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LEGISLATIVE SPOTLIGHT

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BEYOND THE COMMITTEE ROOM

A Closer Look: The Governor's 2023 Budget Proposal

The curtain really rises on legislative sessions when the governor presents his biennial budget proposal, and what an overture for 2023 it is. Combining the largest biennial spending increase in state history with the largest package (in dollars) of tax relief/rebate proposals in state history isn't normal budgeting practice, but that's what $17.6 billion in available resources can do. Governor Walz's $65.2 billion FY24-25 budget proposal offers some expected, but nevertheless startling, numbers:

- It is a $13.4 billion (25.9%) biennium-on-biennium increase over the current FY 2022-23 base and an $11.2 billion spending increase over the currently forecasted FY24-25 base.

- The budget proposal consists of about 600 new or expanded agency services/initiatives/programs which includes supports for schools, local government, and non-profit programming. Approximately $2.9 billion of the $11.2 billion is one time spending.

- For some perspective on the split between paying for existing services versus paying for new/expanded programming, $664 million of the $11.2 billion (6%) is budgeted for maintaining current levels of agency services. That number, however, is understated to some extent because it does not include some of the one-time $2.9 billion spending on necessary capital improvements and upgrades in software, cybersecurity and related agency infrastructure to deliver current services.

- When comparing the FY 23 estimate of full-time equivalents (FTE) in executive branch agencies with the FY 25 Governor's FTE recommendations for those agencies – as found in the expenditure overviews accompanying budget change submissions – the proposed budget pays for 3,045 new state government full time FTE employees over the next two years.

- The budget creates $8.7 billion of spending tails in the FY 26-27 biennium. If the impact of the Governor's budget is added to the November Forecast, the forecasted structural balance (projected revenues minus projected spending) for FY 26-27 is a $1.23 billion deficit. Adding inflation into the expenditure line item increases the structural balance deficit to $4.26 billion.

On the tax side, the Governor's interest in rebates remains unabated. The one-time sum of $1000 for singles under $75,000 and $2,000 for married joint filers under $150,000 comes with a cost to the General Fund of $3.9 billion. Interestingly, there is no phaseout of the rebate checks resulting in the mother of all cliff effects. Various tax credits provide most of the other tax relief in his budget and focus primarily on households with children: the new child tax credit, expanded dependent care credit, and a more accessible K-12 education — all refundable — together have a $1.68 billion impact in FY 24-25 increasing to $1.77 billion in FY26-27.

The Governor remains opposed to full exclusion of Social Security income, choosing instead to support an expanded partial exclusion. A new sales tax exemption for construction purchases made by local governments and non-profits costs the general fund an additional quarter of a billion dollars. Curiously, this exemption only lasts for two years. That may be in recognition of fiscal risks and low margin for forecast error accompanying this ambitious budget, especially in the out years.

Such a recognition also helps explain the inclusion of a few proposed tax increases in a decision-making world in which nearly $18 billion in available resources exists. The centerpiece is a 1.5% surtax on capital gains and dividend income between $500,000 and $1,000,000 jumping to 4% for income over $1,000,000. Reluctance to tap into the general fund for transportation funding support underlies a proposed 1/8 cent increase in the metro area sales tax for transit support and a motor vehicle tab increase ($153 million and $286 million in FY 24-25 respectively). Including the new tax regime on legalized cannabis and conformity to federal NOL caps, projected general and non-general fund tax increases total $1.14 billion in FY24-25, increasing to $2.5 billion in FY 26-27 when a new payroll tax to support a state-run paid family and medical leave insurance program kicks in.

Governor Walz has described his proposal as a transformational budget, but with respect to tax policy it really reflects the culmination of a trend that has been building for years – the use of the tax code as the preferred means to deliver social policy. Tax credits exist on the Venn diagram of tax policy in the shrunken area where the Republican and Democrat circles actually overlap. Republicans like them because, in spite of their preference for lower taxes, their constituents still want government to do things. Indirect "spending" through the tax code is the way to accomplish these legislative goals while appearing true to tax cutting principles. Democrats like them because they can incentivize all sorts of societal outcomes and redistributive behaviors in a highly targeted way – and sell them to Republicans as tax cuts.

