

2025 Legislative Session Summary

The 2025 Regular Legislative Session concluded at midnight on May 19. As the first year of the biennium, the Legislature was focused on passing a budget for the coming two years (Fiscal Years 2026-2027). With a decrease in the budget targets from last biennium and a unique situation of a House evenly divided by DFL and GOP Representatives, the budget was not complete at the end of the Regular Session. A one-day special session was called on Monday, June 9th, where 14 bills were passed in both bodies. The Governor signed the bills on June 14th, 2025.

Capital Investment & Bonding

The Legislature passed a \$700 million bonding bill in [Chapter 15](#) of the Special Session. The bonding bill did not include any named local projects. The bill includes \$11 million for the Major Local Bridge Replacement Program. The Nicollet Avenue Bridge, one of the City of Minneapolis' bonding priorities, is eligible for a portion of this allocation. Other items of note contained in the bill include:

- \$6 million to the MPCA for Statewide Drinking Water – Contamination Mitigation
- \$1 million for Highway Railroad Grade Crossings
- \$20 million for the Local Bridge Replacement Program
- \$42 million for the Local Road Improvement Program
- \$15 million for the Metropolitan Council's Inflow and Infiltration Grant Program
- \$1 million to the Metropolitan Council for Tree Planting Grants
- \$176 million in total for the Public Facilities Authority's water infrastructure programs, including \$18 million for their Emerging Contaminants Grant Program

Taxes

The final tax bill, found in Special Session Law [Chapter 13](#), has a reduction of \$118 million for Fiscal Year 2026-27. The bill eliminated the 2% of revenue from cannabis sales tax that was slated for local governments, split between cities and counties. The sales tax on cannabis was also raised from 10% to 15%. The final bill makes no cuts to Local Government Aid (LGA) and County Program Aid (CPA) funding. The Tax bill makes an important clarification that institutions of public charity, whose primary purpose is to provide low-income housing property, are *not* exempt from property taxes, thus avoiding tenants taking on personal property tax liability and allowing them to be eligible for the renter's credit. Changes to the City's downtown taxing boundary and a City proposal for TIF for adaptive reuse were not included in the final bill. Sports betting was also not addressed in the bill.

Jobs and Labor

The final Jobs and Economic Development bill, [Chapter 6](#) in Special Session Laws, maintained funding to PROMISE Act grants and modified some of the PROMISE Act eligibility requirements. Other provisions include:

- \$75,000 in FY 26 and FY 27 from the Workforce Development Fund to InspireMSP to develop programming to assist middle school-aged children in Minneapolis and St. Paul to connect with the creative industry in Minnesota;
- Extension of FY 24's grant to the city of Minneapolis to promote economic development and rehabilitation for businesses located on Lake Street;
- Creation of a Taskforce on Workforce Development System Reform to examine best practices for how the State allocates money to programs via named appropriations or competitive grants, as well as performance metrics, due to the Legislature February 2026.

During the Session, there were efforts to change the Earned Sick and Safe Time (ESST) and Paid Medical Family Leave (PFML) laws before their January 2026 rollout date. In the Senate, a bill adding exemptions to small farms and micro-businesses passed ([SF 2300](#)), but it did not pass in the House. However, a few technical changes were included in the final Labor bill, such as allowing employers to require reasonable notice and documentation for use of ESST if an employee is using two or more consecutive days. Additionally, the PFML premium was reduced to be 1.1% of taxable wages.

Other Labor provisions included:

- Meal and break time provisions strengthened (15 minutes of break for any four consecutive hours worked; 30 minutes of meal break for any six consecutive hours worked);
- Misclassification fraud impact report (due to the Legislature by January of 2027).

Legacy

The final Legacy bill, [Chapter 36](#) in Regular Session Laws, saw a reduced budget target across all four funds within its jurisdiction: Clean Water Fund, Outdoor Heritage Fund, Cultural Heritage Fund, and the Parks and Trails Fund. This is due to an error that was caught late last year-- the state's lottery "in-lieu of" tax was misallocated and credited to the Legacy budget instead of going to the General Fund. The error was corrected by the state's Department of Revenue (DOR), and as a result, there's an overall reduction in the total Legacy budget for FY 26 of about \$31 million.

