

Legislative Update –Water Related Legislation—2025 Session
Subcommittee on Minnesota Water Policy

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This summary is based on my analysis as well as session recaps from non-partisan Legislative staff, the Clean Water Council and the Freshwater Society.

Minnesota’s 2025 legislative session ended with progress for state water policy and funding. The regular session ended on May 19, with work left to accomplish, requiring a special session to finalize bills and the two-year state budget. On the morning of June 10, the Legislature concluded a one-day special session, passing 14 bills that have since been signed into law by Governor Walz. Highlights regarding some of the water-related legislation are as follows:

Bonding Bill: A bonding bill had not been passed since 2023, leading to a backlog of deferred drinking water, stormwater and wastewater projects. Water infrastructure is critical to support public health, and the economy and project costs increase each year if they are not funded. The Capital Investment bonding bill (HF18/SF21) passed during the 2025 Special Session. In the bill, \$176 million total was allocated for the Public Facilities Authority (PFA) programs. HF18 passed the House and Senate with the required supermajority votes. The bill included \$87 million for the PFA’s Water Infrastructure Funding Program; \$32 million for the PFA’s Point Source Implementation Grants Program; and \$18 million for a new Emerging Contaminants program meant to fund water system upgrades for contaminants like the forever chemical (PFAS). No funding for CREP was included in HF18.

Omnibus Agriculture bill (HF2446/SF2458): The Omnibus Agriculture Bill included a \$75,000 appropriation to conduct a study of the practices and performance of the Olmsted County groundwater protection and soil health initiative (lines 6.10-6.25 of the bill). This program is being conducted by the Olmsted County SWCD and has been successful at incentivizing and educating farmers to implement practices that can reduce nitrate, such as cover crops, small grains and haying or grazing. Since 2023, the program has reduced about 295,000 pounds of nitrogen and could serve as a model for other parts of the state.

Additionally, the Omnibus Agriculture bill establishes a pilot program for Biofertilizer Innovation and Efficiency (lines 71.21-72.26) and appropriates \$250,000 in FY26 and FY27 to establish and administer the program. Coordinated by the Minnesota Department of Agriculture and the University of Minnesota, the program intends to improve water quality by incentivizing farmers to reduce nitrogen fertilizer use through biofertilizers and innovative technologies. It provides a per-acre payments to farmers who reduce nitrogen by 15 percent or 30 pounds per acre. Farmers must reside in one of the specified counties (mostly in southeastern, central and southwestern Minnesota), document their nitrogen reductions and methods, and enroll at least 40 acres.

Section 4 (17.117, subdivision 3) raises the maximum statutory amount the PFA can appropriate from the clean water revolving fund for the agriculture best management practices loan program from \$140,000,000 to \$280,000,000. Section 11 (18B.26, subdivision 8) amends the PFAS prohibitions so the subdivision no longer applies to cleaning products as defined in section 18B.01, subdivision 4d, and would instead apply to products listed in section 116.943.

Omnibus Tax bill (HF9/SF20) – The tax bill did not include increases for SWCD aid and the aid will remain at \$12 million per year. SWCD’s have historically been funded at insufficient levels and the Clean Water Fund provided supplemental support in recent years. In 2023, the Legislature created an SWCD aid fund with \$30 million for FY 24-25 (\$15 million per year) and \$12 million per year in FY

26-27. It was appropriate to shift base funding for SWCD's to the General Fund, but this resulted in a significant reduction in services that are key to achieving state water goals.

Omnibus Legacy Finance bill (HF2563/SF2865). The Clean Water Council proposed its FY26-27 funding recommendations early in the session and they were incorporated into the bill. These included a number of key items such as the private well initiative (MDH), aquifer monitoring for water supply planning (DNR), conservation equipment assistance (MDA), chloride reduction efforts (MPCA), and accelerated implementation of watershed plans (BWSR). On May 18, the House and Senate voted for the bill and on May 21, Governor Walz signed the bill into law. The only change to the Clean Water Fund's portion of the bill was a requirement for the Clean Water Council to break out spending by fiscal year in its biennial recommendations. One of the major issues of contention going into the 2025 Legislative Session was protecting the integrity of the state's constitutionally dedicated funds, including recommendations made by the Legislative-Citizen Commission on Minnesota Resources (LCCMR) and the Clean Water Council.

