

Minnesota Legislature 2025 Recap

Alert

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By Paul Cassidy

Expected Gridlock Produces Quiet Outcome

After decisive victories by Republicans at both the state and federal level in the 2024 general election, political prognosticators and pundits alike in Minnesota declared universally that the 2025 Minnesota legislature would be a nuclear powder keg that would find it impossible to come to any consensus on the tough issues facing the legislature and Gov. Tim Walz, including a looming budget deficit. One need look no further than the multitude of barriers to compromise:

- President Trump won decisively in the 2024 general election, with success in the seven crucial swing states.
- The election produced a 67-67 tie in the Minnesota House of Representatives, a historic development that had not happened in almost 50 years.
- The tied majority in the House required a delicate "power sharing" agreement between DFL and Republican leadership whereby each side had unilateral veto power and each policy committee was led by co-chairs, one chair from each party.
- Republicans actually held the majority of the House for the first month of the 2025 session due to a DFL legislator being declared ineligible to hold office by the courts. This thereby gave Republicans a one seat majority and the ability to pass legislation, and possibly reversing many of the DFL's hallmark legislation passed in 2023-2024 during the DFL "trifecta."
- The DFL now had a slim and delicate Minnesota Senate majority that any one DFL legislature could threaten with the touch of key on any given floor vote.

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But in very uncharacteristic fashion, the Minnesota legislature was called into a one-day special session on June 9 and quietly finished crafting and passing a state budget in under 18 hours. What had eluded lawmakers for months, budget negotiations—between Gov. Walz, Senate DFL leadership and House Republican and DFL leaders—suddenly accelerated and came together as legislators faced a daunting June 30 deadline to produce a balanced budget in order to avoid a government shutdown.

The Issues Standing in Way of a Budget Deal

So what issues held up the conclusion of the 2025 legislative debate? Clearly just a handful of contentious issues stood in the way of a budget deal, including:

- A looming budget deficit. Remarkably, legislative chairs came to a resolution and passed a \$66 billion balanced budget.
- A continued contentious debate on immigration and Minnesota's newly passed controversial law providing health care coverage for all undocumented immigrants. In the end, the legislature voted to end health care coverage for only adult undocumented immigrants, but left in place MinnesotaCare coverage for undocumented immigrant children.
- Deep budget cuts to human services programs. Most of the cuts target long-term care and disability services.
- A skinny tax bill that raises taxes on cannabis products by 50 percent, and a transportation bill that levies a new tax on electric vehicles.
- A small capital investment bonding bill which fell short of many expectations that focused on core infrastructure projects like local water treatment systems.
- A higher level of oversight for developing data center projects. The measure also repealed a long-standing tax exemption for data centers on electricity costs.

Many contentious issues were left unaddressed due to the tight majorities. It remains to be seen where the legislature will go in 2026, when they return to work in an election year. With every legislator in both the House and Senate up for reelection, one could argue that the 2026 legislature will culminate in fewer compromises, leaving the heavy lifting up to a more rancorous debate during the November 2026 general election.

ISSUES TACKLED BY 2025 MINNESOTA LEGISLATURE

The following is a deeper dive into some of the bigger issues tackled by the 2025 Minnesota legislature. Our Stinson Government Relations Team can provide further details. Please reach out with questions or to request additional information.

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- Cannabis
- Campaign Finance & Lobbying Regulation
- Commerce
- Environment & Energy
- Health & Human Services
- Housing
- Jobs & Labor
- Transportation
- Taxes

CANNABIS | CHAPTER 31

This year's cannabis bill was significantly shorter and consisted primarily of "tweaks" to existing statute rather than substantial rewrites of important aspects of the cannabis regulatory regime in Minnesota. The most important law change that impacts the cannabis (and hemp-derived THC market) was not passed through the cannabis omnibus bill. Rather, the tax bill contains a provision that hikes the gross receipts tax on cannabis from 10 percent to 15 percent. This is a very substantial increase in the cannabis tax, and when combined with existing sales taxes (6.875% state sales tax + additional local sales taxes), Minnesota will now be in the top third of states when it comes taxation of cannabis, at a rate that is in the 21 percent-24 percent range.