Tax credits do not make government smaller but do exacerbate existing pressures on the state fiscal system. The credits still have to be financed. In the Governor's budget, $1.74 billion in FY23-24 in resources will need to be used to provide the spending for these targeted refundable credits - a sum that will grow in the future.

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When massive surpluses don't exist, those resources will still have to come from somewhere, creating significant competition for general fund appropriations in the process – including spending programs that address progressive spending interests.

FROM THE COMMITTEE ROOM

HF9/SF9: "Great Start" Child Care Credit
HF443/SF684: Enhanced Student Loan Credit

The House Tax Committee held hearings on a couple of large tax credit proposals which share some similarities despite their different targets. Both have their roots in past Republican tax policy initiatives (a fact House Chair Gomez and bill authors made sure to point out), both are substantial expansions of existing programs/current law in terms of both generosity and accessibility, and both are seen as efforts to address the many workforce availability, attraction, and retention issues challenging the state.

The "Great Start Child Care and Dependent Care Credit" would decouple the state from the existing federal dependent care credit. It would increase the maximum credit rate, increase the income-based phase out to improve access, and increase the maximum expenses eligible for the credit. Public testimony was unanimously supportive of the bill, highlighting the cost burdens faced by working families with small children and the benefits in helping to address state workforce needs. It was also clear lawmakers have heard a lot about this issue from their constituents. The bill has a $539 million cost for the FY24-25 biennium growing modestly in the out biennium. Any tiny doubts about its legislative destiny evaporated when Republican Lead Davids stated, "I like this. We're doing something more than the federal government does and I hope we can all get behind this bill."

Much more debate and legislator discussion accompanied another credit proposal not included in the Governor's budget. This bill would adjust the current income tax credit enacted in 2017 for college loan payments in several ways to substantially increase its generosity and accessibility. Specifically, it would increase the phase out threshold five-fold from $10,000 to $50,000; increase the maximum credit tenfold from $500 to $5000; and make the credit fully refundable. The cost of the proposal is $710 million in the FY24-25 biennium increasing to $920 million in the out biennium.

Supporters and public testifiers argued that the credit would benefit the state's workforce attraction and retainment needs while also assisting in new household formation. Committee discussion turned to the rising cost of college, declining public support for higher education, and the responsibilities of colleges and universities in cost control and in making sure educational pathways lead to good paying occupations. The latter two issues along with the proposal price tag appeared to result in a much cooler reception among Republican legislators. The bill was laid over for potential inclusion in a future omnibus tax bill.

It was refreshing to hear lawmakers acknowledge that tax credits cannot be the solution to complex economic and social issues, and that spending systems themselves deserve scrutiny and reform. As Chair Gomez herself said, "we can't tax credit our way out of social problems." But if the Governor's budget and other bills arising out of the legislature are any indication, 2023 is shaping up to be an effort to attempt just that.

HF2/SF2: Paid Family and Medical Leave Act

The lightning rod issue of the 2023 session received a hearing in the House Workforce Development Finance and Policy Committee, just one of many stops for this exceedingly complicated and controversial proposal. It offered a snapshot of the arguments and controversies surrounding the creation of a new state funded insurance program administered in DEED and paid for by a new employer payroll tax of .7% beginning in July, 2025.

A lengthy list of testifiers spoke passionately about the potential benefits of such a bill as well as the problems and consequences of adopting a "one size fits all" approach to this issue. Both parties expressed a desire to find an acceptable approach acknowledging that the provision of these benefits is both an important tool in the battle for talent as well as a good thing to do for employees. But several structural features of the program as proposed were criticized by business representatives, small business employers, and even school district representatives. These testifiers highlighted a variety of workforce management and access problems exacerbated by proposal specifics, conflicts with the realities of business operations, and cost concerns that the proposal in its current form creates. Several Republican amendments to tweak the program structure in various ways went down to defeat on party line votes.

