# AMC PRIORITY: SOLID WASTE MANAGEMENT

## Solid Waste Management (Various Bills)

AMC passed a comprehensive solid waste management priority that addressed funding for SCORE and the Solid Waste Capital Assistance Program (CAP) and supported the policy initiative to reform our e-waste and battery stewardship laws. It also sought state support for our waste management systems including construction and demolition management, waste to energy and emerging technologies.

The SCORE bill (HF1359/SF1082) was heard in both House and Senate Tax Committees with very positive feedback from the chairs and members in both bodies. This is the legislation to capture the 27% of the Solid Waste Management Tax that is currently going to the general fund. Both House and Senate Tax committees needed to make reductions, and new spending was hard to come by. The House did include $350,000 in FY26 and $1.493 million in FY28 as one-time investments from the SWMT revenues, and their first public offer to the Senate continued to include SCORE funding. Unfortunately, they struggled to get along and leadership took over the bill and SCORE was left out.

E-waste and Battery Product Stewardship bill (HF1426/SF1690) made considerable progress in the Senate and was included in their Omnibus Environment and Natural Resources Finance bill before being split out with other policy language into a separate Omnibus Environment Policy bill. Unfortunately, that bill was never moved out of the finance committee. We had planned to keep the pressure on stakeholders and hoped to find compromise if we had been able to get language to the conference committee. We have already been preparing for stakeholder meetings scheduled throughout the summer and fall to hopefully see this bill passed next session.

The bonding bill included $6 million for waste infrastructure through the Capital Assistance Program (CAP). The funds were not appropriated to any specific project, instead the MPCA will be soliciting proposals through a request for proposals. We had hoped for greater investment in this program. The Senate had funded four projects at over $15 million in its proposed $1.35 billion bonding proposal. The governor's bonding proposal did not include any money for CAP. When the Legislature and governor agreed to a $700 million bonding bill before Special Session, we knew the focus would be on core infrastructure, so it is encouraging that they recognized that solid waste infrastructure is essential infrastructure.

Activity around several other issues we are working on is happening primarily outside of the Legislature. The Minnesota Public Utilities Commission (PUC) has initiated a process to further analyze the life cycle of energy sources like waste-to-energy incinerators in relation to Minnesota's Carbon-Free Standard. AMC wants to see waste and biomass continue to receive favorable treatment by the state. These facilities are a preferable environmental method for the management of these wastes. The MPCA has been working on updated draft construction and demolition landfill rules, and it is anticipated that the formal administrative process will start this year. There will be a need for policy adjustments and funding related to these issues as well.

***Status: Did not pass.***

# ANIMAL AGRICULTURE

### County Feedlot Program Funding (HF1846/SF2187)

Last biennium, the Legislature provided the first funding increase for the County Feedlot Program in over a decade. It was an additional $1 million per year, taking this from $1.959 million annual funding to $2.959 million. Unfortunately, this was only meant to be a one-time appropriation. We advocated maintaining the new funding level and proposed increasing the minimum funding per county. Despite House support for continuing the full $1 million and the Senate bringing $500,000 to conference committee, final negotiations resulted in a return to the previous base funding of $1.959 million.

***Status: Did not pass.***

### Definition of Animal Feedlot (HF1024/SF514)

This bill proposed to insert the definition of an animal feedlot in statute and create an exemption for 12 or fewer chickens. The goal of the bill was to allow a small number of backyard chickens on lots that may not confirm certain feedlot setback requirements. The change could have created complications for local governments whose ordinances are linked to the current definition of a feedlot in rules. We worked with proponents to instead propose language that would exempt a small number of chickens from associated setback requirements. A procedural complication and then subsequent difficult negotiations left this language out of the final Omnibus Environment bill.

***Status: Did not pass.***

# CLIMATE AND ENERGY

### Biomass Definition (SF1432)

Under Minnesota's Carbon-Free Energy Standard, eligible energy technology is a defined term that lists what kinds of generation can be used in accordance with the law. This bill would add wood waste and wood chip biomass to the definition of eligible energy technology under the carbon-free energy law. The environmental impact of managing wood waste in this manner is better than the alternative. However, resistance from leadership to let this move forward in the omnibus energy bill delayed action on the bill until it was removed.

***Status: Did not pass.***

### Community Solar Garden Program Sunset (HF2793/SF2855)

Minnesota's community solar program was created to allow more public participation in the growth and financial benefits of solar development. Smaller solar facilities often fall under local government regulatory authorities. This bill sought to sunset in the program in 2028. The program requires generous payments for energy, and new developments under standard regulatory factors can deliver more cost-efficient energy. The proposal was advanced in the Senate but advocates for the program prevented it from getting in the final Senate energy bill.

***Status: Did not pass.***

### Energy Policy Reform (HF9/SF572)

The Legislature included a few energy policy reforms including expanding the size of hydroelectric facilities that could be considered a renewable energy source; a potential delay of the requirements to meet renewable and carbon free energy standards; making nuclear power eligible for a certificate of need; and support for carbon capture and sequestration technologies. Although a number of these continued to be part of the energy conversation throughout the Regular Session, they did not advance in either body.

***Status: Did not pass.***

### Instant Solar Permitting Platforms Mandate (HF2059/SF1741)

Installers and Purchasers of residential solar want to see permitting fast tracked and there are programs available that would provide instant analysis of an application and approval of permits. This proposal would mandate that all local governments with more than 5000 residents use one of these permitting programs. This proposal raised a number of concerns. The programs currently do not address all local considerations for permitting, there is limited experience with these programs in Minnesota, and this should not be mandated. Local government should have the option to adopt this technology and likely would if the program proves helpful in processing permits.

***Status: Did not pass.***

### Local Government Approval of Solar Installations (HF1707/SF2664)

After recent permitting changes, local government input on citing of renewable energy has continued to erode. Legislation introduced this year would require solar installations of all sizes to receive local government or tribal approval of proposed sites. The bill was not heard in either body but a related proposal to strengthen the considerations of local planning and zoning was offered as a floor amendment during the debate of the Omnibus Energy bill but failed to be adopted.

***Status: Did not pass.***

## DEDICATED ENVIRONMENTAL FUNDING

### Clean Water Fund Annual Appropriations (HF2562/SF2866)

The Clean Water Council (CWC) recommendations are made on a biennial basis and appropriated as such by the Legislature. However, with shifts in sales tax revenue from year to year impacting the size of this fund, the Legislature has in recent years frequently adjusted the appropriations in the second year of the budget cycle. This legislation would shift the CWC process to annual recommendations and annual appropriations from the Legislature. This is similar to how the Outdoor Heritage Funds are currently appropriated. This change was adopted as part of the Omnibus Legacy bill.

***Status: Signed by the governor on May 24, 2025 (Chapter 36)***

### Clean Water Council Membership and Duties (HF2481/SF1736)

This proposal sought to change the make-up of the Clean Water Council (CWC) and their required duties. The council membership would be changed to one representative from each congressional district with expertise in science, water quality, hydrology, or a related field. This would eliminate stakeholders, including local governments', from this process. The duties would also be focused on recommendations for appropriations from the Clean Water Fund, eliminating the policy recommendations.

***Status: Did not pass.***

### Environment and Natural Resources Trust Fund (ENRTF) – LCCMR Bill (HF1482/SF506)

The ENRTF is a combination of contributions and investment income, including 40% of the net proceeds from the Minnesota State Lottery. The Legislative Citizens Commission on Minnesota Resources (LCCMR) makes recommendations to the Legislature annually for appropriations of up to 7% of the fund balance.

The 2025 package included appropriations totaling $103.326 million across 125 projects. The bill includes $25.448 million directed to local or regional governments and over 70% of the projects are to be of statewide significance. Funding for county geological atlases ($1.26 million) and aggregate mapping ($621,000) is included.

New to the bill this year is a community grant program that was authorized when the amendment dedicating lottery proceeds for this purpose was reauthorized in the last election. $28.180 million is available for FY2026. The community grant program recognized that not everyone has the resources to compete for funding through the normal LCCMR process. These funds will also restrict funding from going to state agencies, universities or for research projects. The hope is to see money reach smaller local projects.

***Status: Signed by the governor June 14, 2025 (Special Session Chapter 1).***

### Legacy Funding Bill (HF1370/SF1447)

The Legacy Funding bill (spreadsheet) makes the appropriations of the voter-approved three-eighths-of-one percent sales tax, which is distributed as 33% to the Clean Water Fund; 33% to the Outdoor Heritage Fund; 19.75% to the arts and cultural heritage fund; and 14.25% to the Parks and Trails Fund. The Outdoor Heritage Fund appropriations are made annually, while the other funds are appropriated on a biennial basis.

The **Outdoor Heritage Fund** appropriations were included in Article 1 and followed the funding recommendations of the Lessard-Sams Outdoor Heritage Council (summary), spending $162.11 million in FY26 for 51 projects. This year's bill would restore, enhance, and/or protect over 106,778 acres of wildlife habitat and 68 miles of shoreline. Twenty-nine different organizations will receive funding, including ten local units of government.

**Clean Water Fund (CWF)** appropriations are $303.93 million for Fiscal Years 2026-27. The largest share of funding is directed toward reduction of nonpoint source population, which shows up on the spreadsheet largely as BWSR funding that is passed through to local governments. The biggest share is $88.1 million for implementation of approved Comprehensive Watershed Management Plans (1W1P). There is $6.2 million directed to the Department of Agriculture to address Nitrates in groundwater and an additional $4 million to the AgBMP loan program. $600,000 is going to the continued work of the U of M and DNR to create county geological and groundwater atlases. The DNR is getting $2.9 million for their culvert replacement cost share. $6.881million is going to the County Subsurface Sewage Treatment System (SSTS) enhanced inspection and low-income grant program through the MPCA.

The **Parks and Trails** account will distribute $130.17million with $51.532 million for state parks and trails, $51.532 million for the Metro Area Regional Parks, and $25.807 million for Greater Minnesota parks and trails.

The **Arts and Cultural Heritage Fund** will spend $179.91 million in the next biennium across the state supporting a variety of local projects and organizations, including children's museums, zoos, historical societies, and the arts.

***Status: Signed by the governor on May 24, 2025 (Chapter 36)***

# ENVIRONMENT AND NATURAL RESOURCE PROTECTION

## Lead and Cadmium Prohibition Exemptions (various bills)

Lead and Cadmium prohibitions were expanded in the 2023 session. This year, legislation sought several exemptions from those changes. One proposal (HF737/SF826) included ink pens and mechanical pencils, keys, and professional artist supplies. Another bill (HF1871/SF2446) addressed lead/cadmium in solder of internal components, keys, and small amounts in pots and pans that do not come in contact with food. These provisions were included in the final Omnibus Commerce and Consumer Protection bill.

***Status: Signed by the governor June 14, 2025 (Special Session Chapter 4).***

## Off-Highway Vehicle Trails Regulations (HF1012/SF1245)

This bill would make a number of changes to the state's off-highway vehicle (OHV) laws, including limiting the use of OHVs on state lands administered by the Department of Natural Resources (DNR) to only roads and trails designated for their use by the DNR; placing restrictions on where future OHV trails may be located; establishing OHV trail planning and local approval requirements; and requiring an environmental assessment worksheet (EAW) for OHV trails with certain exemptions. The bill received a hearing this year but was not heard in the Senate and did not advance in either body.

***Status: Did not pass***

## PFAS Prohibition Exemptions (HF1906/SF2410)

Last biennium, the Legislature adopted prohibitions on PFAS in a list of products that would eventually grow to a ban on "intentionally added PFAS in all products that have not been granted a specific exemption in 2032". This year several bills sought exemptions. The final Environment Omnibus Bill included exemptions for ATVs designed for kids and parts for those vehicles, for use of PFAS in internal components of certain products that don't come into contact with consumers, and an extension for the use in firefighting foam in a hangar at an airport.

***Status: Signed by the governor June 14, 2025 (Special Session Chapter 1).***

## Sustainable Forest Incentive Act (HF2437/SF2374)

The Sustainable Forest Incentive Act (SFIA) provides direct incentive payments to property owners to encourage sustainable use of forest lands. Property owners can receive a payment for each acre of qualifying forest land they enroll in SFIA. In return, they agree not to develop the land and to follow a forest management plan while they are in the program. All enrolled land must remain in SFIA for at least 8, 20, or 50 years depending on their recorded covenant agreement length. The tax bill reduces the size of the incentive payments but also includes an allowance for landowners to withdraw early without a penalty if this change has a significant impact on their payments.

***Status: Signed by the governor June 14, 2025 (Special Session Chapter 13).***

## Wolf Management (multiple bills)

The management of wolves remains a topic of interest with more than a half dozen bills introduced this session. The proposed bills ran the spectrum from a population survey and an open hunting season to a prohibition on a hunting season. However, in the closely divided Legislature none of these proposals gained any attention, much less movement.

***Status: Did not pass.***

# LAND USE, PLANNING AND REGULATION

## Aggregate Resources Protection (HF1071/SF1751)

In 2018, an Aggregate Resources Task Force was organized to create recommendations to protect these resources. A recent legislative auditor's review found that very few of that task force's recommendations have been implemented. This bill as introduced sought to mandate counties and municipalities to protect aggregate resources in their plans and local controls, the DNR to recommend statute changes to the Legislature to adjust local permitting of mining sites, and appropriate funds to update the metro area inventory and accelerate mapping in greater Minnesota. AMC worked with the Senate author to have the mandate for protection in local plans and controls deleted and to have counties be at the table with the DNR in discussing any potential changes to local permitting. A late addition to the bill requested a state audit of aggregate taxes across the state, which we shared some reservations about inserting over the audit commissions priorities. Despite some concerns with policy provisions, we did fully support the funding for mapping. None of the provisions ended up passing, but there was some funding included in the Environment and Natural Resources Trust Fund for aggregate mapping ($621,000).

***Status: Did not pass.***

## Buffers - Riparian Protection Aid (HF1680/SF960)

The Minnesota Corn Growers made a push for a tax credit for acres required to be in buffers around public waters and public ditches. AMC has a platform plank in support of such an effort with state dollars to compensate for lost local revenue. The proposal brought forward this session would have done that but an amendment in the Senate would have paid for it by taking the Riparian Protection Aid ("Buffer Aid") that is used to enforce the buffer law. The proposal was heard in both tax committees but was not included in either body's Omnibus Tax Bill. AMC expressed opposition to this specific approach in each of the bodies.

***Status: Did not pass.***

## Building Permit Fees (SF560)

As part of the Make Housing Affordable package of bills, this proposal has been around for a few years. The bill would have the Department of Labor and Industry establish a cost-per-square-foot fee for residential building permits. Local governments expressed some concern about ensuring that the cost of service may not be covered by the new standardized fee. The bill passed out of one committee but stalled after that.

***Status: Did not pass.***

## County Agriculture Inspectors Funding (HF39/SF1831)

The role of a County Agricultural Inspector is established in state statute, and they perform duties as directed by, and in collaboration with, the state. In addition to their work implementing and enforcing the state's noxious weed law, they often fill roles in seed, feed, fertilizer, pesticide, and insect pest programs. However, these costs must be fully covered at the local level. This legislation called for state support for counties to perform some of the basic duties of this job and sets requirements for eligibility. The provision was included in the Omnibus Agriculture Finance bill at $500,000 each of the next two years. It is a one-time appropriation so we will need to continue to advocate for the funding in the next budget cycle.

***Status: Signed by the governor on May 23, 2025 (Chapter 34, Art 1)***

### County Surveyors Requirements and Procedures (HF531/SF59)

This bill proposed to change the county surveyor to be a mandatory position and required an assessment of public land survey monuments be completed by 2028 and that all monuments be preserved or restored by 2029. This amount of work could not be accomplished on those timelines and comes with significant costs—which were not addressed or considered in the original bill. The bill would also put in place new requirements for a county to alter pre-established boundary lines. The bill had several hearings in the Senate but did not pass.

***Status: Did not pass.***

### Data Center Zoning (HF1109/SF608)

Concerns about where data centers may locate led legislators to introduce this bill to restrict them to industrial zones. This proposal not only removed local decision-making on the potential location of these businesses, but it also created new, problematic definitions. The language would have defined an industrial zone as one that includes manufacturing. It then went on to define manufacturing and include an extensive list of examples with things from sawmills and cement to feedlots and storage facilities. We shared concerns with the proposal and new definitions. The bill did not move, but the language was added in committee to another bill, which ultimately failed.

***Status: Did not pass.***

### DNR Lands Bill

The 2024 DNR lands bill—which covers the sale, transfer, lease or other such ownership and designation changes of land that requires legislative approval—was included in the Omnibus Environment and Natural Resources bill. Provisions in the bill impact land in Aitkin, Cass, Itasca, Sibley, St. Louis, and Wabasha Counties.

***Status: Signed by the governor on June 14, 2025 (Special Session Chapter 1, Article 5)***

### Emergency Shelter Zoning (HF1299/SF1999)

This bill would have made emergency shelters a permitted use for lots zoned as multifamily residential, commercial, or industrial. This provision was originally drafted to only impact cities, but an amended version of a separate housing bill would have also applied to counties. However, the policy was not carried in the Omnibus Housing Bill and did not pass *(additional details can be found in the Housing section)*.

***Status: Did not pass.***

### Gas Resources Regulation (HF2447/SF2530)

After the discovery of Helium in Lake County, the state hit the pause button in order to set up the regulatory and financial framework for the extraction of gas resources. This legislation was designed to address the permitting, oversight, and taxing of these operations. Unfortunately, the legislation stalled in the House and was not able to get done this session.

***Status: Did not pass.***

### Green Burials (HF2769/SF2819)

Questions about the environmental impacts of green burials led the Legislature to pause the establishment of any new sites while they created some parameters for these cemeteries. Based on recommendations created by a work group, this legislation included parameters for locations, depth, and density of a green burial cemetery and for designating a location for the scattering of hydrolyzed or cremated remains. We made some recommendations for standardizing measurements, which were adopted, and how to determine proper locations and depth, which were not adopted. Staff believe there is still an ability to work on changes, if necessary, in a future session but also believe that the timing and way the Omnibus bill came together left little opportunity to get more substantive changes to the language.

***Status: Signed by the governor on June 14, 2025 (Special Session Chapter 3, Art19)***

### Homeowners Associations/Common Interest Communities (HF2614/SF2655)

This was an aspect of the Make Housing Affordable package that received a lot of attention this year. It would restrict local governments from requiring homeowners' associations (HOA) or the inclusion of elements in a Common Interest Community development that would require an HOA. This provision created numerous concerns for local governments that would potentially be on the hook for maintenance of some community property or seeing developments that did not adhere to local or state requirements. This language was included in other bills that were tied up in committee. There was a late attempt to revive it by amending it onto a bill on the Senate floor. The package of reforms eventually failed to move forward in the House and none of the restrictions on city or county zoning authority passed, though legislator sympathy continues to grow.

***Status: Did not pass.***

### Hot Tubs at Short Term Rentals (HF1557/SF1630)

You will now be freer to use a spa pool or hot tub at a short-term rental property, at your own risk. The law was updated to not treat or subject them to the regulatory requirements of public pools, but owners would still have some basic maintenance requirements. The law also prevents local governments from adopting rules or ordinances to prohibit the operation of spa pools that meet these qualifications.

***Status: Signed by the governor on June 14, 2025 (Special Session Chapter 3)***

### Land Access for Weed Inspection (SF3384)

This legislation as drafted would have required a county ag inspector to notify a landowner via mail before entering land. An amended version of the language was included in the omnibus agriculture bill. The new language is more in line with current practices. An inspector is required to attempt to contact the landowner before entry, but they may still enter if a landowner cannot be reached and a landowner cannot refuse access. They should also follow up with the landowner within five days of the inspection and provide them with a copy of the report.

***Status: Signed by the governor on May 23, 2025 (Chapter 34, Article 3)***

### Natural Resources Block Grant (SF3384)

The Natural Resources Block Grant (NRBG) is a composite of grants for Minnesota counties to implement programs designed to protect and improve water resources, including shoreland protection and Wetland Conservation Act (WCA). State funding was at one time intended to cover a larger share of the costs, but it only covers a small fraction of what is necessary to meet the obligations of these statutes. Last biennium, the administration supported an increase of $1.25 million per year. The Legislature only appropriated fund for FY'24-'25. Unfortunately, in this cut budget there was no support to renew this increase and NRBG funding is returning to the previous base of $3.423 million per year.

***Status: Signed by the governor on June 14, 2025 (Special Session Chapter 1)***

### Permitting Reform (HF8/SF577)

The Minnesota Chamber has been working on permitting reform based on a report they commissioned with Barr Engineering. The original bill was comprehensive including changes to environmental review, requiring the MPCA to provide accelerated permitting at the request and cost of the project owner. The bill was a republican priority, and they managed to get several pieces included in the final environment omnibus bill. A few of the more significant pieces that did pass were an exemption from completing an EAW if an EIS is mandatory, and now the 100 petitioners to request a discretionary EAW be completed will now have to come from the county where the project is located or from an adjacent county. There were also two county specific changes. The first is clarifying language that a county may review a feedlot permit while the project is undergoing environmental review. You are still prohibited from issuing a final permit or allowing the project to begin. They also sought to restrict deadlines to approve or deny Wetland Conservation Act (WCA) determinations to only one 60-day extension. The committee agreed that we need more information and requested that the number of extensions be submitted in the counties' annual WCA report for 2026 and 2027.

***Status: Signed by the governor on June 14, 2025 (Special Session Chapter 1, Article 6)***

### Sacred Communities Requirements (HF1051/SF1723)

When the Legislature created an allowance for religious organizations to locate living facilities on their property, "sacred settlements", they included limited regulation. Some members have decided perhaps local governments need some more tools to license, review, and regulate these developments. The bill received a hearing in the House but did not make any progress in the Senate.

***Status: Did not pass***

### Shotgun Zone for Deer Hunting (HF2245/SF107)

There has been an ongoing effort to eliminate the Shotgun Zone during the deer hunting season. Data has demonstrated that safety concerns are not a problem and that with the increased shooting (and more limited accuracy) of shotguns, rifle use may be preferred. However, several communities are still concerned about this change. The omnibus environment bill does eliminate the shotgun zone starting in 2026. It also allows a county to limit the types of firearms that may be used during the deer hunting season by ordinance.

***Status: Signed by the governor on June 14, 2025 (Special Session Chapter 1, Article 4)***

### SSTS Disclosure and Compliance (HF1888/SF1658)

This proposal would have flipped current practices for gaining SSTS compliance at time of sale or transfer on its head. The bill would require a property owner to have a new certificate of compliance issued by a certified business or local government before a sale or transfer could be completed. These certificates would be valid for three years on existing systems and five years on a new system. This bill was not heard in either body.

***Status: Did not pass***

### Tax Forfeited Property Blight Funding (HF2384/SF2618)

Counties did great work to modify state law and receive funding to address liability after Minnesota's Tax-Forfeiture laws were determined to be unconstitutional. As part of that legislation, counties also sought state support for addressing blight and contamination at properties that are held by the state but under county management. This bill would create a state grants program to help with the clean-up and remediation of these sites. Due to the difficult budget we were facing, this bill was not heavily pursued, but we wanted to keep the issue in front of the Legislature for future funding. We are hopeful this bill will eventually receive an informational hearing.

***Status: Did not pass.***

### Trespassing Markers (HF944/SF1875)

This provision would allow for an alternative method of posting no trespassing by marking trees, posts, or other immovable permanent objects with purple paint. The language detailed size, placement, and spacing of the markings. The bill was heard and included in the omnibus environment policy bill, which did not make it out of committees.

***Status: Did not pass.***

### Zoning Authority in Unincorporated Territory (HF1356/SF1914)

This bill sought to allow cities with a population over 100,000 to extend their zoning regulations to unincorporated territory within two miles of its limits. The bill did not get a hearing this session but may be one to keep an eye on for growing communities.

***Status: Did not pass.***

## SOLID WASTE MANAGEMENT

### Bag Ban Prohibition (HF3184/SF1598)

This bill repeals a statute codified in 2017 that provides all merchants in the state with the option to provide customers with a paper, plastic, or reusable bag for packaging purchased items or goods and prohibits a political subdivision from imposing a ban on merchant bags. This effort would not have banned bags but would have opened the door for local governments to impose bans if they wish to. This provision had greater momentum in recent years but was not heard this session.

***Status: Did not pass.***

## Capital Assistance Program – Solid Waste Infrastructure (multiple bills)

AMC and SWAA support state investments in critical solid waste infrastructure. At least ten bills were introduced to fund projects and others were working on additional funding for current projects. The governor's bonding proposal included nothing for solid waste. The Senate released a bonding proposal during the Regular Session at $1.35 billion that included $15.963 million for four county projects. The final bonding bill passed during Special Session had total spending of $700 million. It included $6 million to the MPCA for the CAP projects. The agency will be soliciting projects to fund with that money through a separate process.

***Status: Signed by the governor on June 14, 2025 (Special Session Chapter 15).***

## Closed Landfill Investment Fund (CLIF) (HF2439/SF2077)

The Governor's Budget Recommendations included an increase to the amount available annually from CLIF to the agency for CLIF program duties. The CLIF was created for the long-term care and maintenance of closed landfills statewide. Since becoming available for use in 2020, the agency has received annual appropriations of $4.5 million with contingency access for emergencies. This change will allow them to spend up to $6.5 million annually.

***Status: Signed by the governor on June 14, 2025 (Special Session Chapter 1)***

## Container Deposit Program (HF420)

This is a reintroduction of the container deposit recycling program that was discussed last session. This program is similar to existing programs in a few other states, where a fee is placed on the beverage container at time of purchase and that fee can be redeemed by the customer when the container is returned through the program for recycling. Minnesota has a robust curbside recycling system with recycling infrastructure in place to manage these products. The bill did not get any attention this session, but it is good to be aware that some legislators are still interested in the proposal.

***Status: Did not pass***

## E-Waste and Battery Product Stewardship (HF1426/SF1690)

Minnesota has had e-waste and battery product stewardship laws on the books for 20 and 30 years respectively, but they have long needed updating and modernization. During this session, AMC teamed up with the MPCA and an organization representing private sector recyclers, Recycling Electronics for Climate Action (RECA), to bring a comprehensive bill forward.

