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**Summary -
Budget Changes Enacted in 2020
Special Session 7**

*Money Matters
December 2020 20.03*

This paper summarizes the fiscal changes enacted by the Legislature and Governor in the 2020 Seventh Special Session. Enacted legislation dealt primarily with providing additional relief related to the COVID-19 pandemic. Special Session Laws Chapter 2 provided assistance to businesses and unemployed workers and a provision affecting education. Chapter 1 enacted a variety of changes including license fees for those working in long term care settings and an operating appropriation for the licensing board.

Fiscal Analysis Department

Chapter 2

By the time of the Seventh Special Session of 2020 on December 14, there was a consensus that additional financial relief needed to be provided because of the ongoing effects of dealing with the COVID-19 pandemic. The relief in Chapter 2 (S.F. 31) focused primarily on businesses and unemployed workers. Another provision in Chapter 2 extends a date for school districts to report students eligible for free and reduced price lunches.

Chapter 2 has a general fund impact of \$242.3 million in FY 2021, \$2.565 million in FY 2022 and \$240,000 in FY 2023.

- **Article 1** of Chapter 2 provides assistance to Minnesotan small businesses through direct payments from the Department of Revenue. \$88 million from the General Fund in fiscal year 2021 is appropriated for this purpose, with up to \$250,000 of that amount eligible for agency administrative costs.
- **Article 2** provides regulatory relief to certain food and beverage establishments impacted by Governor’s Executive Order 20-99. These provisions include:
 - **Section 1** provides regulatory relief for food retailers, food wholesalers, food manufacturers and food brokers by waiving the late license renewal fee for calendar year 2021. The waiving of these late fees results in a total of \$8,000 in lost revenue to the General Fund in FY20-21 and \$46,000 in lost General Fund revenue in FY22-23.
 - **Section 2** requires the Metropolitan Council to provide refunds of 2020 permit fees to breweries producing less than 20,000 barrels per year in the Metropolitan Council service area. There are 57 breweries that fall into this category. The Metropolitan Council is also required to provide a refund of up to \$2,000 per brewery for wastewater strength charges. These refunds are estimated to cost the Metropolitan Council Environmental Services Enterprise Account \$142,000. Then in **Section 5** \$142,000 is appropriated from the General Fund to the Metropolitan Council to reimburse the Environmental Services Enterprise Account for the refunds incurred.
 - **Section 3** provides relief to certain small businesses involved in the sale of liquor. The section suspends fees paid by caterers and by bars and restaurants that pay to extend the hours of the sale of alcohol until 2am also known as “2am bar close.” The fee suspension will occur for calendar year 2021, which include parts of two state fiscal years, FY2021 and FY2022. Both fees appear in Minnesota Statutes Section 340A.

For the suspension of the caterer’s permit fee, for which revenues are deposited directly into the General Fund, the general fund will realize a \$75,000 loss for each of fiscal years 2021 and 2022. This policy results in a total loss to the General Fund for the suspension of the fee of \$150,000.

The suspension of 2am bar close fees will cost the Special Revenue Fund a total of \$568,000, or \$284,000 in each of fiscal years 2021 and 2022. However, **Section 4** mitigates that effect by a transferring funds, estimated to total \$568,000 over fiscal

years 2021 and 2022 from the General Fund to the Alcohol Enforcement Account in the Special Revenue Fund.

- **Article 3, Section 1** provides an Unemployment Insurance Benefit extension for unemployed Minnesotans whose state or federal pandemic response Unemployment Benefits would be exhausted between December 19, 2020, and April 3, 2021. This extension is available for up to 13 weeks, with benefits ending after April 10, 2021. This provision has unknown fiscal impacts on the Minnesota Unemployment Trust Fund in the Federal Treasury.
- **Article 3, Section 2** provides a contingent appropriation to the Department of Employment and Economic Development of \$25 million from the General Fund in fiscal year 2021. If federal funds are not received by June 30, 2021, these funds will be deposited in the Minnesota Unemployment Insurance Trust Fund for the purpose of covering any special additional unemployment benefits paid on behalf of reimbursing employers.
- **Article 4** provides a \$14 million General Fund appropriation in fiscal year 2021 to the Department of Employment and Economic Development for business relief to large venues, including movie theaters and convention centers. Of this amount, \$100,000 may be used for administrative costs.
- **Article 5** appropriates \$114.8 million from the General Fund in fiscal year 2021 to Minnesota Management and Budget for payments to Minnesota counties for small business relief within the counties. Funds will be distributed mostly on a per capita basis with lower-population counties receiving a minimum of \$250,000 for grants and \$6,250 for administrative costs. Of the total \$114.8 million, up to \$2.8 million may be used for county administration.
- **Article 6, Section 1** extends the deadline for free and reduced-price lunch applications from December 15, 2020 to January 4, 2021. The number of students who qualify for free and reduced-price lunches is used to calculate compensatory revenue for school districts. There is no appropriation included in the language, because the funding stream for compensatory revenue is an open General Fund appropriation. The Minnesota Department of Education estimates that the deadline extension will result in an increase in free and reduced-price lunch applications, which will increase compensatory revenue. The estimated cost increase to the General Fund is \$2.16 million in FY 2022 and \$240,000 in FY 2023.