Many other notable policy changes were related to the hemp-derived THC market, which is transitioning to operating under Chapter 342, rather than Chapter 151.72. In a number of cases, the legislature sought to allow activities allowed under 151.72 to continue.

Changes include but are not limited to:

- Allowing samples to be given away at a cannabis event.
- Removing the requirement that cannabis transport vehicles be staffed by two employees.
- Allowing medical combination business license holders to transport cannabis to other cannabis businesses.
- Allowing a municipality or county to hold both a lower-potency hemp edible retailer license *and* a cannabis retail license.
- Establishing a new license type: "Lower-Potency Hemp Edible Wholesaler." This allows (but is not limited to) entities such as beer and liquor wholesalers to continue to distribute LPHEs.

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- Establishing a delivery endorsement for LPHE retailers intending to offer delivery services. This effectively allows for the delivery of LPHEs to continue.

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CAMPAIGN FINANCE & LOBBYING REGULATION | CHAPTER 39

The state government finance and elections omnibus bill contains language that provides some clarification on what constitutes lobbying in Minnesota and who must register as a lobbyist at both the state and local level.

- The campaign finance board is required to create a plain language “handbook” for lobbying executive and legislative branches of state government and political subdivisions.
- An “expert witness” is defined as exempt from lobbyist registration requirements if they provide public communication with public or local officials.
 - Lobbyists are required to report the use of expert witnesses.
- Provides clarification that attempts to influence nonelected local officials is lobbying when those officials have authority over major decision making.
- Non-elected local officials or staff will have to register as a lobbyist if they spend more than 50 hours in one month attempting to influence the action of another political subdivision. This permits occasional to semi-regular communications with other local units of government regarding their official actions.
- The definition of a “local official” is clarified. Local officials include elected officeholder, appointees, or employees who have the authority to make major decisions, can make recommendations about major decisions regarding the use of public money, or has the authority to vote on the use of public money.
- Official action of a political subdivision is defined for lobbying registration requirements.
 - Can make major decisions about the use of public funds.
 - Can make recommendations to the governing board or chief executive.
 - Votes as a member of a governing board.
 - Exempts purchasing, collective bargains, and lawsuits.
 - Any action requiring a vote or approval by the governing board.
 - Any action by an appointed official or employee official who:
 - Can make major decisions about the use of public funds.
 - Can make recommendations to the governing board or chief executive.
 - Votes as a member of a governing board.

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- Exempts purchasing, collective bargains, and lawsuits.

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COMMERCE | CHAPTER 4

The [commerce omnibus bill](#) was one of the least controversial of the big bills to pass during special session. The bill passed with 112 “yes” votes to 19 “no” votes in the House and 47 to 20 in the Senate. As far as omnibus bills go, the bill is fairly skinny, coming in at only 110 pages, but contains important provisions:

- Funds the reinsurance program in FY2026-27 by transferring funds from the Health Care Access Fund, which will be used in combination with federal funds and existing funds in the Premium Security Account. In 2028, an assessment will be imposed on group health carriers to help fund the reinsurance program. The bill allows a taxpayer to claim a credit against premium imposed equal to the assessment.
- Makes changes to the state ban on lead and cadmium, which would have banned keys and cadmium paint starting July 1. The bill exempts keys containing lead that are imported, manufactured, sold or distributed before July 1, 2028. Exempts keys containing lead equal to or less than 1.5 percent by total weight that are imported, manufactured, sold or distributed after July 1, 2028. The bill also exempts artist materials including paints, pastels, pigments, ceramic glazes, markers, ink pens and mechanical pencils from the ban.
- Creates a task force to provide recommendations to the legislature on the affordability of property insurance for single-family homes, multifamily rental housing and common interest communities. The bill includes language that directs the task force to review the effect of liability laws on insurance costs and whether tort reform could reduce costs.
- Creates a new ombudsperson position to facilitate disputes between unit owners and homeowner associations.
- Requires an insurer to provide a copy of the current policy to the holder when requested once per policy period.
- Requires places of entertainment with an occupancy of at least 100 to provide, at ticketed events, free water to attendees and allow attendees to bring in sealed bottled water or an empty water bottle to fill.
- Eliminates the CPI adjustment for surplus lines premium thresholds.