The safety and fire hazards of lithium batteries have become a growing concern for waste management transportation and facility operators. Our proposal would update the battery stewardship law to cover all modern batteries that are not managed through separate programs like lead acid or EVs. It would also include imbedded batteries. More products are being released with internal rechargeable batteries that cannot be easily removed by the consumer. These are some of the most problematic because the product ends up in the waste stream and gets damaged leading to fires.

At the same time, the costs of the current e-waste recycling program are often falling onto the backs of local governments and consumers through end-of-life fees. When Minnesota passed one of the first e-waste laws in the nation, the intention was for producers to pay for the recycling of their products. Changing product lines requires us to reconfigure our program to make sure the producers are covering the costs.

The bill moved through three committees in the Senate and was part of their omnibus environment policy bill. Unfortunately, we didn't make any headway in the House and the Senate effort to get this to a conference committee was not successful. AMC and SWAA have already begun working on the bill to find compromise in the next legislative session and stakeholder meetings are being scheduled with industry stakeholders to see if we can find a path forward together next year.

***Status: Did not pass.***

### Keep it Clean Grants (HF1120/SF2859)

The "Keep It Clean" effort is to prevent the pollution of waters by people leaving solid and human waste on frozen lakes during the winter. This has become a significant and gross problem on many of our destination ice fishing lakes. The Legislature was able to appropriate $200,000 in one-time funding for grants to local governments to combat this issue.

***Status: Signed by the governor on June 14, 2025 (Special Session Chapter 1)***

### Mattress Recycling Grant Program (HF1624/SF1980)

Counties have worked on legislation in the past with stakeholders including the International Sleep Products Association on a program to better manage mattresses. We were surprised by a new proposal to support mattress recycling that had not been shared with counties or other stakeholders. The bill would require retailers to collect a $5 fee on all mattresses and box springs sold in the state. Those funds would then be sent to the MPCA to provide grants to local governments to expand and support mattress recycling. The goal is good, but it does little to ensure access to recycling these products and it is not clear to what extent this revenue would support growth in new areas of the state.

***Status: Did not pass***

### Metropolitan Landfill Contingency Action Trust (MLCAT) (no bill)

MLCAT is a trust fund that was established to address pollution from certain metropolitan area landfills. During difficult budget years, funds had been borrowed from the trust to balance the state budget with a promise to repay the fund, but payments were later cancelled. In 2021, legislation started annual appropriations to the trust of $100,000, although the total borrowed funds were close to $14 million and with interest was more than double that amount. In the 2023 budget cycle, a one-time payment of $27.4 million was made to MLCAT. This year, with a looming deficit and significant repayments made, they decided to repeal the ongoing annual payments.

***Status: Signed by the governor on June 14, 2025 (Special Session Chapter 1)***

### Nitrous Oxide Sale Restrictions (HF325/SF1215)

Nitrous Oxide is readily available for sale in Minnesota. Unfortunately, it is frequently purchased by individuals using it to get high. This bill was discussed and amended to restrict sales but allow for purchase by certain commercial entities that use these canisters. Late in the negotiations, it was discovered that the proposed language may have unintended consequences and the provision was dropped. Staff expect work will be done on the language over the interim and something will be considered again next session.

***Status: Did not pass***

### Organics and Recycling Costs (HF1733/SF1878, HF789/SF1228)

These two bills were very similar in that they propose to allow people who choose not to recycle or participate in an organics program to not be required to pay for the service. Current law says that you cannot charge a customer more for recycling services. The way this plays out is that then the costs are applied to all customers whether you participate or not. None of these bills received a hearing.

***Status: Did not pass***

### Packaging Extended Producer Responsibility Changes (HF1371/SF2619)

The Packaging Waste and Cost Reduction Act was a significant solid waste management accomplishment that passed last session. The bill requires producers of packaging and paper products to implement and finance a statewide program overseen by the MPCA, to provide for the collection and management of used packaging and paper products through waste reduction, reuse, recycling, composting, and product redesign. The program is still in the initial stages of development and a few years from implementation, but industry is already back seeking exemptions. This bill as drafted sought an exemption for paper products. Although the bill was never heard in any committee, different versions of the language were considered as amendments at various times throughout the session but never offered. This will be an ongoing effort to scale back the law before it takes effect.

***Status: Did not pass.***

### SCORE Grants and the Solid Waste Management Tax (HF1359/SF1082)

SCORE grants are the primary source of state financial support for county-mandated solid waste management work, and it remains a top county funding priority. We were successful in securing a dedication of 3% of the SWMT revenues to SCORE grants in the 2023 session. This bill updated our request to redirect the remaining 27% of revenue going to the general fund to SCORE. We once again had positive hearings in the House and Senate Tax committees, with bipartisan support for the general premise. The House carried two, one-time appropriations for FY2026 and FY2028 into conference committee with the Senate. The Tax Conference Committee struggled to reach any agreement and when legislative leaders took over the bill, it became a very slimmed down and narrow bill, without any new SCORE funding.

***Status: Did not pass.***

### Solid Waste Management Tax Rebates (HF3172/SF3339)

In order to increase recycling and organics goals some disposal facilities have invested in equipment and labor to pull materials that can be processed out of the waste stream. Recycling and Organics are exempt from the SWMT, but in these cases the tax has already been applied to the collective waste. In order to support the investments being made to reduce disposal and encourage greater diversion, this proposal would have sent some of those collected taxes back to those that report their data on the amount of recycling and organics they divert from disposal. The bill received a hearing but was not included in either tax omnibus bill.

***Status: Did not pass.***

### Solid Waste Management Tax Residential Generator (HF1352/SF2437)

Solid Waste Management Taxes are 17% for commercial waste and 9.75% for residential waste. Reuse and resale stores take in residential products and materials that people no longer want. These products would have been subject to the residential rate had the consumer just thrown them out. These businesses, despite averting the landfill for many products, must pay the commercial rate for what is in no condition for resale or is unable to be sold. The association representing these businesses sought to have the residential rate applied to this waste from their businesses.

***Status: Did not pass.***

### Wind and Solar Recycling (HF1040/SF2892)

A solution for the management of solar and wind energy generation products at the end of life has long been on our radar. This legislation was to create a product stewardship program for both of these growing waste streams. The bill got attention in the House and was amended to a landfill ban for these products before being passed out of committee to the House floor. The provision was not picked up in any omnibus bill and did not move any further. There is ongoing work with the MPCA and stakeholders to address the recycling and decommissioning of solar arrays.

***Status: Did not pass.***

## WATER RESOURCE MANAGEMENT

### Drainage Authority Buffer Report (no bill)

Under MS 103E.067, drainage authorities are required to submit an annual ditch buffer strip report. This report includes actions for which viewers were appointed, miles of buffer strips established, drainage system inspections done, and violations identified, and enforcement taken. Buffer strip information is now collected via the buffer law requirements. The other information is documented at the local level and there is no reason to collect it at the state. The Drainage Work Group agreed that this report could be eliminated. The language to repeal the requirement was added as an amendment to the omnibus environment bill and passed in the Special Session.

***Status: Signed by the governor on June 14, 2025 (Special Session Chapter 1)***

### Large Water Appropriations Projects (HF3007/SF3320)

Data centers had a lot of discussion this year concerning regulatory and financial considerations. This bill, though not exclusive to data centers, was a main target and would have required environmental impact statements to be prepared for a project expected to have a consumptive use that exceeds 100 million gallons per year or 250,000 gallons per day. It created new fees, regulatory requirements, and a new preapplication evaluation process. This new process would have also required any city or county employee who becomes aware of a project that would include significant consumptive water use to report the project and contact information to the state within ten days. The language was very open-ended and did not specify who and under what circumstances this requirement would apply. A data center bill did pass in Special Session that includes a preapplication evaluation process, but it depends on the business working directly with the state. The new mandate for local governments was not included in the final bill.

***Status: Signed by the governor on June 14, 2025 (Special Session Chapter 12)***

### Local Road Wetland Replacement Program (LRWRP) (HF983/SF1535)

The Local Road Wetland Replacement Program is a requirement of the state to mitigate wetland impacts for local road improvement projects. This program has traditionally been funded through the bonding bill, but due to underfunding several times in recent years, emergency general fund appropriations have had to be made. This legislation was seeking $15 million in bonds, $11.5 million in cash this year, and a new base appropriation to BWSR of $7.5 million a year going forward. Unfortunately, budget complications made this full funding request difficult. That said, we did receive $5 million in the bonding bill and a one-time appropriation of $3 million in the transportation bill.

***Status: Signed by the governor on June 14, 2025 (Special Session Chapter 8 and Special Session Chapter 15)***

### Public Waters Definition (HF1008/SF1715)

Last year, the Legislature funded updating the Public Waters Inventory (PWI) but also adopted a provision to change the definition of Public Waters. It would modify the definition of "public waters" to state that a water's inclusion or exclusion on the PWI does not exclusively determine whether it is a public water or not. This change has a delayed implementation until 2027. Counties expressed concern that this is a step backward since it extinguishes the reasoning behind creating the PWI in the first place and creates new uncertainty. Several bills were introduced to either delay the PWI, update, or revise the current process. However, this bill to undo the change to the definition was adopted as an amendment to the Senate Omnibus Finance Bill. Unfortunately, it was moved with most of the policy items in that bill to a separate policy bill that did not make it to the floor of the Senate.

***Status: Did not pass***

### Southeast Groundwater Protection and Soil Health Initiative (HF2708/SF3046)

Olmsted County created its own program to address concerns about nitrates in groundwater. The program provides incentive payments for things like cover crops, alternative crops, and pasture enhancements. This bill sought funding to pilot this across the region in counties that were subject to the Minnesota Center for Environmental Advocacy complaint to the EPA. The program did not get funded, but funds were appropriated to conduct an evaluation of the practice performance and economic performance of the program and report back to the Legislature.

***Status: Signed by the governor on May 23, 2025(Chapter 34, Article 1)***

### Subsurface Drain Tile Reporting (HF77/SF969)

This proposal would prohibit county recorders and registrars from recording a deed or other instrument of conveyance unless it contains a drain tile disclosure certificate. The disclosure would include information about the property owner and property including a map of where subsurface drain tile is located on the property or a declaration that they are not aware of any on the property. The property owner could be held liable for any costs associated with a drainage system if they failed to disclose something they knew of or had reason to know of its existence. Counties would collect a $50 drain tile disclosure fee, remitting $42.50 and the disclosure certificate to the state (BWSR). This bill made progress in the House in 2024 but was not heard in either body this year.

***Status: Did not pass.***

# General Government & Taxes

For additional information on this section, please contact Matt Hilgart at 651-789-4343 or mhilgart@mncounties.org.

## OVERVIEW

The General Government Policy Committee had two AMC policy priorities this session: property tax, levy and mandate relief along with clean up language to past Paid Leave and Earned Sick and Safe Time laws. Staff spent most of their time responding to the poor budget outlook announced in the late November Budget Forecast and reemphasized in the February budget update by focusing on preserving gains made in general purpose aid categories the last few sessions, specifically those in County Program Aid (CPA) and Payment in Lieu of Taxes (PILT) and collaborating with other policy analysts on messaging against any state proposed cost shifts aimed to balance the state's budget woes on county budgets and property taxpayers.

Outside this priority, staff worked to respond to a plethora of human resources-related issues surrounding changes to previously passed earned sick and safe time policies and the Minnesota Paid Leave program which is set to take effect January 1, 2026. AMC convened a group of local government stakeholders—schools, cities, and townships—to outline a list of reasonable change requests that further reflect the nuanced needs of local government operations and limitations. While our list was deemed pragmatic by most legislators—and even saw glimmers of hope in Senate bills—all proposed changes were left by the wayside due to employee group opposition.

The pensions arena proved to have one of the larger spending targets of any issue area this year, with a majority going towards buying down teacher (TRA) early retirement options and assisting with the costs of COLA increases for the PERA Police and Fire plan. Of note, AMC was involved in conversations regarding the possibility of a new pension plan for probation officers. This proposal was eventually changed into a work group which will convene this summer to start looking at new plan options—that include some form of non-penalized early retirement options—for probation and telecommunicator employees.

Elections policy changes were much more minor compared to the last couple of sessions—a result of the culmination of significant policy work in 2024 *and* the split-party control Legislature which returned the Capitol to the days of requiring bipartisan support to get any elections policy changes passed, a staple rule of the early 2010s era. One notable change was a reversal of past absentee ballot in person drop off times on the day of the election to be 5 PM rather than the recently passed 8 PM deadline. This change was strongly supported by the General Government Committee in its 2024 Annual Conference meeting. Originally the state had a 3 PM drop off time which was changed to 8 PM in recent years to line up with the close of polling/voting hours.

Lastly, AMC staff monitored active session deliberations over cannabis regulation policy. While the 2023 Legislature passed the general legalization bill for recreational cannabis, the Office of Cannabis Management still has been rolling out the complicated licensing process while also seeking to adopt permanent rules (which were published in Spring). Local governments were unfortunately deprived of their 20% revenue stream from the 10% gross receipts sales tax as part of a tax agreement deal that attempted to bring back more revenue to help with the state deficit. That said, locals were successful at keeping much of the local control provisions put in place by the Senate during the 2023 deliberations.

# AMC PRIORITY: CHANGES TO HR LAWS (PAID LEAVE/ESST)

### Earned Sick and Safe Time Changes (HF5246/SF4936)
### Paid Leave Law Changes (HF4822/SF4985)

The AMC General Government Committee spent a significant amount of discussion during the Fall Policy Conference sharing concerns and clunky interactions of new HR policies surrounding Earned Sick and Safe Time (ESST) mechanisms and a new Paid Leave Program mandate—both of which were passed during the 2023 session. Cognizant of total DFL control in both chambers, the committee voted to wait until the November election outcomes to see if any changes at the Capitol would open an opportunity to highlight reasonable employer concerns and questions. After November's election outcome created a tied House chamber, the AMC Board gave staff the go-ahead to create an HR-related work group to identify pragmatic and reasonable changes to Paid Leave and Earned Sick and Safe time policies that left the core elements of each program in place, but better recognized the uniqueness—and limitations—of local governments. This work group was comprised of representatives from the Minnesota County Human Resource Management Association (MCHRMA) and the Minnesota Association of County Administrators (MACA). Over several meetings they created a spreadsheet of prioritized requests including:

#### PAID LEAVE

- Making clear the Paid Leave premium was 50/50. AMC still believes the intent of the law was clear to allow employers to require employees to pick up the costs of up to 50% of the premium; that said, several counties had mentioned that unions had requested to collectively bargain the issue.
- Making clear elected officials are not eligible for the Paid Leave program and do no pay premiums.
- Clearly stating there is no stacking of Paid Leave and Minnesota Pregnancy and Parenting Leave program—similar to what the Legislature did with no stacking of Paid Leave and FMLA.
- Requiring further communication on intermittent leave schedules.
- Identifying an hour threshold (80 hours was suggested) for noneligible workers. This was an attempt to make certain extreme short-term positions—elected officials—not eligible for the program or payroll deductions.

#### EARNED SICK AND SAFE TIME

- Removing the co-opting language in MS 181.9448 that requires local government to expand their previously bargained sick/leave bank policies to include expanded use eligibility that was passed as part of the new ESST law—known as the "Effect on more generous sick and safe time policies."
- Adding language to make clear that certain public safety and critical personnel are exempt from using ESST hours during weather related events. A 2024 law change allowed this so long as there was a Memorandum of Understanding between the public employer and union.

Throughout session, the House GOP attempted to highlight employer-requested changes to both Paid Leave and Earned Sick and Safe Time (ESST) laws and allowed AMC to testify at multiple hearings to express our needs [Letter to Ways and Means]. While there were some bipartisan efforts on both issues—including a **Senate bill** that passed the floor changing certain aspects of the ESST law and a bipartisan bill to change certain elements of the Paid Leave program—most DFL caucus members refused to change either program, particularly the Paid Leave program which is set to take effect January 1, 2026. In addition, the leadership agreement apparently omitted any negotiated changes to either program aside from reducing the total Paid Leave Premium cap from 1.2% to 1.1%. Regardless, GOP Workforce, Labor, and Economic Development Co-Chair Dave Baker continued to bring requests for changes to conference committee and leadership negotiations.

In the end, he was awarded minor changes to ESST for his efforts, including:

- Additional employer notice requirements.
- Enhanced documentation requirements.
- Ability to advance/prorate ESST hours based on an employee's projected work hours for the remaining portion of the accrual year.
- [An ability to cap the effect on more generous leave policies to 160 hours was discussed but ultimately not adopted as part of the final changes].

Other resources:

- House Ways and Means Paid Leave Input
- MCHRMA/AMC final ESST Rule Input

***Status: No major changes to programs, small administrative changes included in Special Session Laws, Chapter 6, signed into law by the governor on June 14, 2025. ).***

# AMC PRIORITY: PROPERTY TAX, MANDATE, AND LEVY RELIEF

Prior to the Annual Conference, the state stood hundreds of millions in the bank in surplus and reserves along with an "optimistic question mark" for what the future held. In addition, recent county advocacy successes in PILT, CPA and other tax expenditures created Board and staff interest in selecting a property tax and levy relief priority that was focused on additional general purpose aid, mandate relief, and general property tax relief policies. Unfortunately, the state's budget outlook was released later in December showing a marked decline in good fortune with a mix of reduced revenue and more than expended spending/costs, particularly in the health and human services and education areas. With new spending or increased aids off the table because of budget constraints, AMC spent most of its time lobbying to protect recent gains and critical county aid programs. In addition, General Government staff teamed up with HHS team members to assist in advocacy efforts once the governor and Legislature started proposing historic cost shifts to counties in disability waiver services and more.

In the end, while AMC did not get new County Program Aid dollars, we were successful in staving off cuts to the program and removing several property tax shift policy ideas, in addition to helping avert the worst of the cost shift proposals in the HHS arena.

# TAXES

This year's tax conversations were starkly different depending on which chamber you were witnessing. The House worked in collegial fashion to hear an assortment of GOP and DFL proposals and, for the most part, recognized each party's limitations, resulting in a small, low-cost version of a House tax bill released in early May. Meanwhile, the Senate had a higher "target" but more flexibility to work within single party control allowing Sen. Rest to use a combination of tools—including revenue raisers—to get to her budget target numbers while also spending tax revenues on things she had prioritized such as a Sustainable Aviation Fuel (SAF) credit and more. Despite several public meetings, it was clear by the end of Regular Session that no tax deal would be made and instead efforts were made to reconstitute public deliberations during the interim "working groups" phase prior to the one-day Special Session. The Tax Work Group met several times in this period but was also assisted by leadership and the governor's office behind the scenes to come to a consolidated tax agreement that, in effect, made no one totally happy. Signs of a good deal?

AMC worked the entire session to protect critical general purpose aid categories that are vital to property tax relief and the funding of mandated government services. Aside from staff testimony, AMC President Mike Slavik, Commissioners Paul McDonald, Karla Bigham, and Steve Garnder all took time to present in front of committees to stress statewide priorities. In addition, AMC partnered with the Minnesota Association of Assessing Officer (MAAO) to educate committees about complex property tax interactions and policies and underscore the importance of limiting tax base shifts. The partnership helped this goal become a reality as the final agreement spared communities of any further deterioration of tax base through rate reductions, exemptions, or exclusion expansions. Lastly, MAAO and AMC worked to make sure critical policy language regarding the Minnesota Supreme Court Case *Alliance v. Hennepin* was included in the final Special Session Tax bill language.

## Omnibus Tax Bill (HF9)

Neither the House nor Senate passed off their floors a tax bill proposal by the end of Regular Session and instead spent most of their time discussing and negotiating on and off behind the scenes. The original Senate Tax proposal that was released in the Senate Tax Committee contained **CPA cuts of $20 million/year** as well as an elimination of Local Cannabis Aid. The CPA cuts were reduced to $10 million/year in a succeeding committee hearing. The House proposal also eliminated Local Cannabis Aid but did NOT contain any reductions to CPA, PILT, Buffer, or AIS programs. Both House Tax Co-Chairs Greg Davids (R-Fillmore) and Aisha Gomez (DFL-Hennepin) were insistent upon there being no general-purpose aid cuts. Aside from this, both bills contain minimal property tax shifts (rate reductions/exclusions/exemptions) outside proposals to expand the Disabled Veterans Exclusion.

The tax agreement (Special Session HF9) - which Rep. Davids called the "We Can Work It Out" Tax bill—does NOT contain any cuts to County Program Aid (CPA), LGA, Payment in Lieu of Taxes (PILT), Buffer Aid, SAHA/LAGA aids, or Homelessness Prevention Aid. The agreement secures a significant portion of its $117 million FY25-27 target and $190 million FY28-29 target by eliminating the local cannabis aid account, increasing the cannabis gross receipts sales tax from 10% to 15%, and repealing a portion of the sales tax exemption to data centers (energy systems related) that nets roughly $56m in the first biennium. The agreement does include a 50% reduction in Aquatic Invasive Species Aid (AIS) and a 10% "haircut" to the Sustainable Forest Initiative Act (SFIA), which some landowners in heavily forested counties are participating in. Both cuts are set to start in FY2028.

In addition, HF9 includes critical AMC/MAAO-supported policy language assisting with the outcomes related to an *Alliance v. Hennepin County* State Supreme Court Case which was absent from previous agreements. The bill also removes all proposals to shift property taxes via rate reductions, exemptions, or class changes.

After fairly quick debate, the bill ended up passing 93-39 in the House and 34-32 in the Senate. AMC is extremely grateful for House Tax Co-Chairs Greg Davids and Aisha Gomez and their bipartisan work to elevate the importance of County Program Aid, highlight the critical work counties do, and demand no cuts to CPA as a part of the final agreement. Their work was instrumental in protecting county gains made in 2023 and prior sessions.

**Provisions included in the final tax bill/agreement passed during the June Special Session:**

- *No cuts* to County Program Aid (CPA) or Payment in Lieu of Taxes (PILT) programs.
- Removal of the local cannabis aid account starting in FY26. The final bill also increased the cannabis gross receipts tax from 10% to 15%. Both the tax increase and shifting of local cannabis aid to state general revenue fund will add roughly $135m and growing into the state coffers [Article 3, Sec.2 and Article 8, Sec. 17 and 22].
- 50% reduction of Aquatic Invasive Species Aid (AIS) starting for aids payable in 2027 and thereafter [Article 4, Sec. 4].
- MAAO/AMC-supported language addressing the *Alliance v. Hennepin* Minnesota Supreme Court ruling [Article 2, Sec. 1].
- AMC-compromise language regarding the valuation of certain conservation properties within the metropolitan area (see further below for more details) [Article 2, Sec. 6].
- Sen. Putnam language expanding class 2 agricultural to include "floriculture" and changing intensive market farming requirements to be 15 or less contiguous acres in addition to a Schedule F showing gross reported income of at least $20K [Article 2, Sec. 8].
- Land bank organization language [Article 2, Secd. 14].
- Accelerated payment of June sales tax liability "June Accelerated"—which creates a one-time $23m increase to the State General Fund [Article 3, Sec. 2].
- Removing certain qualified data center sales tax exemptions surrounding electricity purchased or consumed in the operation of a data center [Article 3, Sec. 4].
- Reducing certain incentive payments for Sustainable Forest Initiative Act beneficiaries while also allowing early withdrawal by landowners currently enrolled in the program [Article 4, Secs. 1-2].
- Public finance article with Stearns County-requested/supported language that clarifies general obligation bonds may be used to fund court houses and justice centers if "connected to a jail, correctional facility, or other law enforcement facility." [Article 7, Sec. 1]
- Sales tax exemption for building materials, equipment, and supplies for construction/remodeling/improving a sustainable aviation fuel facility [Article 10, Sec. 2].
- TIF proposals [Article 5].
- **Bill Language**

***Original* House tax bill provisions of note:**

- Extended the local government sales tax moratorium one year (from May 30, 2025, to June 30, 2026) while establishing a Legislative Task Force on Local Sales Taxes composed of legislators from the House and Senate to chart a course for future changes to local sales taxes [Article 2, sec. 7 and 17].
- Fixed the negative outcomes associated with the *Alliance v. Hennepin County* tax court case which would result in assessors issuing personal property tax statements to tenants in low-income housing and creating a new, growing, and sizable shift from 4d to exempt for many low-income properties. AMC and MAAO worked in support of this proposal [Article 2, sec. 3].
- Increased the Disabled Veterans Homestead Market Value Exclusion from $150K to $175 for disability ratings of 70 or more and $350K instead of $300K for 100% total/permanent disability threshold [Article 3, Sec. 8].
- Expanded eligibility for the Senior Property Tax Deferral Program by increasing annual income threshold from $96K to $110K [Article 3, Sec. 11].
- Included Land Bank language (Article 3, Sec. 17-19].
- Included a new report on "strategies to reduce property taxes" [Article 3, Sec. 21].
- Included several new TIF language and expansion components [Article 5].
- Included public finance changes providing clarity on GO bonds for combined courthouse/justice center, jail facilities [Article 6].
- Included Rep. Elkin's Land Value Taxation District language [Article 7, Sec. 20].
- Repealed Local Cannabis Aid Program, MS 477A.32 [Article 7, Sec. 32].
- Included Dept. of Revenue proposal to allow value of class1b property in excess of $50K to be classified as 4d(2) if they meet the requirement for that classification.
- **Summary**
- **Spreadsheet**

***Original* Senate tax bill provisions of note:**

- Cut County Program Aid and Local Government Aid by $20m/year for each program starting for aids payable in 2026 and thereafter [Article 4, Secs. 6 and 13].
- Included the governor's proposed language to repeal the local cannabis aid account [Article 10, Sec. 26].
- Reduced annual per acre payment of certain SFIA-enrolled parcels by 10% [Article 10, Secs. 22 and 39].
- Included a Sen. Weber proposal to exempt property owned by a nonprofit conservation organization that is leased/loaned, or otherwise made available to an individual, corporation, or association for grazing activities that further the nonprofit conservation organization's conservation objectives.
- Expanded class 2 (Ag) rate to property with less than 11 acres with income at least $5K.
- Further expanded of ag homestead family definitions [Article 2, Sec. 8].
- Modified class 1c ("ma and pa" resorts) tiers by expanding value/tax benefits [Article 2, Sec. 11].
- Included similar language to the House regarding expanding Disabled Veteran Homestead Exclusion benefits.
- Included a Sen. Kupec border cities tax benefit program enhancement [Article 3] and a Sen. Hauschild proposal to provide certain school districts in high seasonal recreation areas a taxbase replacement aid [Article 4].
- Created a new social media data collection excise tax proposal [Article 3, Sec. 4].