This issue has been circling the legislature for some time. The proposal has undoubtedly been the topic of many legislative backroom discussions where its structural features and provisions have been discussed at length. But in listening to testimony, we were struck by the rather casual – if not dismissive – treatment the seemingly (to us at least) justified concerns expressed by opponents of the bill in its current form received in the hearing. Perhaps most concerning is that this major bill is passing through committee stops without a fiscal note. We recognize this bill is considered a top legislative priority but it does neither the state nor the cause any good to rush this through the legislative process without considering adjustments to obtain the broadest base of support, especially given the profound implications for the state's economic well-being.

BILLS IN COMMITTEE

Upcoming Hearings:

January 30 - Monday

HF 5 *– School lunch and breakfast for all students*
House Ways and Means Committee

HF 19 *– Earned sick and safe time (ESS)*
House Ways and Means Committee

HF 403 *– U of M Hospital transfer prohibition*
House Commerce/Health Finance Joint Hearing

HF XXX *– Hospital transaction review and approval*
House Commerce/Health Finance Joint Hearing

HF 585 *– Medical Assistance home care expansion*
House Human Services Policy Committee

SF 34 *– Earned sick and safe time (ESS)*
Senate Judiciary and Public Safety Committee

SF 73 *– Adult use cannabis legalization*
Senate Jobs and Economic Development Committee

SF 316 *– Medical Transportation Rate Increases*
Senate Human Services Policy Committee

January 31 - Tuesday

HF 2 *– Paid family and medical leave*
House Judiciary Finance and Civil Law Committee

HF 18 *– Special education full funding*
House Education Finance Committee

HF 100 *– Adult use cannabis legalization*
House State and Local Government Committee

HF 597 *– City Climate Action Grant Program*
House Climate and Energy Finance Committee

HF 733 *– Nursing facility rates increased, tied to inflation*
House Human Services Finance Committee

SF 53 *– Child care stabilization grants*
Senate Education Finance Committee

SF 401 *– Developmental Screening Aid Increase*
Senate Education Finance Committee

February 1 - Wednesday

HF 8 *– Student support personnel aid*
House Education Finance Committee

HF 18 *– Community wealth-building grants*
House Economic Development Finance Committee

HF 22 *– English Learner aid increase*
House Education Finance Committee

HF 302 *– Affordable housing expansion*
House Housing Finance Committee

SF 449 *– School mental health lead positions*
Senate Education Policy Committee

February 2 - Thursday

HF 456 *– Permanent pre-k and school readiness expansion*
House Education Finance Committee

SF 272 *– Additional property tax refund increased*
Senate Taxes Committee

SF 772 *– Property tax exclusion for disabled veterans*
Senate Taxes Committee

OLA Evaluation *– State-Funded Grants to Nonprofits*
Legislative Audit Commission

Hospital Transaction Review and Approval

HF XXX (Bierman, DFL, Apple Valley, 5506)

Hearings:
January 30: House Commerce/Health Finance Joint Meeting

Taxes/Fees: Allows Department of Health to assign variable fees to each entity involved in a transaction.

Governance: Requires the Department of Health (MDH) to approve all mergers; exchanges; sales; leases; transfers of property, assets, and shares; and granting of security interests for health care entity transactions that transfer governance or operational control. Requires 180-day notice to the department and follow up within 30 days to address questions related to public benefit and anticompetitive effects. MDH must then consult with the Attorney General and issue decision. Allows process waiver if MDH determines the transaction is urgently needed for public interest. Allows for action in district court to challenge the decision.

U. of M. Hospital Transfer Prohibition

HF 403 (Stephenson, DFL, Coon Rapids, 5513)

Hearings:
January 30: House Commerce/Health Finance Joint Meeting

Policy: No entity exercising ownership of the University of Minnesota Hospitals may transfer ownership – or their related assets – to a foreign corporation, partnership, or entity. Includes transfer as part of a corporate acquisition. Effective the day following enactment through December 31, 2024.

Medical Assistance Home Care Expansion

HF 585 (Klevorn, DFL, Plymouth, 5511)
SF 903 (Hoffman, DFL, Champlin, 4154)

Hearings:
January 30: House Human Services Policy

Policy: Expands medical assistance (MA) coverage to include care evaluations by a nurse or therapist for home health care services when not covered by Medicare or other insurance. Adds homemaker services as eligible for MA reimbursement through four disability waivers under the statute for customized living services (256S.20).