Transportation

The Transportation Omnibus Bill was passed during the Special Session and included \$115 million in cuts to general fund spending. This included a reduction of \$61.4 million to transit operations at Metro Transit and \$11 million in cuts to the Active Transportation Account. The Municipal State-Aid Streets funds received \$570 million over the biennium, which is an increase from the previous biennium's allocation of \$502 million.

The final bill includes a one-time appropriation of \$1 million for the biennium to cities of the first class for traffic calming projects. These funds will be distributed based on population and the State's statutory needs formula. The final agreement did not delay the implementation of last year's Greenhouse Gas mitigation law, which was an important issue for DFL members, but does include changes to what can be considered "allowable offsets" to comply with the mitigation law as it relates to state and local road projects.

Not included in the bill were changes to the statutory definition of "Highway Purposes," which would expand allowable use of Trunk Highway funds for non-highway transit maintenance. The final negotiation also excluded any changes to the State-Aid standards and variances process.

Other bill provisions include:

- Funds construction of suicide deterrent barriers on the Washington Avenue Bridge through grants to the University of Minnesota; directs \$2 million to come from Metropolitan Council regional transit tax funds and \$6 million to come from Hennepin County;
- Authorizes the Met Council to issue a loan to MnDOT for the co-construction of bus rapid transit F-line (which runs along parts of Central Ave. and University Ave. in Minneapolis);
- Directs Met Council to conduct an additional analysis of alternate transit modes in the Blue Line Extension corridor, which is currently proceeding as a light rail transit project;
- Reformulates E-bike rebate program to prioritize people with disabilities and be distributed through a lottery for eligible applicants;
- Directs the City of Minneapolis to name the 10th Avenue Bridge over the Mississippi River after former Senate Majority Leader Kari Dziedzic.

Public Safety & Judiciary

The Judiciary and Public Safety bill, found in [Chapter 35](#) of the Regular Session Laws, focused on maintaining state agency funding. The final bill contained a controversial provision announcing the phased closure of the Stillwater Prison by the year 2029. The final agreement includes \$4.942 million each year for the Philando Castile Memorial Training Fund, with base funding of \$878,000 beginning in 2028. These funds reimburse local law enforcement agencies for state-mandated training on use of force, crisis response, conflict management, cultural diversity, and autism training. The bill also includes \$103 million in Office of Justice Program grant funding. The Office of Justice grant program includes Crime Victim Services Grants, Justice and Community Grants, MN Byrne State Crisis Intervention Program, Violent Crime Enforcement Teams and the Intensive Comprehensive Peace Officer Education and Training Program (ICPOET). The bill did not include any cuts to community crime and violence prevention fund or preempt local government immigration enforcement separation ordinances.

Other public safety policy provisions passed this session include:

- ARMER, the state-wide radio system used by public safety, will receive \$10.3 million each year of the biennium for the system backbone and \$14 million in FY26 for maintaining and operating its critical infrastructure;
- Modifies uses of tracking devices on stolen and fleeing cars;

- Changes the timeframe from 24 hours to 12 hours in which a tracking device must be removed, disabled, or a search warrant must be obtained;
- Adds increased reporting when attaching tracking devices to fleeing vehicles;
- Requires a report of search warrants obtained related to tracking devices;
- UAV (unmanned aerial vehicles, or drones) allowable usage was modified to add instances where evidence is at imminent risk of destruction, over private property with owner's consent, and to facilitate the search for a missing person;
- Increases protection of current or retired judicial officials' property data;
- Ignition interlock modifications ([Chapter 29](#) of Regular Session Laws) adds those who commit criminal vehicular homicide to list of eligible participants.

State and Local Government & Elections

The State and Local Government and Elections bill ([Chapter 39](#)) passed during regular session and included changes to the open meeting law. Open meeting law will now allow for unlimited remote participation from a nonpublic location, at the discretion of the local government. The bill also includes a process for cities to post meeting notices online following the discontinuance of a local newspaper.