- Provided tax incentives for Sustainable Aviation Fuel developments, tax relief for a future PGA sponsored golf event, and extension of a sales tax benefit for qualified data center purchases.
- Included a public safety aid reporting mechanism.
- Included a Lake and St. Louis County-supported article related to the taxation of gas production stemming from newly found helium deposits in Northeast Minnesota [Article 9].
- Included Sen. Rest's Local options sales tax local approval language with county-eligible public safety projects.
- **Summary**

***Status: Signed by the governor on June 14, 2025 (Chapter 13, Special Session)***

## Conservation Easement Tax Treatment (HF632/SF2199)

A Sen. Dibble and Rep. Nadeau bill to provide assessors the ability to reduce land value on which there is a conservation easement was once again heard in both chambers this year (having last been heard but not included in 2023). The original bill would permit assessors in the seven-county metro area to unilaterally reduce the assessed value of property that contains a conservation easement and county assessors *outside* the metro to do so by county board resolution. As background, the underlying law that *prohibits* county assessors from reducing value stems from a historic 2010 conservation easement of over 150,000 acres which resulted in Blandin Corporation not only receiving a historic sum for an easement ($40 million+), but then saw the company successful appeal their property tax bill to the Tax Court for a reduction of 88%, resulting in multi-million dollar tax shifts to four counties. Shortly after this outcome, Senate Tax Chair Rod Skoe successfully advocated to the Legislature to modify statutes in the form of the current law which states that "*the value of real property which is subject to a conservation restriction or easement shall not be reduced...*" to make sure property owners benefiting from a payment of a conservation easement didn't also get to come back for a property tax benefit while shifting taxes to others.

In recent years, certain metropolitan counties have stated that their conservation goals have been stymied because landowners are not satisfied with the upfront easement purchase and desire a property tax decrease, as well. AMC has been working in good faith with Hennepin County to address their concerns while also protecting underlying law which seeks to protect tax shifts statewide. The House and Senate bills were amended with AMC-supported language to provide a clearer tie to conservation/agriculture protection programming in order for the assessor to reduce value. Specifically, the amended bill allows metropolitan counties to reduce the value of land with conservation easements if that county has "adopted a program to protect farmland or natural areas and has authorized the assessor to consider the impact of the conservation easement on the property's value," language that already has precedent in statute.

AMC is grateful for Hennepin's partnership and to Rep. Nadeau and Sen. Dibble for amending in AMC's preferred language.

***Status: Signed by the governor on June 14, 2025 (Chapter 13, Special Session)***

## Assessors Data Bill (HF2959)

This bill was heard in the House Judiciary Finance and Civil Law Committee this year and would have drastically reshaped how assessors can access and use important lease information for tax petitions. The bill, authored by Committee Co-Chair Peggy Scott (R-Anoka) was being advocated for by **BOMA**, who claims that sensitive lease information is being released during the tax petition process (Court hearings), amounts to trade secret disclosure, and creates competitive disadvantages. Their proposal would require assessors to have a protective order from the Court in order to submit/use lease information and data. Lease information is a critical tool and data set assessors use when determining market value, particularly for commercial properties, and falls within International Assessing Standards surrounding income approach— "lease data is crucial for projecting income streams, which are then used to determine market value through capitalization or discounted cash flow analysis." While seemingly benign, the process would be anything but and would add an entire new layer for assessors to use the data needed to do their job and defend petitions.

The bill would have also required assessors to communicate deficiencies in filing petitions to the petitioner if their data is incomplete and provide them 30 days to correct outside the August 1 deadline. While this ability is already afforded to common petitioners, it is unclear why it should be to professional tax appeal attorneys who are well aware of the data submission required for petitions. MAAO member and Hennepin County Assessor Josh Hoogland testified in the committee saying that "the data is extremely important, particularly in the market we're having right now with office towers. Without the data, we'd be much more conservative and there would be shift to other properties including residential."

AMC reached out to the author/chair of the committee during session to outline concerns related to the bill and to offer that if privacy of the lease information remains the goal, perhaps a simple requirement to "seal" the court record would be more meaningful. Co-Chair Scott closed the committee discussion by recognizing that "perhaps this isn't *the* solution, but there is a solution out there." The bill was not included in any version of a House or Senate Judiciary/Civil Law omnibus bill, but AMC suspects this issue will continue to be discussed at the Capitol.

***Status: Did not pass.***

## Homeless Prevention Aid—Sunset Repeal

In 2024, a group of county commissioners and staff presented in the House Tax Committee highlighting counties' use of Local Homeless Prevention Aid, passed in the 2021 session. Local Homeless Prevention Aid was part of a bipartisan 2021 Tax bill that provides counties and Tribes $20 million/year to help ensure no child is homeless. Counties started receiving funds (total of $17.6 million) in July of 2023 and can spend those resources on various projects and programs. County testifiers from Hennepin, St. Louis, Mower, and Anoka Counties testified in support of the program and outlined specific program examples and success stories the aid has provided. House Tax Co-Chair Aisha Gomez expressed gratitude for counties' work and partnership with these critical resources and pointed to positive outcomes based on the legislation's purposeful flexibility to local governments. Last year, House Tax Co-Chair Aisha Gomez included a proposal in her omnibus tax bill proposal to provide a one-time, $4.4m increase to homeless prevention aid of which Tribes would receive roughly $600K and counties $4m. Most importantly, the Co-Chair's proposal also eliminated the sunset of the aid program—which is set to expire in 2028—meaning that the $20m in critical youth/family homelessness prevention support would become an ongoing appropriation. While the Senate omnibus bill did not include either of these proposals, Senate Tax Chair Ann Rest did note agreement with the House position early on in conference committee.

This session, Co-Chair Aisha Gomez once again attempted to remove the sunset on the aid category, arguing not only for the importance of the program but also that it would appear "cost neutral" given the 2029 effective date was past the out biennium scoring period. Unfortunately, neither House GOP Co-Chair Greg Davids nor Sen. Rest agreed to this provision, meaning that the 2028 sunset is still in place and likely to be the end of the program given the dire state budget projections.

***Status: Did not pass.***

## Local Sales Tax Authorization Discussions (SF375)

In 2023, the Legislature created a task force to explore how cities and counties might use a streamlined local tax mechanism to fund qualified projects if the local government met certain standards. This task force was a result of bicameral legislative fatigue over an increasing number of local sales tax proposals requiring legislative approval prior to going out for voter approval via referendum. Over the course of six months and over 14 meetings, the Task Force came up with recommendations to allow cities and counties to utilize local sales taxes—outside the legislative process—if they met certain core qualifications and the projects fell within certain categories.

Specifically, the recommendations listed project categories that included county-requested "criminal justice facilities" which would encompass three core projects: correctional facilities, district court offices, and law enforcement centers. AMC task force appointee and Stearns County Administrator Michael Williams participated in this group and supported the ultimate recommendations as a balanced approach to providing local governments tools to invest in critical—and often mandated—infrastructure improvements while also providing transparency, uniformity, and reasonable limits.

The Legislature reviewed these findings and recommendations in 2024, but each chamber pursued different paths that proved to not be able to adjoin later in session. Senate Tax Chair Ann Rest picked up the unfinished work during the summer and fall months, reconvening many of the stakeholder groups, including AMC, in an effort to get some kind of agreement going. These efforts were encapsulated in **SF375**, a bill that would provide a legislative-free path to authorization, defines what projects would qualify, and requires a robust public input process that includes public meetings and ultimately a referendum.

AMC supported the Senate's efforts to include public safety-related facilities such as correctional facilities, justice centers, courts, dispatch centers, and law enforcement infrastructure. The bill does have some requirements related to qualification of these projects and limits local governments' abilities to spell out on the ballot that "a vote no may result in higher property taxes." In a recent amendment, the Senate stripped out the county equity sharing portion, which would have potentially created an "equalization" distribution to adjoining counties that did not have a sales tax in place.

In the end, the House DFL Tax Co-Chair still did not support the Senate's efforts and the policy differences between the two sides do not seem too bridgeable. In lieu of no legislation passing, the local sales tax moratorium has been lifted (effective June 2025), meaning any county (or local government) will revert back to the recent practices of first coming to the Legislature with a local board resolution to get legislative approval, and then, once approved, return to the public for a referendum vote.

More information:

- Senate **Bill summary**
- **AMC Letter/position**

***Status: Did not pass.***

## Land Value Taxation Districts (HF161)

Discussions surrounding the Land Value Taxation Districts idea continued this year and was ultimately included in the House omnibus tax bill. Chief author, Rep. Steve Elkins presented—for the third year in a row—a bill that would allow cities to create "land value taxation districts" to try to deter developers from sitting on vacant or undeveloped land. Under the proposal, a city may designate a land value tax district area where they could focus on valuing potential of land rather than simply the land and improvements on it. House Tax Co-Chair Aisha Gomez has expressed her support for the idea, stating that this tool would only be used if the local government wanted to and cited specific examples of developers sitting on empty/vacant lots or even damaged properties without any near-term desire to develop the sites in hope of longer-term investment profits. Assessors have spoken in the past about logistical and administrative concerns citing the potential need to develop an entirely new approach to land valuation and questions on impacts for residential properties. That said, some commissioners have expressed interest in the idea and are particularly drawn to its application in Detroit and the ability to have a stronger "stick" for redevelopment of prime, but low-use land in metropolitan areas. That said, no counties or assessors spoke against or in favor of the bill this year and mostly just watched the discussion. A slimmed down version of Rep. Elkin's original bill—which would have limited the powers to just a few cities in Hennepin County—was included in the House omnibus tax bill but was ultimately not accepted by the Senate or included in the final tax agreement in June.

***Status: Did not pass.***

## Nonprofit Housing Tax Exemptions (HF2257)

In spring 2024, the Minnesota Supreme Court ruled in **Alliance Housing v. Hennepin County** that nonprofits who operate and lease real property to individuals with a purpose of providing housing for low-income individuals are qualified as an institution of public charity and thus eligible for property tax exemption. Counties had previously argued that despite a charitable organization's purpose, their tax exemption status did not extend to private use by third parties when renting residences. The outcome of this case not only will create sizable tax shifts (particularly in districts with large nonprofit housing providers) but will also have negative outcomes for the viability of certain TIF-districts and even for renters who might now be sent property tax statements due to the interplays of Minn. Stat. 272.02.

AMC worked alongside the Minnesota Association of Assessing Officers (MAAO) last year to review and promote property tax policy changes that would provide clarity to the Minnesota Supreme Court ruling, prevent large tax base shifts, and protect renters from losing access to the renter's credit. Unfortunately, they were not included. That said, this year there was bicameral and bipartisan support for MAAO's proposal in both chambers. Assessors from Hennepin and St. Louis County alongside other statewide associations (AMC and MICA) all worked to stress the importance of making sure renters weren't disproportionately impacted by the decision and also made the case that the potential tax base shift from a complete exemption was not wise, particularly given the newfound reduction of the 4d tax rate to .25%.

The House included language in their omnibus tax bill to provide these clarifications by making it clear that charitable organizations must occupy and provide services from a property to receive an exemption. The Senate Tax Chair authored the language and heard it in her committee, but did not include it in the Senate's tax bill version. Despite late concerns that nothing would happen, language did appear during the week leading up to Special Session that included AMC/MAAO's preferred language. AMC is grateful for the expertise of our assessors, the Department of Revenue, and the bipartisan support of Chairs Aisha Gomez, Greg Davids, and Ann Rest.

***Status: Passed.***

# PENSIONS

An omnibus pensions bill was one of the few items to get through the Legislature during the Regular Session with both chambers strongly supporting the **omnibus package**. The bipartisan legislation contained $40 million/year in new benefits/enhancements mostly targeted at teachers and the police and fire plan. Of particular importance was a local government-supported policy change to duty disability benefits for the PERA Police and Fire Plan that would:

- Limit continued health insurance benefits to five years for non-permanent and total disability applicants (currently health insurance benefits continue at employer expense until Medicare eligibility/age 65);
- Eliminate settlements/compensation in lieu of the health insurance benefits (the option to negotiate cash in lieu of benefit has resulted in many counties "settling" for significant amounts of money);
- Exempt normal retirees over the age of 55 from applying/receiving continued health insurance benefits after they retire;
- Clarify that employees receiving PTSD treatment under the 2023 new state treatment program may still work if provider/employee agree and that they do not have to use PTO/sick leave; and,
- Disallow employers/local government from contesting the health care benefit.

All told, the changes should help improve the funding trajectory of the Police and Fire plan while also preserving and protecting well-deserved treatment/support programs fought for during the 2023 session that aim to help those suffering from PTSD return to the public safety profession.

***Status: Signed by the governor May 23, 2025 (Chapter 37, Regular Session).***

# ELECTIONS AND STATE AND LOCAL GOVERNMENT

The State and Local Government and Elections Finance and Policy Conference Committee met only a couple times publicly before taking negotiations behind the scenes. Counties were glad to see several county/AMC supported provisions in the final conference committee agreement, including an Anoka and Hennepin-driven, AMC General Government Committee supported change to the Absentee Ballot drop off deadline to 5 PM the night of the election. See below for county-included provisions:

- Resolution on an Absentee Ballot drop off time—House had a 5:00 PM offer while Senate was 3:00 PM election day. The conference committee decided to go with the House position of 5:00 PM night of election.
- A third-party disclosure requirement on all mailings of sample ballot/absentee ballot applications (supported by both AMC and MACO) [Article 7, Sec. 18].
- Language providing flexibility for locals to post public notices online under certain circumstances.
- Remote meeting expansion (covered in more detail below).

## Ranked Choice Voting (RCV) (HF683/SF1071)

Ranked Choice Voting proposals took a back seat this year at the Capitol, in recognition of the dual party nature of the House chamber as well as the departure of past Senate advocate Kelly Morrison. Rep. Frazier once again authored a revised "local option" Ranked Choice Voting (RCV) bill in the House this year after 2023 and 2024 efforts for a statewide proposal faded leaving only references to a Secretary of State voting study to look into RCV in the future. Sen. Jim Carlson offered the Senate companion, SF1071.

The bills—modeled after a 2024 version with AMC input— would allow all cities, school districts, and counties to adopt RCV through either an ordinance, resolution, or referendum only after the Secretary of State's Office adopts rulemaking on uniform RCV administration rules. AMC was successful in working with MACO, LMC, and the Secretary of State's Office during the 2024 session to include a portion that requires any city or school that wants to utilize RCV but does not administer their own election to first enter into a contract/agreement with the administering county OR they would have to run the election themselves. The new bill also limited RCV from being used in even-year, statewide-general elections. After these changes, AMC expressed support for the bill. That said, the bill was not included in an omnibus elections package and was not brought up on the Senate floor for stand-alone action.

***Status: Did not pass.***

### Local Government "Binder Bill" (HF554)

House Local Government Operations and Elections Co-Chair Duane Quam presented **HF554**, a bill that would require local governments to assemble and create manuals available to the public that would contain all procedures, policies, and fines and fees information. Specifically, the bill would have required cities and counites to "have clear operating policies, procedures, forms, deadlines, due dates, or payment requirements relating to each duty or operation of the county or city on file in the applicable county or city office. The information must be contained in one or more policies and operations manuals, and these manuals must be available for employee training and reference and for inspection by the public at the applicable office."

An author's amendment (A2) changed the scope a bit by stating the proposal would only apply to cities with a population over 10,000 and counties with a population over 40,000. AMC joined local government groups to provide **input** on the bill seeking more clarification regarding what data was being sought and issuing concerns about data already being available and the mandated costs and redirection of workforce associated with assembling the manuals. The bill passed out of committee but was ultimately not included in any version of an omnibus local government bill.

***Status: Did not pass.***

### Other noteworthy elections policies included in omnibus State and Local Government and Elections Finance and Policy bill:

- Changes to the definition of local official, expert witness, "official action of a political subdivision," and other lobbying definitions as well as changes to requirements surrounding economic interest statements. [Article 7].
- Newspaper flexibility language that will provide local governments the ability to post public notices online under certain circumstances when a local newspaper is discontinued—supported by AMC and the Minnesota Newspaper Association and authored by State Representative and former Sibley County Commissioner Bobbie Harder [Article 6, Sec. 5].
- Expansion of open meeting law virtual attendance options (see below) [Article 6, Sec. 1].
- A designation of the Giant Beaver to be the official state fossil of Minnesota [Article 2, Sec. 1].
- A change to allow eligible state employees to donate additional accumulated vacation hours in excess of their vacation payout at time of retirement into a general pool, even if they have donated over 40 hours [Article 3, Sec. 18].
- Several changes to polling place and ballot handling operations and election chain of custody enhancements [Article 8, Secs. 33-34, 40, 52].

***Status: Signed by the governor May 23, 2025 (Chapter 39, Regular Session).***

# LOCAL GOVERNMENT

## Local Government Cybersecurity Grant Program (HF140/SF379)

AMC pursued funding to establish a state-funded local government cybersecurity grant program for the second legislative session. The 2024 session was used to "socialize" the proposal, and the 2025 session was a pursuit of funds in earnest. The bill, HF140/SF379, would have allocated $20 million of general funds to a new grant program administered by MNIT. Counties, along with cities, would be eligible to submit project applications to MNIT and receive funds based on a competitive process. The proposal was presented to the Legislative Commission on Cybersecurity by Amy Middendorf, MNCITLA Chair and Morrison County IT Director, on November 22, 2024. It received positive feedback from the LCC members. Sen. Melissa Wiklund offered to author a bill in the Senate and Rep. Kristin Bahner indicated she would author it in the House. The proposal was also submitted to the Governor's staff and MNIT for possible inclusion in the Governor's budget bill.

HF140/SF379 were introduced in the first month of the 2025 legislative session. SF379 had bipartisan coauthors, but HF140 only had DFL coauthors. The House GOP took a general position of "no new spending" during the 2025 session because of looming budget deficits, despite offering verbal support for the bill in meetings and during later committee hearings. Both bills received hearings by the House and Senate in their respective committees. HF140 was heard on February 27th in the State Government Finance and Policy Committee, and SF379 was heard on February 20th in the State and Local Government Committee. During these hearings, the bill was amended to change technical language and include townships and cities with a population greater than 5,000 people. The Minnesota Association of Townships provided feedback to AMC and the League of Minnesota Cities that their members wished to be included as eligible applicants. There are less than ten townships in Minnesota with a population of greater than 5,000 people, so AMC and LMC were amenable to this proposal.

The House and Senate Committees eventually released their omnibus spending bills in April and funding for the local government cybersecurity grant program was not included. New funding for new programs was rare in the 2025 session, so the outcome was not unexpected. However, significant progress was made on raising awareness about local government cybersecurity in general and familiarizing legislators with the idea that the state must play a role in helping counties protect systems and data. MNCITLA and AMC plan to return to ask for funding during the 2026 legislative session.

***Status: Did not pass.***

## Open Meeting Law Remote Voting (SF3045)

The Legislature approved a new law that would allow any member of a public body to attend, participate, and vote in public meetings remotely if the public meeting notice includes a statement that members may be participating remotely. This is the second session in a row that this proposal was brought forward and this year it was included in SF3045, the State and Local Government and Elections Policy and Finance Bill. The bill was signed by the governor on May 23, 2025. The policy goes into effect August 1, 2025.

Previously, members of a public body could remotely attend—but not vote at—three meetings per calendar year and required a doctor's note advising them to not be in a public setting for medical reasons or be members of the military at required drill, deployed, or on active duty. Members were also required to disclose their location to the public and make their location open to the public. The new law strikes the doctor's note and military provisions as well as eliminates the requirement to post the member's location. Members of the public must be able to see and hear all testimony and votes by the public body and votes must be conducted by a roll call.

Legislators afforded themselves the ability to vote remotely during the COVID-19 pandemic and felt it was unfair that local governments were not given the same remote voting privileges. People receiving cancer treatments, expecting mothers on bedrest, or other medical scenarios that may require a member of the public body to remotely attend more than three meetings per calendar year were cited as the driving force behind this. Additionally, legislators felt it was unfair that a member of a public body was required to disclose their home address and, technically, make it open to the public.

***Status: Signed by the governor on May 23, 2025 (Chapter 39).***

# Housing

For additional information on this section, please contact Cate Duin, Policy Analyst, at 651-789-4323 or cduin@mncounties.org.

## OVERVIEW

This year saw the continuation of significant debate around efforts to curtail or change local government zoning authority around certain housing-specific land use/developments. Discussion in committee centered around these topics along with ongoing discussion on Minnesota Housing grant programs, including those which are available to local governments and their partners including the Greater Minnesota Housing Infrastructure Program and the Family Homeless Prevention Assistance Program. While last session was marked by historic investments of one-time money into the development of housing and homelessness prevention efforts, this session was marked by a return to core programs.

## ZONING BILLS

This year, efforts to make changes to zoning authority were advanced under a coalition umbrella called "Yes to Homes." The coalition was made up of community advocates, developers, and a bipartisan delegation of legislators including Senate chair and House co-chairs. Despite bipartisan support for these efforts, there was also bipartisan push back to the pre-emption of local authority. In the end, only a change awarding additional points to MHFA grant applicants with more open zoning policies was included in legislation. This issue is set to continue to be a point of contention again next session, with chairs in both chambers promising the continuation of the coalition's efforts and urging stakeholders to come to some sort of compromise.

### Minnesota Starter Home Act (SF2229/HF1987)

This bill requires municipalities to permit single-family homes and duplexes on residential lots. It would also allow for accessory dwelling units on single family lots. Further, it includes a number of specific pre-emptions of local regulations on construction of single-family homes, duplexes, and ADUs except those necessary for public health, safety, and general welfare. Restrictions include no requirements of specific construction materials beyond those required by building code and reductions to minimum lot sizes to allow for greater density.

***Status: Did not pass***

### Multi-Family Housing in Commercial Areas (SF2286/HF2018)

This bill requires municipalities to permit construction of multi-family housing (apartments and condos) in areas that are currently zoned for commercial use.

***Status: Did not pass***

### Minimum Parking Mandates Prohibition (SF1268)

This bill prohibits municipalities from requiring minimum parking mandates for residential, commercial, or industrial properties.

***Status: Did not pass***

### Increasing Housing Options Act (SF2231/HF2140)

This bill requires some cities and towns to create "mixed housing districts" that allow multifamily housing up to four units within residential districts, depending on population levels. The bill would not affect cities or towns with 10,000 or fewer residents.

***Status: Did not pass***

### Residential Development Regulations on Aesthetics Limited (HF2013)

This bill prohibits "aesthetic mandates" which include when municipalities' zoning requires certain construction materials or aesthetics that go beyond what is required by state building code. While certain counties were more actively involved in these discussions—alongside the League of Minnesota Cities, Coalition of Greater Minnesota Cities, and Small Cities—AMC largely stayed out of the debate and focused on supporting efforts on additional Housing Infrastructure Bond investments and funding for Family Homeless Prevention and Assistance Program (FHPAP) and housing development grant programs. However, AMC did work with MACPZA to share concern and opposition to restrictions on county zoning authority.

***Status: Did not pass***

### Common Interest Communities Modifications (SF1750/HF1268)

This bill included significant changes to statute on common interest communities, which include homeowners' associations (HOAs). Included in the bill language as introduced was a section that would prohibit counties (along with municipalities) from conditioning approval of a residential building permit or conditional use permit on the creation of a HOA.

When the bill was heard in the Senate Judiciary Committee, this language was amended out. It was then amended back into the bill on the Senate floor, passed out of the Senate, but found itself stuck in the House Commerce Committee where it did not proceed further.

The language from this bill was amended onto a vehicle bill later in session, SF2309, as a "skinny bill" version of the above zoning changes. This amended language also included restrictions on aesthetics and parking mandates for counties. AMC and MACPZA worked together to connect with the bill's author and submitted a letter outlining concerns regarding pre-emption of local authority and impacts. The bill received a hearing in the Senate State and Local Government Committee, where it received significant debate. The bill was laid on the table and was not passed, by a margin of 1 vote (5-6-1). From there, zoning discussions moved into the "carrot" approach that ultimately was included in the final omnibus bill outlined below.

***Status: Did not pass***

# LOCAL AFFORDABLE HOUSING AID/STATEWIDE AFFORDABLE HOUSING AID

The conversations around local affordable housing aid (LAHA) and Statewide Affordable Housing Aid (SAHA) were fairly limited this session. AMC and member counties worked together to have discussions with committee leaders regarding the opportunity for policy changes to include administration as an eligible use of funds. These conversations ultimately did not move forward this session, however, we suspect they will continue into the next session.

### Housing Omnibus Budget Bill (SF2298/HF2445)

A omnibus housing finance and policy bill was passed the Saturday before the end of Regular Session. The bill included both spending and policy items:

- $50 million in Housing Infrastructure Bonds (HIBs),
- $8.35 million for the Family Homeless Prevention and Assistance Program (FHPAP) in FY26-27 and $900,000 in FY28-29 and ongoing as an addition to the base,
- $2 million for the Workforce Homeownership Program, and
- $2 million for Greater MN Housing Infrastructure Program.