Governance: Directs the Department of Human Services to collaborate with stakeholders to identify new or existing care coordination activities eligible for medical assistance billing. Requires DHS to provide guidance and report to the legislature on billable care coordination.

Inflationary Adjustments: Updates base wages for homemaker services every two years starting in 2024 based on the most recently available Bureau of Labor Statistics for the Twin Cities metropolitan statistical area.

Medical Transportation Rate Increases

HF 435 (Huot, DFL, Rosemount, 4306)
SF 316 (Abeler, R, Anoka, 3733)

Hearings:
January 30: Senate Human Services

Rates: Increases non-emergency medical transportation rates by the following amounts and percentages:

- Public transport base rate from \$11 to \$17 (55% increase)
- Non-emergency medical base rate from \$13 to \$22 (69% increase)
- Lift-equipped/ramp transport base rate from \$18 to \$31 (72% increase)
- Non-emergency medical per mile from \$1.30 to \$2.38 (83% increase)
- Lift-equipped/ramp transport per mile from \$1.55 to \$2.55 (71% increase)

Protected transport and stretcher transport are not increased.

Nursing Facility Rates Increased, Tied to Inflation

HF 733 (Edelson, DFL, Edina, 4363)
SF 780 (Hoffman, DFL, Champlin, 4154)

Hearings:
January 31: House Human Services Finance

Policy: Establishes the CPI-U (Consumer Price Index for All Urban Consumers) as the "known cost factor change" in the general definitions for nursing facility rates. Beginning January 1, 2025, the calculations for direct care costs per day, care related costs per day, and other operating costs per day, will include the CPI-U. Increases nursing facility funding from July 1, 2023, to December 31, 2025, by \$52 per resident day.

Governance: Requires the increased funding to be used exclusively to increase compensation-related costs for employees directly employed by the facility. Requires facilities that receive the rate increase to document the distribution to the Department of Human Services.

Inflationary Adjustments: In addition to adding the CPI-U to cost-per-day calculations for nursing facilities, the bill requires that base wages for homemaker services under the elderly medical assistance waiver be updated every two years starting in 2024 based on the most recently available Bureau of Labor Statistics for the Twin Cities metropolitan statistical area.

Appropriations: Unspecified amount required to fund per day increases.

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Child Care Stabilization Grants

HF 150 (Pinto, DFL, St. Paul, 4199)
SF 53 (Wiklund, DFL, Bloomington, 7-8061)

Hearings:
January 12: House Children and Families
January 19: House Children and Families
January 23: House Ways and Means
January 31: Senate Education Finance

Policy: Increases the existing stabilization grants to equal or exceed the grant levels from September 2021 for the months of April through June of 2023. Under existing law, the grants were not to exceed 50% of September 2021.

Governance: The grants and the program are administered through the Department of Human Services, and the scholarships are through the Department of Education.

Appropriations:
Basic Sliding Fee Program: $20 million
Child Care Stabilization Grants: $12.25 million (A2 amendment)
Early Learning Scholarships: $40 million (A2 amendment)

Developmental Screening Aid Increase

SF 401 (Kunesh, DFL, New Brighton, 4334)

Hearings:
January 31: Senate Education Finance

Aid Increase: Increases aid per child screening by 30%: age 3 ($75 to $98); age 4 ($50 to $65); age 5-6 prior to kindergarten ($40 to $52); and $30 to $39 for others enrolling in kindergarten and not previously screened.

Appropriations: Open appropriations for FY2023-2025.

City Climate Action Grant Program

HF 597 (Kraft, DFL, St. Louis Park, 7026)

Hearings:
January 31: House Climate and Energy Finance

Policy: Creates a new grant program in the Pollution Control Agency to assist cities in addressing climate change. Cities must apply to the PCA and preference will be given to plans that seek to involve a broad array of community residents, organizations, and institutions in the city's efforts. Maximum grant is $50,000 and cities over 20,000 population must provide a 100% match while cities under 20,000 population must provide a 5% match or an equivalent in-kind contribution.

Appropriations: $5 million in FY 2024 (onetime).