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ENVIRONMENT & ENERGY | CHAPTER 7 AND CHAPTER 1

Energy

This year's energy bill, while not exactly a "lights-on bill," is a very skinny bill. Tasked with cutting \$4 million each year for the next biennium, the bill achieved that goal by reducing the amount transferred to a special revenue fund used to assist pre-weatherization. One new piece of policy in the bill is the "securitization" article. A provision in this article would create "extraordinary event bonds," the purpose of which is to help relieve costs to rate payers in the event a spike in natural gas prices.

Of note is also what is not in the bill – there are no other major policy initiatives and no new projects that draw upon the Renewable Development Account (RDA). In 2023, \$110.8 million was appropriated from the RDA with an additional \$14.45 million appropriated in 2024. For the FY26-27 biennium, only \$0.6 million was appropriated, all for projects that had "base" funding. This will mean that there will be a significant amount of funds available in the RDA for the 2026 legislature (or a future legislature) to work with.

Environment

The 2025 omnibus environment finance bill was pared down from previous legislative sessions, but did contain several notable provisions. It funds various environment related aspects of state government

Notable provisions:

- Repeals the across the board \$10.60 aquatic invasive species (AIS) surcharge and increases the fee based on the type, size, and use of watercraft. Surcharges now range from \$20 to \$62.
- Allows the DNR to seize and forfeit watercraft that have been abandoned for more than 14 days and makes owners of abandoned watercraft criminally and civilly liable.
- Repeals the state's shotgun zone for deer hunting and permits a county, by ordinance, to limit the types of firearms that can be used for deer hunting.
- Increases water use and water appropriation application fees.
- Extends the statutory appropriation for the Closed Landfill Investment Fund (CLIF) until 2029 and increases the annual appropriation from \$4.5 million to \$6.5 million.
- Exempts the use of per- and polyfluoroalkyl substances (PFAS) in internal components and removes PFAS prohibitions on youth all-terrain vehicles (ATVs), snowmobiles, and electric bicycles and scooters.
- Exempts the use of PFAS in firefighting foam used in fixed systems in airplane hangars until 2028.
- Contains a rather minor reform article relating to environmental permitting reform that enhances status reporting by overseeing state agencies, removes some redundancy, and intendeds to focus input from impacted parties and allow for some permit processes to run concurrent to each other. The article:

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- Includes a statement of intent to balance the state's economic interests with the protection of the state's environment and natural resources.
- Requires the Minnesota Pollution Control Agency to give permit applicants five business days to remedy identified deficiencies in permit applications.
- Permits the agency to decline expedited permitting when it lacks staff or contractor capacity and allows for fee revenue in certain cases to be redirected to enhancing expedited permitting review.
- Requires petitioners for a discretionary environmental assessment worksheet (EAW) to reside in the county or an adjoining county where the proposed project will take place.
- Authorizes local government units to begin the permit application review process for feedlots subject to environmental review before the environmental review has commenced.
- Requires the Environmental Quality Board (EQB) to eliminate the requirement to produce a scoping EAW when state law mandates an Environmental Impact Statement.

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HEALTH AND HUMAN SERVICES | CHAPTER 38, CHAPTER 3, CHAPTER 9

Hospital Related Provisions

The HHS omnibus bill contained two provisions that would allow Minnesota to pursue directed payment programs, which would allow Minnesota to draw down more Medicaid funds – though this is contingent on federal approval. One would benefit hospitals and would be of particular benefit to safety-net hospitals. The other would implement a portion of the Department of Human Services (DHS) rate study, thus increasing payments to mental health providers. The bill also directs DHS to select a single pharmacy benefit manager for patients on Medical Assistance and MinnesotaCare enrollees that are served under managed care.