Policy items included in the bill include:

- Housing and Redevelopment Authorities are added to the list of local government units allowed to open local housing trust funds.
- A technical change to Local Affordable Housing Aid and Statewide Affordable Housing Aid that aligns it with other programs requiring that any revenue generated by the aids be used on a qualifying project.
- A requirement that if homeowners request that a racial covenant be permanently removed from their home's title, counties must do so at no cost to the homeowner. Many counties already provide this service.
- In lieu of zoning requirements discussed throughout session, the bill establishes additional points (at no more than 5% of the total available points) to be awarded for jurisdictions that:
    - Allow for the development of multifamily housing in at least 50% of the area within the jurisdiction zoned as a commercial district, excluding areas covered by state or local shoreland regulations;
    - Allow for duplexes, accessory dwelling units, or townhomes within 50% of the area within the jurisdiction zoned for single-family housing, excluding areas covered by state or local shoreland regulations;
    - Do not have parking mandates greater than one stall per unit of housing for single-family housing;
    - Do not have parking mandates greater than one stall per unit of housing for multifamily developments;
    - Do not mandate lot sizes larger than one-eighth of an acre for new single-family home construction, excluding areas covered by state or local shoreland regulations;
    - Do not place aesthetic mandates on new single-family construction, including type of exterior finish materials, including siding; the presence of shutters, columns, gables, decks, balconies, or porches; or minimum garage square footage, size, width, or depth;
    - Have a density bonus for affordable housing that provides for an increase in floor area and lot coverage if the housing is affordable housing; and
    - Have adopted an inclusionary zoning policy for the purpose of increasing the supply of affordable housing.
- Expanded the eligible uses for Housing Infrastructure Bonds to include adaptive reuse.

***Status: Signed by the governor on May 23, 2025 (Chapter 32, 2025 Regular Session)***

# Workforce & Economic Development

For additional information on this section, please contact Cate Duin, Policy Analyst, at 651-789-4323 or cduin@mncounties.org.

## OVERVIEW

This year, the House Workforce, Labor, and Economic Development Committee and Senate Jobs and Economic Development Committee considered financial requests for numerous investments into employment and training of Minnesota's jobseekers. There were a few key conversations of note throughout the session: changes to the Paid Family Medical Leave Program and Earned Sick and Safe Time Programs and concerns about direct appropriations out of the Workforce Development Fund.

One of the hottest button issues, proposed changes to the Paid Family Medical Leave Program and Earned Sick and Safe Time Programs, received significant discussion in the House given its split control. While Republican members expressed concerns on impacts to public employers and local businesses, most of the efforts to delay and change these programs were ultimately unsuccessful. The final bill language contained some very technical changes along with a slight decrease in employer premiums.

Additionally, the House Workforce, Labor, and Economic Development Committee spent considerable time discussing the structure of funding, namely direct appropriations to community non-profits. The discussion around this largely centered around a belief that funding would be better allocated through competitive processes fielded through DEED rather than through the legislative process, picking certain entities to receive direct funding. This discussion was also framed up in the House's Fraud Prevention Committee, though many also discussed it in the Workforce Committee in terms of best practices.

While the final bill included direct appropriations, it also created a Task Force on Workforce Development System Reform which will "examine and improve how the state develops strategies, sets goals, and allocates money to meet Minnesota's workforce development needs. This examination must include a review of programs, funding mechanisms, and evaluation metrics." The Task Force will work over a year and a half to deliver recommendations to the Legislature and includes four members from the governor's Workforce Development Board who must also serve on local workforce development boards. This provision will provide an opportunity for local workforce entities to share feedback about state investments in the workforce space.

In partnership with MAWB, AMC advocated this session for the one-time additional funding for the Minnesota Youth Program to be continued at $8.5 million per year. While the bill received bipartisan support, in the context of facing significant cuts for budget targets for this policy area, this request was not included in the final bill. This program was one of many workforce programs that received significant increases in one time funding during the previous biennium, but moved back to base funding for the upcoming biennia.

# JOBS, LABOR, AND ECONOMIC DEVELOPMENT OMNIBUS BUDGET BILL (SF1832/HF2440)

The omnibus jobs, labor, and economic development finance and policy bill was passed during Special Session. The bill included both spending and policy items:

- Base funding maintained for Minnesota Youth Program at $4.05 million per year.
- $4 million in additional funding for the Pathways to Prosperity Program which connects residents to high demand fields with strong growth potential.
- $1 million cut to Rural Career Counseling Coordinators Program, a program that provides additional resources for career counseling services to rural schools. The program is now funded at $1 million per biennium.
- $6.091 million cut to the Job Creation Fund, an economic development program that provided funding to employers with plans to expand and create new jobs in fields such as manufacturing.
- $12 million to the Drive for Five grant program.
- State Dislocated Worker Program impacts – The State Dislocated Worker Program, which serves residents when they are laid off, is funded by the income into the fund less the appropriations made by legislators. Legislators chose to move certain items from the General Fund to the Workforce Development Fund, given their challenging general fund budget targets. However, after session, the impact of this increased use of the Workforce Development Fund has now been calculated by DEED to result in a 53% reduction in available State Dislocated Worker funds for the upcoming year, nearly $7 million less statewide.

***Status: Signed by the governor on June 14, 2025 (Chapter 6, 2025 1st Special Session)***

# Human Services

For additional information on this section, please contact Matt Freeman, Policy Analyst, at 651-789-4340 or mfreeman@mncounties.org
or Angie Thies, Policy Analyst, at 651-789-4321 or athies@mncounties.org.

## OVERVIEW

The start of the 2025 legislative session saw AMC again advocating for priorities in human services that have persistently challenged counties across the state for years – the state of our mental health system and the status of the state's human services technology system. Mirroring last year's AMC human services priorities, the public health and human services committee charged AMC policy analysts with securing investments in long neglected state human services technology platforms, particularly the Social Services Information System (SSIS), and moving the state to develop responses to gaps in the mental health continuum of care.

While the AMC Human Services priorities remained central to the lobbying and advocacy work of staff this session, counties were also quickly put into defense mode with the release of Gov. Tim Walz's budget proposal in late January. The governor's budget, which serves as the framework for legislative budget discussions, was released January 16th and it proposed significant cost shifts to counties (totaling $179.0 billion in FY26-27 and $309.8 billion in FY28-29) in key human services areas:

- County cost share for disability waiver residential services: $84.3 million (FY26-27), $209 million (FY28-29).
- Increase in county cost share for the Minnesota Sex Offender Program: $39.6 million each biennium.
- Elimination of current exemption from county cost share for mentally ill and dangerous individuals in the Direct Care and Treatment system: $27 million each biennium.
- New county cost share for Chapter 11/competency attainment examinations: $16.8 million each biennium
- Increase of county cost share into the Behavioral Health Fund (BHF) from 22.95% to 50%: $7.2 million (FY26-27), $8.9 million (FY28-29).
- Elimination of the county administrative allocation for BHF work: $4.2 million (FY26-27), $8.6 million (FY28-29).

When introduced, messaging around the Walz budget made a point of advocating for "responsible cuts and curbing growth," with calls to limit spending on the fastest growing programs in the budget to more sustainable levels." In response to criticism of high-profile fraud under the administration's watch, the governor proposed in his budget an anti-fraud package that required hundreds of millions in new spending and hundreds of new DHS staff, while simultaneously significantly cutting the overall human services budget through cost management measures and cost shifts to counties and providers

Gov. Tim Walz's budget proposal set the tone and the tracks for the remainder of the session. Counties recognized the challenging budget situation facing the state but did not anticipate how significant a target would be placed on reducing spending growth in human services, particularly disability services. Despite engaging in presession discussions with state agency partners, this cost shifting approach was unexpected.

In hindsight, the governor's narrative about human services cuts and shifts began with the fall 2024 budget forecast. Citing "significant financial headwinds" with the release of the November Forecast on December 4th. The change from a $1.7 billion projected surplus for 2026-27 to a reduced $616 million was due to a number of factors including reduced income and sales tax revenue. However, the communication from the administration harped on a growing structural imbalance and cited increased spending in long-term care as a driving cause. While education spending was forecast to jump $200+ million, the projected $388 million in forecast increased health and human services spending – resulting in HHS spending prospectively equaling education as a portion of budget expenses – was a larger administration focus.

Come March, the February forecast numbers worsened with an additional spending increase projected at $790 million – with $338 million being HHS and $200 million being education – with approximately $220 million of that being discretionary inflation.

Discussion of how to balance the budget for 2026/27 in the House and Senate followed the lead of the governor in proposing significant cuts and cost shifts to counties in the Legislature's proposed budgets. The House and Senate also took the governor's lead in seeking to balance the budget for 2028-29, in addition to the state constitutional requirement to pass a balanced budget for the present biennium, resulting in even deeper cuts to human services in the out years. While the Senate budget in HHS included some revenue raisers, the House budget did not – resulting in more severe proposed cuts in the House.

| | GLOBAL TARGETS 2026-27 | GLOBAL TARGETS 2028-29 | Governor 2026-27 | Governor 2028-29 | Senate 2026-27 | Senate 2028-29 | House 2026-27 | House 2028-29 |
|---|---|---|---|---|---|---|---|---|
| **Health and Human Services** | **$(97.7M)** | **$ (297.9M)** | **$ (176.6M)** | **$ (233.3M)** | **$ (276.8M)** | **$ (351.9M)** | **$ (21M)** | **$ (190M)** |
| **Human Services** | **$(270M)** | **$ (820M)** | **$ (380.2M)** | **$ (1.182B)** | **(272M)** | **$ (430M)** | **$ (300M)** | **$ (1B)** |
| **Total General Fund Change** | **$(283.1M)** | **$ (1.8B)** | **$ (735M)** | **$ (1.986B)** | **$ (767M)** | **$ (1.754B)** | **$ (14.5M)** | **$ (1.011B)** |
| **Remaining Budgetary Balance** | **$1.9B** | **$(290.5M)** | **$2.336B** | **$341.9M** | **$2.368B** | **$141.7M** | **$1.616B** | **$ (1.353B)** |

Immediate outcry from counties shaped the House and Senate proposals when they were released; however, difficult budget targets meant that human services chairs did not have many great options to cut state spending outside of direct program cuts. The shifting of costs to counties was a convenient mechanism to avoid serious service cuts while booking savings on the state's bottom line.

## Final Human Services Bills

Below is a quick comparison of how the legislative proposals shaped-up against the final agreement regarding county cost shifts.

| CUTS & COST SHIFTS: Human Services | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | HOUSE | | SENATE | | GOVERNOR | | 6/5/25 CC Spreadsheet | |
| **CUT or COST SHIFT** 6-05-25 | **FY26-27** | **FY28-29** | **FY26-27** | **FY28-29** | **FY26-27** | **FY28-29** | **FY26-27** | **FY28-29** |
| **Behavioral Health Fund**, End Admin. Allocation | $ (4,194,000) | $ (8,594,000) | $ (3,561,000) | $ (8,594,000) | $ (4,194,000) | $ (8,594,000) | $ (4,194,000) | $ (8,594,000) |
| **Behavioral Health Fund**, County Cost Share remains at 22.95% | $ (7,154,000) | $ (8,938,000) | $ - | $ - | $ (7,154,000) | $ (8,938,000) | $ - | $ - |
| **Disability Waivers**, Rate Exceptions | $ (154,664,000) | $ (379,376,000) | $ - | $ - | $ - | $ - | $ - | $ - |
| **Disability Waivers**, Residential Services Cost Share | $ - | $ - | $ (33,601,000) | $ (83,352,000) | $ (84,338,000) | $ (208,902,000) | $ - | $ (89,524,000) Contingent on Cost Savings from the HS Cost Savings Reform Work Group; contingent county residential share increase |
| **Minnesota Sex Offenders Program**, Cost of Care | $ - | $ (39,600,000) | $ - | $ - | $ (39,600,000) | $ (39,600,000) | $ - | $ - |
| **End DCT DNMC County Cost Share (MI&D population)** | $ (27,000,000) | $ (27,000,000) | $ (27,000,000) | $ (27,000,000) | $ (27,000,000) | $ (27,000,000) | $ (14,075,000) | $ (18,196,000) |
| **Chapter 11/Competency Attainment** | $ - | $ (16,760,000) | $ (16,760,000) | $ (16,760,000) | $ (16,760,000) | $ (16,760,000) | $ (16,760,000) | $ (16,760,000) |
| **Flat Reimbursement per Long-Term Care Assessment**, instead of time study (MnCHOICES) | $ - | $ - | $ - | TBD | $ - | $ - | $ - | $ (18,000,000) |
| **Expansion of Mental Health Case Management,** Counties pay the non-federal share | TBD | TBD | TBD | TBD | $ - | $ - | $ - | $ - |
| **Grant Reduction** – Day Training & Habilitation (DT&H) Grants to Counties | $ - | $ - | $ - | $ - | $ - | $ - | $(1,622,000) | $ - |
| **Total** | $(193,012,000) | $(480,268,000) | $(80,922,000) | $(135,706,000) | $(179,046,000) | $(309,794,000) | $(36,651,000) | $(61,550,000) or $(151,074,000) |

Ultimately, counties successfully mitigated many of the proposed damaging cost shifts through significant advocacy and lobbying efforts; although, we know this work is not done. A final creative legislative provision books savings contingent on ideas generated by counties and disability services providers – if savings are not generated, then these booked savings convert into cost shifts. Additionally, realistically the state economic outlook is not getting any rosier and we know that there will be continued public and legislative interest in bending the human services cost curve.

Significant credit is due to the Senate Human Services Committee leadership – Human Services Chair John Hoffman and for GOP Human Services Chair Jim Abeler – for two major impacts they had on the human services budget that benefitted counties. First, for pushing to not settle the state's budget shortfalls primarily on the backs of the human services budget – resulting in a much-improved budget target to contrast the governor and House Proposals. Second, for proposing creative ways to book savings that allowed the Senate to bring a proposal to the final budget negotiations that did not include many of the cost shifts that were reflected in the governor, House, or early Senate proposals.

The Human Services omnibus budget bill, HF2434/SF3054, was not able to be conferenced and closed during the regular legislative session. The Senate Human Services bill passed 35-32 off the floor on May 7 and the House Human Services Bill passed 109-25 on May 5. However, little progress was able to be made reconciling the bills without global budget agreement and committee budget targets that were announced on May 15. Thus progress was slow regarding two very different bills and the Human Services Conference Committee did not meet publicly before Regular Session ended and had only one offer released publicly before the Legislature adjourned. Human Services leaders instead focused on and passed human services policy bill, HF2115/SF2443, that was signed off on May 15th and passed on the last night of session, 124-10 and 55-8, after much political wrangling on the last day of session.

The Human Services Budget Workgroup met once on May 22 to walk through the side-by-side House and Senate bills that were being conferenced again on June 5 to walk through the spreadsheet, language, and summaries of the deal agreed upon. Throughout the conference committee/workgroup process, the discussion and disagreement revolved around how to balance the agreed upon human services cuts of $270 million in 2026/27 and $820 million in 2028/29. Whether and how to balance those between caps on rates, shifts to counties, and impacts to nursing homes was central to the negotiations until the very end.

**Supporting documents:**

- Spreadsheet 06-09-25, Bill Index/Summary, Bill Language

## Final Health and Human Services Bills

Progress in the Health and Human Services space was slow in 2025. Complicated by non-aligned committee jurisdictions in the House and Senate, along with tied committee membership in the House, the House Health Committee struggled to pass an omnibus bill by committee deadlines. As the end of session approached it was clear that consensus around a final Health and Human Services bill remained far out of reach of committee leadership. Charged with a negative spending target of $50 million in 2026/27 and $175 million in 2028/29, the cuts to be made were not as significant as on the human services side. The Children and Families area had a separate budget target of negative $15 million for 2028/29.

Much of the divide stemmed from a central policy priority difference – namely, the elimination of MinnesotaCare for Undocumented individuals. Final budget deals included elimination of MinnesotaCare for undocumented adults from the state budget, at savings to the state of $56.896 million in FY26/27 and $91.582 million in FY28/29. However, several high-profile protests and press conferences highlighted how divisive this issue was during the 2025 session. None the less, the final HHS bill included significant legislation for counties such as investments in the Social Services Information System, state centralization of non-emergency medical transportation for Medical Assistance and MinnesotaCare individuals, and codification of the county administered rural medicine assistance (CARMA) program.

The Health and Human Services Conference Committee did not meet publicly, and the Health and Human Services Budget Workgroup only met on June 8, the day before Special Session, to walk through the spreadsheet, language, and summaries of the deal agreed upon.

**Supporting documents:**

- Spreadsheet (6/9/25), House Research Summary, Bill Language

***AMC's advocacy in 2025 at the Capitol in human services was very wide reaching, but it centered on the two lead Human Services Priorities: Mental Health and Human Services Systems Modernization, as well as ongoing work around MnCHOICES Simplification and defense against County Human Services Costs Shifts.***

# AMC PRIORITY: MENTAL HEALTH

## Priority Admissions Review Panel Recommendations (SF2628/HF2416) (SSHF03/SSSF7) (HF2115/SF2443)

Similar to last legislative session, much of the AMC work this session on mental health was dictated by the work of the Task Force on Priority Admissions to State-Operated Treatment Programs and the subsequent Priority Admissions Review Panel. Enacted in 2013, the Priority Admissions Statute (aka 48-Hour Rule) was a response to the lack of access and inpatient capacity at DCT that persists today. The statute was amended in 2023 to relieve pressure created by the rule and require the 48-hours to begin only upon the state having a "medically appropriate bed available." This amendment sunsets June 30, 2025, and reverts to the original language unless changes are made this session, creating urgency for action this legislative session. Counties advocated that changes to the statute should be conditioned upon investment in DCT's hospital bed capacity.

2023 Legislation originally established the Task Force on Priority Admissions to State-Operated Treatment Programs. It also gave counties a two-year stay from fees for Does Not Meet Criteria patients being transferred between DCT facilities instead of out to the community.

The Task Force was made up of 18 members who have been appointed by the governor or a specially designated stakeholder organization, including four county representatives appointed by county associations: the Association of Minnesota Counties (AMC), Minnesota Sheriff's Association (MSA), Minnesota Association of County Social Service Administrators (MACSSA), and the Minnesota County Attorneys Association (MCAA). Legislation funding a limited number of recommendations from the report were passed by the 2024 Legislature, without meaningful investments in DCT capacity. No changes were made to the 48-hour rule in 2024.

The 2024 Legislature also reconstituted the taskforce for 2024-2025 as the Priority Admissions Review Panel, directing the panel to advise the DHS Commissioner on the effectiveness of the priority admissions framework the Legislature put into law in 2024 and about the 48-hour rule statute generally.

The recommendations of the Taskforce and the Review Panel were the backbone of the AMC mental health lobbying work done this session. Stearns County Commissioner Tarryl Clark was appointed by AMC to serve on that taskforce and helped lead our efforts. She moved forward joint county priorities by creating a county coalition with other taskforce members appointed from counties: Bryan Welk, Cass County Sheriff, appointed by the Minnesota Sheriff's Association, Angela Youngerberg, Blue Earth County Human Services Director, appointed by the Minnesota Association of County Social Service Administrators, and Kevin Magnuson, Washington County Attorney, appointed by the Minnesota County Attorneys Association. The taskforce dove into heated discussion and negotiations on the issues around the 48-hour rule and the current capacity crisis.

Summary Highlights of the Priority Admissions Review Panel Recommendations:

1. **Expand access to care.** Fund an **additional 50-bed facility** on the campus of AMRTC, increase forensics capacity and locked IRTS that are Medicaid eligible. Invest in community placement options and prevention resources and increase Medicaid rates.
2. **Contingent on investments in capacity**, **extend the sunset provision for two years** during which time the Legislature must develop DCT and community capacity.
3. **Increase data sharing and transparency**. By Jan. 1, 2026, DCT will publish a publicly accessible dashboard on its referral data on its website.
4. **Provide Basic Mental Health Care in Jails**. The Legislature must fund collaboration between providers and hospitals to provide outpatient level of mental health care in the jails and correctional institutions, while continuing antipsychotic medication and consultation pilot programs funded last session.
5. **Continue Does Not Meet Criteria (DNMC) Payment Relief to Counties for Clients in Certain Situations**. Legislation must be extended to support cost relief to counties when counties have no authority or ability to influence the timeline surrounding discharge of the person from DCT. DCT must be allowed to waive DNMC charges to counties when the county has no authority to approve a new placement upon discharge from DCT.
6. **Renew the exception for up to 10 community-based hospital patients to be prioritized for admissions to a DCT bed**. Allow a one-time exception for up to 10 hospitalized patients for priority admission to help relieve the significant pressures faced by community hospitals to care for people with high acuity.

Many different priority admissions related bills were introduced and moved through the legislative process in 2025. In alignment with county priorities and many of the recommendations, the county coalition drafted and promoted SF2628 (Rasmusson)/HF2416 (Nadeau). This bill included all of the top county priorities from the review panel – notably additional notice and transparency, making permanent the elimination of the DNMC cost share, and increased bed capacity at DCT. This bill was heard in both legislative chambers. NAMI drafted and promoted a bill that was heard in both committees, SF2902 (Abeler)/HF2586 (Frederick), which Sue Abderholden has framed as the "Priority Admissions Review Panel" recommendations.

In addition, HF2587 (Frederick) was a bill introduced that included $75 million in bonding for a new 50-bed psychiatric facility on the campus of AMRTC. Funding for construction coming from bonding targets rather than from the Human Services committee target/budget, became an alternative avenue with tight human services general fund targets. Direct Care and Treatment (DCT) submitted a bonding proposal to Minnesota Management and Budget for the Miller Building at the Anoka Metro Regional Treatment Center (AMRTC) to expand the psychiatric hospital residential treatment facility for Direct Care and Treatment by 50 beds. Counties had advocated to include planning money for this expansion in the 2024 legislation. However, this provision was not included in the governor's capital investment priorities – which created an uphill climb for an administration bonding request. This bill was given a hearing in the House Capital Investment Committee and supported by the committee, AMC/MACSSA testified in support of the provisions and letters of support were submitted by many groups including MCAA/MSA/NAMI and a number of other mental health related groups. A companion bonding bill SF2901 (Abeler/Rassmussen) was introduced in the Senate, with counties meeting with the bonding chairs about its urgency, but no public hearing.

DCT introduced their own broader policy bills SF2438 (Maye Quade) HF2187 (Frederick), which included language to extend indefinitely that the 48-hour rule only apply when the Office of Executive Medical Director has determined that a medically appropriate bed is available. This language, in effect, eliminated the previous 48-hour rule, providing no urgency or timeline for DCT to meet the capacity needed. These provisions were amended by the committee to pare back this provision to only extend this language for two years. Counties testified with concern about this provision moving forward without the larger group of review panel recommendations.

### Extending the Sunset Provision for the 48-hour rule for two years

Ultimately, provisions from the DCT policy bill extending for two years the "medically appropriate language" were ultimately included in **S.F. 2443** (Hoffman)/HF2115 (Schomacker) Omnibus Human Services Policy Bills without the recommendation from the Priority Admissions Review Panel that any change to the 48-hour rule must be conditioned on increased capacity at DCT. With support from the county coalition, Sen. Rasmussen attempted to amend this out of the Senate human services policy bill, but his amendment failed to pass in committee. **S.F. 2443**/HF2115 passed on the last day of session and it included the DCT language but none of the other recommendations of the review panel. This raised serious concerns for counties about whether other recommendations would come to pass.

### DCT Capacity

Counties emphasized in our advocacy the lack of bed capacity in DCT throughout the legislative session. In the House, a HF2187A2 amendment was added to the DCT policy bill in committee, which would provide funding of $75 million for capacity at AMRTC. Although ultimately stripped out, this set the tone in the House for the need for increased capacity. Due to county advocacy, the A-19 amendment to **S.F. 2443** (Hoffman) Human Services Omnibus bill included a full $75 million for the Miller Building. HF2434 (Schomacker), the House omnibus policy bill included initial money for demolition of the Miller building in the proposal brought to conference committee. The House also convened a drafting group on priority admissions topics prior to conference committee that included Miller building capacity as a priority.

Just as Special Session came to a close, the statewide associations for the county attorneys and sheriffs distributed a letter with those concerns and held a press conference on June 5th highlighting the need for increased capacity in the DCT system and urging inclusion of money in the bonding bill or the human services bill for the Miller Building.

The final Human Services Omnibus Bill ultimately included $20 million for construction of the Miller building - $10 million (FY26) and $10 million (FY28), as well as $34 million for Miller Building operating expenses in FY29. It also included contingent language for these funds if a bonding bill did not include the remaining funds for the Miller Building. While bonding proposals released during session only carried money for demolition of the Miller building, HF18 ultimately did carry the remaining needed $55 million in General Obligation Bonding for the project.

### Does Not Meet Medical Criteria Costs

Counties focused efforts on both increased DCT capacity and including county DNMC related priorities in the omnibus human services budget bill. 2023 legislation that created the Priority Admissions Task force gave counties a two-year stay from fees for Does Not Meet Criteria patients being transferred between DCT facilities instead of out to the community. However, this was set to sunset alongside the two-year state reprieve of the 48-hour rule. Without action in 2025, counties faced being again responsible for this cost starting July 1, 2025 – projected to be $13.5 million per year across the state.

Counties were successful in including this language in HF2434 (Schomacker), the House human services omnibus policy bill that was brought to conference committee. Unfortunately, this proposal was pitted against the other county priority of supporting overdue investments in expanding DCT bed capacity as session came to a close. Thus, this provision was not included in the final bill. AMC and MACSSA will continue to advocate with legislators on this priority going forward, as counties are unable to control movement of individuals between DCT facilities, which is backlogged due to a lack of bed capacity. If counties were allowed to retain these dollars they could reinvest these dollars in our mental health continuum of care at the local level – rather than the funds being deposited into the state's general fund.

### Other Priority Admissions Provisions included in the final Human Services Bill

- The Priority Admissions Review Panel was extended for an additional year and will continue to evaluate the 48-hour law, as well as adding new responsibilities to make recommendations on how to improve access to mobile crisis and intensive residential services and evaluate the medication pilot program for jails, and review data. The report is due February 1, 2026.
- DCT is now required to publish a dashboard of the number of people awaiting admissions to state facilities and their wait times. They also must provide, upon request, information as to where someone is on the waiting list.
- The initial notice of a person being committed must include additional data and the contact information for the DCT admissions office. DCT will need to provide additional notice to counties, the individual, and the courts if that person is not admitted within 60 days
- DCT will be allowed to admit an additional 10 people from a community hospital from the priority admissions waiting list, if their acuity qualifies them under the priority admissions criteria, in 2026 and 2027.

