

The 2025 session of the Minnesota Legislature begins January 14, 2025

THE ELECTION: MORE DRAMA AFTER THE BIG NIGHT

Election night typically comes with plenty of surprises. State elections closed with a 67-67 tie in the Minnesota House of Representatives and a one-vote majority in favor of the Democrats in the Minnesota Senate. However, the drama certainly was not done after all the votes were tallied. Curtis Johnson was ruled ineligible to assume the House District 40B seat after a court ruled, he violated residency requirements. Additionally, the untimely death of Senator Kari Dziedzic (DFL-Minneapolis) has caused even more uncertainty heading into the 2025 session.

Currently, both the Minnesota House of Representatives and the Minnesota Senate are looking at special elections on January 28, 2025. Both races lean heavily Democrat, so the DFL will likely return to a one-vote majority in the Senate while the Minnesota House could remain in a 67-67 tie.

LEADERSHIP UNCERTAINTY

Regardless of what happens in the special elections, Republicans will have a one-vote majority in the Minnesota House of Representatives to start the 2025 legislative session. This could mean Lisa Demuth (R-Cold Spring) could be elected speaker of the house at the start of session. However, Democrats have threatened to block a vote on speaker until a power sharing agreement can be reached.

In the Minnesota Senate, the two sides recently announced that they have come to a power sharing agreement for the time until the Senate is no longer tied. This power sharing agreement includes co-presiding, co-chairs, and an equal number of Democrat and Republican members on committees.

LAWMAKERS SET TO TACKLE BIENNIAL BUDGET

In early December, Minnesota Management and Budget (MMB) released the November budget forecast. It, along with a budget forecast released in February, are critical as lawmakers work to craft the state's biennial budget. The November forecast shows a projected \$616 million surplus for Fiscal Year (FY) 2026-2027. That is \$1.1 billion less than prior estimates. MMB cited reductions in income and sales tax revenues as well as higher spending on long-term care and special education as causes for the decrease.

MMB projections showed a structural imbalance in the subsequent biennium with a projected budget deficit of \$5.1 billion by the end of FY 2028-2029. While inflation plays a key role in that projection, state spending is expected to exceed future revenue by \$3.5 billion. The structural imbalance is concerning to lawmakers, as projected spending is expected to outpace revenue without a budget solution.



NOTABLE LEGISLATIVE ISSUES

While the biennial budget is likely to be the biggest newsmaker out of the Capitol, there are a handful of other issues that lawmakers are set to tackle.

- **Cannabis** – Since making recreational cannabis legal in Minnesota in 2023, the state has struggled to get that industry up and running. Many are calling for changes to the program to streamline and simplify the licensure process.
- **Corrections** – An interim review of the Minnesota corrections system showed glaring gaps and challenges pertaining to infrastructure, public safety and healthcare.
- **DHS Fraud** – More allegations are coming out following the Feeding Our Future fraud scandal. Lawmakers are likely to discuss ways to crack down on fraud and abuse within the Minnesota Department of Human Services and other agencies.
- **Housing** – Last legislative session saw many different budget and policy discussions related to housing and housing shortages. Those discussions are likely to spill over into the 2025 session.
- **Employment Issues** – The last several legislative sessions have seen significant changes in employment policy. There are expected to be additional bills introduced to modify employment laws or correct issues within the current system.
- **Local Sales Tax** – Outside of session, the Senate Tax Committee met to discuss an expected proposal to give cities and counties the power to take local sales tax decisions straight to voters. Currently, the legislature must give prior authorization.
- **Transportation Funding** – Transportation proponents, counties, and cities are looking for a strong funding package for priority projects across the state.
- **Water Infrastructure and Policies** – There will likely be proposals, both in the budget and with bonding, to fund water and infrastructure needs. Funding for these needs was included in a 2024 bonding bill that did not pass.
- **Solid Waste** – The Minnesota Pollution Control Agency (MPCA) recently reported that the Twin Cities produce almost 3.3 million tons of trash each year. The state has been working with various groups to produce a plan for reducing waste.