Affordable Housing Expansion

HF 302 (Howard, DFL, Richfield, 7158)

Hearings:
February 1: House Housing Finance

Policy: Adds new authorization to eligible uses for housing infrastructure bonds issued through the Minnesota Housing Finance Agency (MHFA). The specific new use is to finance construction, acquisition, and rehabilitation of permanent housing affordable at or below 50% or area median income. Requires MHFA to give preference among comparable proposals to projects at or below 30% of area median income.

Governance: Changes the definition for bonds subject to the $5 billion debt ceiling on the MHFA bond fund to only apply to general obligation bonds rather than all bonds issued, removing $515 million in housing infrastructure bond authority from the debt ceiling.

Appropriations: Adds $750 million to the standing appropriation for housing infrastructure bonds, which would put the total authority at $1.265 billion (a 146% increase) that is not subject to the debt ceiling. Appropriates $250 million to the housing development revolving loan fund to rehabilitate and preserve public housing.

School Mental Health Lead Positions

HF 362 (Moller, DFL, Shoreview, 0141)
SF 449 (Gustafson, DFL, Vadnais Heights, 1253)

Hearings:
January 25: House Education Policy
February 1: Senate Education Policy

Policy: Creates two "lead" positions in the Department of Education to provide comprehensive school mental health services by assisting school districts directly, creating an information clearinghouse, and coordinating with other agencies (federal, state, and local) in the development and upkeep of support materials. On request, the leads must assist schools in assessing the quality of their comprehensive school mental health systems. One lead will work with students; the other lead will work with teachers and staff.

Appropriations: Open appropriations from the general fund for FY 2024-2025. Open base appropriation for FY 2026 and thereafter.

English Learner Aid Increase

HF 22 (Her, DFL, St. Paul, 8799)
SF 21 (Oumou Verbeten, DFL, St. Paul, 8866)

Hearings:
January 19: Senate Education Finance
February 1: House Education Finance

Policy: Total program revenues for English Learner Aid is equal to: $1,000 for English learner adjusted average daily membership (up from $704, a 42% increase); $250 per English learner pupil unit; and English learner cross subsidy aid which increases from 25% to 100% from FY 2024 to FY 2027.

Appropriations: Open appropriations for FY 2024-2025.

Permanent Pre-K and School Readiness Expansion

HF 456 (Perez-Vega, DFL, St. Paul, 9714)
SF 615 (Kunesh, DFL, New Brighton, 4334)

Hearings:
January 23: House Children and Families
February 2: House Education Finance

Policy: Makes permanent the level of 7,160 participants in the voluntary prekindergarten and school readiness plus program per district or charter school (not to exceed 60% of Kindergarten students). Under current law, the program was scheduled to drop to 3,160 participants for 2024 and thereafter. Requires that the Department of Education make levy calculations with and without program participants and provide aid to make up the difference.

Appropriations: Sufficient to cover the higher participation threshold and aid due to the new levy calculation on an annual basis.

Community Wealth-Building Grants

HF 318 (Hassan, DFL, Minneapolis, 0294)

Hearings:
February 1: House Economic Development Finance

Policy: Creates a new grant program to fund low-interest loans for targeted groups specified as either Black, Indigenous, People of Color, immigrants, low-income, women, veterans, or persons with disabilities. Specifies the loans must encourage tax base revitalization, private investment, job creation, creation and strengthening of business enterprises, and other economic development in low-income areas. State contributions to each loan can range from $50,000 to $2.5 million.

Governance: Community wealth-building grants are administered through the Department of Employment and Economic Development (DEED) and a separate account is established in the state treasury. **Grants are awarded to partner agencies** through a competitive process with specific criteria in how applicants are evaluated. Partner organizations may use up to 10% of an award to provide specialized technical and legal assistance and may charge a 1% origination fee. Annual reporting required.

Appropriations: $15 million in FY 2024 with a base appropriation of $2 million for FY 2025 and thereafter. DEED may use up to 5% for administration and monitoring of the program. 50% of repayment on loan principal is returned to community wealth-building account for future loans.