### Other Mental Health/Behavioral Health Provisions Passed in 2025

**Assertive Community Treatment (ACT)** changes allow mental health professionals, clinical trainees, or mental health practitioners to be the team lead of an ACT Team. ***Chapter 38, Section 38, Article 6.***

**Mental Health Targeted Case Management Pilot – Lower Sioux Indian Community** received $250,000 for a pilot project to provide mental health case management to people with complex Post Traumatic Stress Disorder (C-PTSD) who are not currently eligible for case management under statute. The individuals must have PTSD symptoms related to intergenerational trauma, racial trauma, or unresolved historic grief and a written opinion from a mental health professional that documents impacts on their life. This must impact their functioning in a significant way. The tribe and DHS must report outcomes from the pilot by January 1, 2027. ***Special Session Chapter 3, Article 15, Section 8.***

**Mentally Ill and Dangerous (MI&D) Commitment Reform Task Force:** Extension and expansion of the task force to look at how former patients can expunge or vacate a priori MI&D commitment. The task force must submit a report by August 1, 2026, in addition to their previously required 2025 report. ***Special Session Chapter 9, Article 9, Section 2-5.***

**Brooklyn Park Intensive Residential Treatment Services (IRTS) Facility:** The City of Brooklyn Park received $536,000 in start-up funding for an intensive residential treatment services and residential crisis stabilization services facility. ***Special Session Chapter 3, Article 20, Section 19.***

New language prevents county boards from charging clients for mental health crisis, emergency emotional or mental illness response services provided. ***Chapter 38, Article 4, Section 8.***

Terms for "emotional disturbance" and "serious emotional disturbance" were changed to "mental illness" and "serious mental illness" throughout statutes. ***Chapter 38, Article 4 and Article 8; Special Session Chapter 9, Article 10.***

Terms "chemical use" and "chemical dependency" were changed to "substance use disorder" and the term "sober home" is changed to "recovery residence". ***Chapter 38, Article 4, Section 41.***

**Certified Recovery Residences:** Creates a certification process at DHS for sober homes, which are now called recovery residences. DHS must create a certification process and provide monitoring and oversight of certified recovery residences. Legislation requires compliance training for recovery community organization owners active in management, manager and supervisors. Legislation also creates a recovery residence workgroup to report on how other states fund recovery residences, and how best to address the housing needs of people in outpatient SUD program. The workgroup includes three representatives of county social services agencies. ***Special Session Chapter 9, Article 4, Section 41, 42, 49-51.***

**1115 Re-Entry Waiver Clarification:** Medications used for the treatment of opioid use disorder and nonmedication treatment services for opioid use disorder were added to the services available under the 1115 reentry waiver. ***Chapter 38, Article 4, Section 39.***

**Early Intensive Developmental and Behavioral Intervention (EIDBI) Reform:** The EIDBI benefit offers medically necessary services and supports to people under the age of 21 with autism spectrum disorder (ASD) or related conditions. Changes were made to the EIDBI program to establish a comprehensive licensing program, background checks, and define employees. It also defined who can provide these services and what services can be delivered. It also clarifies that the state agency is responsible for EIDBI maltreatment investigations. This was in response to significant instances of fraud related to EIDBI programs. This cost $11 million in FY26/27 and $10.5 million in FY28/29. Much of the cost is due to adding 36 additional DHS staff. ***Special Session Chapter 9, Article 6, Section 1-18.***

**Online Behavioral Health Program Locator:** The Health and Human Services Bill funds a vendor to administer an online behavioral health program locator, at $959,000 a year and requires the vendor to be based in Minnesota. That vendor is expected to be FastTracker. ***Special Session Chapter 3, Article 20, Section 6.***

**Mental Health Parity Accountability Office:** The Commerce bill appropriates $225,000 per year to the Mental health parity and substance abuse accountability office for operations. ***Special Session Chapter 4, Article 1, Section 2.***

**Out of Home Respite Care Services for Children** – Allows a home and community-based services licensed provider to provide out of home care outside of a licensed setting if there is a background check and the case manager determines that location is suitable for a child. The case manager must conduct and document an assessment of the residential setting and its environment at least once per calendar year, a child's legal representative must sign off, the setting cannot be licensed for any other services, and several other additional restrictions. Counties raised some questions about appropriateness of setting, bad actors seeking to circumvent licensure, and the additional obligation for case managers, but were supportive of the goal of expanding access to respite care. ***Special Session Chapter 9, Article 2, Section 8.***

**Mobile Crisis Teams:** Changes in law no longer allow crisis teams to charge people for services being provided and does not allow copayment, deductibles, or coinsurance under Medicaid for crisis services. Changes in law also allow mobile crisis teams to use grant money for the purchase and renovation of vehicles to provide protected transport services. Protected Transport vehicles can be used to transport people with mental illnesses who are in crisis as an alternative to being transported by police or EMT services. ***Chapter 38, Article 4 Section 7, 8, 40.***

**Reimbursements for Mental Health Services** in 256B.761 included increased rates after January 1, 2026 (or upon federal approval). SF1402 was a priority of the Mental Health Legislative Network and carried by Chair Wiklund. It requires DHS to establish market rates for many mental health services utilizing rates recommended in previous rate analysis, including increasing from 85% of the Medicare physician fee schedule to 100%. The bill repealed a requirement that physician assistants be paid 80% of psychiatrists and a prohibition on masters level mental health professionals being paid more than 80% of the rate plaid to doctoral level mental health professionals. ***Special Session Chapter 3, Article 8, Section 29.***

**Rate Increases for Substance Use Disorder:** Increases Medicaid rates for residential Substance Use Disorder (SUD) services and treatment coordination services after January 1, 2026 or upon federal approval, including an annual adjustment for SUD services. This costs $9 million in FY26/27 and $25 million in FY28/29. ***Special Session Chapter 9, Article 4.***

**Transition from Grants to Direct payment for funding for Adult Mental Health Initiatives (AMHI) and Traditional Healing Grants:** This provision did not alter the funding amounts but changed how the payments were made and was budget neutral. It removed some unnecessary administrative burdens for government entities that didn't provide value for program recipients or taxpayers. ***Special Session Chapter 9, article 15, Section1-3.***

**Positive Support Analysts:** Modifies the positive support professional and positive support analyst qualifications, allowing them to have either two years of supervised experience or a baccalaureate degree and demonstrated expertise. It also allows someone who has taken a competency-based training program to be a positive support professional or analyst. It requires DHS to develop a positive supports competency program and establishes the components of competency-based training. Funds the program one time at $1 million. ***Chapter 38, Article 1, Section 5. Special Session Special Session Chapter 9, Article 2, section 6, 59 and Article 12.***

**Mental Health Targeted Case Management** has expanded eligibility for 18-21 year olds. It allows a child to continue with children's case management rather than needing to transition to adult case management until they are 21. This costs the state $617,000 in 26/27 and $733,000 in 28/29 and will impact counties, who pay the non-federal share of Target Case Management. However, this reform is designed to ensure greater continuity of service and accessibility to services that an individual may also be eligible for under adult case management services. ***Special Session Chapter 9, article 15, Section 4.***

A small increase was appropriated for **School Linked Behavioral Health Grants** ($1.67 million in 26/27 and $1.33 million in 28/29).

A one-time investment of $785,000 in the **Mental Health Collaboration Hub Innovation Grant**. Funds the Hub, which is used to help transition children out of emergency departments, hospitals, and juvenile detention facilities. Requires a report each year on expenditures and outcomes. ***Special Session Chapter 3, Article 15, Section 6.***

Additional Children Mental Health provisions that passed are included in the Child Wellbeing Section.

***Status: Signed by the governor June14, 2025 (Special Session Chapter 9, Article 5, Sections 1&2 (DNMC), 3 (Dashboard), 4 (Notice requirements), 11 (Review Panel), 12 (Hospital 10 patients), Article 13, Section 7, Subd 2 (Miller Building).***

***Signed by the governor May 23, 2025 (Chapter 38, Article 3, Section 41(48 Hour Rule)).***

***Signed by the governor June 14, 2025 (Special Session Chapter 15, Article 1, Section 13, Subd 3 (Miller Building)).***

***Signed by the governor June 14, 2025 (Special Session Chapter 3).***

# AMC PRIORITY: HUMAN SERVICES SYSTEMS MODERNIZATION

### Human Services Systems Modernization (HF1911/SF2252) (Special Session HF2/Special Session SF6)

Over the past decade, state technology platforms that support work across human services have significantly deteriorated, resulting in antiquated systems that impact workers and the people we serve. Counties have beaten this drumbeat consistently for several legislative sessions but were successful in getting significant traction on this issue in 2025. Because counties have spent years advocating for these investments, lawmakers are well-aware of the request. Because of the simplicity of the request, lawmakers generally are receptive and able to echo their support. A bi-partisan consensus emerged that this investment was needed in 2025, but budget constraints remained a significant barrier to still overcome.

HF2425/SF2612 and HF1911/SF2252 were carried by Sens. Frentz and Kupec, along with Rep. Nelson and Rep. Virnig, to fund SSIS, county grants for information technology infrastructure, county grants for implementing services delivery transformation requirements, and general fund dollars for SSIS.

HF2925 was carried by Rep. Hanson, Rep. Norris, and Rep. Rehrauer to fund $40 million for SSIS improvement.

*See the Child Wellbeing section for more details on the $35 million that counties secured for investment in SSIS.*

***Status: Signed by the governor June 14, 2025 (Chapter 3, Article 11, Sections 6).***

# AMC PRIORITY: OPPOSING HUMAN SERVICES COST SHIFTS TO COUNTIES

### Human Services Finance, Health and Human Services Finance, Human Services Policy Bill (SF4390/HF4578, 2024) (SSHF2/SSSF6) (SSHF03/SSSF7) (HF2115/SF2443)

Here is greater detail on the cost shifts in human services that were discussed in 2025. Thanks are due to all the county commissioners and staff who were a part of advocacy and outreach to legislators, allowing counties to avoid many of the cost shifts that were proposed.

## New County Residential Services Cost Share

This cost shift was proposed by the governor and the Senate (although ultimately eliminated from the Senate bill by the Abeler floor amendment). The governor proposed a new 5% cost share for counties for a residential service, while the Senate proposed a 2% share. The argument presented was that the cost share incentivizes counties to encourage individuals to receive services in their homes and community rather than residential placements. However, access to services are limited across the state and DHS has a significant backlog in licensing some community-based services. Counties can't keep people in home/community without DHS-licensed community providers. Further, if the MnCHOICES assessment identifies the need for residential placement, that is what service counties are required to provide. In addition, residential placement requests are appealable, and denials by counties and the state are often overturned, creating a question as to whether denials by county staff would drive down costs without other law changes.

This cost shift was not included in final legislation. However, there is a contingent county residential cost shift in the Long-Term Services and Supports (LTSS) Advisory Committee language.

## Long-Term Services and Supports Advisory Council

***$177.542 million (FY28/29) in total required savings, potential county cost shift of $89.5 million (FY28/29)***

One of the largest cost shifts to counties is contingent on not finding other savings through a newly created long-term services and supports advisory task force. The bill establishes a long-term services and supports advisory task force to advise and assist the Legislature and the governor to reduce cost growth in long-term services and supports, build greater efficiencies into the long-term care service system, and achieve better outcomes for Minnesotans with long-term care needs. The DHS commissioner will chair the group that must convene no later than October 1, 2025. The advisory council will consist of at least 30 members, including two county representatives, one from greater Minnesota and one whom must be from the Twin Cities Metropolitan area, appointed by each of AMC, MICA, and MACSSA. The taskforce must submit to the Legislature and the governor recommendations and strategies to reduce financial impact to the state with a total required savings of $177.5 million dollars. Savings must be found in the budget for the commissioner of human services for the biennium beginning July 1, 2027.

Contingent spending reductions section of the bill will impose a county share of medical assistance costs not paid by federal funds for services provided to a person receiving community residential services, family residential services, customized living services, or integrated community supports reimbursed under Minnesota Statutes, section 256B.4914, to produce 50.42% of the required savings if the Legislature does not enact legislation with the goal savings target reached.

This cost shift was included in the final legislation. Result: Advisory Council and contingent county cost shift of $89.5 million (FY28/29)

***Status: Signed by the governor June 14, 2025 (Special Session Chapter 9, Article 2, Section 58).***

## Expanded Behavioral Health Fund (BHF) Cost Share and County Administrative Allocation Elimination

***$7.2 million (FY26-27), $8.9 million (FY28-29) and $4.2 million (FY26-27), $8.6 million (FY28-29)***

This cost shift was proposed by the governor, House and Senate (eliminated from the Senate bill by the Sen. Abeler floor amendment). It expanded the county share of the BHF from 22.95% to 40%. It also included elimination of the county administrative allocation for counties role with the BHF.

The assumption was that with this cost share increase counties would work harder to enroll people more quickly in Medical Assistance, which moves them out of the Behavioral Health Fund (BHF) sooner. Since the transition to Direct Access to services under the state's Substance Use Disorder (SUD) Reform efforts, individuals no longer go to counties for an assessment of their eligibility for SUD services. Individuals now can go directly to a provider to get a comprehensive assessment. Often a county will not be aware of an individual accessing services until they receive a bill for the services. Providers have an important role in direct access to ensuring eligible people enroll in MA. Backlogs in processing MA eligibility is due to many factors, including COVID-19 emergency policies that caused backlogs of reenrollments, shortcomings of state technology that include an inability to re-enroll online, and county workforce issues. The proposal also eliminated the role of counties in determining eligibility for the BHF.

Counties remain concerned that the staffing the state estimated to determine eligibility is not sufficient to process eligibility in a timely manner that doesn't negatively impact providers or those needing access to substance use disorder services. Equally, counties remain concerned about limiting eligibility for the BHF to 60 days resulting in loss of services or providers receiving compensation for the services if individuals are not eligible for Medical Assistance or there are delays in determining MA eligibility.

The BHF cost share increase was not included in final legislation. However, DHS did take on the administrative role and the county allocation was eliminated. Result: $4.2 million (FY26-27), $8.6 million (FY28-29)

***Status: Signed by the governor June 14, 2025 (Special Session Chapter 9, Article 5, Sections 21, 24-30).***

## Elimination of Direct Care and Treatment (DNMC) County Cost Share Waiver

***$27 million each biennium***

This cost shift was reflected in the governor, House, and Senate proposals (although the House carried eliminating the shift language into conference committee). Counties have had a waiver for a portion of the Does Not Meet Medical Criteria (DNMC) county cost of care in place over the last two years. The waiver sunsets July 1, 2025, and none of the omnibus bill proposals funded extending it. The final human services bill removes the DNMC language from statute.

This cost shift was included in final legislation. Result: $27 million (FY26-27), $27 million (FY28-29)

***Status: Signed by the governor June 14, 2025 (Special Session Chapter 9, Article 5, Sections 1&2 (DNMC).***

## New County Cost Share for Chapter 11/Competency Attainment Examinations

***$16.8 million each biennium***

This new cost share was proposed by the governor, House (starting in 2028, a biennium later than governor), and Senate (eliminated from the Senate bill by the Abeler floor amendment).

This is a newly proposed county cost share related to competency attainment services provided under Chapter 611. Under language passed coming out of the competency attainment workgroup in 2024, current state law does not allow the state to bill counties for this population. Counties support competency restoration programs and other holistic solutions to address the bed shortages and bottlenecks within our mental health delivery system, which we believe are the drivers of many systemic challenges. 611 individuals will not be civilly committed and often are not involved with county human services prior to their legal proceedings and referral to Direct Care and Treatment (DCT). They are being treated by the state at AMRTC, yet this legislation proposal meant that counties pick up the cost for state services. Treatment of these individuals at ARMTC means that the state cannot bill Medicaid for any portion of their cost, as the facility is over 16 beds and an institution of mental disease (IMD). Counties believe competency attainment costs should remain part of the legal/court system.

This cost shift was included in the final legislation. Result: $16.8 million (FY26-27), $16.8 million (FY28-29)

***Status: Signed by the governor June 14, 2025 (Special Session Chapter 9, Article 5, Sections 5-9).***

### Grant Reduction for Day Training & Habilitation (DT&H) Grants to Counties

***$1.622 million (FY26-27)***

This proposal was introduced only in the final bill spreadsheet. Day Treatment and Habilitation (HD&T) Grants are paid to counties for those individuals who qualify for them who are not eligible for a waiver.

This cost shift was included in the final legislation. Result: $1.622 million (FY26-27)

***Status: Signed by the governor June 14, 2025 (Special Session Chapter 9, Article 12, Sections 32, Subdivision 8).***

### Transition to a Flat Reimbursement Per Long-Term Care Assessment Instead of Time Study for MnCHOICES Assessments

***$18 million (FY26-27)***

This proposal was introduced as part of Sen. Abeler's A-19 amendment to the Senate Human Services Omnibus bill. This provision requires the DHS commissioner to develop an alternative payment methodology for long-term care consultation services. How MnCHOICES assessments are funded must transition from a time-study reimbursement to a flat rate reimbursement. If a proposal saving the state $18 million per biennium starting in FY28-29 is not passed by July 1, 2027, the county reimbursement for the nonfederal share paid by the state will be reduced to achieve this savings. This will only further increase the backlog in MnCHOICES assessments if counties don't have funds to hire and maintain staff.

This cost shift was included in the final legislation. Result: $18 million (FY28-29) and ongoing

***Status: Signed by the governor June14, 2025 (Special Session Chapter 9, Article 2, Sections 64).***

### New County Rate Exception Cost Share – House

***$154.7 billion (FY26-27), $379.4 billion (FY28-29)***

This was proposed by the House and was described as aimed at reducing the number of times individuals/providers are granted a higher rate/payment for their care. It created a 33% county share of the non-federal share for individuals' waiver rate exceptions. In rare cases, county case managers determine someone has exceptional needs and qualifies for a rate outside the Disability Waiver Rate System (DWRS) and review and submit with recommendation (for or against) a request for a rate exception on behalf of a provider or an individual. DHS reviews rate exception requests and either approves (full or partial) rates or denies them. Rate exception denials are appealable, and denials by counties and the state are often overturned. There has been an increase in the number of rate exceptions and the cost to the state, which currently pays the non-federal share for waiver services in Minnesota – including rate exceptions. Under current state law, counties have limited control over rate exceptions, and counties argued that a new county cost share was unlikely to bend the curve in spending. Many rate exceptions are approved for state operated facilities for the highest need individuals. These are the most expensive and challenging to serve and make up a significant portion of rate exceptions. Placements in DCT and state-operated facilities representing 20% to 44% of the overall costs of rate exceptions for a county.

***Status: Did not pass.***

## Increase in the County Cost Share for the Minnesota Sex Offenders Program

***$39.6 million each biennium***

This cost share increase was proposed by the governor and House. The governor proposed the increase starting in 2026/27 and the House proposed it starting in 2028/29. This proposal would increase the county cost share (currently between 10-25%) to 40% for the cost of care for all MSOP clients while in the facility and on provisional discharge. The MSOP commitment process is driven by the courts with commitments often pursued by the Attorney General's office – thus there is no role for county human services to manage or curb these commitments. Shifting additional cost to counties within the MSOP system, nearly entirely operated by the state, is an unfair way to address programmatic shortfalls, produces imbalanced cost burdens on counties based on factors out of their control, and is an increased property taxpayer cost that does not result in more or better services.

***Status: Did not pass.***

## Proposed Expansion of Mental Health Case Management, Counties Pay the Non-Federal Share

***Cost Impact TBD***

This increased county cost was proposed by the House and Senate in their policy bills. It would have significantly expanded the number of people eligible for Mental Health Targeted Case Management by adding new qualifying diagnosis and changing the qualifying criteria. This bill proposed a significant expansion of case management to include individuals affected by PTSD and C-PTSD in the definition of SPMI, as well as several other qualifying diagnoses. Counties strongly believe in the benefits of case management, particularly those in need of mental health services. Counties perform case management services and counties pay the non-federal share for the services. Counties expressed concern about this expansion from both a workforce capacity standpoint and because of the additional costs counties would incur.

***Status: Did not pass.***

## Creating a New County of Financial Responsibility for Withdrawal Management

***Cost Impact TBD***

Provisions were in both the House and Senate policy bills. This proposal was brought by MAARCH and was characterized as a clarification of the county of financial responsibility for withdrawal management services. However, the language in effect created a new county cost obligation and would have been precedent setting in creating an obligation for counties to cover uncompensated medical costs. The determination that withdrawal management services are medical services was part of the state rationale for moving to a direct access model where providers take a more central role in substance use disorder services assessments and eligibility. Counties already pay for a portion of these services through the Behavioral Health Fund. Counties opposed shifting these uncovered medical costs to counties and the provision was removed in conference committee.

***Status: Did not pass.***

# AMC PRIORITY: MNCHOICES SIMPLIFICATION

## Simplification of MnCHOICES Assessments (HF2406/SF2598) (SF2651/HF2373) (SSHF03/SSSF7) (HF2115/SF2443)

MnCHOICES is Minnesota's assessment and support planning system used by counties, tribal nations, and managed care organizations. This web-based application allows lead agencies to do assessments and support planning in the same application for everyone who wants to use Minnesota's long-term services and supports (LTSS). Many counties are experiencing increased demand for MnCHOICES assessments for older adults and people with disabilities. Due to workforce challenges and backlogs in MnCHOICES assessments across many parts of the state, AMC and MACSSA have focused in the last several years at the state and federal level on trying to simplify and streamline the assessment and reassessment process.

Reducing complexity and increasing efficiencies of the MnCHOICES assessment became essential as need continues to grow statewide. Residents are also asking for this simplification. Allowing for an abbreviated or shortened MnCHOICES reassessment and related processes, will serve residents, decrease the amount of time needed per assessment, and therefore, increase the number of people we can serve.

Rep. Curran and Sen. Abler carried a MACSSA MnCHOICES priority bill HF2406/SF2598 that was included in the human services omnibus finance bill. Key provisions proposed included:

1. Reducing unnecessarily lengthy annual reassessments for case scenarios where the person's needs have not changed.
2. Allowing an abbreviated or shortened reassessment for two years in a row, followed by a full reassessment in the third year, limited to people between ages 22-64 who are on a DD, CAC, CADI, BI waiver.
3. Requiring informed choice by the person (or their guardian) to accept a shortened reassessment & allows the individual to request a full (or non-abbreviated) reassessment at any time.
4. Verifies current assessed needs; need for current level of care; informs the person of alternatives available under the waiver; provides informed choice; screens for a change in need that may warrant a full reassessment; reviews the person-centered services plan; and reauthorizes services.
5. Allowing for a remote reassessment for four consecutive reassessments if followed by an in-person assessment.
6. Allowing for a verbal attestation in lieu of required signatures for remote reassessments when there is no change.

Other provisions around MnCHOICES were brought forward by Children's Hospital and MHealth Fairview on behalf of the Mn Hospital Association and the Mental Health Legislative Network in SF2651/HF2373.

This legislation proposed changing the MnCHOICES assessor qualifications, moving the requirements to an associate's degree rather than a bachelor's degree. It created tighter timelines for assessments, requiring completion within 20 working days, and a financial penalty for counties if they failed to meet the timeline. It created a pool of state employees to serve as assessors, to be deployed if lead agencies fail to complete assessments under the new timeline. It also created permissive language to allow lead agencies to contract with hospitals to conduct assessments. The original language from hospitals sought for hospitals to be reimbursed for completing assessments by counties out of levy dollars. Their bill language also required a new report on assessments completed across the state, including how many are completed within the required timeline.

The final Human Services Omnibus Finance Bill included a number of the hospital provisions, including an allowance for lead agencies to contract with hospitals to perform MnCHOICES, a requirement for lead agencies to provide estimated timelines for MnCHOICES process to applicant, and the creation of MnCHOICES Dashboard on assessment completion.

Closely related to MnCHOICES Assessment timeliness is the disability assessment required. Legislation related to the State Medical Review Team passed this session as well, which requires medical assistance providers to grant the state medical review team access to electronic medical records and to accept electronically signed authorization. There is hope that this change will help address a backlog in this area that is also impacting access to services or placements.

Unfortunately, the legislation requiring a transition to a flat reimbursement for long-term care assessment instead of time study for MnCHOICES assessments creates new challenges for counties' ability to respond to increased demand for MnCHOICES assessments for older adults and people with disabilities. The savings from this proposal of $18 million per biennium will come directly out of county budgets through uncompensated reimbursement or through an increased county responsibility for the non-federal share of the assessment. This will only further increase the backlog in MnCHOICES assessments if counties don't have funds to hire and maintain staff.

