

# 2025 First Special Session



## Special Session Logistics

Legislators knew, as the final day of session ended without the work being finished, they'd be coming back for a marathon special session to complete the setting of the state budget. Working groups and Chairs met to negotiate agreements prior to the Governor's call to return. Ultimately, the four caucuses agreed to hear and pass 14 bills – many of them were omnibus bills covering an entire budget area, but a few – such as the data center tax exemption and the end of healthcare for undocumented adults – were singled out for standalone discussion. All 14 bills passed both chambers in under 16 hours.

## 2025 Regular Session Recap

3,347 bills introduced in the House.

3,546 bills introduced in the Senate.

39 bills enacted into law.

Any bill not passed is considered viable for the 2026 session.

## Budget

- The \$66 billion budget was approved by the legislature on June 9. It will now go to the governor for signature.
- This is an 8% decrease from previous budget.
- Passing the budget now avoids the looming government shutdown on July 1.
- The legislature began the year at a projected \$6 billion deficit in fiscal years 2028-2029.
- They lessened the impact a bit by reductions in health and human services spending and increasing the tax on cannabis from 10% to 15%.



## Bonding



- The legislature passed a \$700 million bonding package of “cash” and “general obligation” bonds.
- The investments are focused on wastewater treatment and transportation needs, as well as asset preservation on higher education campuses.
- Additionally, some bonding dollars were spent in the Transportation bill on a narrow list of projects.
- No project-specific bonding allocations were made in 2025. Expectations are for a project-heavy bonding proposal next year, not coincidentally, an election year.

## Taxes

- A social media tax, and the tax treatment of mega data centers were at the heart of the Tax bill negotiations.
- Ultimately, the tax exemption for data centers was extended to 35 years, and the electricity use tax was repealed.
- No additional taxes were raised beyond the cannabis tax.
- No extensions or expansions of special TIF districts.



## Changes to PFML & ESST



- The premium cap for Paid Family & Medical Leave was reduced to 1.1% (from 1.2%) and will launch at 0.88%.
- Employers may deduct from paychecks beginning Jan. 1, 2026.
- Employers may now request “reasonable notice” for employees planning to take Earned Sick and Safe Time (ESST) leave, so long as the policy is written in the employee handbook. Employers may also request reasonable documentation for missing three or more consecutive days, and employers may advance sick time to an employee who has not yet accrued sufficient hours to take ESST.

## Education

- Education funding holds steady for two years, with the inflation increase remaining from last session.
- Reductions were found in cuts to charter school aid and special education transportation reimbursement, among other teacher pipeline programs and library aid.
- The bill provides a one-time increase to compensatory revenue of \$55.6 million.



## Additional Special Session?

Caucus leaders project a potential return to the Capitol sometime this fall or winter, to deal with the aftermath of expected federal budget cuts.