A final item relates to what was not in the health and human services omnibus bill – namely any language that would prohibit hospitals from charging facility fees to patients at affiliated outpatient clinics. (Facility fees are the fees that pay for everything that isn't a physician – nurses, desk staff, and so forth.) There is language requiring hospitals and health systems to report on facility fees collected in calendar year 2026.

Department of Children, Youth, and Families

The largest investment in the Department of Children, Youth, and Families (DCYF) portion of the HHS bill is \$35 million to upgrade and modernize the Social Service Information System used for child welfare cases. Also on the information technology (IT) side of things, language was included that directs DCYF to

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establish and implement specific IT systems for early care and education programs, to the extent funding is available. Funding for this work was passed back during the 2023 Legislative session, to the tune of \$20 million. Notably, \$10 million of that appropriation has been reallocated.

New investments in early childhood education, particularly Early Learning Scholarships was lacking in the bill—a marked change from the large investment in one-time funds that was appropriated in 2023. Base funding for such programs was not cut, however.

Long-term care

With the legislature facing a substantial deficit in the out years, the decision was made to cut spending in this biennium to help reduce the coming deficit. Nursing homes took a large share of the cuts, with the current funding system scrapped in favor of caps on rate increases. Right now, nursing facilities are reimbursed for the cost of care a minimum of 15 months after submitting extensive cost reports, but it really ends up closer to 18-22 months for most reimbursements. The new system will cap increases at 4 percent or the consumer price index, whichever is less. Those facilities who made investments that are not reimbursed by Jan. 1, 2026, will have their reimbursement capped, regardless of what they spent with the expectation of reimbursement for the actual cost of care.

The bill additionally included a phase-out of the nursing facility single-bed incentive as well as increased the surcharge on nursing home beds to the statutory maximum of \$5,900. Finally, the bill contained \$52 million over four years to pay for the costs of the minimum wage rule that was passed by the Nursing Homes Standards Workforce Board.

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HOUSING | CHAPTER 32

A \$261.62 million funding package for housing was one of the budget pieces that reached the finish line prior to the May 19 adjournment date. Authored by Rep. Spencer Igo (R-Wabana Township) and Sen. Lindsey Port (DFL-Burnsville), the housing omnibus authorizes \$50 million in housing infrastructure bonds and appropriates \$8.35 million to the Family Homeless Prevention and Assistance Program, \$2 million to the Economic Development and Housing Challenge Program, \$2 million for Greater Minnesota Housing Infrastructure Grants, and \$2 million for first-generation homeowner downpayment assistance grants.

The package also includes policy language that creates incentives for local government entities to enact initiatives that aim to build more homes, such as scaling back requirements on minimum lot/garage sizes and allowing multifamily housing in more residentially zoned areas. Also included are provisions allowing for proceeds from housing infrastructure bonds to be used on adaptive reuse, and requiring the Minnesota

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Housing Finance Agency to develop a framework for preserving affordable housing.

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JOBS & LABOR | CHAPTER 6

Broadband Installation

Not found in the jobs & labor omnibus bill but important to the issue area nonetheless, [SF 908](#) (Kupec) was one of the few bills to pass as a stand-alone bill in the 2025 Legislative session. The bill makes changes to legislation passed in 2024 that dictated training and requirements for broadband installation across the state. SF 908:

- Moves the effective date for certification in the field for the seven-county metro area to Jan. 1, 2026, which matches the requirement for remainder of the state.
- Removes the requirement that two safety-qualified installers be present where directional drilling takes place.
- Allows for equivalent or substantially equivalent training to what is offered through an approved and certified training program, provided that it was taken in the last two years, to count for retroactive credit for training. The person receiving retroactive credit must pass an examination. This option is only allowed through Jan. 1, 2026.

Earned Sick and Safe Time

The story of modifications to the Earned Sick and Safe Time (ESST) statute is a common one this session. Namely, what is notable is that no major changes were made, despite a substantial push by GOP legislators and some Senate DFLer's. Small modifications were made with regards to when an employee may be required to supply a note from a physician to be excused for work and also shift switching.