***Status: Signed by the governor June 14, 2025 (Special Session Chapter 3, Article 2, Section 15 (Hospital Assessments),16 (timeline transparency),17 (remote reassessments),18-20(verbal attestation), 21(Dashboard), 64(LTSS Payment Reform).***

***Status: Signed by the governor May 22, 2025 (Chapter 38, Article 1, Section 14 (SMRT).***

# 2025 COUNTY IMPACTING HUMAN SERVICES PROVISIONS

## Human Services System Changes (SSHF2/SSSF6) (SSHF03/SSSF7) (HF2115/SF2443)

**Cap DWRS inflationary Adjustments**: The Disability Waiver Rate System (DWRS) sets uniform rate-determination methods and standards for all disability-related services in Minnesota. HF3 modifies future DWRS inflationary adjustments by basing adjustments on Consumer Price Index for All Urban Consumers (CPI-U) and limiting adjustments to 8% per biennium. This seeks to address the need for budget predictability while maintaining service quality. This saved $186 million in FY26/27 and $479 million in FY28/29. ***Special Session Chapter 9, Article 2, Section 31, 33.***

**Night Supervision Rates**: One of the governor's budget recommendations that was included for slowing the cost growth in HCBS disability services costs was the establishment of a new awake night supervision rate. This establishes different rates under DWRS for awake night supervision and asleep night supervision. This saved $23 million in FY26/27 and $56 million in FY28/29. ***Special Session Chapter 9, Article 2, Section 30, 32, 35.***

**Daily Limit on Individualized Home Support with Training Services**: Another governor cost management proposal that passed was to create a daily time limit on Individualized Home Support (IHS) with Training services, with the creation of a six-hour cap on IHS w/training and three-hour consecutive cap. This saved $23 million in FY26/27 and $57 million in FY28/29. ***Special Session Chapter 9, Article 2, Section 34.***

**Nursing Facility Operating Payment Rate Cap**: Places a 4% cap on future increases in nursing facility operating payment rates and provides a rate adjustment for nursing home employment standards established by the Nursing Home Workforce Standards Board. There was also an increase in the nursing home license surcharge fee and a corresponding external fixed costs payment rate. Broader Nursing Facility Payment system changes saved $41 million in FY26/27 and $94 million in FY28/29. Nursing Home Workforce Standards Board Rules are expected to cost the state $18 million in FY26/27 and $34 million in FY28/29. ***Special Session Chapter 9, Article 1 Section 1-3, 11, 14-16.***

**Reduced Expected Disability Waiver Expenditures**: New limitations are placed on rate exceptions for community residential services, customized living services, family residential services, and integrated community support. It includes restricting rate exceptions to absence and utilization factors for people temporarily receiving hospital or crisis respite services. It requires lead agencies to document behavioral diagnosis for behavioral needs rate exceptions. Community residential service rate exceptions must not include positive support services costs. The commissioner must not approve rate exception requests related to increased community time or transportation. Annual renewals of rate exceptions must include continued extraordinary needs reflected in their recent assessment and additional documentation supporting continuation of the exception. The commissioner must also publish an annual report on the impacts of these limitations on home and community-based services spending and data on exceptions granted, total spending, and trends in rate exceptions. This projects savings of $51 million in FY26/27 and $83 million in FY28/29. ***Special Session Chapter 9, Article 2, Section 36.***

**Waiver Authorization Reform**: A new requirement is for lead agency supervisors to review and accept all service authorizations and agreements entered by staff in MMIS prior to the commissioner's approval of the service agreement. Lead agencies are required to submit data on any increase in the number and amount of services authorized until Waiver Reimagined is fully implemented. Case managers are required to receive education and training on appropriate service authorizations. This projects to save $16 million in FY26/27 and $3 million in FY28/29. ***Special Session Chapter 9, Article 2, Section 22-24, 26-28.***

**Waiver Reimagined**: Waiver Reimagine is the name of ongoing work DHS is doing to make system-level improvements to Minnesota's four disability waiver programs. There was much discussion this session on the potential negative impacts of Waiver Reimagined and individualized budgets, resulting in proposals in both the House and the Senate to delay the implementation of this work from January 1, 2027. Because the state forecast savings from implementing Waiver Reimagined, this would have been an additional cost needed to be absorbed by the human services budget. Final agreement preserved the existing waiver reimagined timeline. It also repealed the Waiver Reimagined Advisory Committee and replaced it with an Advisory Task Force on Waiver Reimagined that includes legislators and a MACSSA appointee. Legislation also required DHS to include home care nursing services (HCN) in individualized budgets under Waiver Reimagined. ***Special Session Chapter 9, Article 2, Section 29, 69 subd. 3, 70.***

**Uniform Administration of NEMT**: Legislation authorizes a uniform nonemergency medical transportation (NEMT) program for MA and MinnesotaCare Enrollees. It repeals 256B.0625 Subd 18b, which prohibited broker dispatching, and 18e, which requires implementation of a single administrative structure and delivery systems. There will also be a requirement for NEMT providers to obtain prior authorization if the trip is more than 20 miles for primary care or 60 miles for a specialty provider. This provision creates savings of $48.336 million in FY26/27 and 104.778 million in FY28/29. Counties and health plans expressed skepticism that the savings projected will be realized, while also having concerns about whether this centralization of administering these services at the state will result in challenges and impacts to those being served-particularly in greater Minnesota. ***Special Session Chapter 3, Article 8, Section 3,7-8, 13,14, 43b.***

**Public Option & Appropriation Repeal**: The Health and Human Services committee reversed studies and allocated resources to explore a Minnesota public option. The dollars previously allocated to his effort were returned to the Healthcare Access Fund and banked as $21 million in savings. ***Special Session Chapter 3, Article 20, Section 23, Subd. 12.***

**Allow for Reimbursement of CFSS Provided in Acute Care Hospital Settings**: There were a number of changes to the program, including allowing for CFSS to be provided in a hospital setting under limited circumstances. This cost $4 million in FY26/27 and $7 million in FY28/29. ***Special Session Chapter 9, Article 2, Section 65.***

**SEIU Bargaining Agreement**: Fully funding the SEIU Bargaining agreement for community First Services and Supports (CFSS) and Consumer Directed Community supports programs. Funding these agreements was promoted as essential in combating workforce shortages in the direct care industry and allowing for stability for those needing quality care to live independently in their communities. This cost $70 million in FY26/27 and $55 million in FY28/29. ***Special Session Chapter 9, Article 2, Section 62.***

**Extension of access to audio-only telehealth in Medical Assistance**: Extends access to audio-only telehealth in Medical Assistance, MinnesotaCare, and the private health plans through fiscal year 2027. This cost $18.861 in FY26/27 and $1.793 million FY28. ***Special Session Chapter 3, Article 8, Section 1, 9.***

**Opioid Grants**: A $175,000 per year grant was appropriated for FY26 and FY27 to address the opioid overdose crisis in historically underserved communities and those disproportionately impacted by opioid-related deaths. It must support culturally responsive and community-based strategies that address intergenerational effects of substance use disorder in African American, Native, and African immigrant communities. A $100,000 year grant was appropriated to Beltrami County for FY27 and FY28 to support families and children affected by the opioid epidemic. ***Special Session Chapter 9, Article 12, Subd. 4 & 5.***

**Expansion by 8 of the DHS Legislative and Budget Analyst Staff**: The Human Services bill earmarked funding for an additional five FTEs for the Budget and Legislative team at DHS, as well as three FTEs for the Budget and Legislative Analysis team. The costs associated were $805,000 in fiscal year 2026 and $955,000 in fiscal year 2027, as well as $458,000 in fiscal year 2026 and $540,000 in fiscal year 2027. ***Special Session Chapter 9, Article 12, Section 5, Subd. 1 &4.***

**Detecting, Preventing Fraud, Waste and Abuse**: The governor's proposal to better detect, prevent, and address fraud, waste, and abuse in human service programs was included in the Health and Human Services bill. This includes FTEs and policy changes, including funding for DHS to contract for pre-payment review of providers flagged for particular risk and associated FTEs to continue to support audits and investigations conducted by the Office of Inspector General's (OIG) Program Integrity and Oversight Division. This proposal also includes broader expansions of policies allowing for enhanced data sharing, license suspensions, and payment withholds which are necessary for a holistic approach to confronting fraud, waste, and abuse. New background study disqualifications were also passed as part of the HHS bill. The bill also included authority for reductions or withholding payments, or approval of applications, based on an active investigation. It also allows restrictions based on the controlling individual. The governor's proposal ultimately included 59 new DHS staff. This will cost $5.5 million in FY26/27 and $ 7.6 million in FY28/29. ***Special Session Chapter 3, Article 17, Sections 1-7,10.***

**Funding to Access Federal Data Sources**: $7.216 million in state funding is included in FY26/27 for Access to Federal Data Sources. This is the cost the state incurs to verify eligibility for Minnesota Health Care Programs (MHCP) applicants and enrollees through a service that has been provided through the federal HUB by Centers for Medicare and Medicaid (CMS). CMS is now requiring a 25% systems match from states to cover the costs. However, this appropriation does not reflect ongoing investment into the cost for this data source during the 28/29 biennium, raising concerns about what the state plan is to cover this cost in the future. In the past, the state has attempted to shift eligibility verification costs to counties. ***Special Session Chapter 3, Article 20.***

**Family Residential Services Rate Increase**: The family residential services rate will be increased by 25.84% as of January 1, 2026, with life sharing services 10% higher than that rate. This cost is projected to be $2 million in FY26/27 and $7.5 million in FY28/29. ***Special Session Chapter 9, Article, 2, Section 68.***

**Family Supportive Housing**: Legislation creates a family supportive housing grant program to help families and children maintain safe and stable housing. 40% of the appropriation must be awarded to eligible organizations servicing families outside the metro area and 10% to tribal organizations. The Legislature allocated $750,00 for the program in 2026. ***Special Session Chapter 3, Article 18, section 2.***

**Housing Stabilization and Recuperative Care**: Additional regulation for transparency and accountability were included in legislation this year. Legislation requires background checks and surety bonds on both types of providers. DHS must do a pre-enrollment risk assessment of new providers and there are additional documentation requirements for both providers. Housing stabilization services now include housing consultation services and housing transition costs. Legislation limits (with some exceptions) the service to 100 hours per client, one housing consultation service per year, and limits transition costs to $3,000 annually and limits remote support to no more than 20% of services. Exceptions to service limits are allowable based on limited criteria. ***Special Session Chapter 9*, Article 7, Sections 1, 3, 5, 7-15.**

**Assisted Living: Nonrenewal of Housing**: Assisted living facility cannot decline to renew residential housing on the grounds they are switching from private to public payment for housing or services. There is a new requirement of notice that an individual is seeking to apply for public assistance and to the office of ombudsperson for long term care if a facility decides to not renew a resident's housing contract. The legislation also allows the office of the ombudsperson for long term care to work with lead agency if a resident's application for public funds is not processed within 30 days. ***Chapter 38, Article 2, Section 23.***

**Food Access**: Additional one-time funding was appropriated for Regional Food Banks ($5,000,000), Food Shelf programs ($5,000,000), prepared meals food relief grants ($1,000,000), and American Indian food sovereignty funding program ($1,000,000). ***Special Session Chapter 3, Article 22, Section 18, Subd. 1-4.***

**Federally Qualified Health Centers (FQHC) funding**: Additional funding for Federally Qualified Health Centers (FQHC) $24.6 million in FY26, $1 million in FY27, and $6.25 million in each year of the FY28/29 biennium. Community Health Clinics also received $1.1 million in 2026 to support access to health services for uninsured and underinsured. ***Special Session Chapter 3, Article 1, Section 19 and Article 21, Section 3, Subd. 18.***

**Comprehensive Assessment Changes**: Legislation changed who can complete comprehensive assessments. Previously only licensed alcohol and drug councils could administer comprehensive assessments. Now that is expanded to include certain mental health professionals, clinic trainees, or an advanced practice registered nurse (APRN) with the individual clinical scope of practice, in addition to an alcohol and drug counselor for child and adult mental health. ***Chapter 38, Article 4, Section 21.***

**New Requirements for Case Managers**: DHS will now be required to add informed decision making to its case management training and require case managers to annually complete an informed choice curriculum and pass a competency evaluation. ***Chapter 38, Article 1, Section 16.***

## County-administered Rural Medical Assistance (CARMA) Bill (HF2955/SF3149) (SSHF2/SSSF6)

County Based Purchasing (CBP) and AMC championed the county-administered rural medical assistance (CARMA) bill legislation carried by Rep. Jeff Backer and Sen. John Hoffman. It is the result of a multiple year-long process of collaboration among AMC and Minnesota's three county-based purchasing (CBP) plans, in cooperation with the Minnesota Department of Human Services (DHS). Previous legislation required the groups to develop a plan and this legislation established a county-administered rural medical assistance (CARMA) program. This important rural health care innovation builds off the success of county-based purchasing plans in delivering public health care programs. This county-owned and administered alternative to the Prepaid Medical Assistance Program will allow rural counties to streamline systems and better serve enrollees with greater accountability. Count-based purchasing counties were able to secure inclusion of the bill in the omnibus bill by covering the actuarial costs that had required a fiscal note.

Ultimately, the proposal was included in the omnibus health and human services finance and policy bill and signed into law by the governor as part of the Health and Human Services omnibus bill.

***Signed by the governor June 14, 2025 (Special Session Chapter 3, Article 8, Sections 24-25, 37-38).***

## Long Term Services and Supports Decision Review Process (HF257/SF141)

Legal Aid and the Disability Law Center worked with Rep. Jess Hanson (DFL- Scott County) to raise concerns about a lack of transparency, communication, and notice around when there is a denial of eligibility for LTSS services. They drafted legislation seeking to address shortcomings in the DHS notice form and raised concerns about individuals unnecessarily going through the eligibility review appeal process when better communication with county staff might have saved everyone the time, energy, stress, and money that goes into the appeals process. Counties acknowledged in meetings with advocates and in testimony that people need information regarding their specific eligibility in a way they can understand prior to receiving a notice of intent to denial, reduce, suspend, or terminate. AMC voiced opposition to the legislation due to concerns about the cost, administrative burden, and lack of need for legislation to require this additional step in the process. HF257 was included in the House Omnibus Human Services Policy Bill, where counties testified to a willingness to work with the authors and advocates to determine language for a full explanation of any services change determination to occur prior to the notice of Action being sent. Ultimately, the bill was removed from the Omnibus Human Services Policy Bill after a fiscal impact to the state was cited by DHS for this provision. Due to the tight timelines and the end of session debate, this provision did not advance. However, Rep. Hanson remains committed to continuing this conversation in future years.

***Status: Did not pass.***

### County Contracted Targeted Case Management (HF2434/SF3054)

Late in the session, legislators raised concerns about oversight related to county-contracted case management providers following some media attention. A House floor amendment from Rep. Peter Fischer (DFL-Maplewood) would have prohibited counties from contracting for case management services after July 1, 2028, would have required contract language to include county oversight to ensure high quality case management services, and put parameters on competitive bidding processes related to these services. Rep. Fischer also explored creating a taskforce or workgroup that would explore not only the merits of this idea, but also the implementation of a transition away from contracted targeted case management. Ultimately, the amendment did not receive a floor vote but because this issue has arisen in previous sessions, counties activated to educate legislators on why contracted case management services are necessary and tried to suggest alternative transparency parameters.

Ultimately, due to the tight timelines and the end of session debate, this provision did not advance. However, Rep. Fischer remains committed to continuing this conversation in future years.

***Status: Did not pass.***

## CHILD WELLBEING

### Children and Families Finance (HF2435/SF2669)

In the House, children and families' issues fell within the jurisdiction of Rep. Kotyza-Witthuhn (DFL - Hennepin) and Rep West (R - Anoka) in the Children and Families Finance and Policy committee. In the Senate, the issues fell within the jurisdiction of the Health and Human Services committee chaired by Sen. Melissa Wiklund (DFL-Bloomington) which also includes jurisdiction over health care and other issues that align with other House committees. This mismatch of jurisdictions has often led to some confusion about bill paths and end of session negotiations. This year was no different, though it fared better than in past years. In addition to this omnibus bill, there were provisions in the Human Services policy and funding bills, primarily in the areas of mental health and opioid settlement areas that are named below. If you have specific questions about the provision, please don't hesitate to reach out to your health and human services staff or me.

### SSIS Replacement and Modernization (SF2252 (Kupec)/HF1911 (Virnig); SF2612 (Frentz)/HF2425 (Nelson))

Counties successfully advocated for $10 million last biennium to begin the work of modernizing SSIS. Moving into this session, counties proposed an additional $40 million to transform the current burdensome technology into a tool that would support county administrators and allow workers to focus on meeting the needs of children and families. After two biennia of relentless messaging, legislators across the board expressed strong support for this investment. Counties presented in several different committees about the need for this technology – ranging from state government to finance to human services committees. We heard resounding support for this bill in nearly every corner of the Capitol. Of course, finding dollars for this investment in a year of scarce state dollars was difficult.

**What passed**: Ultimately, we were able to secure $35 million in the health and human services finance bill (***Special Session Chapter 3***, Article 11, Section 6). The bill language directs the Department of Children, Youth, and Families (DCYF) to acquire, implement, and configure a data-driven child welfare information system.

There are several parameters around the appropriation, including:

- Alignment with state and federal requirements.
- Ability to conduct comprehensive statewide data reports.
- Incorporation of responsive design capabilities; ability to gather information necessary for implementation of MIFPA and the Minnesota African American Family Preservation and Child Welfare Disproportionality Act.
- Ability to integrate with tribal information systems.
- Address other critical system needs, including those identified by local social services agencies.

The legislation directs DCYF to consult with counties and ensure that they are permitted to participate in system testing prior to final implementation. There are progress reports due to the Legislature in March and August of 2026, with annual reports thereafter.

### Minnesota African American Family Preservation and Child Welfare Disproportionality Act – SF3300 (Champion)/HF2967 (Agbaje)

After passage of this historic act in 2024, counties worked with DHS and DCYF to better understand how this transformative legislation would be implemented. Through that work, counties realized that proper statewide implementation by January 2027 would require technology system investments, staff training, and consideration of county implementation costs. Without robust data available yet from pilots in Ramsey and Hennepin counties and in light of 2025 being a state budgeting year, counties advocated for full funding to support the development and sustainability of programming and services related to implementation of The Act. Counties worked alongside the original authors of The Act to advocate for policy that would move child welfare case review functions to DCYF, provide for annual reports on county implementation capacity and investments in county child protection allocations, $40 million for SSIS, and additional funding for Family First Prevention Services Act grants. While we were unable to advance this legislation, discussion of The Act implementation continued throughout session and counties successfully raised concerns across committee jurisdictions.

**What passed**: In addition to multiple amendments being offered in committee and on the House floor, there was legislation introduced to delay implementation of The Act; however, that did not advance. Ultimately, county work will continue as we support the pilot county efforts in addition to collaborating with state agencies to prepare for statewide implementation.

### Children's Mental Health Initiative (CMHI)

Looking to the experience with Adult Mental Health Initiative (AMHI), MACSSA supported the creation and funding for a CMHI this legislative session. Using existing law as a template, we approached Rep. Liz Reyer (DFL-Eagan) to champion the bill, as she authored legislation to support AMHIs in the past. Rep. Reyer had several questions about the scope of CMHIs, qualifications for services, and interplay with other existing funding streams. From this meeting, it was clear that additional work was needed to develop legislative language specific to CMHIs that was distinct and narrowed from the current work of AMHI.

Due to the significant need for defensive work this session, we were not able to develop detailed legislation for introduction this year. We will continue this work and look to future sessions.

**Additional items of note include:**

2025 MN Session Law Chapter 9 (Human Services) – Passed during Special Session June 9, signed into law by the governor on June 14, 2025.

2025 MN Session Law Chapter 3 (Health and Human Services) – Passed during June 9 Special Session, signed into law by the governor on June 14, 2025.

2025 MN Session Law Chapter 38 (Human Services Policy Provisions) – Passed on May 20, signed into law by the governor on June 14, 2025.

## Child Welfare and Child Protection

- Changes the definition of habitual truant to be a child who is at least 12 years old (previously 18) and less than 18 years old. For children under age 12, who have been absent for seven days without a valid excuse, they can be a habitual truant if it is not the fault of the parent. ***Special Session Chapter 3, Article 10, Section 14 and 10.***
- Clarifies and authorizes a child welfare response for school attendance concerns, including connecting the family to community-based organizations while preserving the option to initiate a child protection response should conditions warrant. ***Special Session Chapter 3, Article 10, Section 39.***
- Codifies language from the child protection screening guidelines that clarifies the role of reporting to child protection for neglect when a child in an emergency department or hospital setting is unable to be discharged safely to the care of their family because of the inability to access services/supports to address a mental, physical, or emotional condition. ***Special Session Chapter 3, Article 10, Section 31.***
- Provision that increases access for private licensors of foster homes. MACSSA was successful in clarifying the role of counties in financially supporting and working with providers regarding privately licensed foster homes. Additional work and attention in this area is expected. ***Special Session Chapter 3, Article 10, Section 24.***
- A standalone provision was passed that requires at least half of the training for mandated reporters to focus on how to identify signs of suspected maltreatment or abuse. The trainings must be created with input from professionals with specialized knowledge related to maltreatment, including but not limited to medical professionals, attorneys, mental health professionals, and social workers. This legislation was led by Rep. Jim Nash (R-Carver County). ***Chapter 13.***
- Unfortunately, the proposal that directs DCYF to contract with a third party to conduct a comprehensive child welfare fiscal analysis did not advance, although it was heard in both the House and Senate committees.

## Child Care

- Monies available through the basic sliding fee child care money for calendar years 2026 and 2027 must be allocated to counties and tribes to account for the elimination of the schedule reporter designation in the CCAP program. ***Special Session Chapter 3, Section 16.***
- Authorizes the Commissioner of the Department of Children, Youth and Families to dedicate $1.6 million in funding in fiscal years 2028 and 2029 from the Child Care Development Block Grant fund for the development of a statewide electronic attendance and record keeping system for the child care assistance program. ***Special Session Chapter 3, Section 17.***

## Children's Mental Health

- Allocates $100,000 to develop a plan for a Psychiatric Residential Treatment Facility (PRTF) to be administered by the state. ***Special Session Chapter 9***, Article 13
- Dedicates $200,000 to Clay County for a new 18-bed PRTF in Clay County. ***Special Session Chapter 3, Article 20, Section 20.***
- Provides funding for a study that requires the state agency (DHS) to work with counties and community partners to develop recommendations on how best to meet the needs of children with complex needs transition to a PRTF, inclusive of reimbursement rates and licensing standards assessment. ***Special Session Chapter 3, Article 15, Section 7.***
- With the child and the child's parent or guardian consent, the case manager can complete a functional assessment. ***Chapter 38, Article 4.***
- Continues eligibility for children's case management services through the age of 21 (previously 18). The rate for children's case management is higher than adult case management. ***Special Session Chapter 3, Article 15, Section 4.***

## Opioids

- Provides $175,000 per year for grants to address the opioid crisis in historically underserved communities. ***Special Session Chapter 9, Article 12.***
- Grants $100,000 per year to Beltrami County to support families and children affected by the opioid crisis. ***Special Session Chapter 9, Article 12.***
- Expands subcabinet for Opioids, Substance Use and Addiction by including commissioners from the commerce and children, youth, and families departments, and the CEO of direct care and treatment and office of cannabis management. Requires them to develop a comprehensive plan for the state, including a comprehensive continuum of care. Any state agency operating these programs must submit their plans and budgets to the subcabinet for review. ***Chapter 38, Article 4.***
- Includes Purdue in the named entities subject to the Minnesota opioid settlement agreement and establishes that future settlement entities at the national level are subject to the existing Minnesota opioid settlement terms (counties and the state entered into settlement in 2022 that hereby authorizes 75% of the settlement to be directed to local agencies, with the remaining 25% being directed to the Opioid Epidemic Response Advisory Council (OERAC) at the state level.) ***Chapter 38, Article 4.***

# Public Health

For additional information on this section, please contact Kari Oldfield-Tabbert, Policy Analyst, at 651-789-4354 or koldfield@mncounties.org.

## OVERVIEW

The 2025 legislative session included several changes impacting Minnesota's public health system. The Health and Children and Families Omnibus Bill, passed during a fast-moving Special Session, included funding reductions and targeted reinvestments across several public health priorities. Despite advocacy efforts, funding cuts to emergency preparedness and public health infrastructure were included in the final agreement. Additional investments were made in food security, infectious disease, and substance use prevention.

### Health/Children and Families Omnibus Bill (HF2/SF6)

This nearly 500-page bill includes several provisions relating to the work of local public health departments including:

***Priority Issues***

- **Cannabis** and Substance Use Prevention Grants – Restores $2.5 million per year to Cannabis and Substance Use Prevention Grants by shifting around existing MDH funds, following a $3.6 million cut in 2024.
- Environmental Health Fee Increases – Increases licensure and plan review fees for MDH-regulated food, lodging, and pool facilities (i.e. public pools and spas, food establishments, lodging establishments, youth camps, and resorts; manufactured home parks, and recreational camping areas). The statewide hospitality fee was also increased from $40 to $50, and a technology fee was established that must be paid at licensure and license renewal. It also increases fees for registration of sanitarians and environmental health specialists. We opposed language initially included in the governor's budget proposal that would have mandated locally delegated agencies to collect and remit the statewide hospitality fee to the Minnesota Department of Health without reimbursement for costs. This language was ultimately amended out of the Senate bill and was not included in the final version of the bill.
- MDH Infectious Disease Infrastructure – Appropriates $1.3 million per year to support the infectious disease infrastructure at MDH, with a focus on building infrastructure to provide technical assistance to local health departments, health care providers, and other organizations.
- Public Health Infrastructure Grants – Reduces funding for Public Health Infrastructure Pilot Projects (Innovation Grants) by $2 million per year (one-third of total funding available).
- Response Sustainability Grants – Reduces funding for Response Sustainability Grants by $427,000 in FY2026 and $423,000 per year in FY2027–2029.

***Other Topics of Interest***

- **340B** – Makes technical modifications to 340B reporting requirements for covered entities, including requiring more detailed reporting related to costs of and funding for drugs obtained under the 340B program and dispensed or administered to patients.
- **Audio-only Telehealth** – Extends coverage of audio-only telehealth services in MA, MinnesotaCare, and private insurance through FY2027 at a cost of $18.861 million in FY2026–2027; $1.793 million in FY2028–2029.
- **Cannabis Maternal Child Health Grants** – Reduces cannabis maternal/child health grants for already completed one-time activities by $2.226 million in FY2028–2029.