The elections policy provisions were generally technical in nature. The final bill included a shift to the deadline for voters to drop off absentee ballots on election day from 8:00PM to 5:00PM.

Other Elections provisions passed included:

- Student voting: students must be allowed to use their postsecondary education housing as an additional proof of residence in the 18 days before an election and on election day, the certified housing list must be provided to the county auditor no later than 35 (expanded from 20) days prior to the election;
- Polling locations are prohibited from being placed in proximity to cannabis sale sites;
- Deceptive mailing (including sample ballots) from non-government organizations are prohibited and solicitations must be clearly marked as non-government documents.

Other State Government provisions included:

- Fraud enforcement: data sharing between agencies allowed;
- Annual compliance tracking for audits done by the Office of the Legislative Auditor;
- Increased whistleblower protections.

A large focus of this session was addressing “waste, fraud, and abuse” in Minnesota, with a new committee in the House led by GOP members. The Senate passed a bill that would create a new, independent office in the executive branch to have oversight over the entire state and all state agencies ([SF 856](#)). Ultimately, the proposal was not adopted in the House, but fraud-prevention provisions are included throughout other relevant bills.

Housing and Homelessness

The Housing and Homelessness Prevention funding and policy omnibus, [Chapter 32](#), was completed during the regular session. The Governor signed the bill into law on May 20th. The budget target was \$15 million and included funding for programs that received one-time, general fund dollars. In addition, there were several policy provisions, as well as few updates to Landlord-Tenant laws.

Homeowners Association (HOA) Reform

A workgroup created during the 2024 legislative session was comprised of legislators, homeowners, housing advocates and representatives of property managers. The purpose of this workgroup was to find ways to empower homeowners in the face of rising complaints against unrestrained homeowners' associations and property management companies. A bipartisan package of legislation related to reforming HOAs received hearings throughout session, but ultimately, the mini-omnibus bill did not pass out of both bodies. However, both bodies did approve the creation of a new Ombudsperson within the Department of Commerce, who will be charged with mediating disputes between homeowners and HOAs. While the Ombudsperson won't be able to enforce agreements or offer legal advice, their main responsibilities will be to create and disseminate plain-language explanations of common provisions in HOA documents and provide informal mediation services.

Zoning and Land Use

For a second year in a row, a bi-partisan group of legislators, housing advocates, unions, and environmental groups carried a package of legislation aimed at building more homes, building them faster, and making them more affordable. While many of these bills received hearings in both the House and Senate, the bills were unsuccessful due to a lack of agreement internally among House and Senate members, as well as opposition from local elected officials and municipal groups. A provision that did pass will alter the scoring criteria for the competitive loans and grants from Minnesota Housing Finance Agency to require an increase in points in the Request for Proposal (RFP) process for projects located in cities that adopt certain zoning changes. The new scoring provision will expire in December 2029.

Programs that received funding for the upcoming fiscal year include:

- \$50 million for Housing Infrastructure Bonds, which are used for new construction, acquisition, or rehabilitation of permanent rental housing. Clarification language was added to allow adaptive reuse as an eligible use;
- \$8.35 million for the Family Homeless Prevention and Assistance Program, to provide supportive and financial assistance to families, youth and individuals experiencing homelessness or at risk of becoming homeless;
- \$2 million for the Challenge Program, which aids in the development of affordable permanent rental housing that supports economic development and redevelopment activities, job creation, or job preservation;
- \$2.75 million each year of the biennium for Homework Starts with Home program;
- \$2 million in FY 26 for the Community-Based First-Generation Homebuyers Downpayment Assistance and \$857 thousand each year of the biennium for Homeownership education, counseling, and training.