Omnibus Environment Finance bill. The reauthorization of the Environmental and Natural Resources Trust Fund (passed by 77 percent of voters in November) included an additional 1.5 percent of the fund to be annually directed to a new Community Grants Program through the Minnesota DNR. As before, 5.5 percent of the fund continues to go toward LCCMR projects. The Omnibus Environment Finance bill (HF8/SF3) passed during the special session. The bill includes LCCMR funding recommendations, and the Community Grants program funded fully at \$28.18 million. An advisory council oversees the Community Grant Program funds. State agencies and the University of Minnesota can't receive these funds, and the DNR is required to report back to the Legislature, by December 15, 2025, on its plans to implement the program. Intended to provide grant access to new and smaller organizations, the program became a point of contention with a House proposal that would have redirected 95 percent of Community Grants funding to other projects.

In addition, the bill contained the following:

Article 4 – Environment and Natural Resources Policy Section 1 required the DNR to ensure that its work is carried out in a manner that facilitates enhanced outreach to all Minnesotans and that its interactions with the public include audiovisual communication components that do not rely exclusively on written forms of communication.

Section 4 authorizes peace officers to tag abandoned watercraft and requires the DNR to notify the registered owner that the watercraft has been tagged. It requires the DNR to seize and forfeit the watercraft if the condition that led to its tagging has not been remedied within 14 days. Makes the owner criminally and civilly liable for abandoning the watercraft.

Section 5 [Watercraft Surcharge Increases] increases the aquatic invasive species surcharge for watercraft effective January 1, 2026. It Replaces the current surcharge (\$10.60) with a surcharge that varies based on the size, type, and use of the watercraft.

Section 15 increases water-use permit fees, effective January 1, 2026. Section 16 increases the water appropriation permit application fee, effective January 1, 2026.

Section 17 Extends the statutory appropriation of money from the closed landfill investment fund by four years (from 2025 to 2029) and increases the annual appropriation from \$4.5 million to \$6.5 million.

Section 20 exempts from the prohibition on selling items that contain intentionally added PFAS items that contain PFAS only in internal components. Section 21 exempts PFAS-containing firefighting foam used in fixed firefighting systems at airport hangars from the ban on PFAS-containing firefighting foam. This exemption expires on January 1, 2028.

Section 28 [Repealer] repeals a drainage-related reporting requirement and, effective January 1, 2026, repeals the shotgun zone.

Article 6 – Environmental Permitting Reform Section 1 modifies PCA permitting efficiency requirements in various ways. It requires a PCA annual permitting efficiency report to focus on the more complicated Tier 2 permits and include additional information about permits that have not met the statutory goal, as well as other modifications. It also requires the PCA to give permit applicants five business days to remedy identified deficiencies in permit applications. Section 2 authorizes the PCA to decline providing expedited permitting when it lacks the staff or contractor capacity to provide it. In addition, it authorizes expedited permitting agreements. Section 3 requires signatories to a petition for a discretionary environmental assessment worksheet (EAW) to reside in the county in which the proposed action will be undertaken or in one or more adjoining counties. Section 4 authorizes a local government unit to begin reviewing a feedlot permit application that is subject to environmental review before environmental review has begun. Section 5 requires the Environmental Quality Board (EQB) to amend its rules to remove the requirement to produce a scoping EAW where state law mandates the creation of an environmental impact statement (EIS). Section 6 states that the intent of the article is to balance the state's economic interests with the protection of the state's environment and natural resources. Section 7 requires the Board of Water and Soil Resources (BWSR) to report on the number of extensions of certain local government wetland-related decisions made during a two-year period.

Additional water-related legislation:

Data centers house a technology company's information technology hardware. They run the internet and mobile applications, and they are getting bigger and use more electricity, and more water as a cooling agent for their equipment. With an influx of proposed data centers, and other water-intensive development in Minnesota, the siting and design of these facilities is critical to the future of drinking water supplies and aquatic ecosystems. Rep. Kristi Pursell (DFL-Northfield) and Sen. Jennifer McEwen (DFL-Duluth) with bipartisan coauthors, introduced a water availability atlas bill ([HF2918/SF3015](#)). The bill proposed allocating \$300,000 to the DNR to work with the Minnesota Geospatial Information Office to develop a siting methodology for large water users. While the bills received hearings in both bodies they were not included in the Omnibus Environment Bill. However, the Omnibus Environment Bill included funding for a GIS platform to identify sites with the least amount of conflict for complex development projects.