- **Dementia Services Grants:** Appropriates $434,000 in FY2026–2027 and FY2028–2029 to create a Dementia Services Grant program.
- **Drug Overdose Grants:** Eliminates drug overdose grants, with a savings of $344,000 in FY2028–2029.
- **Epilepsy and Seizure Disorders:** Provides $378,000 in FY2026–2027 and $432,000 in FY2028–2029 to support coordination and data collection and develop a statewide coordination plan to support persons with epilepsy or seizure disorders and their caregivers.
- **Federally Qualified Health Centers:** Provides funding to Federally Qualified Health Centers (FQHCs) at $25.617 million in FY2026–2027 and $12.5 million in FY2028–2029.
- **Food Security:** Provides the following investments in food security (all in FY2026):
  - $5 million for regional food banks.
  - $5 million for food shelf programs.
  - $1 million for prepared meals grants.
  - $1 million for American Indian food sovereignty.
- **Healthy Eating, Here at Home:** Transfers administration of the Healthy Eating, Here at Home program from the Minnesota Humanities Center to MDH and adds SUN bucks (Summer EBT) benefits to the Healthy Eating, Here at Home program.
- **HIV/AIDS Support:** Appropriates $3.25 million per year for community-based HIV/AIDS support services.
- **Infant Abuse Education:** Requires pediatric providers to offer information on signs of infant physical abuse.
- **MA Reimbursement for Family Planning Services:** Directs DHS to implement system changes to claim enhanced federal reimbursement for MA-covered family planning services.
- **Maternal Death Studies:** Directs MDH to conduct maternal death studies within available funding.
- **MinnesotaCare Eligibility:** Language was added to the Health and Children and Families Bill that would have defunded the Minnesota Department of Health (MDH) if the bill removing undocumented adults from MinnesotaCare was not passed.
- **Newborn Screening:** Increases newborn screening fee to support addition of metachromatic leukodystrophy (MLD) to screening panel.
- **Opioid Antagonists on Tribal Campuses:** Provides $150,000 in FY2026–2027 and FY2028–2029 for opioid antagonists on Tribal college campuses.
- **Opioid Education Grant:** Makes a direct grant to Change the Outcome of $1 million to support opioid education.
- **Safe Harbor Grants:** Increases Safe Harbor Grants by $931,000 per year.
- **Sexual and Reproductive Health Grants:** Reduces Sexual and Reproductive Health Grants by $1 million in FY2026–2027 and $150,000 in FY2028–2029.
- **Spa Pools at Rentals Properties:** Exempts spa pools at stand-alone, single-unit rental properties from certain public pool regulations; requires safety signage.
- **Traditional Healing:** Directs DHS to seek federal approval for MA coverage of traditional healing practices.
- **Wells and Borings Fees:** Updates fee structure for wells and borings related to variances, permits, notifications, and certifications.

***Status: Signed by the governor on June 14, 2025 (Special Session Law, Chapter 3)***

## Agriculture and Omnibus Bill (HF2446/SF2458)

This bill contains the following provisions of interest to local public health:

- **Avian Influenza Response:** Provides $750,000 for the testing of milk, milk products, poultry products, and pet food before retail sale for the presence of avian influenza; biomonitoring for the presence of avian influenza in agricultural workers, farm workers, and poultry or livestock processing employees who volunteer to participate; and for the Board of Regents of the University of Minnesota to develop rapid testing, quantification, and human exposure risk assessment models for avian influenza in urban wastewater treatment processes, drinking water treatment processes, and public and private wells.
- **Materials on Highly Pathogenic Avian Influenza:** By March 1, 2026, the Board of Animal Health is required to prepare information and materials about highly pathogenic avian influenza and preventing its spread in companion animals.

***Status: Signed by the governor on May 23, 2025 (Session Law, Chapter 34)***

## Cannabis and Substance Use Prevention Funding (HF2211/SF2749)

LPHA advocated for legislation to fully restore the $3.6 million/year in funds for substance misuse prevention and education that was cut in 2024. That funding source was partially restored, by $2.5 million/year in the Health/Children and Families Omnibus bill, but a full restoration did not occur.

***Status: Did not pass.***

## Cannabis Omnibus Bill (SF2370/HF1615)

This bill makes technical, and policy changes related to adult use cannabis, including:

- **Edible Cannabinoid Products:** Modifies language to clarify that edible products that are not intended to be consumed as a beverage must not contain more than a total of 50 milligrams of any tetrahydrocannabinol per package. It also adds a requirement that an edible cannabinoid product that is intended to be consumed as a beverage must not contain more than ten milligrams of any tetrahydrocannabinol in a single container.
- **Lower Potency Hemp Edible:** Modifies the definition of lower potency hemp edible to clarify the amount of milligrams of delta-9 tetrahydrocannabinol (Delta-9 THC), cannabidiol (CBD), cannabigerol (CBG), cannabinol (CBN), or cannabichromene (CBC) that is permitted in as serving.
- **Municipal Cannabis Store:** Adds clarifying language that notwithstanding any law to the contrary, a city or county that establishes, owns, or operates a municipal cannabis store may also hold a lower-potency hemp edible retailer license.
- **Secured Vehicles and Delivery:** Modifies previous language that required delivery transport by two employees to requiring that vehicles must be secured by turning off the ignition, locking all doors and storage compartments, and removing the operating keys or device, or be attended by a cannabis transporter employee at all times. It also adds that a cannabis transporter must not be required to randomize delivery times and routes or staff cannabis transport vehicles with multiple employees.
- **Cannabis Testing Facility Licenses:** The Office of Cannabis Management (OCM) may issue or renew a cannabis testing facility license to an applicant without accreditation if they have a signed contract with an approved lab accrediting organization, have scheduled an audit and are making progress toward accreditation, pass a final site inspection, and meet all other licensing requirements. Licensed facilities may operate for up to one year with pending accreditation. If accreditation is still pending after one year, the facility may apply once for a six-month extension, if they pass a follow-up inspection, submit an initial audit report, and provide any other required information. The OCM may revoke a license if the facility is not making progress or violates cannabis testing, ownership, or operational rules. The Office cannot issue or renew a license if the applicant's accreditation has been suspended or revoked.

- **Cannabis Event Sales:** Removed the section that prohibits giving away cannabis plants, cannabis flower, cannabis products, lower-potency hemp edibles, or hemp-derived consumer products at cannabis events. It also adds a section related to samples. It allows authorized cannabis retailers to provide free samples of cannabis plants, cannabis flower, cannabis products, lower-potency hemp edibles, or hemp-derived consumer products during cannabis events. A label or notice with all required product information must be displayed and accessible to consumers. Sample limits include no more than one gram of cannabis flower or concentrate, ten milligrams of THC in an edible product, and five milligrams of delta-9 THC or 100 milligrams of other cannabinoids (CBD, CBG, CBN, CBC) in lower-potency hemp edibles. Retailers are prohibited from giving samples to visibly intoxicated individuals. Any sampled product that must be recorded in the statewide monitoring system must be documented accordingly.
- **License Types:** Adds a license type for lower-potency hemp edible wholesalers and sets requirements for how the products are permitted to be sold, transported or imported.
- **Lower Potency Hemp Manufacturers:** Adds additional allowances for lower potency hemp manufacturers including permitting manufacture, package, and labeling products containing cannabinoids that are intended for sale outside of the state and sets requirements for sale of those products.

***Status: Signed by the governor on May 23, 2025 (Session Law, Chapter 31)***

### Foundational Public Health Funding (HF2079/SF3403)

LPHA advocated for $21 million/year to local and Tribal public health for foundational public health responsibilities. Ultimately, with budget challenges, the bill was not heard and no additional funding was added.

***Status: Did not pass.***

### Higher Education Omnibus Budget Bill (HF6/SF1)

This bill contains the following provisions of interest to local health departments:

- **Cannabis Research Center:** Funding for the Cannabis Research Center at the University of Minnesota School of Public Health was included in the House budget bill but was eliminated in the Senate version of the bill. The final agreement was passed during the Special Session, with a plan to sustain funding for the Center, with a cut of $250,000/year, for total funding at $2,250,000/year.
- **Opiate Antagonists on College Campuses:** Minnesota State Colleges and Universities are now required—and the University of Minnesota is encouraged—to keep a supply of nasal opiate antagonists (like Narcan) at each campus, including at least two doses in every residential building. The Department of Health must provide implementation resources, such as training videos, to support emergency response planning. Both governing boards may create model policies for the storage, use, and administration of these medications across their campuses.

***Status: Signed by the governor on June 14, 2025 (Special Session Law, Chapter 5)***

### K-12 Education Omnibus (HF5/SF5)

The following provisions of interest to local public health were included in this bill:

- **Healthy Aging and Dementia Education:** School districts and charter schools are encouraged to provide instruction on healthy aging and dementia to students in grades 6 through 12 that is aligned with applicable health standards and integrated into existing programs, curriculum, or the general school environment of a district or charter school.
- **Substance Use Education:** Adds a requirement for overdose recognition, prevention, and response to the already existing statute that requires state agencies and other qualified experts identify one or more model programs that may be used to educate middle school and high school students on the health effects on children and adolescents of cannabis use and substance use. This section is effective the day following final enactment.

- **Opiate Antagonist Administration:** A school district or charter school may allow a student in grades 9 through 12 to possess and administer an opiate antagonist to another high school student.
- **Cardiac Arrest Plans:** Beginning in the 2026–2027 school year, all Minnesota school districts and charter schools must have a cardiac emergency response plan to handle sudden cardiac arrests on school property. The plan must include a designated response team, placement and maintenance of automated external defibrillators (AEDs), and coordination with emergency medical services. It also must outline procedures for staff and students during cardiac emergencies, including annual drills, and be reviewed by the school board each year.
- **Epinephrine:** MDH must give schools a standing order so they can keep and give out epinephrine to students who need it in emergencies.

***Status: Signed by the governor on June 14, 2025 (Special Session Law, Chapter 10)***

### MinnesotaCare Eligibility (HF1/SF8)

Removes undocumented adults from eligibility for MinnesotaCare effective January 1, 2025. Undocumented children remain eligible for coverage. The bill passed both chambers on narrow votes following significant floor debate.

***Status: Signed by the governor on June 14, 2025 (Special Session Law, Chapter 2)***

### Modification to Local Medical Consultant (HF2393/SF3402)

Current statute requires that a Community Health Board must contract with a physician to serve as the medical consultant for the agency. LPHA advocated for language that would have expanded eligible providers to include other prescribers such as physician assistants and nurse practitioners. This bill was not heard this session.

***Status: Did not pass.***

### Modification to Special Event Fee (HF3046/SF3391)

LPHA supported and worked with authors on language that would have exempted special events from the statewide hospitality fee (events such as a scout troop selling hot dogs or a community fundraiser). For locally delegated agencies, this policy often results in duplicate fees to pay by the fundraising entity. Although the bill was heard in the House, this provision included a cost and, with the challenging budget outlook, was not included in the final bill.

***Status: Did not pass.***

### Public Safety Omnibus Bill (HF2432/SF1417)

**Overdose Data:** Authorizes sharing certain overdose incident data with the Washington/Baltimore High Intensity Drug Trafficking Area's Overdose Detection Mapping Application Program (ODMAP). This shared data may include the time and location of an overdose, whether it was fatal, the suspected drug involved, whether naloxone was administered, and the type of first responder present. ODMAP allows secure system access for authorized users to report and view overdose incidents in near real-time, generated maps showing approximate overdose locations, and provide access to data to help guide decisions about public health, safety, and educational resource allocation related to suspected overdoses.

***Status: Signed by the governor on May 23, 2025 (Session Law, Chapter 35)***

# Public Safety & Corrections

For additional information on this section, please contact Emilio Lamba, Policy Analyst, at 651-789-4335 or elamba@mncounties.org.

## OVERVIEW

The 2025 Judiciary and Public Safety legislation reflects a continued emphasis on supporting courts, law enforcement, and corrections while advancing reforms that promote fairness, accountability, and improved service delivery across the criminal justice system. It includes operational updates, funding adjustments, and statutory changes designed to enhance coordination between state and local government partners and ensure the justice system better serves both the public and justice-involved individuals.

### PUBLIC SAFETY AND JUDICIARY OMNIBUS (HF2432/SF1417)

HF2432 was approved after bipartisan votes in the House (131–3) and Senate (34–33) and signed into law by the governor on May 23, 2025. Key budget allocations provided stable funding for corrections, courts, legal aid, Board on Judicial Standards, Guardian ad Litem, public defense, Human Rights, and the Tax Court, among others—notably increasing victim services funding and establishing a Minnesota Victims of Crime account. Law enforcement enhancements included expanded access to training reimbursements and drone deployment, plus mandated school reports of active-shooter drills to the BCA Fusion Center.

### Public Safety Appropriations

- Stillwater Prison Decommissioning Study – $1,000,000 in FY2026, one-time
- Minnesota Victims of Crime Account Transfer – $7,232,000 in FY2026, one-time
- Philando Castile Memorial Training Fund (POST Board) – $4,942,000 per year, ongoing
- In-service Officer Use-of-Force Training Grants – $250,000 in FY2026, one-time
- Supplemental Nonprofit Security Grants – $125,000 per year, ongoing
- Child Representation Grants (legal services) – $100,000 per year, ongoing
- County Attorneys Association Training Grants – $100,000 per year, ongoing

### Community Supervision Funding (HF1769/SF2120)

A bill sought to fully fund the community supervision formula with an additional $12.6 million in funding as well as implementing a three-year average of the probation data that feeds the formula and its total allocation. Although House Co-Chairs, Rep. Moller & Rep. Novotny recognized the necessity of fully funding community supervision as a cost-effective alternative to incarceration, the funding portion of the bill was not included. The provision updating the community supervision funding formula (Section 16) is updated to use a three-year average of felony and misdemeanor probation populations, rather than a single-year snapshot, providing counties with more stable and predictable funding was included in the final Judiciary and Public Safety Omnibus Bill.

***Status: Signed by governor May 20, 2025 (Chapter 35, Article 16)***

## Additional Community Supervision Changes

Chapter 35 includes several other significant reforms to Minnesota's community supervision system. The **Department of Corrections (DOC) is authorized to retain funding for supervision services it directly provides to counties** (Sections 7–9), eliminating the need for counties to pay and later be reimbursed. Counties will receive an annual accounting of how these funds are used. The community supervision report to the Legislature is now required biennially instead of annually (Section 18).

The bill also maintains the $250,000 annual set-aside per **Tribal Nation to support supervision and reentry services** (Section 20). These funds will be distributed in a manner consistent with county allocations, and nonparticipating Tribal Nations must submit abbreviated comprehensive plans. The cost of the Interstate Compact Transfer Unit will now be shared among all counties based on their share of the probation population (Section 17).

**Supervision credit and abatement policies are revised**: the DOC may now deny, or revoke earned incentive release or compliance credits if an individual poses a public safety risk or violates rules while incarcerated (Sections 11–13). Additionally, the scheduled sunset of correctional supervision fees is delayed until 2029 (Sections 3–5), giving counties more time to adjust to the eventual elimination of this revenue stream. The Community Supervision Advisory Council is expanded to include judiciary members and requires greater diversity among appointments (Section 23).

## Corrections Policy and Closure of Stillwater Prison

***Sections: Article 2, Sections 10–11, 15; Article 5, Sections 6–7; Article 7, Sections 1–2, 25–26***

The bill includes provisions affecting facility planning and inmate treatment policies. Section 10 **appropriates $1 million to DOC to conduct a management and decommissioning study for the planned closure of MCF–Stillwater**, with a report due by September 30, 2026. Section 15 requires DOC to develop written layoff mitigation plans if considering facility closures. One-time funds from DOC's asset preservation budget are canceled (Section 11).

The **Mental Health Unit (MHU) pilot** program is extended through 2027 (Section 25), allowing counties to transfer seriously mentally ill inmates from jails to MCF–Oak Park Heights. Transfers can now be initiated through licensed mental health professionals rather than requiring inmate consent. Section 26 repeals outdated statutes related to civil commitment procedures for DOC inmates.

To improve care continuity, Sections 6 and 7 (Article 5) **require local correctional facilities to continue previously prescribed medications unless specific exceptions apply** and ensure Jarvis Orders are identified and enforced. Section 1 (Article 7) mandates that DOC maintain a sufficient supply of naloxone (Narcan) in state facilities and train staff to respond to overdoses. Section 2 updates language related to American Indian cultural programming in prisons and community-based programs.

## Law Enforcement and Public Safety Operations

***Sections: Article 2, Sections 13, 21; Article 4, Sections 7–8, 10–11; Article 5, Sections 3–4, 23–25***

Chapter 35 **enhances local law enforcement authority and support**. Section 13 authorizes the Department of Public Safety to use up to 10% of grant funds for administrative costs (5% for named recipients), helping counties and others better plan for overhead. Section 21 mandates all law enforcement agencies register for and use the ATF's eTrace system to trace firearms, with DNR and State Patrol exempted.

The bill provides $4.94 million per year through FY2027 to POST for law enforcement training via the Philando Castile Memorial Training Fund (Article 2 appropriation language), and Section 26 (Article 2) establishes a task force on mandatory minimum sentences. Section 7 (Article 4) expands fourth-degree assault penalties when directed at EMS, fire, or hospital emergency personnel, and Section 8 requires consecutive sentencing for jail inmates who assault sheriffs or deputies.

Sections 23–25 (Article 5) **update laws related to warrantless uses of unmanned aerial vehicles (UAVs) and mobile tracking devices**, allowing expanded deployment to preserve evidence, search for missing persons, or respond to vehicle thefts and pursuits. New training requirements (Section 3) also call for inclusion of DPS's anonymous threat reporting system in violence prevention instruction. Sections 4 and 9 (Article 5) require K–12 schools to report active shooter threats and incidents to the Minnesota Fusion Center, and DPS must report how tips are handled.

## Crime Victims Services and Support

***Sections: Article 2, Sections 12, 16–20; Article 6, Sections 1–6***

To strengthen support for victims of crime, Section 16 creates the **Minnesota Victims of Crime Account** in the special revenue fund, with an annual transfer beginning in FY2028. Sections 17 and 18 increase marriage license fees and require that $10 of each fee go into the account. Sections 19 and 20 establish new assessments on individuals and corporations convicted of crimes, directing revenue to the account.

Section 12 transfers $7.23 million into the fund in FY2026. Article 6 formally recognizes children's advocacy centers as victim assistance programs (Section 1), making them eligible to receive a portion of court fines. Notification statutes are updated to ensure victims are informed of their rights (Sections 2, 3, 5), including when a prosecutor declines to charge or dismisses a domestic violence case. Sections 4 and 6 create notice requirements when an incarcerated person submits a letter of apology and allows agencies to exhaust printed notification materials before updating to comply with new statutes.

## Judiciary and Court System Provisions

***Sections: Article 1 (appropriations), Article 8, Sections 1–5; Article 11, Sections 2–5***

The bill provides **appropriations for court operations and related boards**, including funding for additional Guardian ad Litem supervisors (Article 1). Filing fees for civil actions are increased by $25 (Article 1), and a new fee for accessing electronic court records is authorized. Sections 2–3 (Article 8) eliminate outdated filing location restrictions in St. Louis County. Section 5 ensures reports from conservators are also provided to interested parties.

The **Guardian ad Litem Board** must submit detailed annual reports on staffing, caseloads, and performance (Section 5, Article 11). Sections 2–4 establish the Statewide Office of Appellate Counsel and Training as an executive branch agency and clarify staffing and compensation policies. Clarifying language in Sections 17–21 updates reference to forensic navigators, ensuring their monitoring role is clearly distinguished from direct supervision.

***Status: Signed by the governor May 20, 2025 (Chapter 35).***

## Department of Corrections Deficiency Request (Sf3196/Hf3006)

Traveling separately but still included in the final Judiciary and Public Safety budget was the deficiency request from the Department of Corrections. This act funds the Department of Corrections' $19,091,000 fiscal year 2025 deficiency request. Of this amount, the agency received a $9,091,000 general fund appropriation. The agency also received authorization to reallocate $10,000,000 from unspent appropriations. The Department of Corrections stated the primary cause of the deficiency is increased staffing costs associated with the agency hiring additional staff.

***Status: Signed by governor May 6, 2025 (Chapter 19).***

## Gifts Related to a Line of Duty Death (Hf124/1266)

The new law authorizes state agencies and local governments to accept gifts (money, property, plaques, or services) related to a public safety officer's death in the line of duty, during the 24-month period following the officer's death. Gifts may honor the fallen officer or promote team morale, provided they adhere to existing gift policies. These gifts must be used within one year of receipt and in line with donor intent.

Agencies and subdivisions can adopt stricter policies if desired. They are required to report gifts and detail their value, source, and use to the Commissioner of Public Safety within three months of distribution, and to publish the information on their websites. The Commissioner must then compile these reports into a statewide summary specifically covering gifts funding funerals, memorials, and travel or participation expenses for national memorial events within the same 24-month period.

Additionally, the law explicitly authorizes local governments to spend public funds on:

- Funeral and memorial services for officers killed in the line of duty.
- Travel and participation costs for family or qualified individuals in national memorial events.
- Soliciting and receiving gifts to support these purposes

***Status: Signed by the governor April 29, 2025 (Chapter 7).***

## Local Emergency Management Funding (HF2099/SF2119)

For additional information on this section, please contact Nathan Zacharias, Policy Analyst, at (651) 789-4342 or nzacharias@mncounties.org.

A bill sought to address long-standing structural funding gaps in Minnesota's local emergency management system, ensuring counties and tribal governments have the baseline capacity and support needed to effectively prepare for, respond to, and recover from emergencies. The bill was carried by Sen. Kupec in the Senate and Rep. Pete Johnson in the House. The bill received bipartisan support, and the need was understood by members of the committees. Unfortunately, despite strong committee testimony and support, the proposal was not included in the final enacted budget package. Although the bill was unable to secure funding this session, the support and visibility gained during the committee process provides a valuable foundation for continued legislative engagement.

***Status: Did not pass***

## Emergency Medical Services Funding (HF2)

For additional information on this section, please contact Nathan Zacharias, Policy Analyst, at (651) 789-4342 or nzacharias@mncounties.org.

EMS funding took a non-linear path to passage during the 2025 legislative session. Ultimately, $16 million for an Ambulance Operating Deficit Grant Program, $2 million for an Ambulance Service Training and Staffing Grant Program, and $8 million for a Rural Uncompensated Care Pool were included in HF2, the Health and Children and Families Finance Bill that passed during the 2025 First Special Session. This funding was strongly supported by AMC members and influenced by the AMC EMS Working Group.

AMC worked with stakeholders like the Coalition of Greater MN Cities, the Minnesota Hospital Association, the League of Minnesota Cities, and others to push the Legislature to fund ambulance services in areas of the state where many operations are on the brink of failure. The Legislature passed one-time funding in 2024 with the intention of returning in 2025 to work on a comprehensive solution. The initial proposal was a roughly 70-cent fee on every cell phone bill which would have generated around $100 million per biennium. However, the House GOP and some of the Senate GOP were opposed to new fees or taxes, given the budget deficit and $18 billion of one-time spending during the previous biennium. The original bills, HF337/SF1080, were heard by the House Health and Finance Policy Committee on February 24, 2025, and the Senate Health and Human Services Committee on March 19, 2025. AMC submitted testimony in favor of the proposals. Both bills received lively discussion and debate, especially during the House committee hearing. Legislators generally acknowledged that EMS funding was a top priority but disagreed on how to fund it. So, the proposed funding mechanisms were amended out of the bill in the House, and it was agreed that further negotiations by legislators and stakeholders were necessary.

The Senate Health and Human Services Committee eventually released its omnibus budget and policy bill in April, but no funding for EMS was included. This was because, at the time of the bill's release, there was still disagreement on a funding mechanism. The structure and policy of the EMS Operating Deficit Grant Program was included in the omnibus bill as a last-minute amendment to preserve its viability heading into conference committee negotiations. The House Health and Finance Policy Committee exchanged offers on their omnibus budget and policy bill but were not able to produce any bill during the Regular Session and, as a result, no bill was passed during the 2025 Regular Session.

Thankfully, stakeholders, legislators from rural Minnesota, and legislative leadership preserved their agreement to find a way to fund EMS, and we now have a biennium worth of funding for EMS in places where there is no viable way to operate ambulance services without subsidy. The final Health and Children and Families Bill was passed by both chambers during the First Special Session and signed by the governor on June 14, 2025. Because the funding is only approved through the 2026-2027 biennium, AMC and other groups will need to return to the Legislature in ensuing sessions to ask legislators to add more funding to the programs.

***Status: Signed by the governor June 12, 2025 (Chapter 3).***

## Judicial Official Property Records (HF2432)

For additional information on this section, please contact Nathan Zacharias, Policy Analyst, at (651) 789-4342 or nzacharias@mncounties.org.

Judges and their immediate family members, including adult children, may now submit an application to counties—with a $75 fee—to have their names and addresses masked on all public and non-public records kept by counties. This law was included in HF2432, the Judiciary, Public Safety, and Corrections Policy and Finance Bill that passed both chambers and was signed by the governor on May 23, 2025.

This law is the result of extensive work by AMC, MACO, and a wide range of stakeholders in addition to legislators. A working group met for nearly a full year to try to come to an agreement that would afford judicial officials' safety in their homes and take into consideration the labor and costs counties would incur complying with this law. The initial proposal, HF2127/SF2039, included nearly 3,000 judicial branch staff in this law. AMC expressed deep concern about this proposal. We held individual meetings with the bill authors, legislators, and the District Court Judges Association. We also testified and submitted letters at each committee hearing throughout session. Ultimately, AMC was able to convince the Legislature to scale back the initial proposal to include only judges, roughly 300 individuals.

We remain increasingly concerned that other employee groups with sensitive public interactions—corrections staff, child protection workers, police officers, to name a few—are going to ask for the same protections this law affords judges. We do not disagree that people should feel and be safe in their own homes, but there are significant costs to counties if they are required to do this work without help from the state. AMC will be working in the interim to create a more comprehensive solution that does not place the burden of records-masking wholly on counties.

***Status: Signed by the governor May 20, 2025 (Chapter 35).***

# Transportation & Infrastructure

For additional information on this section, please contact Emily Murray, Policy Analyst, at 651-789-4339 or emurray@mncounties.org

## OVERVIEW

AMC's Transportation & Infrastructure Policy Committee priority for the 2025 session focused on support for a bonding bill that includes funding for transportation-related programs, including the Local Road Improvement Program, the Local Bridge Replacement Program, the Local Government Road Wetland Replacement Program, and the Busway Capital Improvement Program. Bonding bills have been few and far between in recent years, with the passage of a bonding bill during a fall Special Session in 2020 and then the passage of one of the state's largest capital investment packages totaling $2.6 billion ($1.5 billion in bonding and $1.1 billion in cash) in 2023. Despite the significant capital investment package in 2023, we expected the Legislature to pass another bonding bill during the 2024 session since it was a bonding year and the 2023 bill was largely seen as a make-up bill for no bill in 2022. A literal last-minute attempt to pass a bonding bill during the 2024 session was met with unwelcome fanfare in both the House and Senate, leading to end of session mayhem, and no bill passed. Which is why AMC again set our sights on this session being the year for them to finally find success in passing a bonding bill – and this time it came true. While the final bill was smaller in size compared to 2020 and 2023, it was relatively big for the statewide transportation programs AMC supports as well as a few additional county priorities.

