



REVISED

# MINNESOTA'S



## COVID-19 RECOVERY BUDGET

Minnesotans have met the challenges of COVID-19 pandemic as they always do when faced with hardship—with grit and resiliency. Now, as we look toward the future, Governor Walz and Lieutenant Governor Flanagan are ready to confront challenges we face today while investing in the future to ensure we emerge from this crisis stronger than before.

Our state's budget projections show good news for Minnesota, proving that the measures the Governor and Lieutenant Governor took during the pandemic both saved lives and protected the economy. But we know that the COVID-19 pandemic hit working families, students, and small businesses particularly hard. **Minnesota's Revised COVID-19 Recovery Budget accounts for the recent economic forecast while continuing to make smart investments to support our working families, students, and small businesses.**

Minnesota's Revised COVID-19 Recovery Budget includes the following additional investments to support working families, ensure our students catch up on learning, and help small businesses stay afloat while driving economic recovery.

### SUPPORTING WORKING FAMILIES



#### Support Minnesotans Who Received Unemployment Benefits

The COVID-19 pandemic has impacted every Minnesotan across the state, but not every Minnesotan has been hit by the pandemic equally. Thousands of Minnesotans experienced job loss because of the pandemic and relied on unemployment insurance this year. Minnesota's Revised COVID-19 Recovery Budget provides tax relief for those Minnesotans.

Taxpayers who received unemployment insurance benefits in tax year 2020 will be allowed a subtraction of up to \$10,200 for taxable unemployment benefits. Over 500,000 households will receive relief with an average reduction in tax of \$486 in 2020.



### **Expand Renter's Property Tax Refund**

The Renters Property Tax Refund provides a property refund to over 300,000 households throughout the state by refunding a portion of the property taxes that renters have paid through their rents. The credit is targeted to low-income households and those on fixed incomes. The Governor proposes expanding the

Renter's Credit by increasing the maximum refund available, lowering the income threshold percentages, and reducing the copay percentages. With these changes, over 90% of claimants of the Renter's Credit would receive an increased refund, with an average increase of approximately \$127. It is also estimated that approximately 10,000 new claimants would become eligible and file for a Renter's Credit.

The Governor's proposal also includes a provision to exclude veterans disability compensation from the amount of household income used to determine property tax refunds, which would increase refunds to eligible homeowners and renters receiving veterans' benefits.



### **Expanding Minnesota's Working Family Tax Credit**

The Minnesota Working Family Credit is a state tax credit for low- and moderate-income working households that currently boosts the incomes and alleviates poverty for more than 300,000 Minnesotans.

In this revised budget, the Governor proposes to significantly build on the known successes of the Working Family Credit while addressing gaps in its current structure. The original budget proposal incorporated an expansion to increase the amount of the credit for all currently eligible Minnesotans and to expand eligibility for Minnesotans who file tax returns with Individual Taxpayer Identification Numbers. The Governor's revised budget would expand eligibility to 19- and 20-year-olds; expand the tax credit for low-wage working adults who do not claim dependents; and increase the maximum credit amounts and phase-out rates for each of the brackets.

Under this proposal, approximately 345,000 currently eligible and newly eligible households would see an average increase in the tax credit of approximately \$209, and approximately 26,000 newly eligible tax filers ages 19 and 20 would see an average refund of \$165.



### **Ensure Earned Sick and Safe Time**

The COVID-19 pandemic has reminded us how critically important it is for people to stay home from work when they are sick. Workers who go to work sick risk spreading illness to coworkers, customers, and the public. But too many Minnesotans don't have access to paid sick leave and are forced to choose between going to work sick

and paying their bills. The Earned Sick and Safe Time proposal would ensure that workers can accrue up to 48 hours per year of paid leave for when they need to recover from an illness, go to a medical appointment, care for a child during a school closure, or get care and assistance due to domestic assault, stalking or sexual assault.

## SUPPORTING SMALL BUSINESSES AND DRIVING ECONOMY RECOVERY



### **Give 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 our 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.

## ENSURING STUDENTS CATCH UP ON LEARNING



### **Provide School Districts with Compensatory Revenue due to Pandemic Loss**

Governor Walz's budget prioritizes maintaining funding for students who need more supports by providing \$68 million in one-time funding to reduce the financial hardship incurred by school districts and charter schools. Students are currently receiving free meals under a federal program, and there is a burden of paperwork to qualify for free/reduced priced meals during distance learning. This proposal keeps schools and programs whole.



### **Expand Access to Tutoring Services**

Governor Walz's budget invests \$3.25 million in FY 2021 and now \$5 million ongoing to expand access to tutoring services including academic enrichment, mental health supports, and other wrap-around services for K-12 children by partnering with experienced community organizations to deliver tutoring and increasing access to enrichment opportunities.



### **Provide Non-Exclusionary Discipline Professional Development**

Increase student success through the creation of an engaging climate for students by now providing \$10 million over the biennium to fund professional development opportunities for educators on non-exclusionary disciplinary practices. These practices support ending the disproportional impact of discipline on students of color and Indigenous students.

## MAINTAINING FISCAL STABILITY



### **Maintain a Full Budget Reserve**

Minnesota's budget reserve gave the state time to withstand dire projections created by the COVID-19 pandemic, gather information on real impacts, and respond without making unnecessary or drastic cuts. Since the February Budget and Economic Forecast projects a surplus, the state no longer needs to use \$1 billion of the budget reserve to balance the budget.

Governor Walz's Revised COVID-19 Recovery Budget also restores \$491 million to the budget reserve. Maintaining a full budget reserve allows the state to continue to govern in a fiscally responsible manner and be prepared for whatever surprises are still ahead.