Property Tax Exclusion for Disabled Veterans

HF 236 (Freiberg, DFL, Golden Valley, 4176)
SF 772 (Mitchell, DFL, Woodbury, 5537)

Hearings:
February 2: Senate Taxes

Policy: Increases the market value exclusion for disabled veterans from $150,000 to $165,000 for 70% disability rating and from $300,000 to $330,000 for 100% permanent disability. Effective for taxes payable in 2024.

Additional Property Tax Refund Increased

HF 700 (Youakim, DFL, Hopkins, 9889)
SF 272 (Klein, DFL, Mendota Heights, 4370)

Hearings:
February 2: Senate Taxes

Policy: Lowers the year-to-year property tax increase needed to qualify from 12% to 10%, retains the $100 minimum, and increases the maximum refund from $1,000 to $2,000.

Earned Sick and Safe Time (ESS)

HF 19 (Olson, L., DFL, Duluth, 4246)
SF 34 (Pappas, DFL, St. Paul, 1802)

Hearings:
January 17: House Labor and Industry
January 17: Senate Labor
January 26: House Judiciary Finance and Civil Law
January 30: Senate Judiciary and Public Safety
January 30: House Ways and Means

Policy: Creates a new individual remedy under the parenting and leave section of employment law. Employees earn 1 hour of Earned Sick and Safe (ESS) time for every 30 hours worked, up to a maximum of 48 hours annually. Allows ESS to be carried over from year to year up to 80 hours and would have no effect on more generous policies. Employers may require documentation for uses over three days.

Governance: Grants rulemaking authority to the Department of Labor and Industry. Increases enforcement fine under current law from $1,000 to $10,000. Allows grants to community organizations for public outreach. Requires annual report to the legislature that includes a list of violations and an analysis of noncompliance that has no identifying information about employers.

Appropriations: $1.37 million from the general fund to Labor and Industry in FY 2024 with base appropriations of $2 million in FY 2025 and $1.7 million in FY 2026. Additional appropriations:

- $300,000 in FY24 for community organization grants; $300,000 base in FY25; and $0 base in FY26
- $51,000 in FY24 for executive branch agencies and $102,000 for FY25 and beyond
- $1,000 in FY24 for the supreme court; $492,000 in FY25; and $459,000 in FY26

Fiscal Note: The cost to the state from all funds is $5.5 million for FY 2024-2025 and $5.7 million for the out biennium.

School Lunch and Breakfast for All Students

HF 5 (Jordan, DFL, Minneapolis, 4219)
SF 123 (Gustafson, DFL, Vadnais Heights, 1253)

Hearings:
January 18: Senate Education Policy
January 24: House Education Finance
January 26: Senate Education Finance
January 30: House Ways and Means

Policy: Requires the Department of Education to provide funding to every school that participates in the federal lunch and breakfast programs to equal the difference between the federal reimbursement and the average cost of a school meal as defined by the USDA for all students. Requires schools to participate in the federal Community Eligibility Provision program when above the federal percentage determined for all meals to be reimbursed at a free rate.

Appropriations: Open appropriations for FY 2023-2025 (DE3 amendment).

Special Education Full Funding

HF 18 (Wolgamott, DFL, St. Cloud, 6612)
SF 28 (Westlin, DFL, Plymouth, 8869)

Hearings:
January 19: Senate Education Finance
January 31: House Education Finance

Formula: Increases the cross-subsidy aid factor from 6.43% in FY 2023 to 100% for FY 2024 and beyond. Defines a district's general education deduction to equal revenue attributable to special education students who spend 60% or more of the school day outside the regular classroom receiving special education services.

Appropriations: Open appropriations from the general fund for FY 2023 – FY 2025.

Paid Family and Medical Leave

HF 2 (Richardson, DFL, Mendota Heights, 4192)
SF 2 (Mann, DFL, Edina, 6238)

Hearings:
January 18: Senate Jobs and Economic Development
January 19: Senate Labor
January 24: Senate Health and Human Services
January 25: House Workforce Development
January 26: Senate State and Local Government and Veterans
January 31: House Judiciary Finance and Civil Law

Taxes/Fees: Beginning in 2024, employers participating in the medical benefit and the family benefit programs, are taxed at 0.6% of insurance premiums paid to the state. The medical benefit program alone is taxed at 0.486% of premiums, and the family benefit tax alone is 0.114% of premiums. An employer must have an approved private plan to opt out of either tax. Beginning in 2026, the tax is a formula based on 1.45 times the amount disbursed from the family and medical insurance account for the year ending on September 30 of the prior year. From that result, the amount in benefit program accounts on September 30 is divided by twice the total wages of employees covered. For private plan approval and oversight, the initial application fee (and any subsequent plan amendments) is $250 for less than 50 employees, $500 for 50 to 499 employees, and $1,000 for over 500 employees. DEED must report on the adequacy of this fee in annual reports beginning July 1, 2025.