Rep. Patty Acomb (DFL-Minnetonka) was a lead legislator focusing on data center issues as co-chair of the House Energy Finance and Policy committee. Rep. Acomb, Sen. Ann Johnson Stewart (DFL-Plymouth) and others co-authored [HF3007/SF3320](#), which proposed a suite of provisions for increased oversight of water-intensive projects and laid the groundwork for a data center bill that passed during the special session.

Data Center bill ([HF16/SF19](#)) – The special session agreement between leaders included a standalone data center bill, [HF16](#). This bill included energy and water provisions, as well as definitional and policy provisions around hyperscale data centers, and it passed the House 85-43 and the Senate 40-6. In one of its final acts of the 2025 special session, the House passed a bill setting environmental and energy regulatory requirements for data centers and modifying their sales and use tax exemptions. Sponsored by Rep. Greg Davids (R-Preston), SSHF16 was passed 85-43 and sent to the Senate where it was passed 40-26 and was signed by the Governor. Among the bill's provisions, it would:

- establish annual fees linked to a large-scale data center's peak electricity demand of between \$2 million and \$5 million.
- extend the state's sales tax exemption for software and information technology equipment to large-scale data centers to 35 years.
- require pre-application evaluation of projects using more than 100 million gallons of water per year and setting permit conditions.
- institute prevailing wage requirements for laborers and mechanics constructing or refurbishing large-scale data centers.
- require data center inquiries to be referred to the Department of Employment and Economic Development's Minnesota Business First Stop program.
- allow the Public Utilities Commission to approve, modify or reject tariff or energy supply agreement with a data center.
- require each public utility to offer a clean energy and capacity tariff for commercial and industrial customers.
- include large-scale data centers in the state's solar energy standard.
- exempts large-scale data centers from requirements under an energy conservation optimization plan; and
- establish that large-scale data centers must attain certification under one or more sustainable design or green building standards.

HF16 also created a formal DNR preapplication review process for data centers planning to use over 100 million gallons of water annually. The evaluation is required before a permit application is filed. HF16 establishes permit conditions for water use permits for data centers consuming more than 100 million gallons of water per year. These conditions include requiring protection for public welfare, water conservation practices, and conflict resolution for water use; an aquifer test can also be required as needed.

Chloride/smart salting legislation: A bill was introduced this year (HF793/SF492) with bipartisan authors to grant limited liability protection for certified applicators who complete MPCA smart salt training. The bill was similar to proposed legislation in recent years, but it did not receive a hearing this session.

Anthony Falls Cutoff Wall Study extension – An extension of this study to 2026 was included in the Omnibus State Government bill, HF2783/SF3045.

Infrastructure Advisory Council repealed – SF3045 repealed the new Infrastructure Advisory Council.

Minnesota Geological Survey funding: Earlier in session, the Senate Omnibus Higher Education bill zeroed out the Minnesota Geological Survey's base funding. Ultimately this reduction was not included in the final Higher Education agreement.

Sustainable aviation fuel: During the regular session, an agreement was reached between industry, agriculture groups, environmental stakeholders, and state agencies on policy regarding eligibility for the Sustainable Aviation Fuel (SAF) tax credit. These eligibility requirements were based on feedstocks and lifecycle emissions. However, this SAF policy was not included in the final Tax bill (HF9) that passed during the special session. The only SAF item in the tax bill is an extension of availability for the existing credit.

PFAS: There were a number of proposals this session to loosen PFAS restrictions under Amara's Law such as exemptions for cookware and other nonessential uses. The Omnibus Environment bill

includes a few minor changes to PFAS policy, including extensions for airport hangars as they work to switch over from Class B firefighting foam, exempting internal components in existing banned products until 2032, and exempting juvenile ATVs and OHVs from the “juvenile products” category.

Drinking Water: Support for private well owners and continued nitrate contamination mitigation. Unsafe levels of nitrate and other contaminants in drinking water are a serious health concern across Minnesota, especially in the southeastern part of the state where the karst geology makes groundwater particularly vulnerable to land-use practices. A nitrate mitigation bill ([HF821/SF1183](#)) introduced by bipartisan authors and coauthors had a \$3.866 million appropriation in FY26 and FY27 for reverse osmosis, well repair and well reconstruction of private drinking water wells with nitrate levels above 10 milligrams per liter. Targeted to southeastern Minnesota counties, this work would have been shared between the Department of Agriculture and the Department of Health. This appropriation was not included in the Omnibus Agriculture bill.