Housing Policy provisions include:

- Updates to Landlord-Tenant laws:
 - Update to heating language passed in 2023, which went into effect in 2024 – requires landlords to maintain a minimum temperature of 68°F in apartments from October 1 to April 30 if renters can't control their own heat, in all places intended for habitation including kitchens and bathrooms;
 - Definition update and technical changes in MN Statute 504B to apply to rent escrow action;
 - Technical update for survivors of domestic abuse provision – preserves existing requirements of private information;
- Requiring all local governments to provide copy of Landlord-Tenant guide when issuing or renewing rental licenses;
- Requiring MHFA to work with the affordable housing industry leaders to develop a preservation framework that will provide modifications to existing housing to ensure they stay available and affordable;
- Expansion of the eligible uses for housing infrastructure bonds to be used for adaptive reuse projects;
- Modifications to the high-rise sprinkler program to allow for loans in addition to grants;
- Requiring MHFA to report on the financial health of the affordable housing projects within the agency's portfolio.

Homelessness Response

The Human Services budget, as required by the joint targets that caucus leaders and the Governor agreed to, was cut by \$270 million in FY '26-27, and \$820 million in FY '28-29. This is reflected in the final agreement in the Human Services finance bill, Special Session [Chapter 9](#), which did not include funding for the Hennepin County shelter fiscal cliff or additional funds for the Emergency Services Program (ESP). Eligible entities can continue to apply for base ESP funding that was made available through the historic investment during the 2023 legislative session.

One of the City's non-profit partners, Avivo Village, was approved to receive the supplemental service rate, which will help ensure their model remains viable and scalable.

Sustainability, Energy and Environment

One of the final bills to be negotiated by caucus leaders and the Governor was the Energy, Utilities, Environment and Climate funding and policy omnibus, [Chapter 7](#) in Special Session Laws. Noted as one of the more modest bills in both scope and ambition, it primarily focused on maintaining existing operations and defending last biennium's clean energy gains.

The final Environment and Natural Resources budget and policy bill, [Chapter 1](#) in Special Session Laws, contains funding for two large state entities, the Pollution Control Agency (MPCA) and the Department

of Natural Resources (DNR). The bill funds projects ranging from making improvements to regional parks and trails to funding outdoors schools for K-12 students. There are also significant policy changes in the bill, such as a restructuring of environmental permitting processes used by the MPCA.

Key provisions included in these bills are:

Community Solar Garden Program

There was a contentious push to explore the possibility of sunseting the Community Solar Garden program. Though unsuccessful, the bill, which had hearings in both chambers, would have ended the program in 2028. The bi-partisan group of legislators supporting the bill cited the high expense of solar garden energy and the stress it places on the grid as reasons to sunset the program. The MN Department of Commerce argued against this during committee hearings and referenced their 2024 report, which projected a \$2.9 billion net benefit to Minnesota residents from the program. It adds a 2 to 3% increase to the bills of Xcel customers who are not subscribers and not considered low to moderate income. Environmental groups, advocates, and legislators against this move claimed a sunset of the program would be premature.

Permitting Reform

Many of the proposed policy changes focused on reforming the permitting processes used by the MPCA, making them more efficient and speedier for businesses needing environmental permits to operate in the state. These reforms would require the agency's annual permitting efficiency report to focus on the more complicated Tier 2 permits and include additional information about permits that have not met the statutory goal, as well as other modifications; require permit applicants five business days to remedy identified deficiencies in permit applications; and limit who could file discretionary environmental assessment worksheets to people residing in the county in which a proposed project will be undertaken or in one or more adjoining counties.

Energy Assistance Program (EAP)

With the unprecedented uncertainty of the federal Low Income Home Energy Assistance Program (LIHEAP), the state's Energy Assistance Program (EAP) language was updated. This includes an expansion of the definition of a low-income household to no longer rely solely on the federal definition. This will ensure that the state's program will bring needed support to residents who need it the most.

Electric Vehicle (EV) fee increases

Electric Vehicle (EV) owners do not pay gas taxes, however, to offset declining gas tax revenues, the EV registration surcharge will increase. This is set to change beginning in January 2026 and will be a sliding-scale fee rather than a flat fee, which means that EV owners with more expensive vehicles could see annual registration costs hit \$200 or more. Opponents of the fee increase state that EVs already have a higher cost upfront than a comparable gas car.