Paid Family and Medical Leave

As with ESST, very little was changed in the Paid Family and Medical Leave (PFML) statute. The only modification of note was that the maximum premium for taxable wages for PFML was reduced from 1.2 percent to 1.1 percent.

Of note, the jobs and labor omnibus package institutes a mandatory 15 minute (or enough time to use the nearest restroom) for every four hours worked and a 30-minute unpaid meal break for every six hours worked. (Current law stated "adequate time" for rest breaks.) Violations include cash remedies and potential civil action from the commissioner.

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TRANSPORTATION | CHAPTER 8

The 2025 omnibus transportation finance bill spends nearly \$9.9 billion from all associated funds over this biennium, with about \$8.9 billion from dedicated funds for road and bridge construction and maintenance.

Notable finance provisions:

- Eliminates much of the general fund spending for metro transit operations.
- Provides \$250 million loan from the Metropolitan Council to MnDOT for Minnesota Highway 65 improvements with coordinated transit improvements.

Notable policy inclusions and exclusions:

- Establishes a new surcharge schedule for electric and plug-in hybrid vehicles to (partially) recover lost gas tax revenue.
 - For fully electric vehicles base fee moves from \$75 to \$150, and higher valued vehicles now will pay a rate above \$150 based on vehicle value.
 - For plug-in hybrid vehicles, the bill establishes a new \$75 registration surcharge.
- Imposes a new 5¢ per kilowatt hour coming in 2027 for public electric vehicle charging stations, upon its implantation the above \$150 will drop to \$100 for electric vehicles, and from \$75 to \$50 for plug-in hybrid vehicles.
- Creates a new rental car license plate to streamline rental fleet license renewals.
- An early special session attempt to reallocate 50 percent of the metro counties sales tax allocation was ultimately not included. The proposition would have taken 8.5 percent of the counties' currently 17 percent allocation of the metro-wide sales tax for transit and repurposed the funds for bus rapid transit buildout. Counties would have been greater flexibility with how they were allowed to use the remaining funds
- Does not include a delay or modification to greenhouse gas emissions mitigation requirements for transportation projects.
- Exempts fuel and road construction materials delivery from the retail delivery fee.
- Requires the use of factory installed seatbelts in side-by-side ATVs when used on public roadways.
- Makes changes to Metro Counties Transportation Advancement Account reporting requirements.
- Slows the phase-in of the dedication of vehicle parts sales tax to transportation funding.
- Modifies railroad and pipeline safety assessments so that railroads will pay 85 percent of the \$4 million assessment

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TAXES | CHAPTER 13

The [taxes omnibus bill](#) was one of the last bills to close out during the time between session and special session. After treating lobbyists, staff and legislators to hours of entertainment as the only working group that met publicly and aired their grievances live, leadership eventually took the bill behind closed doors to negotiate an agreement. Republicans came to the table insistent on no new taxes. The governor proposed decreasing the statewide sales tax from 6.875 percent to 6.8 percent while expanding the sales tax to selected services while House and Senate Democrats discussed the possibility of a new “social media tax.” At the end of the day, while no “new” taxes were raised, the tax on cannabis sales increased from 10 percent to 15 percent before the first cannabis sale was made in the state. The bill ultimately passed the House 93-39 and the Senate on a party-line vote, 34-33, with all DFL members voting yes and all GOP senators voting no. Notable provisions in the bill include:

- Increasing the cannabis tax from 10 percent to 15 percent and repeals local cannabis aid.
- Eliminating a tax exemption for electricity for data centers.
- Giving a sustainable aviation fuels sales tax exemption to materials, supplies and equipment purchased after June 30, 2027, and before July 1, 2034.
- Requiring rental property owners, agents and manufactured home park owners to provide certificates of rent paid to renters.
- Making the state’s research and development tax credit partially refundable at a rate of 19.2 percent through tax year 2025 and 25 percent in 2026 and 2027.
- Accelerating payments of June sales tax liabilities at a rate of 5.6 percent for large retailers

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