Article 6, Section 2 mandates that federal funds be used to pay for the increase in compensatory revenue if they become available and are deemed eligible for such a use. If federal funds are not available, the state will provide the funding through the general fund.

Article 7 requires federal funds to be used to replace state appropriations for the business relief in Articles 1, 4 and 5 if federal funds become available.

Table 1, on the next page, summarizes the fiscal impacts of 2020 7th Special Session, Chapter 1 and 2.

Table 1

2020 7SS Fiscal Changes	Agency	Fund	FY 2020	FY 2021	FY 20-21	FY 2022	FY 2023	FY 22-23
Total General Fund Impact		GF	-	242,309	242,309	2,565	240	2,805
Ch. 2, Article 1, Small Business								
Payments to Small Businesses*	DOR	GF	-	88,000	88,000	-	-	-
State Agency Admin		[GF]	-	[250]	[250]	-	-	-
Ch. 2, Article 2 - Regulatory Relief								
<u>Expenditure Change</u>								
Wastewater Revenue Transfer- Brewer's Fee Waiver	Met Council	GF	-	142	142	-	-	-
Alcohol Enfcmnt Acct Transfer- 2:00AM Closing Fee Waiver	DPS	GF	-	284	284	284	-	284
Total General Fund Expenditure Change			-	426	426	284	-	284
<u>Revenue Change</u>								
Fee Waiver - Various Food Related Fees - Agriculture	MDA	GF	-	(8)	(8)	(46)	-	(46)
Fee Waiver - Catering Revenue	DPS	GF	-	(75)	(75)	(75)	-	(75)
Fee Waiver-2:00 AM Permit Fee - Alcohol Enforcement Acct	DPS	SR	-	(284)	(284)	(284)	-	(284)
Transfer in - Replacement of 2:00 AM Permit Revenue	DPS	SR	-	284	284		-	-
Total General Fund Rev Change			-	(83)	(83)	(121)	-	(121)
Article 2 Net General Fund Impact		GF	-	509	509	405	-	405
Ch. 2, Article 3 - UI								
Reimbursing Employers UI Trust Fund Payback**	DEED	GF	-	25,000	25,000	-	-	-
Ch. 2, Article 4 - Large Venues								
Grants to Large Venues*	DEED	GF	-	14,000	14,000	-	-	-
State Agency Administrative Costs		[GF]	-	[100]	[100]	-	-	-
Ch. 2, Article 5 - County Small Bus								
Grants to Counties*	MMB	GF	-	114,800	114,800	-	-	-
County Administrative Costs		[GF]	-	[2,800]	[2,800]	-	-	-
Ch. 2, Article 6 - Education								
<u>Expenditure Change</u>								
Free & Reduced Lunch App Ext	MDE	GF	-	-	-	2,160	240	2,400
Ch. 1, Article 6 – Licensure								
Expenditure – Licensing	Hlth Bds	SGSR	-	281	281	-	-	-
Revenue – Assisted Living Lic Fees	Hlth Bds	SGSR	-	432	432	435	405	840

Table 1 Notes

* Per Article 7, if Minnesota receives federal funds that may be used for the purposes of Articles 1, 4, and 5, those federal funds are appropriated for those purposes, and the General Fund appropriations are reduced by the amount of the federal funds appropriated.

** This appropriation is available only if federal funds are not received by June 30, 2021, by Minnesota for the purpose of covering any special additional unemployment benefits paid on behalf of reimbursing employers under this section.

Chapter 1

Additional budget changes were included in 2020 7th Special Session, Chapter 1. Two sections affect the State Government Special Revenue Fund. Article 6, Section 2 sets new license fees under the jurisdiction of the Board of Executives for Long Term Supports and Services for individuals working in long term care settings. The new fees are projected to collect \$432,000 in revenue in FY 2021, \$435,000 FY 2022 and \$405,000 in FY 2023.

Article 6, Section 24, appropriates \$281,000 in FY 2021 from the State Government Special Revenue Fund to the Board of Executives for Long Term Supports and Services to begin implementing the new fee structure. This is a one-time appropriation. The appropriate funding level for ongoing operations of the Board will be established as part of the FY 2022-23 biennial budget in the 2021 legislative session.

For further information on Jobs, Economic Development, Energy, and Commerce Finance issues, please contact Solveig Beckel, Fiscal Analyst, at solveig.beckel@house.mn, or 651-296-4162.

For further information on Education Finance issues, contact Emily Adriaens, Fiscal Analyst, at emily.adriaens@house.mn or 651-296-4178.

For further information on Health and Human Services Finance issues, contact Doug Berg, Fiscal Analyst, at doug.berg@house.mn or 651-296-5346.

For further information on Public Safety Finance issues, contact John Walz, Fiscal Analyst, at john.walz@house.mn or 651-296-8236.

For further information on Agriculture Finance issues, contact Ken Savary, Fiscal Analyst, at ken.savary@house.mn or 651-296-7171.

For further information on Environment and Natural Resources Finance issues, contact Brad Hagemeyer, Fiscal Analyst, at brad.hagemeyer@house.mn or 651-296-7165.

For further information on overall state budget issues, contact Bill Marx, Chief Fiscal Analyst, at bill.marx@house.mn or 651-296-7176.