

2024 Legislative Update

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2023 Review

- Full DFL control
- New Senate Leadership
- Historic \$17.5 billion surplus
- Many new members after a wave of retirements
- Fast pace, longstanding DFL priorities became law
- Significant investments in local governments



2023 November Economic Forecast



- November forecast projected a \$2.4 billion positive balance in FY 24-25 and \$2.3 billion negative balance in FY 26-27
- Leaders projecting a slower pace and trying to manage expectations
- New budget forecast at the end of February

Local Sales Taxes

- 2023 tax bill included 37 newly authorized, extended, or modified local sales tax authorizations
- 2023 tax bill imposed a two year moratorium on new local sales taxes or modifications to existing ones
- Moratorium is effective through the 2025 legislative session
- Legislature also appointed the Local Tax Advisory Task Force to evaluate the current authorization process and recommend appropriate changes
- Report due February 2

Local Sales Taxes at the Ballot

- Eight jurisdictions voted on twelve different local sales tax questions on November 8
- Bloomington, Golden Valley, St. Paul, Marshall, and Rochester all approved new projects
- Edina approved a modification to their existing local sales tax
- The remaining local sales taxes that were authorized in 2023 will be voted on in 2024

Task Force Discussions

- Focused on local sales taxes, less so lodging or food & beverage taxes
- Unanimous agreement that going to the legislature for permission to go to the voters does not make sense
- Regional vs. local benefit
- Property tax vs. sales tax



Task Force Recommendations

- A new authorization process that doesn't require passage of a special law for a narrow set of projects
- General referendum authority for convention centers, airports, and libraries in the regional public library system
- Parks that meet the regional standard as defined by the Greater Minnesota Parks and Trails Commission or Met Council
- Public notifications for surrounding jurisdictions and hearings open to non-residents for certain projects, such as community centers or athletic complexes

Property Tax Valuations

- Last session a spike in residential homestead valuations (17.5% statewide) drove a larger conversation and policy changes around property taxes
- Largest valuation increases by property type in assessment year 2023 were agricultural land and industrial property
- Residential valuation increases were more modest (4.9% statewide) but higher outside the metro

Preliminary Tax Levies

- Average statewide increase of 7.3%
- Average city increase of 8.4%
- Increases were 14% higher on average in cities that do not receive Local Government Aid
- Final levy data will be released at the end of the month

Tax Increment Financing Priorities

- Discussion surrounding TIF and tax credit changes to support C/I property conversion to housing or adaptive reuse
 - Expand historic structure rehabilitation tax credit?
 - Tax Increment Financing flexibility for conversion?
- Housing and TIF
 - Expansion of unobligated pooled increment to be deposited into a cities local housing trust fund
 - Make economic development TIF more conducive for mixed-use and/or mixed income development
 - General TIF flexibility

2024 Tax Committee



- Early fix bill
- Each committee will have a hearing on the report from the local tax task force
- Ramifications of Tyler vs. Hennepin County US Supreme Court decision
- Examining 2023 law changes
- Not expected to have a big budget impact

Cannabis Taxes

10%

gross receipts tax on all cannabis products including lower-potency hemp edibles.

80%

revenues go to general fund.

20%

revenues go to local cannabis aid fund.

7/1/23

Gross receipts effective



BUSINESS

First month of Minnesota's cannabis tax nets the state nearly \$600K

The July haul is a partial snapshot of the state's hemp-derived THC gummy and drink market.

By Brooks Johnson and Ryan Faircloth Star Tribune | AUGUST 23, 2023 — 12:44PM



JEFF WHEELER, STAR TRIBUNE FILE

- Tax began July 1, 2023.
- July resulted in \$6 million of hemp-derived THC product sales.
- Dept. of Revenue collected \$594,000 from 571 businesses in first month.
- Dept. of Revenue predicts \$131m in revenues by FY27.
- Local cannabis aid: potentially \$13m with \$6.5m going to cities.
- Cities: Revenues divided based on proportion of cannabis businesses.
- Counties: 20% of revenues divided equally amongst counties, remaining by proportion of cannabis businesses.

PFML Payroll Tax

- Statewide paid family and medical leave insurance program beginning January 1, 2026 – both tax and benefit.
- Establishes a 0.7% payroll tax for all employees, half can be charged back to employees.
- Employees are eligible if they make at least 5.3% of the state's average annual wage (\$3,546.97 in 2023).
- Actuarial study commissioned by DEED published Oct. 27, 2023:
 - Employers/workers to pay 18% more than originally estimated.
 - Report recommends 0.789% rate for first 3 years, followed by 0.83%

Sports Betting

- Speaker Hortman: “It’s a nice to have, not a need to have.”
- Desire to reach consensus between various stakeholders including tribal nations, racetracks.
- Popularity increasing nationwide according to AGA:
 - Less than \$1B spent by Americans in 2019
 - \$1.54B in 2020
 - \$4.34B in 2021
 - \$7.56B in 2022
 - Illegal bets estimated \$64B each year
- Potential state revenue: could generate \$40M annually.
 - Iowa (2023): \$13M in revenue raised on \$2.2B in bets.



Bonding Bill Outlook

- Debt management guidelines will allow for a maximum of \$830M in GO bonds
- Governor's recommendation would use all \$830M and provide \$152M from other funding sources
 - \$215M – water and transportation infrastructure
 - \$142M – public safety
 - \$97M – housing and environment
 - \$85M – other infrastructure needs and \$40M for local projects
- Big caveat: will they have the votes?

2024 Session-Big Picture



- Focus on bonding bill, up to \$838 million in general obligation bonds
- Implementation questions?
- Xcel Energy Center renovation
- Election year issues
- Short session?