Additional provisions in the Energy bill include:

- \$602,000 for the statewide Energy Benchmarking program, which will increase energy efficiency and decrease greenhouse gas emissions in the building sector;
- \$2.4 million for the Pre-Weatherization program, to make homes more energy efficient.

Additional provisions in the Environment bill include:

- \$900,000 for community tree-planting grants, for the removal and planting of shade trees; replacing trees lost to pests, disease, or storms; or establishing more diverse community forests. Priority must be given to projects removing and replacing ash trees posing a significant public safety concern and to projects located in areas meeting certain criteria;
- \$800,000 for the MNReLeaf program which is for grants to local and Tribal governments and nonprofit organizations to enhance community forest ecosystem health and sustainability.

Data Centers

[Chapter 12](#) in Special Session Laws is a stand-alone bill on data centers that emerged as part of the leadership agreement. A significant provision deals with tax exemptions given to data centers, including the newly defined category of “large-scale” data centers. The energy tax given to these centers was repealed, but the exemption on software and information technology equipment was extended to 35 years after its first qualifying purchase (changed from its previous limit of 20 years or 2042, whichever was earlier). Other changes to data center laws included new fees on large-scale data centers for their peak electricity demand usage, which will go into a fund earmarked for weatherizing low-income homes. Additionally, the final language ensures that utilities cannot pass the cost of extra energy usage onto ratepayers, and mandates that utilities must still meet the state’s 2040 clean energy standards. Data centers that will use more than 100 million gallons of water per year are subject to pre-application measures, including the consideration of technologies that promote water conservation or efficient water usage. Environmental advocates noted that many of the water-usage protections in the bill are not vastly different from current law, however stronger language regarding environmental review and transparency with neighboring cities was not included in the final bill.

Health and Human Services

This year, the Health and Human Services bill was combined with the Children and Families bill to make one large omnibus bill, [Chapter 3](#) in Special Session Laws. Curbing long-term growth in health care spending was one of the main priorities this session, as legislators were required to cut \$97 million in FY 25-27 and \$297.8 million in FY 28-29.

MinnesotaCare (MNCare) Coverage of Undocumented Individuals

Noted as one of the most politically charged bills this session, legislation to end undocumented adult immigrants’ eligibility for MNCare passed in both chambers. This was part of the agreement struck between caucus leaders and the Governor. The new law states that undocumented adults who are age 18 years old or older currently enrolled in MNCare would no longer be eligible after December 31, 2025. Undocumented adults not already enrolled in MNCare would not be allowed to enroll.

Cannabis/Substance Use Prevention Grant Restoration

Grant funding was restored to local public health agencies that was cut in 2024. A total of \$3.6 million was previously cut and, ultimately, \$2.5 million was restored to these grants by shifting around existing MN Department of Health (MDH) funds. This funding will be used for cannabis education programs that

will address substance misuse and prevention, especially in youth and pregnant and breastfeeding individuals.

Food Security

Additional funding for food shelf programs (\$5 million in FY 26), and prepared meals food relief grants (\$1 million), was included in the final bill. Food insecurity is a pressing issue that affects many residents, and these investments serve as critical lifelines for individuals and families in need.

Additional provisions include:

- Reduces funding for Sexual and Reproductive Health grants by \$1 million in FY 26-27 and \$150,000 in FY 28-29;
- \$931,000 per year is for Safe Harbor grants, which provides sexually exploited youth with trauma-informed support services;
- \$760,000 from the Environment and Natural Resources budget and policy bill to increase education of businesses, compliance inspections, product testing, and enforcement to reduce or eliminate mercury-containing skin-lightening products. MPCA must annually meet with community-based organizations, local health departments, and other interested stakeholders to seek feedback and report out aggregate compliance and enforcement efforts;
- \$200,000 in one-time funding from the Human Services finance bill is for a competitive grant for public awareness and education activities to address issues of colorism, skin-lightening products, and chemical exposures from skin-lightening products.