Office of
Governor Tim Walz &
Lt. Governor Peggy Flanagan

STATE OF MINNESOTA
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Governor Walz Releases Balanced Budget Prioritizing Working Families, Students, Small Businesses

Minnesota's Revised COVID-19 Recovery Budget accounts for recent economic forecast

March 18, 2021

[ST. PAUL, MN] – Governor Tim Walz today released his revised budget for the next biennium. Minnesota's Revised COVID-19 Recovery Budget accounts for the recent economic forecast released last month by Minnesota Management and Budget, while continuing to make smart investments to support Minnesota's working families, students, and small businesses and maintaining a full budget reserve.

"Minnesotans have met the challenges of COVID-19 pandemic as they always do when faced with hardship—with grit and resiliency," said Governor Walz. **"But we know that our students, working families, and small businesses have borne the brunt of this pandemic. That is why, with the recent good news that Minnesota now projects a positive budget balance, we're recommending additional investments to support working families, ensure students catch up on learning, and help small businesses stay afloat while driving economic recovery. Our revised budget also maintains a full state savings account by restoring $491 million to the budget reserve, so we can be prepared for whatever lies ahead."**

"Since the state now projects a budget surplus, we no longer need to use rainy day funds to balance the budget," said Minnesota Management and Budget Commissioner Jim Schowalter. **"Our budget reserve gave us time to withstand dire projections created by the COVID-19 pandemic, gather information on real impacts, and respond without making unnecessary or drastic cuts. Maintaining a full budget reserve allows Minnesota to continue to govern in a fiscally responsible manner and be prepared for whatever surprises are still ahead."**

The largest new investments in Minnesota's Revised COVID-19 Recovery Budget will support Minnesota's working families. The Governor's proposal includes tax relief for Minnesotans who received unemployment benefits during the pandemic, expands the renter's property tax refund, increases eligibility for the Working Family Credit, and includes a Earned Sick and Safe Time proposal to ensure that workers can accrue up to 48 hours per year of paid leave.

"We know that not every Minnesotan was equally affected by this pandemic. We've been intentional to center those Minnesotans who have been most impacted by the devastating losses of the pandemic," said Lieutenant Governor Peggy Flanagan **. "The additional tax relief in Minnesota's Revised COVID-19 Recovery Budget helps children and families get by and delivers much-needed support those who deserve our help. We will not cut our way to prosperity. These investments ensure we don't just get back to normal but get back to better for all Minnesotans."**

Additionally, the revised budget gives small businesses the support they deserve. Minnesota's small businesses and workers are bearing a large burden of the COVID-19 pandemic in order to protect their entire community amid restrictions that have saved lives. Governor Walz's budget includes modified conformity for the Shuttered Venues grant and the Paycheck Protection Program, both of which have been valuable lifelines to Minnesota's small businesses. The Governor's proposal would exclude the first $350,000 from income for forgiven loan amounts. Approximately 90% of the loans received in Minnesota are under that threshold and will receive the full tax exemption. This will ensure that Minnesota's small businesses remain an economic engine for communities across the state.

"Throughout the past year, Minnesota's small businesses have made enormous sacrifices to their bottom lines for the good of our state, and the Paycheck Protection Program has been a lifeline for many small businesses," said Department of Revenue Commissioner Robert Doty. **"Minnesota's Revised COVID-19 Recovery Budget includes a targeted and fiscally responsible approach to ensure that Minnesota's small businesses won't have to shoulder tax burdens on important programs."**

In February, Minnesota Management and Budget released an economic forecast showing that there is no longer an anticipated shortfall for FY 2022-23, and Minnesota now projects a positive balance of $1.6 billion because of a higher revenue forecast, lower state spending, and an increased surplus for the current fiscal year.

Along with additional investments to support working families, students, and small businesses, Governor Walz's revised budget makes adjustments to revenue recommendations. The revised budget removes the recommendation on increasing the cigarette tax and the correlating moist snuff tax. The revised budget also lowers the initially-proposed increase on the current corporate franchise tax rate from 11.25% to 10.8%.

Minnesota received approximately $2.6 billion in flexible federal funding from the American Rescue Plan, signed into law by President Joe Biden on Thursday, March 11. The State is currently working through the budgeting process regarding that funding and will announce plans for the funding at a later date.

For more on the additional investments and changes included in Minnesota's Revised COVID-19 Recovery Budget (/governor/assets/2021%20Fact%20Sheet_Minnesota%27s%20REVISED%20COVID-19%20Recovery%20Budget_tcm1055-472843.pdf), visit https://mn.gov/mmb/budget/current-budget/governors-budget-recommendations/ (https://mn.gov/mmb/budget/current-budget/governors-budget-recommendations/) .

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