

**GOVERNMENT RELATIONS UPDATE**

ADVOCATING FOR MINNESOTA'S HOSPITALITY INDUSTRY

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By Hanna Zinn • Mar 07, 2025

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**Happy Friday** and my sincere apologies to anyone who put their snowblowers away following my newsletter last week. I guess March did come in like a lion, at least briefly. While the weather forecast for the next week looks like a return to above normal temperatures, the recent state budget forecast paints a grimmer outlook for budget negotiations in the legislature. These negotiations will take place behind closed doors, and against some tight committee deadlines. I've got all the information and more in this week's update.

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## Session Snapshot



**The big picture:** Minnesota Management and Budget released their [February Forecast](#) yesterday, giving an economic outlook on the next 5 years. The forecast showed economic uncertainty in the upcoming years, setting the legislature up for tough budget discussions.

**Why it matters:** While the economic forecast is only an estimate of the state's budget for the next few years, it provides valuable information for legislators to begin negotiating budget targets for this year. Committee deadlines were announced last week, setting the first and second deadlines for April 5<sup>th</sup>, and the final deadline April 11<sup>th</sup>.

**Go deeper:** The [full forecast](#) projects an estimated \$456 million in surplus dollars for the 2026-27 budget year – a drastic decrease from the more than \$17 billion lawmakers had to work with in the last biennium. The budget projection is based on recent developments at the national level that the office says creates uncertainty in federal aid the state depends on.

**What they're saying:** In a [press conference](#) following the presentation of the forecast, Governor Walz and DFL leaders said uncertainty in national economic policy is causing chaos in state budgets across the country – and discussed possibly having to return to session this fall if the economy worsens.

- Republican leaders said the DFL trifecta spending spree last session has led to the unbalanced budget, but the party leadership is willing to work with the DFL to pass a balanced budget this year.

**What's next:** Legislative leaders announced budget targets would be revealed April 1<sup>st</sup> in the House, and April 5<sup>th</sup> in the Senate, setting up a very tight turnaround for bills to be heard in committee. The state legislature is constitutionally required to pass a budget and adjourn by May 19, 2025.

**One fun thing:** Hospitality Minnesota testified this week in the House Taxes committee in favor of the Restaurant Capital Equipment Sales Tax exemption.

- Watch the hearing [here](#), testimony on the bill starts at 1:15:00

**Why it matters:** Minnesota state law presently provides a sales tax exemption for manufacturing equipment used to produce products that are later resold and taxed at the point of sale. Many of our members manufacture meals, which are then sold to the consumer and taxed at the point of sale.

**Zoom in:** According to recent quarterly survey findings, fielded by Hospitality Minnesota, the Federal Reserve Bank of Minneapolis and Explore Minnesota Tourism:

- Over 60% of businesses say price inflation for goods and services is the biggest challenge to operation.
- Wholesale price hikes are still higher than final/retail prices

**What's next:** The bill, [HF859](#), was laid over for possible inclusion in a future tax omnibus bill.

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**Did you know:** Registration is still open for both the [National Restaurant Association's Public Affairs Conference](#) (April 1-3) and the [American Hotel and Lodging Association's Hotels on the Hill](#) (May 13-14).

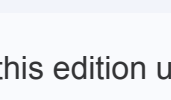
- **Act now:** Early-bird pricing for the NRA's [Public Affairs Conference](#) ends today!

- **Questions?** Reach out to [Hanna](#) for more information.

**Thank you reading!** Check out past [GR Updates](#) here.

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