Governance: A Family and Medical Benefit Insurance Division is created in DEED, and a special account is created in the state treasury to pay for benefits and administration through DEED. The agency may spend up to 7% of projected benefit payments on administration, with 0.5% spent on public outreach. Includes small business assistance grants for employers with less than 50 employees. Grants are up to $3,000 per employee, with total grants statewide capped at $5 million per year.

Appropriations: The appropriation is $1.7 million for FY 2024 to DEED for one-time implementation costs, with an open appropriation for FY 2027 and an open base appropriation to be determined for FY 2028.

Adult Use Cannabis Legalization

HF 100 (Stephenson, DFL, Coon Rapids, 5513)
SF 73 (Port, DFL, Burnsville, 5975)

Hearings:
January 11: House Commerce
January 19: House Judiciary Finance and Civil Law
January 24: House Environment and Natural Resources
January 25: Senate Judiciary and Public Safety
January 26: House Labor and Industry
January 26: Senate Commerce and Consumer Protection
January 30: Senate Jobs and Economic Development
January 31: House State and Local Government

Taxes/Fees: Imposes an 8% gross receipts tax at the retail level on top of the general sales tax. All revenues are deposited into the general fund. Taxes property at the first-tier, commercial-industrial class rate of 1.5% for raising, cultivating, processing, or storing cannabis. The second-tier class rate (2%) is not applied, regardless of the property value. Includes a non-refundable license application fee of $250 for selling cannabis, and detailed criteria for who is eligible – including targeting of communities most impacted historically by cannabis prosecution. The proposed use of a gross receipts tax appears to be unique among states who have legalized cannabis; all other states rely on percentage or unit-based excise taxes.

Governance: Creates the Office of Cannabis Management with two divisions: The Division of Medical Cannabis and the Division of Social Equity. Creates a 30-person Cannabis Advisory Council and an expungement board. Establishes cannabis industry startup grants in the Department of Employment and Economic

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Development. Loans are from $2,500 to $50,000 and can be up to $150,000 if matched by equal or greater new private investment. Also includes industry training grants. Cities and counties may establish, own and operate cannabis stores.

Revenue Estimate: Revenue estimates are not yet available, however a bill proposing a 10% gross receipts tax introduced in 2021 was projected to collect $161 million in combined gross receipts and general sales taxes in FY24-25.

Appropriations: Office of Cannabis Management receives $7.6 million in FY 2024 and $7.7 million in FY 2025. The base for the ongoing appropriation is $14.7 million in FY 2026 and $21 million in FY 2027. The funding covers payments to 15 different state agencies and the supreme court to perform various functions related to the new industry. It also covers cannabis industry community renewal grants of $12 million in FY 2026 and $20 million in FY 2027.

Student Support Personnel Aid

HF 8 (Berg, DFL, Burnsville, 5387)
SF 56 (Hoffman, DFL, Champlin, 4154)

Hearings:
January 24: Senate Education Finance
February 1: House Education Finance

Policy: Creates a new education aid to hire school counselors, psychologists, social workers, nurses, and chemical dependency counselors. School districts and schools must create new positions to participate and must apply to the Department of Education for funding.

Formula: Initial aid equals the greater of $100 per pupil or $50,000. For charter schools, $100 per pupil and for intermediate school districts or other cooperative units, $6 per pupil.

Governance: Requires annual reporting to the Department of Education on two or more of the following measures: school climate; student health; attendance rates; academic achievement; career and college readiness; and postsecondary completion rates.

Appropriations: $96 million in FY 2024 and $106 million in FY 2025.