After the success of the 2023 transportation funding bill, the targets for transportation this session were bleak. The conference committee faced negative global budget targets which required cuts to some of the wins we saw in 2023 on one hand, but on the other hand resulted in new and alternative funding sources to make up for the loss in general fund revenue to transportation. Here's a look at how it all played out for transportation and infrastructure in the 2025 session.

## AMC PRIORITY: BONDING

With the dramatic end to the 2024 session centered around a final attempt at a cash-only bonding bill, many were unsure how bonding would transpire in the 2025 session. House and Senate Capital Investment Committees had already done the work of touring projects across the state prior to the 2024 session, but after the 2024 general election resulted in a tie for the Minnesota House of Representatives, it was unclear whether bonding would be a major hurdle in 2025. Because a traditional general obligation bonding bill requires a 3/5ths majority vote for passage and therefore requires members of the minority party in both bodies to deliver votes in support of the bill, bonding always becomes a major sticking point during negotiations at the end of session and this year was no different.

### Governor's Capital Budget Recommendations

The governor announced his 2025 capital budget recommendations at the end of January. While his recommendations totaled close to $887 million in statewide investments, we were disappointed to see next to nothing included for transportation, with zero for local roads and bridges and only $3.6 million in general obligation (GO) bonds for the Local Government Road Wetland Replacement Program.

While some investment for the wetland replacement program was better than nothing, after years of being underfunded and many times receiving no funding, an investment of both cash and GO bonds was necessary for the program to move forward. The $3.6 million recommended by the governor was even a far cry from his revised capital budget recommendations from 2024, which included a total of $14.5 million to the Minnesota Board of Water and Soil Resources (BWSR) for the Local Government Road Wetland Replacement Program.

## Making the Case

Local government groups – AMC, MN Inter-County Association (MICA), MN Rural Counties (MRC), MN Transportation Alliance (MTA), and the League of MN Cities (LMC) – joined together to introduce SF1535 (Hawj)/HF983 (Olson) requesting one-time appropriations in FY2026 to BWSR for the Local Government Road Wetland Replacement Program of $15 million in GO bonds and $11.5 million in GF cash. The bill also requested base budget funding to BWSR of $9.5 million annually for the program. This language addressed the main recommendation of the Local Government Road Wetland Replacement Program (LGRWRP) Working Group to ensure the long-term viability of the program:

- Funding for the program through a combination of Operating Budget (General Funds) and the Capital Budget (General Obligation Bond funds and General Funds); and
- Pursue federal and state one-time funding that could provide "catch-up" funding.

With bipartisan authors in both the House (Reps. Olson, Koegel, Skraba, Murphy, Tabke, Kraft) and the Senate (Sens. Hawj, Johnson Stewart, Lang) there was strong support from legislators who understood the real impact of the program.

Additionally, two identical bills were introduced to provide funding for the local road and bridge programs, including SF289 (Sens. Abeler, Jasinski, Dibble, Housely, Johnson Stewart)/HF2076 (Reps. Fogelman, Murphy) which included $250 million GO bonds for LRIP, $150 million GO bonds for LBRP and SF2185 (Johnson Stewart) $250 million GO bonds for LRIP and $150 million GO bonds for LBRP.

In early March, AMC was asked to present before the Senate Capital Investment Committee and share our bonding priorities including support for the local road and bridge programs as well as the wetland replacement program. AMC staff alongside representatives from the Minnesota County Engineers Association (MCEA) shared details on the need for each program and examples of successful projects that have advanced with funding from these programs.

**On local bridges**: Over the next five years, local agencies have identified 948 priority bridge replacement projects, requesting approximately $282 million in state bridge funds, with approximately $740 million in total construction costs.

**On local roads**: During the 2023 LRIP competitive solicitation process, MnDOT State Aid received 378 applications requesting $417.1 million in LRIP funding for the $103 million appropriated last session. In total, the LRIP Advisory Committee approved 86 projects for grant funding to counties, state aid cities, non-state aid cities, townships, and Federally Recognized Indian Tribes for construction, reconstruction, or reconditioning projects.

The presentation was also an opportune moment to share our thanks for the bills that had been introduced to provide funding for the programs and thank the legislators on the committee who have worked tirelessly to try and get a bonding bill passed over the past few years. The next committee stop for our AMC bonding priority was in late March when SF1535 was heard in the Senate Environment, Climate, and Legacy Committee when county and city engineers testified to the benefits of the program and the need for immediate and long-term funding.

## Senate Bonding Proposal

After the House and Senate released their respective budget targets at the very end of March, the Senate included a **$1.35 billion target for this year's bonding bill**. In a press conference in early April featuring Senate Capital Investment Committee Chair Sandy Pappas, she stated that the plan for the bonding bill (from the Senate's perspective) would be to include three pots of funding: one for state agencies, one for competitive projects, and one for earmarks. While the Senate target and spreadsheet provided more detail than what we were hearing from the House, bonding bills must originate in the House and House Capital Investment Committee Chairs continued to stick to the debt capacity limit presented by Minnesota Management and Budget (MMB) that stated that a bonding bill would likely be more around $700 million. In early May, the Senate released a spreadsheet detailing the $1.35 billion proposal – no bill language – that detailed the amounts that would be included for the following programs:

- Local Government Road Wetland Replacement Program: $3.6 million GO bonds
- Local Road Improvement Program: $23 million GO Bonds
- Local Bridge Replacement Program: $14 million GO bonds
- Major Local Bridge Replacement Program: $11 million GO bonds

The Senate held a hearing to present the spreadsheet and to move vehicle bills to the floor so that, when an agreement on bonding was reached, they could move quickly.

## Capital Project Preservation Fund (HF2418/SF2321)

A holdover from last session, HF2418 (Tabke) was introduced this year, requiring local governments that receive state funding for a capital project to establish a capital project replacement account. Last session, AMC worked hard to share concerns with a similar proposal, though by the end of session the original proposal was significantly scaled down to only apply to any grantee that receives a direct appropriation of state money for a capital project unless one of two exceptions applied. The language included last session would not have applied to a project funded through a state agency grant program, like the Local Road Improvement Program (LRIP) or the Local Bridge Replacement Program (LBRP). While the end result of last year's language still wasn't ideal, it was a major compromise, but ultimately it did not pass. Fast forward to this session, we were concerned to see the bill as introduced go back to the starting point and not include the compromise language from the end of last session.

HF2418 was heard in the House Government Operations Committee and was significantly scaled down from requiring a capital project replacement *fund* to instead requiring a capital project replacement *plan*. The bill was eventually heard in the House Capital Investment Committee as well and was amended to only require an additional piece of information during the application process outlining a political subdivision's plan for maintenance and preservation of the project. This would only be required for projects under Chapter 16A that are seeking inclusion in the governor's budget recommendations and would not apply to statewide grant programs such as LRIP and LBRP. Despite this positive news, this policy language was not included in either the GO bonding bill or GF bonding bill language. We are hopeful that if it is brought forward in the coming years, it will be from this starting point.

# 2025 CAPITAL BONDING BILL

After the early May unveiling of the Senate spreadsheet outlining its proposal for a $1.35 billion bonding bill, there was not much news in the way of bonding before the end of the Regular Session on May 19. In fact, any news and rumors that were circulating were all painting a negative outlook on the likelihood of a bonding bill during Special Session.

After the Special Session was announced for Monday, June 9, word got out that a bonding bill would be part of the agreed upon bills. The Capital Investment Working Group scheduled an 8am hearing for the day of Special Session to unveil the bonding spreadsheet and bill language. AMC priority programs fared well in the bill, in addition to other county priorities. The bill totaled $700 million in GO bonds and focused on asset preservation and infrastructure projects including water, roads, and bridges. The following totals were included in the bill for the transportation-related programs counties advocated for through the AMC bonding priority:

- Local Government Road Wetland Replacement Program: $5 million GO bonds
- Local Road Improvement Program: $42 million GO bonds
- Local Bridge Replacement Program: $20 million GO bonds
- Major Local Bridge Replacement Program: $11 million GO bonds

Compared to what was included in the Senate's $1.35 billion spreadsheet, the totals above in the final $700 million bonding bill were *more* than what was included in the Senate spreadsheet. Additionally, the bill included $6 million in GO bonds for the Capital Assistance Program and $55 million in GO bonds for the Anoka Miller Building Regional Treatment Facility. For what many are deeming a "small" bonding bill, AMC priority programs fared very well.

***Status: Signed by the governor on June 14, 2025 (Chapter 15) MN Session Laws – 2025, 1st Special Session.***

# TRANSPORTATION FINANCE AND POLICY

After the passage of a truly historic transportation funding bill in 2023, the state's budget outlook heading into the 2025 session made many transportation advocates worried that some of the successes from 2023 might be in jeopardy. In the end, there were some new, unexpected transportation funding gains this year that helped balance other aspects of the 2023 bill that saw proposed reductions and temporary pauses this year.

## Transportation Budget Targets

When budget targets were announced at the end of March, it was a grim outlook for transportation. While a very small percentage of transportation funding comes from the General Fund, most of it goes to transit as well as a portion of the revenue from the auto parts sales tax that is statutorily dedicated to the Highway User Tax Distribution (HUTD) Fund and the Transportation Advancement Account (TAA). The Senate received a negative budget target for transportation: - $227 million in the fiscal year 2026-27 biennium and -$132 million in the fiscal year 2028-29 biennium. The initial House budget targets for transportation were zeroed out for the two biennia.

## Highlighted Provisions in the House Transportation Bill

With a zero-dollar budget target in the House, the number of cuts were not as severe as those included in the Senate. Initially, at the start of session, the House Transportation Committee held a hearing on HF5 (Joy) which would have eliminated the retail delivery fee and indexing of the fuel tax, both enacted in 2023. When putting together its omnibus transportation bill, the House did not include these provisions. The House did include new general fund spending in its bill, which required cuts to other prior appropriations, most of which came from a reduction in the general fund appropriation to the Metropolitan Council for transit operations, which was a governor's budget proposal, and one supported by the Met Council.

Other highlighted provisions in the bill include GF spending for the local road and bridge programs as well as the wetland replacement program and more:

- $3.838 million in one-time GF money for the Local Road Improvement Program
- $3.838 million in one-time GF money for the Local Bridge Replacement Program
- $10 million in one-time GF money for the Local Government Road Wetland Replacement Program
  - $6.37 million/year base funding for the wetland replacement program starting in FY2028-29
- EV fee increase from $75 to $200
  - 80% to HUTD
  - 20% to Transportation Impact Assessment Mitigation Account
- Blackout plate revenue - $43.75% to HUTD
- Changes to the GHG/VMT law
  - Eliminates the project-by-project assessment and delays implementation date by one year for the portfolio assessment
  - Includes part of EV fee increase for mitigation fund
- Includes language that would consolidate metro counties reporting on LOST, TAA funds, and metro sales tax funds
  - Includes language that would withhold 25% of CSAH funds for a county that submits a late report

## Highlighted Provisions in the Senate Transportation Bill

The Senate had a much steeper hill to climb with a significant cut in its general fund target with most of the proposed general fund savings included in the bill coming from a delay in the general fund appropriation to the Northern Lights Express (NLX) and other passenger rail appropriations, including the governor's budget recommendation to reduce the general fund appropriation to the Met Council for transit operations. The bill also proposed a temporary two-year adjustment to the percentage of auto parts sales tax revenue going from the GF to the HUTD Fund (36.5% to the HUTD Fund in FY2028 and 29.5% in FY2029 instead of the current 43.5%). The amount of auto parts sales tax revenue going from the general fund to the Transportation Advancement Account (TAA) would not change during this time.

Other highlighted provisions in the bill include:

- Repeals the current State Aid design standards for CSAH and MSAS, focusing on use of the MnDOT Facility Design Guide
- Requires MnDOT to update its cost participation policy with local governments by March 1, 2026
- Increases the EV fee from $75 to $200 (all to HUTD)
- Requires MnDOT to create a Local Business Construction Impacts Assistance Program
- Modifies the definition of highway purposes and removes certain limitations on Trunk Highway spending
- Imposes a statutory speed limit on Steele County CSAH 12 and on Beltrami County CSAH 20

### Transportation Working Group

After the House and Senate bills passed off each floor, the conference committee met several times to discuss policy provisions. While there was not much in the way of "same" language in the two bills, there was one same finance provision to increase the electric vehicle fee. The conference committee adopted several policy provisions but stalled out waiting for global budget targets to be announced. Once the global budget targets were released, the conference committee met only one additional time before the end of the Regular Session. The global budget target for transportation included a -$115 million target in fiscal year 2026-27 and a -$133 million target in fiscal year 2028-29. While the transportation working group did not meet until the Friday before Special Session, we know from press conferences that transportation was a sticking point, specifically finding agreement on the language relating to the transportation greenhouse gas emissions assessment. Late on Thursday, May 29 the signed transportation working group agreement documents were posted. No official bill language was posted until a week later, closer to the Special Session. Most of the provisions included were expected, but there were some new proposals included that were unexpected.

# OMNIBUS TRANSPORTATION BUDGET BILL

### Finance Provisions

Below is a list of the finance provisions included in the final working group agreement and HF14/Chapter 8. With the change in the percentage of the auto parts sales tax revenue going from the General Fund to the HUTD Fund, there are implications for the County State Aid Highway (CSAH) Fund as well, though it is largely offset by the increase to the EV fee, the newly enacted plug-in hybrid electric vehicle surcharge, and the per kilowatt hour fee at public charging stations that will go into effect in two years. The net HUTD changes to the CSAH are as follows: +$3.830 million in fiscal year 2026-27 ($2,256,657 total), and -$8.656 million in fiscal year 2028-29 ($2,389,399 total).

**Auto Parts Sales Tax Revenue:** The working group agreed to the Senate proposal to modify the percentage of auto parts sales tax revenue going from the general fund to the HUTD fund. Instead of the original Senate proposal to modify the percentage for two years, the final language includes an eight-year modification. The original language passed in 2023 is as follows:

(1) 43.5% to the HUTD fund

(2) A % to the Transportation Advancement Account:

- In FY24, 3.5%
- In FY25, 4.5%
- In FY26, 5.5%
- In FY27, 7.5%
- In FY28, 14.5%
- In FY29, 21.5%
- In FY30, 28.5%
- In FY31, 36.5%
- In FY32, 44.5%
- 56.5% in FY33 and thereafter; and

(3) the remainder in each fiscal year to the general fund

The new distribution changes the percentage going to the HUTD fund as follows:

(1) A percentage to the HUTD fund:

- In FY26, 43.0%
- In FY27, 41.0%
- In FY28, 36.0%
- In FY29, 30.0%
- In FY30, 36.0%
- In FY31, 36.0%
- In FY32, 36.0%
- In FY33, 36.0%
- phase-in back to 43.5% (over FY 34-37)

(2) A percentage to the Transportation Advancement Account (no change from 2023 law above)

(3) the remainder in each fiscal year to the general fund

**Electric Vehicle and Plug-In Hybrid Vehicle Surcharge:** The proposals included in the House and Senate bills would have increased the current annual electric vehicle surcharge from $75 to $200. The change that passed in Chapter 8 focuses more on the MSRP and depreciation of the vehicle, similar to how registration fees are determined (these surcharges are in addition to a vehicle's registration fees).

- **For electric vehicles:** the surcharge is calculated as the greater of the minimum amount specified or 0.5% of MSRP multiplied by the % specified for the vehicle's year of life. The minimum amount is $150 for the registration period beginning on or after January 1, 2026, and on or before June 30, 2027, or $100 for the registration period beginning on or after July 1, 2027.
- **For Plug-in hybrid electric vehicles**: the surcharge is calculated as the greater of the minimum amount specified or 0.25% of MSRP multiplied by the % specified for the vehicle's year of life. The minimum amount is $75 for the registration period beginning on or after January 1, 2026, and on or before June 30, 2027, or $50 for the registration period beginning on or after July 1, 2027.

**Per-Kilowatt Hour Fee on Public EV Charging Stations:** New, constitutionally dedicated revenue that was included in the bill would impose a tax on all public charging station operators for electricity that is sold as a vehicle fuel at a public charging station at a rate of five cents per kilowatt hour of electricity. This tax will be imposed on and after July 1, 2027.

**Local Government Road Wetland Replacement Program Funding**: AMC was pleased to see $3 million in General Fund cash to BWSR for the wetland replacement program included in the transportation working group agreement. This cash, coupled with the $5 million in general obligation bonds included in the bonding bill, will help BWSR to purchase credits on the private wetland banking system immediately and use the GO bonds to help build wetland credits in the future. While the $8 million total does not meet the program needs, it is helpful to have a combination of cash and GO bonds at this time.

**Proposed Cut to Metro Counties Portion of Regional Transportation Sales and Use Tax:** A late breaking and unexpected addition to the transportation working group signed agreement would have reallocated half of the metro counties' share of the regional transportation sales and use tax to the Metropolitan Council. This tax was enacted by the Legislature in the 2023 transportation funding bill and included a 3/4% tax in the seven-county metro area and is distributed as follows:

- 83% to the Metropolitan Council
  - 95% for transit system purposes including operations, maintenance, and capital projects
  - 5% for active transportation as determined by the Transportation Advisory Board (TAB)
- 17% to the seven metro counties for uses specified under the Transportation Advancement Account

A few legislators on the transportation working group proposed reallocating half of the current 17% distribution for the seven metro counties, from 17% to 8.5%. This idea was never introduced as a bill during session, nor was it discussed as a possibility with any of the metro counties. According to these legislators, the reason for the proposed change was to give the Metropolitan Council additional funding for bus rapid transit. In exchange for this reallocation, the remaining 8.5% going to the seven metro counties would be available for broader use instead of following the uses specified under the TAA. In total, it would have amounted to a cut to over $90 million to the seven metro counties, of which the money had already been programmed for many important transit, active transportation, and other projects. It should be noted that the Met Council was not publicly advocating for this revenue. In fact, the governor's budget included general fund cuts to the Met Council for transit operations, utilizing the regional sales tax revenue for this use instead. Additionally, the final agreement included a provision to allow the Met Council to loan MnDOT up to $250 million and issue bonds. This signaled that the Met Council was not in need of an additional share of this revenue.

The seven metro counties were a strong, united front in advocating against this cut in the week after it was made public in the transportation working group agreement prior to the Special Session. The hard work paid off and **this provision was removed** from the working group agreement and not included in the final bill.

## Policy Provisions Included

Counties worked hard on many important policy provisions this session, of which most did not make it into the final bill. Below is a detailed analysis of the top policy items that AMC worked on that were included as well as a list of the items that were dropped.

**MnDOT Cost Participation Policy:** Early in session, Sen. Jasinski introduced SF285, which sought to change MnDOT policy by stating that the department's cost participation policies cannot require a local government to pay for project costs within the trunk highway right-of-way. The MN County Engineers Association (MCEA) was involved in many conversations with Sen. Jasinski and other legislators surrounding this bill and county engineers have been actively engaged with MnDOT for the past year as the department has been in the process of updating its 'Cost Participation and Maintenance Responsibilities with Local Units of Government Manual.' Counties appreciate bringing to light the financial impacts facing local agencies when a trunk highway project impacts a county or city road. We believe there are ways to improve the current process and that the MnDOT process should continue to unfold. In the end, the final bill included language that directs the MnDOT commissioner, in consultation with local units of government, to update and adopt the department's cost participation policy by March 1, 2026, with a report to the Legislature due by February 1, 2026.

**Transportation Greenhouse Gas Impact Assessment Implementation**: Since its adoption in 2023, AMC and MCEA have worked closely with legislators on ways to modify and improve the existing language relating to the requirement for an assessment of greenhouse gas emissions (GHG) and vehicle miles traveled (VMT) for certain capacity expansion or grade separated interchange projects on the trunk highway system.

Last session, counties were successful in advocating for the creation of a Technical Advisory Committee (TAC) as well as language that would move the assessment from a project-by-project basis to a portfolio approach. This year, efforts led by Rep. Koznick were included in the House transportation bill that would have eliminated the project-by-project assessment and delayed the portfolio assessment implementation by one year, impacting projects that enter the Statewide Transportation Improvement Plan (STIP) by 2032. While the TAC has been working hard for the past year to iron out the assessment process, there is a significant amount of work that still needs to be done. Counties are leading large trunk highway projects and investing millions in local funds and are extremely concerned about the added costs of GHG mitigation. An additional year to implement this law would have allowed MnDOT and its partners to properly plan for trunk highway projects that might be impacted by this law, thereby helping to ensure the statewide GHG/VMT reduction goals are successfully met. After the Regular Session concluded and while the working group was negotiating in advance of the Special Session, it was reported that this issue was a sticking point for finding agreement. In the end, neither of these proposed provisions were included in the final bill. Additional language relating to natural systems offsets was included as well as a new offset relating to land acquisition.

**Consolidated Local Transportation Financials Reporting**: This provision attempts to consolidate existing reporting requirements for metropolitan counties (local options sales tax and metro area sales tax reporting) and includes reporting for metro counties share of Transportation Advancement (TAA) Funds. An original version of the bill introduced by Rep. Koegel also included language that 25% of CSAH funding would be withheld for counties that fail to meet the reporting requirements, but the penalty was dropped in the final bill. The reports will be required annually and submitted to the Commissioner of the Department of Transportation who will subsequently submit the consolidated report to the chairs and ranking members of the legislative committees with jurisdiction over transportation policy and finance.

**Farm Products Special Permit**: Language was included in the final bill to add crude soybean oil to the definition of "qualifying agricultural products" under the special farm products permit. This change would allow for road authorities to issue special farm products permits to trucks hauling heavier loads of crude soybean oil from soybean processing facilities in southern MN following a specific and limited route between facilities and before January 1, 2031.

## Policy Provisions Dropped

The following policy provisions were dropped in the final agreement but were included in one form or another in the House and Senate transportation bills that passed and were then discussed in the transportation conference committee and working group.

**Repeal of State Aid Design Standards**: In March, Senate Transportation Committee Chair Sen. Dibble introduced and held a hearing for SF2162 which sought to modify requirements that govern road design standards and design variances for County State-Aid Highways (CSAH) and Municipal State-Aid Streets (MSAS). The bill would allow for counties and cities to adopt different design standards other than those found in the State Aid Rules, would limit the situations when variances from the State Aid Design Standards are necessary (specifically for ten-foot lanes), and would make significant changes to the variances committee, including adding legislators to the membership of the committee.

AMC and MCEA worked closely with the authors of the bill in order to share our concerns and to work together on potential solutions. County and city engineers were united in their efforts to continue to support the use of the State Aid rules and the value that the State Aid team brings to our transportation system, while also recognizing the need for flexibility in design and agreed that the rules are due for an update and should be updated according to a more regular schedule. With recent updates to MnDOT's Facility Design Guide now complete, the timeline for the rulemaking process for the State Aid rules is being discussed and MCEA members will be part of these efforts. County engineers support efforts that would maintain the State Aid rules while also allowing local agencies to utilize MnDOT's Facility Design Guide as a supplement to the rules, without a variance. In the end, no changes to the State Aid design standards were made and the existing rules currently stand. MnDOT has started the rulemaking process and counties will be heavily involved in the process going forward.

**Mitigating Transportation Project Impacts on Businesses:** A Rep. Jones bill, HF2550 would have established a Local Business Construction Impacts Assistance program to provide financial assistance to businesses and nonprofit organizations impaired by some road construction projects. As originally introduced, the program would require counties to set aside an allocation of 1% of the total project cost estimate for the program using project funds. A version of this language was included in the Senate transportation bill, but not in the House bill. In the end, the provision was not included, but a one-time general fund appropriation of $250,000 was made to the Department of Employment and Economic Development (DEED) to award a grant to the East Side Neighborhood Development Company to provide onetime financial assistance to qualified businesses impacted by the MnDOT redesign and construction project on Trunk Highway 61 also known as Arcade Street.

**Changes to the Definition of Highway Purpose**: Included in the Senate bill was language that would modify the definition of a highway purpose and allow for trunk highway funds to be used for additional purposes. This language was concerning to counties for a number of reasons, but with a billion-dollar annual funding gap identified on the state system (which doesn't even include the local system funding gap), we cautioned the Legislature against any proposals that would dilute current resources. This change to the definition of highway purpose was not included in the final bill.

**Transportation Projects Activity Portal**: This language would have directed MnDOT to create a map-based portal for trunk highway projects and project analysis activity, revising and centralizing various MnDOT reports and reporting requirements. The portal language was not included in the final bill.

**Investment of Money**: This provision would have directed local units of government (including counties, cities, and the Metropolitan Council) to use interest or investment income resulting from transportation funding *only* for transportation purposes. The requirement includes state appropriations and awards under state transportation programs as well as regional and local tax revenue that is related to transportation (such as the county transportation sales tax and the regional transportation sales tax). While this language was included in the House transportation bill, it was not part of the final agreement.

**Reallocation of Blackout Special Plate Revenue**: The wildly popular blackout special license plates revenue currently goes to the Department of Vehicles Services operating account. A proposal to shift this revenue to the HUTD was included in the House bill but did not make it as part of the final agreement.

**Speed Limits:** There were two statutory speed limit changes on CSAH roads included in the Senate bill – one in Steele County and the other in Beltrami County. Counties continue to support a consistent and objective process for determining speed limits and do not support legislatively directed speed limits for specific roadway segments. We continue to encourage our membership to work directly with MnDOT, other local stakeholders, and industry experts to determine and implement effective strategies to reduce traffic speeds such as road design changes, intersection controls, or traffic calming, as appropriate, in furtherance of our shared interest in roadway safety. Neither of these proposed statutory speed limits were included in the final bill.

***Status: Signed by the governor on June 14, 2025 (Chapter 8) MN Session Laws – 2025, 1st Special Session.***

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